THE INDIAN CO-OPERATIVE REVIEW

Vol. VI APRIL—JUNE, 1940 No. 2

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EDITORIAL NOTES

OUR SYMPATHY WITH CO-OPERATORS IN EUROPE

April-June 1940 has turned out to be a quarter of undreamt of disasters to the Co-operative Movement in Europe. One by one, the countries which were exemplars in agricultural and industrial co-operation have fallen victims to Nazi aggression, in most cases unprovoked. Denmark and Holland were names to conjure with in the field of co-operative dairying and a variety of other joint enterprises, and no co-operative pilgrim considered his tour in Europe complete without a visit to some scenes of co-operative activities in these two little countries. Belgium and Norway, though later in the field, had very well developed consumers' organisations along with agricultural co-operatives. France had experimented earlier and built up special types of societies like the agricultural syndicats and industrial workers' societies—though their development was neither so extensive nor intensive as of the types in northern countries. All of them now lie prostrate under the heel of the Nazis.

Though France was the only country which had declared war against Germany, the smaller States had by no means an easy time of it even before they were over-run and subjugated, with or without resistance. The big British market which the Danish and Dutch co-operators producing butter, bacon and eggs had been supplying for over fifty years had a few years ago been partially closed to them by the policy of Imperial, if not national, self-sufficiency of Great Britain. The war meant more risks in exporting and importing goods not only on British bottoms but even on the Danish and the Dutch vessels, in spite of their pathetic protestations of neutrality. These perils of the sea were only preludes to the devastating annexation or subjugation of these pretty little peaceful countries. Denmark by her meek submission has perhaps suffered less material damage, but we wonder whether her co-operatives are allowed any freedom to function and whether her carefully accumulated stores of food products and her splendid livestock have been spared by the new rulers, who had been for long hungering for such supplies. The other four countries which put up a fight for some time but finally succumbed could have less claim to protection at the hands of the conquerors. Indeed no co-operator of any school of thought had ever disguised his hostility to the Fascist doctrines and methods, which are so diametrically opposed to the democratic and peaceful outlook of Co-operation. Apart from any wanton loot or deliberate destruction, co-operative institutions would have had to suffer from the widespread damage inflicted by air-raids or coastal bombardments of populous centres like Namsos in Norway, Rotterdam in Holland, Brussels in Belgium and the industrial cities of Northern France.

Very little news reaches us of the effects of the new regime on co-operative institutions. The co-operative press has been muzzled and the International Co-operative Alliance, which has spared no effort to get at facts, has not been able to ascertain and report what exactly has happened, except stray incidents like the closing of Denmark's biggest margarine factory which was a co-operative factory.

Even in Britain some centres of co-operative activity have had to evacuate their citizens to the less populous neighbourhood and this sudden shifting of population should have meant a great deal of loss and disturbance to the well established retail co-operative shops—not to speak of the air-raid damages already inflicted and impending on the buildings and machinery of several societies.

On behalf of co-operators in India we express our profound sympathy with all those co-operators in Europe who have suffered heavy damages and been deprived of their freedom and right to carry on their co-operative activities. Whatever the material destruction wrought so far we are sure that the spirit of co-operation which has established itself in the hearts of thousands of men and women in Europe will triumph ultimately and we hope the day of deliverance will not be far off when co-operators will begin to rebuild their organisations anew and inaugurate " a new era of peace based upon the co-operative principles of Free Association, Democratic Government and Equitable Distribution of Resources of the World."

If Britain is the last bastion of freedom claiming to liberate the rest of the world, it is up to her, in the words of the Editor, *the Co-operative News* *, " to put her own house in order, at home and in the Empire. There is much to do that should have been done years ago...... And is this not the hour for a just and generous settlement with the leaders of the Indian opinion, basically with us, yet unhappily aloof from active and vigorous participation in the fight for democracy ? "

* *Co-operative News*, Manchester, June 22, 1940.

THE INDIAN FINANCE ACT, 1940 AND CO-OPERATIVE SOCIETIES

At last something has been done by the Government of India to remove the long standing anomaly in the matter of levying super-tax on profits made by co-operative societies. Pointed attention was drawn to this anomaly by ourselves in the course of a debate on the Income-tax Bill in its final stages in the Council of State. While joint stock banks, which are treated as companies within the meaning of the Indian Incometax Act, are assessed to supertax at a flat rate of one anna in the rupee, co-operative banks, which are classified as associations of persons were being assessed to supertax on a rising scale from one anna to seven annas in the rupee. On this basis the Provincial Co-operative Banks in India and some of the central banks paid larger amount of supertax than joint stock banks, which made the same amount of profit, under the Act. The attempt made by us in 1939 to get a suitable provision embodied in the Incometax Act to place the co-operative banks at least on the same position as joint banks, however, failed.

When the matter was pressed upon the attention of the then Finance Member, Sir James Grigg, in the Council of State by tabling amendments to the Incometax Bill, he made a fairly sympathetic reply and concluded by saying, " in so far as there is a case I give him (Mr. Pantulu) the assurance that we will do our best to meet it and I would ask him therefore to withdraw his amendments and not to press them at this stage." The matter was not allowed to rest there, and representations were continued to be made to the Central Government and the Central Board of Revenue on behalf of the co-operative banks by the Standing Committee of the Indian Provincial Co-operative Banks' Association. The Central Government have now afforded relief by adding a proviso to section 7 of the Finance Act, 1940 which deals with incometax and supertax to the following effect:

> "Provided that in the case of an association of persons being a co-operative society........for the time being registered under the Co-operative Societies Act, 1912 or under an Act of the Provincial Legislature governing the registration of co-operative Societies, the rates of super-tax for the year beginning on the 1st day of April 1940, shall be:
>
> 1. On the first Rs. 25,000 of total income — *Nil.*
> 2. On the balance of total income — *One anna in the rupee."*

So, while in regard to incomes below Rs. 25,000 co-operative banks are exempt from supertax, in regard to incomes over Rs. 25,000 they are now in the same position as joint stock banks.

The Finance Act is enacted annually and the relief now afforded will not continue unless the provision is repeated in the Finance Bill year by year. This is an extremely unsatisfactory position. We therefore hope that the Government of India will take an early opportunity to incorporate suitable amendments in the Incometax Act itself to recognise co-operative banks as a separate class of assessees by themselves and to place them at least in the same position as joint stock banks with reference to supertax.

There are other directions in which the co-operative banks are entitled to relief under the Income-tax Act. The so-called exemption of 'business profits' of co-operative societies from incometax under notifications of the Government of India has in practice been nullified. In taking advantage of the indefinite and vague nature of the notification, the Incometax authorities have restricted the exemption of profits of co-operative institutions only to those on loans advanced by them to their members and denied the benefits of the exemption for profits earned in other ways. In different provinces the incometax authorities follow different systems of assessment and differ in their views as to the scope of the exemption. We therefore suggest that business profits of co-operative societies should be explicitly defined so as to include income from deposits which are required to be made by rules and regulations under which they work.

SIR T. VIJAYARAGHAVACHARYA'S ADDRESS AT THE U. P. CONFERENCE

We draw, with pleasure, the attention of our readers to the delightful address that Sir T. Vijayaraghavacharya delivered as President at the 23rd United Provinces Co-operative Conference held at Meerut last April, the proceedings of which are published in this issue of the Review. A clear insight into the main problems which co-operators have had to face in Madras, where he presided over a Committee of Enquiry which finished its labours only last April, and a keen sympathy with the lot of the agriculturists all over India have characterised all his recent utterances; but the one under review is more remarkable for these qualities. He finds no use for authoritarian views which take little account of the realities of the situation in this country. This is illustrated by his treatment of what he calls 'the boom in the multipurpose business' created by the bulletins of the Reserve Bank of India. Sir Vijayaya wonders whether the miracle of changing the peasant's whole psychology of life could be performed merely by the concentration of several functions in one society. "Is it not the law of life," he asks, "that as more and more varied functions have to be performed, there must be more and more specialised organs?" If the existing bylaws provide for the

society undertaking several functions other than credit and still several societies do not take them up, "it was because the natural resources were lacking or the men with the necessary resource, initiative and ability were not there."

He is not, unlike Mr. C. F. Strickland whom he quotes with approval for other reasons, afraid of the tendency of a multi-purpose society to pass into the hands of an 'educated oligarchy.' He is anxious to utilise the generous enthusiasm of educated young men, specially trained for co-operative service, in the organisation of some central multipurpose societies, each to serve a number of villages. Naturally these will have to adopt limited liability, whatever orthodox co-operators might say. He deprecates rigid adherence to the old rule, if in practice unlimited liability does deter the richer ryot from throwing in his lot with his poorer fellows. We entirely agree with this view of Sir Vijaya; we only demur to the observation he makes that the Telugu co-operator wants limited liability, while the Tamil swears by the pure Raiffeisen creed. An analysis of the votes of the members of the Committee of Enquiry, and even more the answers submitted to the Questionnaire, will dispel the idea that the cleavage on the question of liability is an Andhra *v.* Tamil issue. The Andhras were in a clear minority in the Committee and yet the Committee decided by a majority in favour of making limited liability the rule and unlimited liability the exception. The resolution about unlimited liability being the normal rule was, at the 13th Registrars' Conference, saved by the casting vote of the Chairman. It shows the diversity of opinion in other provinces too.

Sir Vijayaraghavacharya points out the limits to the concentration of functions and draws attention to the opposite tendency, the separation of functions. Long term credit is no longer recognised as the function of village credit societies, though for a quarter of a century there was no clear recognition of the need for separation. Marketing credit has recently been separately provided for in sale societies in several provinces. Further decentralisation has been favoured in the organisation of separate societies for growers of sugarcane, fruits, cotton, groundnut and for producers of honey, eggs and ghee. In fact, special praise is due to the United Provinces for the splendid achievements of the ghee societies and sugarcane growers' societies. Would any one now advocate the amalgamation of all these types of societies in the vain hope of changing the entire psychology of the Indian peasant?

Co-operators in Madras will be thankful to Sir Vijayaraghavacharya for his reference to "a province (which) is able to claim that not one of its district central co-operative banks which finance the primary agricultural credit societies has crashed, while during the same period (the years of depression) no fewer than 44 joint-stock banks have closed their doors." But we do not quite agree that there is any marked deterioration in the average quality of co-operative societies, that enthusiasm for co-operative work is waning in the country as a whole and that the younger generation do not as a class evince any desire for co-operative work. After the first flush of enthusiasm and the series of failures, due partly to careless organisation by the older generation and partly to the long and widespread depression, there is naturally more of the critical spirit in the younger generation among whom, however, there are as many enthusiasts as cynics.

SHRI KRISHNA SINHA'S ADDRESS AT THE BIHAR CO-OPERATIVE CONGRESS

Shri Krishna Sinha, who was Premier in the Congress Ministry in Bihar, has delivered an address as President of the 22nd Bihar Co-operative Federation Congress, held at Hazaribagh in June last, which we publish elsewhere in this issue. The address would do credit to any veteran co-operator, though Mr. Sinha disclaims any active contact with the movement in the past. After formulating a co-operative programme for the future, he points out the most important causes of the breakdown of the Movement in Bihar: lending for consumption more than for production, loans from out of short-term deposits for the clearance of prior debts, absence of debt-free members in societies and indiscriminate organisation of societies. On the top of these came the depression. "Prices dropped to half in a night, debts doubled, credit went, crops were unsaleable and except for a box of trinkets the villager had little except debts to show for a period of prosperity which he had never seen before." Co-operative banks and credit societies suffered like other creditors as most of the debtors found it impossible to discharge their debts. Deterioration in many banks and societies and stagnation in the rest naturally followed. Rehabilitation of the movement has been talked about for over two years now. A Board of Experts was constituted by the Congress Government of which Mr. Krishna Sinha was head, but by the time the Board reported, the Government were on the verge of resignation, and soon resigned. The present Government—the Governor and his Advisers—do not need to satisfy any large party and could have come to a quicker decision. The delay in taking action is not easy to explain.

Mr. Sinha proceeds to deal at some length with the main recommendations of the Board of Experts, which by the way have not been published by the Government. He is not sure whether the wiping off of all arrears

of past interest and the reduction of the rate of future interest to 6¼% would by themselves meet the situation fully. He wants "a thorough assessment by competent and independent persons of the actual paying capacity of members and of the reduction of the capital amount of debts." It is no doubt necessary to have such a scaling down of debts, as most of the other Provinces in India and some of the Indian States have resorted to such legislation or are contemplating it. What is needed is a general debt relief legislation and not conciliation of debts of co-operators alone.

While Mr. Sinha appreciates the weeding out of undesirable and non-credit-worthy members—'eliminated members'—he fails to see why they should be asked to pay down their dues within five years while 'retained' members who are more solvent are permitted to repay in 20 years. We can only say that the distinction is based not so much on solvency as on the desirability of extending concessions to those who show no anxiety to repay and deserve credit in future.

Mr. Sinha seems to doubt the wisdom of separation of co-operative societies supplying long term and short term credit. He concedes it from the point of view of banking practice, but thinks the farmer would prefer to apply to a single society for all forms of credit and that a single agency would better judge his creditworthiness. We are afraid he is overstating the difficulties of the farmer and under-rating the disadvantages of a single agency dealing in all sorts of credit. The whole technique of raising debenture funds and administering loans and recovering them in a period of years is so different from the simple ways of Raiffeisen credit, that nowhere has the separation of the two types of credit been questioned. This does not mean that some sort of understanding between different co-operative institutions is not necessary.

We agree with Mr. Sinha that the building up of a co-operative ideology is entirely lacking. Education in the fundamental principles and sound practices of co-operation is essential for all those who are in the movement. But the Co-operative Federation of Bihar has been languishing for want of support by non-official co-operators and institutions as well as by the Government. As he says, the movement in other countries is served by strong central organisations for imparting education, collecting and supplying information, and organising new types of societies and even undertaking audit and inspection. Why should our central educational bodies be allowed to grow so anaemic by co-operators, even if the Government with bureaucratic traditions will not recognise them ? Self-help is the watch word of co-operation and we are not disposed to blame the Government if co-operators will not help themselves.

The Congress at Hazaribagh did well in passing a single, simple resolution thanking the Government for financial assistance to the Bihar Provincial Co-operative Bank, but expressing its profound alarm at the inordinate delay in the reconstruction of the movement, at a time when private credit was shrinking and panic was spreading. The Congress was of the view that no useful purpose would be served by the discussion of any other matter until the decision of the Government on the fundamental question of reconstruction was announced. Will the Government come out with their decision without any further delay ?

MULTI-UNIT CO-OPERATIVE SOCIETIES

One of the subjects that engaged the attention of the Thirteenth Conference of Registrars of Co-operative Societies held at New Delhi in December last was the registration and control of multi-unit co-operative societies, that is to say, co-operative societies registered in one province but having operations over more than one province. The subject was pending before the Government of India for a long time, and attempts in the past to pass legislation to deal with such societies proved abortive. The Registrars' Conference appointed a Sub Committee consisting of the Registrars of Co-operative Societies of the Punjab, United Provinces and Bengal, Dewan Bahadur C. M. Gandhi and the Hon'ble Mr. V. Ramadas Pantulu to go into the question once again and suggest suitable measures afresh.

We publish elsewhere the proceedings of the Sub-Committee and the draft bill prepared by them. We hope that some speedy action will be taken by the Government of India on the recommendations of the Sub Committee.

The two all India Associations, *viz.*, the Indian Provincial Co-operative Banks' Association and the All India Co-operative Institutes' Association have not so far been registered under any enactment for the incorporation of co-operative societies in India. The Associations felt that there was no immediate need to register themselves under the Act in force in any one province and that the matter could await the passing of an all India legislation to deal with such societies. If the recommendations of the Sub-Committee are implemented and an Act to deal with multi-unit societies is enacted, the two all India Associations will then be appropriately registered under that enactment and thus given a permanent and assured place in the Co-operative Movement of India.

CO-OPERATION AMONG ARABS IN PALESTINE.

BY

C. F. STRICKLAND I.C.S. (RETD.)
OXFORD.

The Palestinian Arab is a man of independent and cheerful nature. He lives in stone-built villages of a type similar to those of the foothills in north-west India, cultivates wheat, barley, sesamum and millet, and keeps cattle and sheep in considerable numbers but with little profit. Olives and almonds were always abundant in the hilly centre and north of Palestine, but bananas and oranges in the plains have only recently assumed importance for the Arab, since he has learned from the example of Jewish settlers how to grow them intensively. Before 1914, agricultural land had little value save in a few favoured spots, exports were small and debt light. In many cultivators the Bedouin spirit was still alive, and an incautious lender might find that his debtor had vanished into the sands of Arabia or across the Euphrates.

This position was radically altered by the British occupation and by the immigration of the Jews. As in India 100 years ago, land-tenures in Palestine were now defined; landed rights enforced by strong administration and legal decisions. Land immediately acquired value. Methods of improved cultivation were learned from Jewish farmers or British agricultural officers. The man of money was consequently willing to lend, and the Arab cultivator not less willing to borrow.

Two facts, which can be and have been tested on the spot, should be clearly realized: (1) the greater part of the Arab peasant's debt is post-war and recent; and (2) the great majority of his creditors are Arabs, not Jews. The cultivator borrows from his landlord or from the merchant who supplies him with agricultural or domestic goods, and it is only in the last few years that Jews, expelled from Germany, Poland, Austria or Czechoslovakia, have invested some of the capital, which they brought from their old homes, in loans to Arab neighbours in Palestine.

The legal maximum rate of interest is still 9 per cent under the Turkish law which has never been changed; but such a prescription is, as it always and everywhere is, entirely ineffective except in preventing the honest and moderate lender from dealing with clients whose security and character do not justify so low a rate. The Arab merchant, mindful of the Islamic prohibition (as he believes) of usury, charges no interest but inserts a fictitious sum in the bond which is annually renewed, if not paid, with further fictitious additions. The average real rate of interest amounts to 20 or 30 per cent, and such a rate is perhaps not excessive, in a land of uncertain harvests, so long as the borrower remains unorganized, unpunctual and evasive.

Another way of defeating the rule of maximum interest is to hand over to the borrower, apart from the actual cash or grain which he desires, a gold watch or some similar object of high price, which is recorded in the bond as sold and delivered to him, but is in reality returned to the lender through a third party before the borrower leaves.

It was plain to me, when examining the condition of the Arabs for the Palestine Government in 1930, that co-operative credit, supported if possible by co-operative marketing and better living, was the remedy for this evil situation. A British officer of the administrative service was accordingly sent by the Government to study European methods of Co-operation, and he visited also Egypt. A vigorous but somewhat unregulated movement was already well established among the Jews, and the Registrar of Co-operative Societies has responsibilities towards this movement also. I am, however, at present speaking only of co-operation among the Arabs.

Propaganda was begun in 1933 by Mr. F. G. Lowick, and on his untimely death in 1935 was continued by Mr. A. F. Nayton, the present Registrar. Between 1933 and 1937, 121 credit societies* were registered with over 5000 members and a working capital of £ 70,000 (Rs. 9½ lakhs). These were of the Raiffeisen type, as in India, and in spite of the poverty of most of the Arabs and much of the higher land, a sum of £ 16,000 (Rs. 2¼ lakhs) had been accumulated as share-money and reserve fund by 1937. The societies were organized, inspected and audited by the Registrar and his Arab Inspector. Finance was provided by Barclays Bank, which has a number of accessible branches and had long been advancing crop-loans to groups of Arab peasants on a system of joint liability known as the "kafala mutasalsila". The Bank charged 7 per cent, later 6 per cent to the societies, and the latter 9 per cent to their members,

It should not be supposed that the societies are brought into being solely by official action. After the first meeting an application from the villagers is awaited; and only when they send in a signed petition, and if the Registrar is satisfied that there is a reasonable prospect of (1) solvency and (2) harmony among the members, does he visit the village a second time. An inquiry into the income, expenditure and indebtedness of each person is then made; and when the society is registered and the first instalment of share-money has been actually collected and seen, an application for a loan is forwarded by the Registrar to Barclays Bank. The formation of an Arab Co-operative Bank may hereafter be advisable; but such an attempt would be premature before the Arab has realized his responsibilities and the more prosperous classes have confidence in the stability of the societies and are ready to make deposits. Meanwhile, Palestine is fortunate in having an enlightened commercial bank which will assist Co-operation. If the present arrangements continue, Arab societies may be content to create an audit union of their own on the lines of the Jewish audit unions.

*The total number of Arab villages is about 750, and the whole area of Palestine, excluding the southern desert, is that of a large Indian district.

Certain funds, derived from the operations in Palestine of the former Ottoman Agricultural Bank, have been reserved by the Government for co-operative purposes, especially for development loans in the hills; no such loans, however, had yet been issued when the communal disturbances broke out in 1937.

During the last two disturbed years Arab societies, though they have not collapsed, have functioned very imperfectly. Propaganda has been discontinued, and five credit societies have been cancelled. The Palestinian movement among Arabs was started after the fall in agricultural prices in 1929 and 1930; the loans issued have consequently been lower than those in India, and there is no reason to suppose that the cancelled societies cannot pay their debts. The remaining 116 societies made partial recoveries of what was due to them, and partial repayments to the financing bank. Evidence of good faith is afforded by the fact that the more accessible villages, which were within reach of military protection and of a Bank branch, made fuller repayments than the remoter villages in which life and property were less safe. The improved conditions in the summer of 1939 offered hope of a resumption of work. The war introduces new difficulties, but two things essential to improvement are now present: order in Palestine, and a rise in the price of agricultural produce.

Indian critics may doubt the propriety of initiating co-operative credit among an unbusinesslike peasantry. Such observers should bear in mind that, prior to the agricultural slump, the rural credit movement in India had made satisfactory progress in many (though not in all) provinces, and that even to-day its healthiness, capacity and willingness to face adverse circumstances are proportional to the training of the field staff in each province and to the teaching given by them to the members. If a credit movement were now to be started in a new Indian area, much more attention would no doubt be given to training and teaching than was sometimes done in the past. Palestine, a small country, with a higher percentage of literacy than India, has been able to profit from Indian experience, and to devote adequate time to the teaching of each society and member. The principal weakness in Arab villages, a weakness not absent from India, is faction. Organizing officers have to be on guard against accepting applications from a single party only in a village. If the faction is too bitter to make one society possible for all, such a village has hitherto, unless very large, been left alone. The intensity of faction is such that, when touring in Palestine in 1930 and 1933, I was occasionally unable even to bring together a representative meeting in one meeting-house to listen to a talk on Co-operation, and was compelled to address two meetings.

Other forms of Co-operation have not been ignored. A society for the sale of tobacco, created by the growers themselves in 1924, had failed in 1927, and left suspicion in the rural mind. Repeated efforts to organize citrusgrowers, bananagrowers, societies for irrigation, fruit-fumigation, tractor-ploughing, olive-oil marketing etc., were made from 1933 onwards, but either proved totally unsuccessful, or resulted in short-lived societies. The truth is that the peasant-farmer, indebted, unbusinesslike and often sick, cannot be expected to surrender his produce to a marketing society, the operations of which often at a distance, he cannot see or understand, unless he has first been enabled to grasp the meaning of co-operative unity in a simple society, close at home, and operating in a field which he *can* understand. The time for marketing societies in Palestine will come, as it has after 35 years come in India, when the peasant knows what Co-operation is. He learned this lesson in India through the credit society; and though he was far from practising what he had learned, the advance to marketing and non-credit types would have taken place in India, even though no agricultural slump had damaged the credit movement and caused him to turn his mind to other ways of helping himself. This diversion of interest, if not overdone, is quite right, but it should lead no one to imagine that non-credit types would have succeeded in the beginning. They would have been unintelligible to the cultivator, and would simply have failed.

Urban societies among Arabs have been almost as shortlived as marketing. Following the Jewish lead, Arab transport-workers (chiefly motor-drivers) have formed themselves into a number of groups—at one time as many as 13 societies—which have later been either broken up by faction or peacefully dissolved, when prominent members changed their residence or their occupation. Institutions of this kind tend constantly to rise and fall—the pre-Communist *artels*, for instance, were always in a state of flux—but their short life does not necessarily indicate a defect in either constitution or working. Mortality among Arab urban societies in Palestine, nevertheless, has been unusually high. The disappearance of the last transport societies is no doubt due to the disorder in the country, which reduced transport to a minimum. Most of the others, however, have also come to an end, and there appear to have remained at the end of 1939 only one registered society of citrus-shippers, one of workers in the Jaffa Customs-house, and a third of labourers in the Haifa slaughter-house. Several marketing projects had been recently under consideration, but the applicants or the proposed constitution were not entirely satisfactory. It is not merely useless but harmful to register a group which does not possess the qualifications for success. The difficulty of maintaining labour or service societies again points to the wisdom of beginning with credit. No co-operative movement can be unaffected by two years of widespread communal riots, but whereas the Arab credit societies, though weakened, have survived, the marketing and labour societies have not survived.

A few words in conclusion on the subject of the relations between Arab and Jewish co-operators. Should they form joint co-operative societies? My own opinion, differing from that of many Jewish co-operators, is that, in the field of credit at least, they should not do so. There is in most parts of Palestine a marked inequality between the two communities both as to standard of living and as to methods of cultivation. The Jew would therefore claim and deserve from the society loans on a more generous scale than his Arab fellow member, and friction must ensue. There is also a complete difference of language, which would either necessitate a wearisome translation of everything said in any meeting, or (more probably) would end in the conduct of all business in the language of the more educated community, with a brief explanation from time to time of what had been decided, to the members of the other community who had been unable to follow the discussion. Further the Arabs and Jews do not ordinarily live in the same villages but in separate villages, and the extension of the area of a credit society to several villages is generally undesirable. These reasons seemed to me conclusive in favour of separate societies, though occasional members of one community, living in a village of the other community, should of course be eligible for membership.

Even in non-credit rural societies the same arguments hold good, though trading unions, which have often a semi-urban character, may with advantage be joined by Arab and Jewish societies in the same area and carrying on the same business, e.g., marketing. A few leaders of each community will constitute the committee of the union, and will in most cases know either one another's language or English. Urban societies of industrial nature should ideally include both Arabs and Jews, and one transport society existed for a while on this basis; but since communal acerbities are keener in towns than in villages, such a combination has seldom been achieved or maintained.

The problems of the Arabs are similar in general to those of India: communal troubles, debt, unsatisfactory marketing, unorganised crafts, fragmentation of land, and now with the increase of population, the subdivision of holdings into small areas which can only support a family if intensive cultivation is substituted for traditional extensive methods. Though Co-operation alone cannot solve these problems, Co-operation is indispensable to their solution. India should cling to Co-operation. Let her not be led, by disappointment at economic reverses, to forsake the path which is long and stony but will in the end bring her to a happier state than any quick or quack short-cut.

AGRICULTURAL MARKETING IN EUROPE *

BY

J. L. RAINA

Kashmir Co-operative Service

HUNGARY.

General.—The prices had inflated soon after the war of 1914-18 and the surplus grain available from this country could be marketed easily. In view of high prices obtainable for grain for some time, there was considerable increase in cultivation. But as grain from Soviet Russia flooded the markets, prices fell. The advent of general depression all over further contributed to the losses which had to be incurred by the peasant and the surplus grain was disposed of at prices much lower than cost of production. The crisis could be overcome only by the Rome agreement which brought Austria and Hungary nearer to Italy so far as economic collaboration was concerned. The agreement was arranged by an international committee of agriculture and it produced some rise in prices. The conditions of this Great war of 1914-18 had impoverished the population of Hungary. The control was, therefore, transferred from the Military Agricultural Supplies Company to the "Futura," the Central Organisation of Co-operative Societies under Government protection for supplies. The maximum prices fixed by the Government were abolished in favour of minimum prices which the Futura declared, so that the farmer was not the loser by private trade, which was not interfered with. The compulsory minimum prices remained in force till 1936, when these had to be abandoned because of the favourable condition of the world market. But the Futura will every time intervene if the traders corner grain and dump it in the market.

We give below in detail how the Futura worked through co-operative organisations when the farmer in Hungary was feeling insecure and the price he got was much lower than the cost of production.

The Futura was an institution originally financed by the Central Co-operative agencies. In 1925 the Government of Hungary advanced an enormous loan to it at 4 per cent so that the marketing could be made successful in the country. Out of 8 million pengos of share capital the

*Continued from p. 91 of the January—March, 1940 issue.

Government purchased shares for 6 million pengos. The rest two millions were contributed by co-operative agencies. The grain purchased by the Futura through Co-operative societies remained at the disposal of the Government till the control was finally transferred in 1927 to the Futura. The Futura is a union of co-operative trading agencies on limited liability basis with 14 directors, one among these being the Minister of Agriculture and Finance. With the exception of two directors, who were nominated by the financing co-operative agencies, all were elected.

The Futura aims at regulating home prices. The producer in every part of the country gets a fair price for his produce. While consideration has to be given for international agreements and world prices the Futura tries to regulate the prices in the country and the producer is helped in getting a price which is profitable to him. The producer has to follow the instructions in making grain available of the prescribed quality. The Futura works through different co-operative organisations, which maintain in different parts of the country plant to handle grain, which is also graded. In this manner both the home market is regulated and the surplus is exported at a reasonable price so that the producer is not put to any loss.

Capital is made available by the State Bank annually through mutual credit societies which advance money to the producer. It has never been the intention of the Futura to set up its own organisations at different places but collections are made through credit societies which are kept in touch with the maximum prices daily.

Although the Futura in the first instance tried to remain in direct contact with the primary societies at different centres, in order to make collections general, financing institutions were admitted to the membership of the Futura, and so almost every village having a credit society can be in touch with this general organisation.

There was undoubtedly a tendency on the part of private traders to assume a hostile attitude towards an organisation of this sort. But with state-aid the work was fully organised and the opposition disappeared and the private traders deposited their capital into these organisations which benefited them and the public at large. The private trader with his experience of trade offered suggestions which removed many difficulties with the result that there is harmony all round. The organisations used the services of private traders in the export business.

The interference of Government is needed when there is scarcity or when there is a slump in the market. The Hungarian Government had to intervene since the fall in the prices after 1928 was seriously telling upon the producer. It was considered necessary to keep up the prices of grain. The Government persuaded the Futura to make purchases of wheat at a price higher than the world prices and the grain was stocked

till arrangements were made to sell the grain at places where it was most needed at a higher price. The producer was not a loser. The grain bought was given to millers at home or abroad, and several milling plants were set up which encouraged export of bye-products of wheat. In spite of the fact that the world prices showed a tendency to go down, yet the Hungarian producer received better prices for his produce. The methods adopted by Futura minimised the losses to a considerable extent. The Government intervention helped the methods adopted by the Futura and a 'Wheat Certificate Scheme' was introduced which allowed the Futura to compete in the world market. The Wheat Certificate Scheme did not affect the home market, but it was only used to control the export. These certificates were sold through the post office and the purchaser handed it over to the producer who gave him grain in return. The farmer could pay his taxes by presenting the certificate to the authorities or obtain the face value of the certificate from the authorities on handing it over. The exporters and the millers obtained the grain from those who got it through certificates from the farmer who has secured the price of his commodity on a scale which was higher than what he could get in a foreign market. It obviated the necessity of putting an embargo on the frontier.

But the wheat certificate scheme did not survive long because of the abuse of the individual dealer who tried to circumvent the scheme by finding out means to avoid it, and the scheme would not ordinarily lower the prices of the commodity. But the Government did not relax in getting the home prices up to a level by selling its wheat in the foreign market which resulted in benefit to the peasant in Hungary.

The wheat certificate scheme was replaced by a Relief Fund Scheme which was financed by the collection of taxes put on different industries which included a duty on the import of tea and coffee. All these taxes were used to save the agriculturist from losses.

On the recommendation of the Stresa Conference and the League of Nations an Economic Convention was concluded in Rome in 1933 which stabilized the market for wheat in Hungary. With the inauguration of this convention Italy and Austria had to purchase a definite quantity of wheat at a price which was to be fixed in advance from year to year and Hungary had to purchase timber at a fixed price from these countries.

The Futura had to organise the supply of wheat on behalf of the Hungarian Government although the private traders were not discouraged to do this business. In a similar manner timber was supplied by Austria. Such commodities as were interchangable under the convention were free from any obstruction in their movement on the borders of these different countries. Hungarian wheat gained by the heavy embargo placed on the import of outside wheat in Italy and Austria. The Swiss have cultivated a special taste for the wheat produced in Hungary and after meeting the demand in Austria and Italy the rest of the wheat was sent to Switzerland. The sale of Hungarian wheat surplus in very large quantities is secured by Italian and Austrian Governments under the Rome convention at a rate fixed in advance.

The Futura at the instance of the Government took steps to fix up minimum prices having settled the export of surplus under the Rome convention. The prices were fixed by the Government and these vary from village to village in accordance with the distance to the nearest collection centre.

Taking into consideration the home consumption and the rate received by the export of surplus minimum prices are arrived at and fixed after the millers have quoted their prices which are always above the minimum prices under contemplation. Very careful watch is maintained on the grain exchange at the centre. While the whole buying is done by the co-operative societies, trusted agents of private traders are also encouraged to help the bargain which has created confidence in the work of the Futura in the whole country.

The Rome convention does not prevent the Futura from exporting wheat to other countries, although the commission charged on the export to the countries under agreement is much less than in other countries. Hungary supplied more than a million quintals to Germany in 1934-1935 on higher rates.

Wheat Certificates were not used for home trade which was set free, since the official rate of the minimum price was prevailing. It afforded chance to the grower to obtain higher rates than the minimum price, since there was a demand for wheat from Germany and other countries also.

The agrarian policy of the Government operated through the Futura afforded great protection to the farmer, who could sell his grain every time to the 'Futura' at a minimum price, no matter how the prices of wheat fluctuated. Irrespective of the demand Futura stores up the grain near the rail-heads in the depots maintained by itself or by the Co-operative societies in different parts of the country.

The Futura has always been making an effort to maintain a standard for the quality of the wheat. The Agricultural Department has achieved great success in making the grower produce wheat of the best quality evolved after a number of trials.

The work of the Futura would not have been crowned with success if the wheat produced in Hungary could not compete with the wheat of other countries. In order to achieve the end the Government and the co-operative societies take all possible care.

CO-OPERATIVE EDUCATION IN THE PUNJAB

By

SYED ZAHUR HUSAIN, B.Sc., P.C.S.,

Educational Assistant Registrar, Co-operative Societies, Lahore.

Staff.—The Co-operative Educational Staff in the Punjab consists of the following:—

Educational Assistant Registrar	1	Industrial Educational Assistant	1
Educational Inspectors	6	Educational Assistants in Gurgoan (paid out of Abiana grant)	2
Educational Assistants	6		
Female Educational Assistant	1		

Three Inspectors are paid by the Punjab Government and three Assistants by the Punjab Co-operative Union, Lahore. Two Assistants working in the Gurgoan district are holding temporary posts which are being paid for from the Abiana grant of that district. The remaining staff of Inspectors and Assistants and also the Educational Assistant Registrar are paid out of the Government of India grant.

Study Tour.—During 1938 the Educational Assistant Registrar with two Educational Inspectors had occasion to go on one month's tour to other provinces. A number of co-operative institutions in the United Provinces, the Central Provinces, Bombay and Baroda were seen. This tour has been of inestimable value in teaching us many new things and in giving us an insight into the working of the Co-operative Movement and different forms of organisations in the other provinces. We in the Punjab have been apt to arrogate to ourselves all the virtues of being the pioneer province as far as the Co-operative Movement is concerned, because opportunities for examining the progress and development elsewhere had been denied to us. This tour has considerably broadened our outlook and has enabled us to take heed of pitfalls and dangerous experiments, and to become better teachers.

The Educational staff received elementary revenue training for a week at Kasur. This course has enabled them to impart this training in turn to the field staff and explain the method of looking up the revenue record for collecting necessary data regarding each individual member for the correct preparation of register of maximum credit limit.

TRAINING CLASSES IN 1938-39.

(1) **Secretaries' Classes.**—95 classes were held at suitable centres in the Punjab and Delhi and were attended by 1344 secretaries. Apart from this 16 Secretaries' Classes with total attendance of 279 were held in the N. W. F. Province during the year. The training and education given at these classes had to vary according to the local conditions, circumstances and educational attainments and aptitudes of the secretaries attending. But the subjects commonly discussed have been the defects in the organisation and working of societies and their remedies, importance and advantages of co-operative organisations, insistence on thrift, correct methods of keeping accounts, Act, Rules and By-laws. The majority of secretaries who attended these classes had a low standard of education and the Educational Staff has all along concentrated on the effort of at least benefiting them to maintain the accounts in their societies properly and correctly. As a result of these classes about 90 per cent of those who attended have now been trained to carry on the routine work independently in their respective societies. Another gratifying feature has been the regularity of attendance in these classes. Nearly 90 per cent of the Secretaries who came up for training have attended regularly.

These classes have proved of immense good, as not a few societies have revived and improved as a result of this training. The classes helped in counteracting malicious propaganda, in setting at rest groundless doubts and fears, and in reviving the faith and flagging spirit of the workers; in broadening their outlook, in serving as medium for adult education and in not a few instances creating enthusiastic rural leaders where none existed before. To some extent, as one Educational Inspector remarks, they also helped in checking fictitious work as even bad workers fight shy of exposing their weakness to the enlightened and trained Secretaries.

(2) **Classes of Office-holders of Primary Societies.**—195 classes of Office-holders of Primary Societies were held in 1938-39, and attended by 6799. It is indeed very difficult to measure with exactitude the utility of, and the results achieved through, these classes. The education imparted to these office-holders and to other members who attended has naturally varied considerably according to the local needs and special circumstances prevailing in each area which called for special treatment. It would, however, be no exaggeration to say that these classes have proved very useful in affording practical training and education to the office-holders in their respective duties, in reawakening flagging interest and in revitalising dead and dying societies. The office-holders attending the classes have generally evinced a keen and lively interest in the lectures as well as in the discussions. Apart from the advantages of Co-

operative organisation, the explanation of rules and bylaws and the teaching of better business and better living, subjects as wide apart as the smoking of "Hooka", the use of opium and other intoxicants, and the merits and demerits of socialism cropped up for discussion during the course of these classes. The classes have thus helped in fostering and creating intelligent and healthy interest in problems concerning the future of the country. At most of the places where these classes were held, the Educational staff was requested to address public gathering as well.

(3) **Classes of Members of Industrial Societies.**—There were seven classes held during the year and 324 members attended the classes.

The Industrial Educational Assistant worked for the last 4 months of the year. In these classes, apart from teaching the members co-operative principles and better business, training in better marketing and in technical knowledge concerning their vocations was also given. The stipend paid to members in these classes in most cases goes towards decreasing their indebtedness in their respective societies. Bad and stagnant societies have shown considerable improvement. Out of 43 socieies whose members attended these classes, no less than 25 have shown considerable improvement in recoveries and classification. The Educational Assistant has been giving extra time to the Secretaries of Industrial Societies and teaching them the writing of accounts.

(4) **Classes of Members of Women Societies.**—The Educational Sub-inspectress was appointed towards the end of April last, and since then she has held 5 classes of the members of women societies, and Rs. 1405 have been paid by way of stipend to those who attended. The Sub-inspectress has not only been imparting co-operative knowledge to the members but has also been giving practical training in domestic arts and crafts viz. the preparation of jams, chutneys, lemon and orange squashes, soap, wood-polish, sewing, making of cushions, tea-cozies, handkerchiefs, knitting, caning of chairs, dyeing, cleaning of metal, glass and china ware. Several of the articles prepared at the classes have been sold after the classes were over and some are stocked in the office for sale. The Educational Sub-Inspectress reports that as a result of these classes members of societies have begun to deposit more of their savings in co-operative societies and the Central Co-operative Banks and there is an increasing demand everywhere for the organization of other forms of co-operative societies viz. industrial sewing societies, soap making societies, co-operative stores, co-operative welfare leagues and co-operative institutes. At Gujranwala as a direct result of teaching by the sub-inspectress the uneducated ladies who attended her classes decided to orga-

nize a night school. The Sub-inspectress also delivered a lecture in the Gujranwala Islamia Girls' School which resulted in the starting of a 'Paisa Bank' among the students. Lectures on Co-operation, Health, Hygiene and Horticulture were also arranged and given in these classes of women.

(5) **Class of Secretaries of Banking Unions.**—A class of Secretaries of Banking Unions for the whole of the Province was organized by the Punjab Co-operative Union at Gurdaspur. The Educational Inspector, Lahore gave several discourses to this class. Many wrong notions prevalent were removed and then true conception of co-operation explained. Training in accountancy was imparted to them by the Auditor, Punjab Co-operative Union. All the Secretaries very well realized and appreciated the utility of this class.

(6) **Classes of Execution Agents and Liquidators.**—11 classes were held and 179 Execution Agents and Liquidators attended these classes. Not only the relevant portion of the law of Arbitration, Liquidation, Execution and Stamp and Court Fee Acts were taught in these classes, but also the routine court practice, Case Law relating to Arbitration, Liquidation and Execution, the procedure of defending in cases of objections, petition and declaratory suits and methods of dealing with cases of obstruction in execution were also explained. Important features of new legislation and the Insolvency Act were also included in the syllabus. The Execution Agents and Liquidators who attended left the class better fitted to cope with their difficult and unpleasant task. They were also given training in the drafting of various forms of applications, which have to be submitted to Courts from time to time during execution proceedings. It is hoped that this course of training will have equipped them to perform their duties better than before. Instances are not a few, where the Agents and Liquidators, who attended these classes for the first time, did not even know the elementary procedure of starting their work and filing applications in the law courts. Such classes are generally held during the month of September, when the Civil Courts are closed for summer vacation and the Agents and Liquidators can attend without any dislocation of their work.

(7) **Training class of Inspectors.**—This class was held at Gurdaspur from November 1938 to February 1939, as usual. 15 candidates, including two officers from Baroda State, two candidates from Kashmere State, two officers from Orissa and four candidates from N.W.F.P., attended it. Debates and games were regular features of the class and strict punctuality was insisted upon. Debates were held regularly over a week and even weaker candidates improved and became fairly good

speakers before the termination of the course. This class does not serve merely as a medium of instruction but imparts practical education in regularity, punctuality and public spirit. A Co-operative Tournament of Hockey and Atheletics was also organized near the end of the class in which all the students competed. The tournament created a spirit of healthy rivalry and competition wherein every participant tried to excel others. Mrs. Wace very kindly awarded the prizes. At the suggestion of Mr. Wace and through the kindness of the Economics Branch of the Punjab University, a series of lectures in Economics by Professor L. C. Jain, and Messrs. H. C. Saxena, D. C. Ghose and V. A. Chopra were delivered to the class. Principal Thomas of the Hailey College of Commerce was also kind enough to deliver a series of lectures. This new departure from the previous practice has been of great utility to both the staff and students of the class and it is hoped that it will be continued in future. A series of five lectures by an Advocate of Gurdaspur on Civil and Criminal Law was also arranged during this session. Mr. F. L. Brayne, I.C.S., Commissioner, Rural Reconstruction, and the Registrar himself also addressed the class. Mr. Harrop, the Poultry Expert, and the Extra Assistant Director of Agriculture, Gurdaspur also delivered lectures. The members of the class visited some co-operative institutions to study their working.

(8) **Sub-Inspectors' Training Classes.**—During the year four Sub-Inspectors' training classes have been held. Two of these classes terminated before the end of the year while the remaining two, which were started during May and July respectively, were yet in progress at the close of the year. Debates and games formed an important part of training in these classes and during the course of this intensive training the object of fostering and developing the inherent capacities of each individual candidate were never lost sight of: 94 candidates attended these classes.

(9) **Special Class for Sub-Inspectors of Urban Societies.**—A special training class extending over one month was held for giving training to the Sub-inspectors considered fit for being put in charge of societies in the urban areas. 33 candidates in all attended this class. The Educational-Inspector, Lahore was in charge of it. The first 15 days were spent by the class in visiting typical urban societies in the districts of Gurdaspur, Amritsar, Lahore and Jullundur. Lectures were mostly given by the Educational Inspector. Those on double entry system were given by the Punjab Co-operative Union's Auditor, on Demand and Draft Bill Collection business were given by the Manager, the Punjab Provincial Co-operative Bank, while a few of the discourses were given by Urban Inspectors, Delhi, Jullundur, Amritsar and Lahore.

(10) **Class for Sub-Inspectress Candidates.**—A training class of candidate sub-inspectresses was also held during the year at Kasur. Eight candidates joined this class at the start, but one of them left the Department after the first month. All the candidates were lodged in one building where complete purdah arrangements existed. Debates and games also formed a regular feature of this class. Debates were held regularly every week. The natural shyness of the candidates thus wore off and gradually they were all able to express themselves lucidly and systematically. Two Badminton courts had been provided in the compound of the *kothi* where the candidates took their exercise daily. A Badminton Tournament was arranged near the end of the class and the prizes given away by the Deputy Registrar, Lahore.

Besides the usual class lectures, 32 discourses by the officers of the Co-operative and other Departments were arranged and delivered to this class. These lectures proved of great use in the training of the candidates, who can now be expected to serve and guide the women amongst whom it would be their duty to serve.

(11) **Refresher Courses.**—The Educational Staff attended the Refresher Courses held in their respective circles. They had to deliver a number of lectures in each course on various subjects, the most common amongst them being: the recent Agrarian Laws, their important provisions and their effect on the Co-operative Movement; the Act, Rules and By-laws; Bulletins issued by the Reserve Bank of India; the maintenance of Suspense Interest Account in the societies; how to show suspense Interest in the Annual Statements; and how to secure necessary information from the Revenue Records for the preparation of register of maximum credit limit. They were also generally required to express their view on the various disputed points arising out of discussions and were also called upon to take part in the debates. The Educational Staff equipped with their up-to-date knowledge and regular study could prove very helpful in the conduct of these courses and in arriving at sound decisions.

The Educational staff Conference.—In 1938-39 an Educational Staff Conference was held for 10 days. In the Conference all difficulties and controversial points which arise or come to the notice of the staff, were discussed as in the previous years. Syllabuses of different classes were drawn up, examined and revised. The preparation of model forms of some accounts, legal and practical difficulties which arise during the year were also discussed. Fresh avenues of propaganda and teaching were considered and future lines of work of the Educational Staff were chalked out. This staff Conference not only helps to refresh

knowledge of the staff but serves as a useful medium of setting at rest doubts and difficulties.

Lectures to the Public Schools and Colleges.—167 lectures were delivered to public gatherings by the Educational Staff during the year. Sometimes the audience on these occasions went up to two thousands and at many places women also attended these lectures.

105 lectures in Schools and Colleges were given by the Staff during the year including 6 lectures in N.W.F.P. It is one of our primary duties to educate the rising generation in co-operative organizations and to enlighten those whose task is to instruct them in schools and this can only be achieved through constructive efforts and persistent talks to the staff and students in Schools and Colleges, and as usual the Educational Staff has done its best in this respect.

At several places Ch. Nur Ahmad and Agha Mohd. Rafi, Educational Assistants gave instructive songs, which were greatly appreciated.

Apart from these lectures, the Staff had occassions to deliver 10 lectures in the School of Domestic Training run by the Commissioner, Rural Reconstruction, two to the school teachers and one to the Panchayat Officers' Class at Lahore. The talks given were greatly liked by the audience and provoked healthy discussion.

Lectures to the Military.—Five lectures to the Military Units in N.W.F.P. and three lectures to the Military Reservists at Ambala and Jullundur were given by the staff during the year. These lectures were very highly appreciated and can prove very useful in spreading knowledge of Co-operation. A soldier trained to strict discipline and who has seen the world is generally more intelligent and experienced than an ordinary villager, and on retirement when he goes back to the heart of the countryside he can prove of great use and service to co-operation and can be a well fitted rural leader. Every opportunity therefore should be availed of to diffuse co-operative knowledge amongst this class.

Propaganda Through Drama.—The Punjab Co-operative Players consist of Sub-inspectors of Co-operative Societies under the charge of an Educational Inspector. They gave 156 shows and visited 139 places during the year including 9 shows in the N.W.F.P. At a moderate estimate, about half a million men and over 15,000 ladies witnessed these performances. The audience at every performance, excepting the shows given to Military Units and Reformatories at Burewala and Kussumsar, consisted of all sections, classes and communities. High officials, Members of the Legislature, District Boards, Municipalities, Professors, Teachers, Students, Lawyers, Land-lords, Peasants, Merchants, money-lenders and political leaders all rubbed shoulders on these occasions.

Two shows were staged exclusively for ladies and 8 for Military Units, out of which two were given at Kohat Cantt. in the N.W.F.P.

The Drama, wherever it was enacted, has been given unmitigated praise and has been acclaimed as the most effective and impressive method of propaganda for betterment and uplift through co-operation. Incessant requests and invitations have been pouring in from even the remotest parts of the province and from Delhi and N.W.F.P. for the Drama shows, so much so, that it has been well nigh impossible to meet all of them even after putting in the maximum number of shows, which the party could reasonably be expected to stage during a month. The Drama Staff has been worked very hard and no opportunity to sandwich a show in between journeys was missed.

The party had to face inconveniences and hardships owing to break-downs on the way. They had to contend with adverse weather and they had sometimes to go without sleep and food, yet we are glad to say that they cheerfully weathered all these hardships.

With the provision of a portable stage and a lorry, purchased with the kind help of the Punjab Co-operative Union and the Provincial Bank, the Party has now been saved much labour and inconvenience. The public at all places has also been relieved of the expense and the labour of constructing an earthen stage. There are instances without number where members of the audience were so impressed that they eschewed then and there all vicious habits and extravagance.

Publicity.—87 articles and 115 press-notes have been written by the staff and sent to the press either direct or through the Commissioner, Rural Reconstruction or the Director, Information Bureau. Some of the articles have been published in the leading Co-operative Monthlies and Quarterlies of other Provinces.

Pamphlets.—13 pamphlets, including a report on the working of the Debt Conciliation Board at Jhang, have been written.

39 new poems in Urdu and Punjabi have been composed by the staff and have been set to music for use in the Drama and in public gatherings.

Magic Lantern.—Slides have been prepared on Co-operative Education, Credit Societies and marketing with the help of the Photographer of the Health Department.

Radio—Talks and songs are being broadcast regularly at the All-India Radio, Lahore. Subjects are allotted sufficiently before-hand to

the speakers and the talks to be given are revised and corrected by the Educational Staff.

30 talks and 26 songs have been broadcast during the year. The songs by the Educational Assistant—Ch. Nur Ahmad—are in great demand at the All-India Radio.

Gramophone Records.—Gramophone records containing songs on Rural Reconstruction have been prepared and are used at rural gatherings for propaganda.

Loud Speaker.—The Loud Speaker has also been used frequently on occasions of big gatherings to give appropriate songs and speeches. A Maistry has been sanctioned by the Government of India for the running of the Loud-speaker equipment to work for 8 months during a year. This will make the equipment available to the Assistant Registrars which previously could not be done without our accompanying it.

Advice to Staff.—Numerous references and queries have been received from the General Duty Staff during the year by the Educational Staff bearing on difficult and complex cases and controversial points of law and practice. The disposal of these references has been claiming considerable time of the staff.

Result.—As a result of the intensive training and education described above, there has been a general improvement in the working of the societies.

IMPRESSIONS OF A CO-OPERATIVE TOUR IN BENGAL

BY

L. N. CHATURVEDI., B.Sc.,
Assistant Registrar, Co-operative Societies, Agra.

Object of the Tour.—The problem of securing the best possible price for ghee produced by the members of ghee societies in the United Provinces has been engaging our attention for sometime past. There are about 500 ghee societies in my charge and they are affiliated to four central ghee unions. The unions handled about 4000 mds. of ghee during the last year and the amount is expected to be doubled soon. There are two other ghee unions in the charge of the Assistant Registrar, Meerut and they are reported to have handled about 1200 mds. of ghee. At present the unions sell a portion of ghee direct to consumers, but a major portion of it is sold to ghee merchants in *mandis*. The result is that neither the members of ghee societies, who are mostly agriculturists, get adequate price for their product nor are the consumers assured of the purity of ghee. It has frequently been suggested that if arrangements could be made to export ghee to Calcutta—the biggest consuming centre—and similar other places where it could fetch better prices, we would be able to do substantial good to the producers and consumers alike. I was therefore, permitted by Government to visit Bengal for the purpose of studying the marketing conditions of ghee at Calcutta and the working of some of the important co-operative institutions in Bengal.

Need of a Co-operative Ghee Brand.—From enquiries and discussions that I had with the representatives of well-established and big ghee firms, the provincial Marketing Officer and his Assistant and the Secretary of the Ghee Merchants' Association at Calcutta, it was plain that only ghee of a definite brand could fetch good price in Calcutta. There is practically no big firm in Calcutta which has not got a brand of its own. Our first need, therefore, is to have a brand of our own. It is equally necessary that we should get our ghee chemically tested and graded before despatch to Calcutta. There will be no difficulty in getting this done if the ghee unions become members of the Ghee Merchants' Associations at Etawah and Shikohabad. There is also a private ghee grading station at Etawah, and a second grading station has recently been started at Shikohabad by Government.

Sale of Ghee on Commission Basis.—With regard to the sale of ghee in Calcutta there are three alternatives open to us. The first is that we should open our own ghee shop in Calcutta. The rents of shops in the ghee market in Calcutta are, however, very high and the establishment charges are equally, heavy. We shall also have to face keen competition and shall have to spend a lot on propaganda to secure the goodwill of customers. There is also the practice of selling ghee on credit in the Calcutta market. This would necessitate locking up of a large amount of capital in the business and there is also the risk of loss. This alternative is out of the question for the present for the simple reason that our co-operative societies of ghee producers and the ghee unions cannot afford to lock up large sums in this business or to incur the risk of loss. The second alternative is that we may prevail upon the firms dealing in this business to purchase ghee from us in the Etawah and Shikohabad *mandis*, instead of purchasing from other ghee dealers. This is also not possible as they are not prepared to abandon their old customers. The third alternative is to appoint some reliable firm as our agents in Calcutta and to send graded and branded ghee to them for sale on a commission basis. After working out the figures I have found that it would pay us at least Re. 1 to Rs. 2 per md. more if we get ghee sold on a commission basis than what we can get by selling in the Etawah and Shikohabad mandis.

All these alternatives were thoroughly discussed with the honorary workers at Etawah and we came to the conclusion that the third alternative was the best under the circumstances. The firm of L. Nandkishore Tandan has been selected for the purpose. This firm has also agreed to grade our ghee at their ghee grading station at Etawah and to put their own 'Kishore' brand on our tins of ghee on payment of four annas per maund. This arrangement will continue until we have introduced a distinct co-operative brand of our own.

Health Co-operatives.—Besides studying the conditions of the marketing of ghee in Calcutta I visited a number of important co-operative institutions in Bengal. There are about 2281 primary public health and Anti-malaria co-operative societies, on the Yugosalvian model of which 1102 have been registered. I visited two of these. Their objects include the improving of the sanitation of the villages, the health of their people, the education of the members in public health and sanitation and carrying on propaganda among the members and the public for rousing a sense of responsiblity and consciousness about maternity welfare and public sanitation and health. The membership is open to all individuals residing in the area of operations which generally consists of 2 or 3 villages, within a radius of 3 miles from the centre. The funds of the society are derived from admission fee and Rs. 4 per year as subscription paid by members, donations from the public and grants from Government. The society besides doing preventive work, such as clearing of jungles and filling in of pits, maintains a dispensary and employs a qualified doctor, who is paid Rs. 50 per month. The members have to pay only cost price of medicines, which works out at 1 anna per phial of 4 doses. For calls made at their houses they have to pay only 4 annas per call and this amount goes to the funds of the society and not to the doctor. These societies are doing immense good and they are proving very popular. The primary societies have been federated into a central society for the purpose of organising more societies, co-ordinating their activities, doing propaganda etc. Dr. Rabindra Nath Tagore is the patron of the central society and Rai Bahadur Dr. G. L. Chatterji—founder of the health co-operative movement—is the Honorary Secretary and Treasurer. The work of the society is carried on by subscriptions from individuals and public bodies. It has a well-paid staff both for office and field work and for doing propaganda and organisation work. Besides convening meetings and distributing literature the society arranges for lantern lectures on sanitation at suitable centres and places in the hands of the rural people the results of the latest researches on prevention of malaria and other epidemic diseases.

The promotion of public health comes within the purview of our Better Living Co-operative societies. In view of the importance of the subject, it should form an important plank in their programme, or separate societies can be organised for the purpose. Work may preferably be undertaken in selected districts to start with. To ensure success, Government aid will be necessary both for capital expenditure and recurring charges.

It will not be out of place to mention that a cattle welfare society has been organised in my circle at Etawah, more or less on the lines of the Health Co-operative Societies.

Women's Co-operative Industrial Home.—In view of the recognition of handloom-weaving as one of the important cottage industries in India, which could provide employment to Indian widows, Lady Abala Bose, the widow of the late Sir Jagdish Chandra Bose, who is the Honorary Secretary of the Nari Siksha Samiti, submitted a scheme to the Government of Bengal for financing the establishment of a Women's Co-operative Industrial Home near Calcutta out of the grant-in-aid by the Government of India for the development of handloom industry. The scheme was approved by Government and the Home was registered in 1938 with its office at Dum Dum.

It was also thought that in addition to infusing a spirit of self-help, co-operation and thrift among its members, and enabling them to earn a living, the Home could impart such practical training to them as would enable them later on to organise thrift and industrial societies on similar lines in different parts of Bengal, whereby their other needy sisters could have a chance of living their lives, not as drags on society but helpful to themselves and helping others to stand on their own legs.

The membership of the Home which is 22 is open to all women of Bengal over 18 years of age who are willing to earn an independent livelihood by handweaving. Each member is required to purchase at least one share. The Home is housed in a bungalow at Dum Dum belonging to the Defence Department of the Government of India, which charges a concessional rent of Rs. 32/8/- per month. The members are required to reside in a portion of the bungalow and they have to pay Rs. 2/- per head towards rent.

The main sources of finance are the share capital of members, donations from the public, grants-in-aid from Government and the saving deposits of members. Realisation of shares from members is not enforced until their income reaches about Rs. 15 per month. The Government of Bengal gave a capital grant of Rs. 5850 for machinery, appliances and working capital and Rs. 2370 and Rs. 2700 as maintenance grants for the years 1938-39 and 1939-40 respectively. A grant of Rs. 200 for installation of a telephone has also been sanctioned recently.

The raw materials, yarns, dyes etc., are purchased through the Central Co-operative Depot. at Calcutta, which also helps in the sale of finished goods on a commission basis. There are 12 fly shuttle looms which provide work for about 18 inmates. Among the main varieties of products, mention may be made of woollen shawls, scarfs, shirtings etc. The wages are distributed on piece work basis and the total amount so distributed during 16 months comes to about Rs. 2111. The Home has been able to earn a gross profit of about Rs. 1375 during its working of 16 months.

The average earnings per head per month amount to about Rs. 15/8/. Individually the maximum amount of wages earned by a member has amounted to about Rs. 21 per month, which is higher than the normal earnings of a professional weaver. The members send a portion of their income to their families after meeting all the expenses of boarding and lodging and making voluntary savings deposits, on which interest at 6¼ per cent per annum is allowed. The affairs of the Home are managed by a Board on which there is adequate representation of workers.

It will be seen that the Home is a novel institution of its kind. Apart from solving the question of employment, it has done a lot to remove the social evils which go side by side with the poverty of the sex. Provided State Aid were forthcoming as in Bengal, it should not be difficult to find in this Province prototypes of Lady A. Bose to run and guide such institutions.

Calcutta Milk Union.—The Calcutta Co-operative Milk Societies' Union was started in 1919 with thirteen milk societies as members with the object of financing the primary milk societies and making arrangements for the disposal, to the best advantage of the members, of milk and milk products of their members.

The milk societies which consist of milk producers living in the villages now number 123 with a membership of 8000. They are situated within a radius of 12 to 48 miles from Calcutta, which is the headquarters of the Union. The Union handles on an average 105 mds. of milk per day. There are 18 collecting centres, each in charge of a manager who tests the milk with an electrometer and sends the same in sealed and sterilised cans to the Union at Calcutta, where it is pasteurized and distributed in sealed cans and bottles. The Union supplies milk to hospitals, milk kitchens, child welfare centres, big hotels and the public. It owns a building of its own and has got costly up-to-date machinery valued at about Rs. 51,000 for the various processes. This has been possible owing to the sympathetic attitude of the Calcutta Corporation which gave a loan of Rs. 50,000 to it free of interest. It also gets the free services of the Government Staff of the departments concerned, the Secretary-in-charge of the Union being an officer of the Co-operative Department.

In our province the Lucknow Co-operative Milk Union, which is run more or less on similar lines, scores not a few points over its prototype in Calcutta. In the first place, it has shown better progress in that it handles about 40 mds. of milk per day out of a total consumption of 300 mds. a day at Lucknow during the short period of about two years of its existence, whereas the Calcutta Union handles only about 105 mds. per day out of the total consumption of 3000 mds. per day in Calcutta. Further, the milking in the case of the Calcutta societies is done by paid milkers from door to door to avoid adulteration, while in the Lucknow societies it is done by members themselves under the supervision of the Panchayats at a central place in the village and the latter are made to feel their responsibility. Again the transport charges from the societies to the collecting centres are borne by the societies, while at Lucknow they are borne by the Union. It however, suffers in comparison in that the Calcutta Union has been able to secure orders for bulk supply of milk to hospitals and hotels etc. which the Lucknow Union has not. About two-thirds of the output of the Calcutta

Union is supplied to these institutions. There is also no satisfactory arrangement for free veterinary aid to the cattle of members as is the case in Calcutta. Further the milk distributed in Calcutta is scientifically purer because it is treated by up-to-date machinery all through instead of being touched with hand at one stage or another at Lucknow. Then again the sympathetic attitude of the Calcutta Corporation sets an example which the Lucknow Municipality may well follow. The Calcutta Union also spends a lot on general welfare work, construction of roads, establishment of charitable dispensaries, subsidies to schools and lantern lectures on sanitation, anti-malarial and anti-kalazar work.

Bengal Provincial Co-operative Industrial Society.—There are 321 primary weavers' societies and their membership and working capital are 3608 and Rs. 5,25,883/- respectively. They are federated into eight industrial unions which help the affiliated societies in getting the necessary raw materials and in disposing of their finished products. The Unions have further been grouped together into a Provincial Co-operative Industrial Society which was established at Calcutta in the year 1928. This society maintains a depot in a busy part of Calcutta where goods received from the Unions are stocked for display and sale.

With the object of giving training to the weavers in improved weaving, an expert staff consisting of a marketing officer, a designer, nineteen weaving experts and two canvassers with an Industrial Assistant Registrar at the top has been maintained with the help of the grant from the Government of India for development of the handloom industry. Their efforts are directed to the production of marketable handloom stuff at a cost which compares favourably with mill made goods and they have introduced improved looms and appliances among the weavers.

The average annual sale of the society is now about Rs. 65,000. It has been able to enlarge its stock of new popular designs with the help of the grant of Rs. 20,000 made by the Government of India to provide running capital. The Local Government gave an annual aid of Rs. 12,000 for three consecutive years besides granting a loan of Rs. 50,000 to the society in the beginning. They have now sanctioned a moratorium in respect of their substantive loan to the society and have reduced the rate of interest on the loan to 3½ per cent.

A similar scheme on the lines stated above has been worked out in this province. It contemplates the organisation of primary co-operative societies for artisans in villages and co-operative stores at district headquarters for the supply of raw materials and sale of finished goods. The district stores again are intended to be affiliated to a Provincial

Federation which will arrange for supply of raw materials in bulk to district stores, to put them in touch with prospective purchasers, maintain a finishing plant, engage commerical agents and run a show-room. It is expected that the scheme will be given effect to as soon as funds permit.

The Bengal Co-operative Alliance.—The Bengal Co-operative Alliance, Ltd., which was formerly known as 'The Bengal Co-operative Organisation Society' is the premier non-official co-operative organisation for the whole province and all the co-operative institutions in Bengal are its members. The membership of the Alliance is also open to individual persons residing in Bengal. Every member has to pay an annual subscription in the manner and to the extent prescribed by the Executive Council of the society from time to time subject to a maximum of Rs. 3 in the case of rural societies, Rs. 25 in the case of central and special class societies, Rs. 50 in the case of Provincial societies and Rs. 6 in the case of individual members. Every member has to purchase in addition, atleast one share, the value of which is Rs. 5. The management of the society rests in the hands of not more than 30 members including the Governor of the society elcted from both classes of shareholders.

The Alliance carries on publicity and propaganda on behalf of the movement through two journals, one in English and the other 'Bhander' in vernacular, which are circulated to all member societies and also by organising co-operative conferences, magic lantern lectures, meetings, exhibitions, shows etc. It has a staff of lecturers who visit the interior of the Province and preach the gospel of co-operation to the masses. It owns a printing press which supplies registers, books and forms etc., required by co-operative societies. Its library and Free Reading Room with valuable collections of co-operative literature and journals are open to the public. The Information Bureau of the society furnishes all information relating to co-operative matters to its member societies and the public.

One of the objects of the Alliance is to ensure regular and efficient system of supervision over the registered societies and to take steps for the co-operative training and education of official and non-official co-operative workers and the public. Supervision and finance of societies in Bengal are still the functions of central banks and the supervising staff is entirely under their management. Evils of this system have now been realised and efforts are afoot to separate supervision from finance. Training of co-operative workers is imparted at the Co-operative Training Institute at Dum Dum which is entirely under departmental control and management and is at present financed out of the Government of India grant for co-operative training and education. The Alliance hopes to take it over when the Central Government's grant has been exhausted.

The U. P. Co-operative Union covers most of the ground traversed by the Bengal Co-operative Alliance. The former is responsible for the supervision of co-operative societies in the province but lacks the arrangements for propaganda and publicity adopted by the latter and this is essentially a question of funds.

Sale of Agricultural produce.—The marketing of produce of members of co-operative societies has, of late, been receiving increasing attention all over the country. Bengal has started organising separate paddy sale societies for the purpose in the interior. The method of working of these sale societies is that the members are advanced crop loans by the local central banks through the credit societies to which they belong on condition of the delivery of their produce to the warehouse of the sale society as soon as it is harvested. On delivery the member is paid full price of his commodity prevailing on the spot on the date of delivery. The society either sells the produce to the nearest mill as early as possible without taking any risk of fluctuations in price or it sends the produce to the Central Paddy Sale Society at Calcutta. The mill gives a small commission to the society for every maund of supply. By eliminating the middleman in this way, the cultivator is able to get better price for his produce and also shares in the profits and bonus. The office of the Central Paddy Sale Society, of which the primary paddy sale societies are members, is located at Calcutta. The society charges commission on sales and co-ordinates the activities of primary paddy sale societies. It also keeps in touch with the Calcutta market and informs the societies about the prices prevailing in the market from time to time.

It is, therefore, clear that the paddy sale societies in Bengal are intended to purchase the produce of members outright or to dispose it of on commission basis. This system has helped in the realisation of the dues of credit societies to a great extent. The problem in our province is being tackled almost on identical lines through the organisation of marketing unions, preferably at the *mandis*.

Sriniketan.—The Sriniketan Rural Reconstruction Institue, which was founded by Dr. Rabindra Nath Tagore in 1922, is located amidst rural surroundings in the village of Surul about a mile and a half from Santiniketan. In the language of the poet himself, "the object of the Sriniketan is to bring back life in its completeness into the villages, making them self-reliant and self-respectful, acquainted with the cultural tradition of their own country and competent to make an efficient use of the modern resources for the improvement of their physical, intellectual and economic condition."

The Sriniketan Rural Reconstruction Institute has in the main three departments: for the development of industries, for village welfare work and for educational experiments.

I. *Industries.*—In the industries department young men and boys are trained in weaving, with power-driven and handlooms, carpentry, leather work, dyeing and designing of silk, pottery and duree-making etc. Special attention is given to the introduction of artistic designs so as to give the products of the Institute a distinctive feature, to appeal to our sense of the beautiful and to enable the articles to fetch higher prices. For these reasons the products of the Industrial Section have been appreciated by the public and find a ready market in Calcutta. Arrangement have also been made for training village apprentices who are expected to set up craftsmen in their villages and for imparting such training to women in villages by an itinerant lady teacher who visits the villagers in their homes.

II. *Village Welfare Section.*—The most important work, however, which has been undertaken by the Institute relates to the moral, educational, sanitary and economic improvements of the villages. For this purpose intensive work has been organised in a limited area of about 32 square miles, comprising 13 villages in the immediate vicinity of the central organisation at Surul.

Medical relief, improvement of the sanitary condition of the villages and the prevention of diseases have claimed the most serious attention of the workers. A special type of co-operative health society has been evolved which has become very popular and is showing excellent results. Under the system, the members are entitled to obtain medicines at cost price and to get the services of qualified medical men at their houses for a nominal fee. The medical officers attached to these societies are not permitted to have private practice and whatever fees are paid for the services are credited to the funds of the society. On the other hand, the attention of the medical officers under this arrangement is more directed towards the improvement of the sanitary condition of the area under their charge and the prevention of diseases than to curative work. The members of the societies enjoy the additional advantage of obtaining advice free of cost from the medical officer in charge of the central dispensary at the Institute and having their blood, urine etc. examined also free of cost at the clinical laboratory at the Institute.

Agricultural improvement occupies an important place in the programme of village extension work. There is a central farm attached to the Institute which provides facilities for experiment and demonstration and also supplies seeds, seed-bags and grafts to the villagers. Attention is being given to poultry farming and market gardening so as to enable each villager to supplement his income. Efforts have been made to cope with the cattle problem through the dairy of the Institute and Sindi Bulls have been purchased for improving the breed of cattle. A seri-cultural farm has also been opened where training is given to a number of apprentices with the object of establishing seri-culture as a village industry. An annual festival of afforestation and tree planting has also been instituted by the Poet and several hundreds of grafts were distributed in the villages on the last occasion.

A separate co-operative central bank has been established here for financing and supervising different types of societies. Apart from the medical relief organised on co-operative basis, establishment of Dharamgolas or co-operative granaries in which the members deposit a part of their produce at the time of harvest and obtain advances of paddy during sowing time, is another co-operative endeavour. Unregistered village stores are also being encouraged and in one village inhabited by aboriginal tribes of Santals the store is working successfully.

III. *The Educational Programme.*—Education is given here on the lines of the Wardha scheme and for this purpose a Shiksha Satra has been established. Side by side with Shiksha Satra is the training school for village teachers, which is called the Shiksha Charch Bhavana. Among the subjects included in the curriculum are civics, rural sanitation, agriculture, co-operation etc. which might be useful to them as leaders and guides of the villages where they will work. The Institute also controls about sixteen schools situated in the area of intensive operation where the educational ideas of the Sriniketan are, to some extent, followed. In addition to the circulation of suitable literature from a central library for the small fraction of people who have acquired literacy, the village people are encouraged to meet in the evening when they are treated with reading from simple books, discourses, musical performances and magic lantern shows.

Thus the Sriniketan or the Rural Reconstruction Institute serves as a nursery for training rural leaders and aims at improving not only rural culture but also seeks to impart a vocational bias so that the inmates on their return to villages may train the people in one handicraft or another. The underlying idea is to improve the whole of the social and economic life in rural areas. The activities fall within the scope of the Rural Development Department of this Province and the salient features may well be tried in selected area or areas.

Gosaba.—A trip to Bengal will always be incomplete without a visit to Gosaba. The experiments conducted and the activities carried on there show conclusively what a sympathetic and public spirited zamindar can accomplish through co-operation. The late Sir Daniel Hamilton took settlement from the Government of a section of Sunderbans for deforestation and colonisation with the object of creating an ideal estate for combating the indebtedness of agriculturists and for tackling the problem of unemployment. The estate is about 22,000 acres in area of which 16,393 acres are in actual cultivation. Gosaba, Rangubalia and Saljchlia are the important centres in the estate, the centre of activity being Gosaba.

There are 2000 families of colonists in the estate representing all castes and creeds. The first co-operative credit society was organised in 1916 and the initial capital was provided by the late Sir Daniel Hamilton himself. There are now 21 rural credit societies in the Estate and 774 people out of the total number of 2000 families are their members. All the societies were financed by Sir Daniel Hamilton prior to the formation of a Central Co-operative Bank in 1924. It is noteworthy that these credit societies have wholly ousted the mahajans from the Estate.

The system of collection in the Estate is interesting. The co-operative credit societies finance the members for crop cultivation. The crop produced by the members is purchased by the Jamini Rice Mill whose share capital has been subscribed by the tenants of the Estate. The mill pays the sellers value at the market rate through the central bank. The central bank deducts from the price obtained by an individual member his dues to the society as also the rent to the Estate, the balance being made over to the member concerned. The paddy purchased by the mill is sold at Calcutta through the Central Co-operative Paddy Sale Society. After the sale of the paddy or rice locally or at Calcutta, the accounts between the bank and the mill are adjusted. Another satisfactory feature in the estate is that there has not been a single criminal or civil case between the tenants and the Estate for several years.

The result of combining credit with marketing at Gosaba is that there are very small arrears in credit societies and since the estate or the zamindar is also sympathetic, the scheme is working very well. For this reason, there are also very small arrears of rent.

Besides the co-operative institutions mentioned above, there is also a co-operative store. The store supplies all sorts of goods to the tenants

on the property at reasonable rates. The boats that bring the paddy or rice from Gosaba to Calcutta take back goods for the store which it can sell almost at Calcutta rates. The membership of the store is 211, the share capital amounts to Rs. 1,235 and the reserve fund is Rs. 3,157.

To fight illiteracy 16 Lower Primary Schools, 2 Upper Primary Schools, one Lower Primary Girls' School and one M. E. School have been started and two or three night schools are also working for educating the adults. A circulating library, magic lantern slides and a gramophone with instructive and amusing records have also been called to the aid of adult education and rural reconstruction. To each of these schools is attached a model farm where the boys get ample opportunity to get practical lessons in agriculture. They also serve as models to the cultivators of the area in which they are located. Arrangements have also been made to give a course of training in hand-loom weaving in the Institute and the primary schools and a Central Hand-loom Factory has been working under the supervision of the Gosaba Central Bank.

To cater to the medical needs of the tenants three charitable dispensaries have been opened in three different centres of the Estate under competent doctors and the tenants obtain free medical advice and supply of medicine and in cases of necessity they also get the attendance of the doctors at their houses without any fees. A midwife is also maintained by the Estate for attending to maternity cases.

Stories of failure of co-operation are neither light nor few. Gosaba, however, redeems its fair name and teaches the much needed important lesson that everything depends upon the method of approach and the spirit behind it.

The experiment, however, interesting and instructive it may be, is incomplete of realisation unless these provinces too throw up a man of the calibre and public spirit of the late Sir Daniel Hamilton. "The smiling co-operative land settlement at Gosaba, in what was merely a malaria-ridden, snake infected and tiger haunted jungle, is a living monument to the memory of this great and enthusiastic Co-operator."

THE WAR AND CONSUMERS' CO-OPERATION

By

P. S. LOKANATHAN, M.A., D.Sc. (ECON.),
University of Madras.

It is yet too early to assess the effects of the war on the consumers' movement or even to describe its impact. That it has certainly affected the movement already and has given rise also to some difficult problems of policy and administration, few among those concerned with the management of co-operative stores in India will deny. But how the movement would emerge after the war, whether all of the so-called fundamental principles of Rochdale Co-operation would come out unscathed and whether on the whole the movement would be a continually progressive one or would suffer a severe set-back, no one can predict.

I

The most outstanding effect of the war in the Presidency of Madras has been the growth in the number of new co-operative stores. The rising prices combined with the tendency to profiteering on the part of retail shop-keepers has brought home to the public at once the danger of exploitation to which they are exposed and the need to check it, if possible, by mutual self-help. At the same time Government have taken action from two opposite directions designed ultimately to protect the public against profiteering. The bitter lessons of the last war had not entirely been lost on the Government, and this time, with a swiftness which is wholly praiseworthy, Government set in motion a machinery for checking excessive rise in prices and for regulating and controlling the prices of articles of prime necessity. In many ways the present war is happily very different from the last war, and owing to better knowledge and better methods of control the sufferings of the consumers on account of a possible high cost of living have been averted by a rigid control of marketing.

Not that Government control has been without its defects. So far as concerned the raw materials and foodstuffs needed for the purposes of the war, Government control in effect meant monopoly buying, and the agriculturists were at the mercy of the Government who could fix prices lower than were justified by the real conditions of demand. The Indian agriculturist who has been suffering patiently from a catastrophic fall in prices during the last few years found that by the machinery of war-control he was deprived of the chance of making up for the

enormous losses he had sustained previously. The Government of India too did not sufficiently allow for the fact that their position *vis-a-vis* the ryot in India was far different from that of the British Government *vis-a-vis* the seller of raw materials. The British Government are buyers of raw materials and foodstuffs and had to buy from well-knit organisations of sellers and hence were justified in bringing down the prices to the utmost possible extent. The Government of India, on the contrary, are sellers of goods on behalf of the Indian ryots; hence their price policy should necessarily be different and they should seek to obtain for the ryots the best possible price for their goods. This, of course, does not mean that the ryots should be allowed to exploit the war emergency. Only they should not be asked to undergo a veiled sacrifice for the war by being forced to accept uneconomic and unremunerative prices. It is fortunate that the Government of India, after their initial hesitation, have understood the right policy in this matter and have allowed prices of exports to rise in conformity with the conditions of increased demand.

These difficult considerations do not apply to the Government's action to control the prices of articles of necessity which the poorer sections of the population consume. Here the action taken with a view to checking profiteering by retailers was wholly welcome, and although certain aspects of price control affect co-operative stores vitally, to which reference is made later in this article, the results have so far been beneficial.

The other direction in which Government took action through its Co-operative Department was in encouraging the establishment of new co-operative stores which would guarantee fair prices and good quality to their members. In Madras, thanks to the initiative and foresight of the Registrar of Co-operative Societies, the stores movement has been forging ahead, and new societies are springing up with a rapidity which is dangerously outrunning the knowledge of the purpose and essentials of Co-operation. Already the number of societies started since the war have far exceeded the number that have been established since the beginnings of the store movement in India. Actually the number of stores rose from 80 in 1939 to 180 in June 1940. Such a rapid development, however desirable as a temporary makeshift to counteract the profiteering proclivities of the private retailers, is not without its own inherent danger. For the men who join the stores now as members, and even the Directors who are managing them, do not have a clear idea of the moral basis and principles of Co-operation. They see only the immediate objective, but of the more permanent and enduring results of Co-operation and of the difficult problems of management and administration, they seem to have only the vaguest idea. The writer had an opportunity of visiting one of these new stores in the southern-most corner of the Presidency, and although it was working successfully judged by its sales and membership, there were already visible certain features which if not checked immediately would certainly lead to its downfall. To mention only one of these shortcomings, although sales are supposed to be on cash, members are allowed on the personal guarantee of the President to buy on credit up to a prescribed amount. The President has perhaps promised to reimburse the Society for any loss such transactions might entail. But the principle itself is wholly vicious, and members do not understand that it is not merely a question of the solvency of the member or of the security to the society. The real principle at stake is whether the society would promote the habits of cash dealings amongst its members.

Here then is a rare opportunity which these new societies have presented to the leaders of the co-operative movement to carry the torch of co-operative knowledge to the members who have joined them now for the first time for certain immediate ends. The conflict between quality and quantity ever presents itself in co-operative fields as it does in other spheres. It is only by education and propaganda that quality can be improved. Government can and must help in this task by placing sufficient funds for propaganda work in this direction. Carefully selected men must be employed who, having intimate acquaintance with the working stores, would be able not only to educate the societies in sound principles of co-operation but would also save them from the inevitable pitfalls if they failed to pursue certain definite rules of sound business management. Unless this kind of inspection work is taken on hand at once, most of these war-time societies may die before the end of the war with results as unfortunate as they are inevitable. The energies of the Department as well as of some of the co-operators would be merely wasted in liquidating these societies at the end of the war and we shall again have to go round the usual cycle of co-operative slogans: rectification, consolidation, amalgamation etc.

II

The war has thrown up to the surface the inevitable conflict between the conception of just and fair prices on the one hand and of market prices on the other, a conflict which in normal times does not exist. The Rochdale principle of selling at market prices is perfectly sound in normal times; but when a big event like the war occurs, upsetting all normal conditions of demand, its validity cannot be nearly as unquestioned as co-operators may imagine. It will be remembered that the commodity markets all over India became panicky as soon as war was

declared, and continued to be so for a few weeks thereafter. Prices were soaring high and fluctuating not only from day to day but from hour to hour. In such a highly disturbed condition of the market the very notion of a market price becomes utterly farcical. During the critical fortnight following the commencement of the war, consumers' societies were faced with a grave problem. Were they to follow the market in all its bewildering variations, or were they to continue to sell at the old prices until their stocks were exhausted and they were driven to the necessity of replenishing stocks from the market at enhanced prices? In so far as market prices were unfair or unreasonable, there was no question as to what the stores should do. They should not imitate the policy of the private retailer to whom the distress of the consumer was his opportunity. Unfortunately, however, the consumer store societies in India were under a serious handicap in pursuing a right price policy. They had no production departments of their own from which they could draw their supplies. They were dependent entirely on the market for all the goods which their members needed, and so were at the mercy of the market. If co-operative stores desire to follow what they deem to be a just and fair price policy in times of stress, they should be able to control and dominate the market. Indian stores are not yet in that happy position, and hence most of them had to follow the market in the fixing of prices, with the result that they were condemned as no better than private shop-keepers. They were criticised both by their own members and by outsiders for continuing to sell at market prices and not at cost prices.

Such criticism was, however, based upon a misunderstanding. When market prices were ruling high, it would not be possible for the co-operative stores to sell at definitely lower prices unless they had command of an unlimited stock of goods or were monopolists controlling the entire production of certain articles. The limited stock of goods would rapidly get exhausted, and new supplies would have to be secured from the market at higher prices. Hence except for a brief while when the existing stocks were being sold out, it would not be possible to maintain a price policy different from and lower than the prices ruling in the market. Even during the period when the societies could have continued to sell at lower prices, there was no guarantee that the advantage would accrue to members alone, because although the theory is that sales are only to members, non-members do buy in the names of members, and even small shop-keepers buy from the stores with a view to re-selling at higher prices. This was exactly what happened in the premier society in Madras, the T.U.C.S., which did not go as far as private retailers in pushing up their prices. There was a great and pressing demand for Nellore rice, and despite the rationing that was adopted with a view to ensuring that no one hoarded the article at the expense of others, it was obvious that some merchants bought rice from the Society for resale to their clients. Nor was this the only difficulty. The Society was unable to buy paddy from its usual regions of supply and all its efforts to do so were of no avail for about three weeks of the war. It was only after Government announced their policy of price control that the merchants started selling their paddy to the society. But for the unusually heavy stocking of rice beforehand, the T.U.C.S. would have been hard put to it to cope with the rush of demand for rice from its members, and if it had continued to charge the same old price, all its stocks would have been exhausted in a moment and members would have had to go without rice and other articles for a considerable period.

The war presented, of course, some problems of internal administration to consumer societies. In the face of extraordinary fluctuations in prices, it would have been imprudent on the part of the management to buy in large quantities or stock articles. A cautious policy of weekly or even daily purchase had to be pursued. Sugar, camphor and certain other articles were subject to rather serious fluctuations in prices. But despite these difficulties, it must be said that co-operative stores were not unable to buy the goods which they wanted except in respect of certain imported goods like ovaltine, cocoa, etc.

Fluctuations in prices also led to a consideration of the intervals at which the society should alter its prices to members. Normally the practice in most societies is to go over the price lists once a week with a view to finding out what changes are indicated by the market trends and act accordingly, although the management always reserved and exercised the right of altering prices in exceptional cases more frequently. But on account of the war, prices changed far more rapidly. The societies had necessarily to follow suit, though they adopted something of a compromise by not changing their own prices as rapidly as the market (except when prices were down) but by altering them rather more frequently than in normal times. But fortunately the period of flux was not long, and prices became more steady gradually, thanks partly to the action of the Government.

Price control by Government was welcome to the co-operatives no less than to the masses of consuming public who did not buy from the co-operatives at all. But it brought in its wake a few knotty problems for the co-operators to solve. Government has appointed a Prices Advisory Committee whose function is to fix the retail prices of many of the articles of necessity above which they should not be sold. This was all right in principle, but in a country where there is absolutely no grading or standardisation and where of every article you can find a dozen varieties, the fixing of prices for articles of so-called 'medium' quality puts the co-operative societies under a grave disadvantage. To take the T.U.C.S. as an example, the society is catering to the needs of its own members who belong generally to the lower and upper middle class. All the articles that it sells are superior to those of the "medium" quality whose prices are fixed by the Committee. And yet the Society is called upon under threat, implicit rather than explicit, not to charge prices higher than those fixed by the Committee. Representations were made to the Committee explaining in full the price policies pursued by the Society, and though the explanations were apparently convincing to the Committee, the threat of Government's intervening without proper knowledge and understanding of these difficult matters remains as a serious factor to be reckoned with.

III

And this brings us on to the whole future of consumers' co-operation as a result of the war. The war does necessitate and justify government intervention at many points. But the results of Government intervention are, from the co-operative point of view, not always happy. Governments do not care to distinguish between co-operatives and non-co-operatives. To them conformity to their own orders is the only thing that matters. They do not care to distinguish between the ideals and principles that guide the co-operative movement and those or the lack of those that guide private shop-keepers. Whether in the matter of taxation, or in administrative control, or in enforcing certain legislative acts like the Food Adulteration Act and so on, Government do not care to pay the slightest consideration to the superior moral foundation of the Co-operative Movement. These factors, unfavourable enough in peace time, are likely to become more and more adverse in war time, and once the idea of intervention on account of the war takes root, experience has proved that intervention continues long after the need for it has disappeared. From this point of view it is certain that the war will have a deleterious effect on the growth of co-operation in India. For paradoxical as it may seem, the very desire of Government to interfere with a view to open up new consumer societies carries with it grave risks to the integrity of the Co-operative Movement as such.

For apart from the results to be achieved, the means by which they can be secured are from the co-operative point of view at least as important as the ends. Governments are anxious for results however achieved, and if co-operators are either slow or unwilling to fall into line with their wishes, Governments would have no hesitation to secure their ends by methods different from those of the co-operators.

For instance, in their anxiety to confer the benefits of the store movement on the working classes, Government in Madras are proposing to enlist a new class of members called B, to distinguish them from the existing class of members, of inferior status, with no voting rights and with other disabilities so as to enable them to buy goods from the existing co-operative stores. However desirable on economic grounds this venture may be, from the co-operative point of view there is little to be said for it. At the same time it is clear that Government cannot, in these days of grave social and economic stress, remain quiet with folded hands and do nothing. They owe a duty to the working classes who should be provided with articles of necessity at moderate prices. Mere price control is not enough. They should also ensure that the working classes get the goods they want. If either existing co-operatives would not help, or new societies would not be established by the efforts of the unofficial co-operators, Government would have to take steps by other means to achieve these ends. When they do so, their interest in the co-operative movement as such will diminish. War-time control and intervention are ultimately bound to react unfavourably on the co-operative movement, unless co-operatives are more active and alive to their own responsibilities and unless also they adapt themselves to the changing needs of the hour.

LAND TENURE AND CO-OPERATION

BY

K. C. RAMAKRISHNAN,
University of Madras.

Co-operation a necessary Complement to Peasant-Proprietorship.

"Co-operation might seem likely to flourish in agriculture and to combine the economies of production on a large scale with many of the joys and the social gains of small properties". This characteristically cautious prophecy of Alfred Marshall, the great English economist, made fifty years ago has come true in a measure which few economists or statesmen in Europe could then foresee. Encouragement of peasant proprietorship had been already adopted as a state policy in most of the European countries on economic as well as social and political grounds. Even the British Government began fifty years ago to render active aid in the creation of small holdings from out of the big estates, which were either voluntarily broken up or parts of which could be compulsorily acquired by local authorities for the purpose. Even then Co-operation was considered a necessary complement to peasant proprietorship, as without it the economies realised by the larger farms in the securing of credit and of agricultural requirements and in the processing and marketing of produce could not be realised by the smaller farms; and to that extent small holding would be a handicap from the business point of view—though from the point of view of farming efficiency alone, in several lines of animal husbandry (dairy, pigs and poultry in particular) and in the growing of vegetables and fruits small holders were not inferior to large farmers. Indeed many of them fared better than large farmers in these special lines, which demand a lot of personal attention, but not in cereal farming where machinery began to displace human labour even fifty years back.

Co-operation was in fact resorted to as the only means of salvation by petty peasants in Europe, owning each a few acres of land. But it did not at first appeal to large farmers in Great Britain or America. Raiffeisen credit system, which was among the earliest and the most successful of co-operative enterprises among the small peasants of Europe, could have no attraction for agriculturists with large landed property or big leased farms. As Carver said "the Raiffeisen system might be of use in a few cases where there are very poor and struggling farmers. But the principle of unlimited liability would absolutely prevent its being seriously considered by fairly prosperous, property owning farmers" of the United States. To British farmers, who did not own the land they farmed, this form of liability could make no appeal. Besides it had been long abandoned in business and could not be revived in co-operation. With the extension of co-operation to other spheres—purchase, processing and marketing—where unlimited liability was not insisted upon and the need for homogeneity of status among members was not felt, big as well as small agriculturists—not only in Europe but in America and other new countries—flocked to the co-operative fold and in less than a quarter of a century have beaten the records of success of consumers' co-operatives which had been started half a century earlier by the better organised industrial working classes. Co-operation has in the 20th century been adopted by substantial farmers all over the world, not so much as the only way of salvation but as the best means of betterment in a world of wasteful competition.

Post-war Reforms in Land-Tenure in Europe.

Meanwhile in Europe, in the years between 1917 and 1922, were carried out reforms in land tenure, amounting almost to a revolution in some countries. They affected, it is estimated, 36 per cent of the population and 25 per cent of the area of Europe outside Russia.[1] Many of the large farms were broken up, peasant farms were created or strengthened. Expropriation was not resorted to, except in Russia. Compensation of some sort was awarded, which was to be paid in instalments or at the end of a period. But in many cases compensation turned out to be illusory as currency was depreciated. Resale or fragmentation of the new holdings was not permitted. The motive for the change was not only economic; it was done partly to settle on land the ex-soldiers "whose private 'stake in the country' would make them quick to repel invasion". The reform was also inspired by the politico-economic desire to help native cultivators at the expense of the once dominant alien race. This was particularly the case in Poland and Czecho-Slavokia. The purely economic motive of reconstruction of holdings to meet the new type of husbandry operated most in the Scandinavian countries (Sweden, Norway and Denmark).

Whatever the motive, it was everywhere recognised that a small holdings movement required for its stability a full use of co-operation. Not only had the money for purchase of land, in a lump sum or in instalments, to be found; but the reconstruction of war-devastated areas demanded huge sums. More than all, the equipment of holdings and their working on modern lines called for active aid by co-operatives, which were often heavily subsidised and sometimes expressly created by the State. The law in some countries prohibited the mortgaging of holdings, which increased the demand for personal credit. Co-operatives undertook to supply the requirements of intensive cultivation carried on by the new holders and also took up the processing of produce and marketing, as markets were becoming more difficult for individual peasants to find on account of the new tariffs inspired by the policy of national self-sufficiency by erstwhile importing countries.

1. C. R. Fay, Co-operation At Home and Abroad, vol. II, p. 479.

In the difficult times that followed the depreciation of currency and the great economic depression, co-operative banks felt helpless as deposits were disappearing. The stabilisation of currency resulted in some co-operative purge, and the State had to bear some of the losses, which were due to its currency policy. The bad societies had to be liquidated, and other societies were gradually recovering their independence. As more and more of public funds were invested in co-operatives the State had to intervene and control co-operative activity. The more positive interest in co-operation is due to the realisation that co-operation is the best instrument of agricultural progress. We see thus the modern State has generally adopted the twin policy of aiding the creation of peasant properties and fostering co-operative societies to sustain them.

Recent Reaction in favour of Tenancy.

Peasant proprietorship is not, however, favoured in the same degree in all countries. There is a distinct change in recent years in Britain in the attitude towards the development of small holdings. British agriculture is, on the whole, becoming more mechanised, more highly capitalized and more devoted to producing high quality food-stuffs in bulk.[2] Even in lines where small holdings succeed, e.g., dairy, poultry vegetables, the case for ownership of holdings instead of tenancy is becoming weaker. Because tenants who cultivate land satisfactorily, according to 'rules of good husbandry', could now be assured fixity of tenure, freedom of cultivation and compensation for loss due to any disturbance and have fair rents fixed, if need be, by arbitration, ownership of land has lost much of its charm to tenants. Indeed it is felt that ownership would be a burden as it tied up capital which might be used in the equipment and working of the farm. Finally, it is recognised that all farmers are not fit, by temperament and training, to take up the ownership and direction

2. Viscount Astor and B. S. Rowntree, British Agriculture, p. 229.

of farms—though "there is a type of man who prefers to be 'on his own' in spite of the dangers of independence".[3]

In the United States, in view of the abundance of land and the great opportunities for a rise in the agricultural ladder for able and ambitious workers, there is greater freedom of thought and action in respect of tenurial questions. Tenancy is favoured, or at least not looked down upon, where crops can be planned on an annual basis, e.g., wheat, cotton, maize. But when farming requires planning and investment of capital for fairly long periods, as for instance in dairy and fruit farming, ownership is definitely favoured. It is well recognised that other factors besides the system of tenure play an important part in farming efficiency. The Bureau of Agricultural Economics made an elaborate enquiry into farm ownership and tenancy and came to the conclusion: "The available statistics indicate that efficiency is less a matter of the class of tenure than it is of the personal qualities of the farmer, the character of the land and the adequacy of farm equipment and operating capital."[4]

Needless to say that conditions in India approximate more to those obtaining in the continent of Europe where peasant proprietorship has not lost its charm and it has in fact been considered a *sine qua non* to the development of co-operation.

II

Co-operative Credit in Zamindari areas in Madras.

Can we trace any relationship between co-operative success or failure and the conditions of land-tenure in this country? Has the Government in this country been consciously guided by any policy of linking co-operation and peasant proprietorship or any such form of tenure, though it has favoured each independently? It would be broadly true to say that co-operation has succeeded better in the predominantly ryotwari than in zamindari provinces—more in Punjab, Bombay and Madras than in Bengal, Bihar, Orissa and the United Provinces. Even in Madras, of which we have a closer knowledge, co-operative progress, such as it is, is to be found more in ryotwari tracts than in zamindaris. The zamindaris contain one-fifth of the total cultivated area of the Presidency; but they have only one-tenth of the number of Raiffeisen credit societies. The land mortgage banks

3. Report of the Agricultural Tribunal of Investigation, p. 38.
4. United States, Agriculture Year Book, 1923, p. 576.

were, no doubt, 21 in number out of a total of 102 in the last co-operative year. But it should be noted that some of the best deltaic lands in the Northern Circars are in the zamindaris. There would be even more land mortgage banks indeed in the zamindaris of the province but for the following difficulties felt by the organisers and given expression to in annual conferences:—Lands in many zamindaris are yet unsurveyed, the record of rights in land of individuals is imperfect and cannot stand close scrutiny. New pattas are not issued in time to ryots. Rent dues are not collected properly from ryots, and arrears may at any time lead to the sale of land by the zamindar without any notice to the creditor, be it an individual or the land mortgage bank. The case is worse where a joint patta is involved. All the lands in a joint patta may be proceeded against for the arrears of rent due from any individual. Lands mortgaged to a bank may be brought up for sale, though the mortgagors might have paid their quota of kist or rent. Zamindars generally are not willing to bind themselves to give notice to the land mortgage bank of cases of land brought to sale for default of rent payment by the ryot whose land is mortgaged to the bank. The zamindars should be compelled by law to notify any such sale to the bank and such sale without notice should be invalidated.

The difficulties are nearly as great in the case of ordinary (Raiffeisen) credit societies if they fail to function smoothly, as they are based on unlimited liability and all the limitations of rights in law are likely to tell on them even more in the absence of regular mortgages. The percentage of failures is bound to be greater in such zamindari areas where ryots suffer from uncertain rights, insecure tenure and excessive rents.

Rural Credit in Orissa.

We have some evidence of a similar state of affairs—the prevalence of high rates of interest where ryots have insecure and imperfect tenure—in the neighbouring province of Orissa.[5] Not only individual money-

5. "I endeavoured during my tours to know the reasons for these high money rates prevailing in Orissa. The most common answer given to my enquiries is that money is scarce in the Province and is not available in the required measure. A few suggested that the interest rates were closely linked up with the nature of the security offered, and the lands in parts of Orissa being either poor or subject to restrictions as to free transferability, it is possibly likely that the money rates are generally pitched high by creditors.

* * * * * *

"Some witnesses suggested that the land laws and the restrictions on free transfer of land .... operated against the satisfactory progress in the lenders but even co-operative societies have been charging very high rates of interest—12½ to 15⅝ per cent on loans to members—practically double of what obtains in most parts of Madras. But in such areas of insecure or imperfect tenure, the total volume of debt is bound to be smaller and the number of moneylenders willing to lend at reasonable rates far too small for the demand. Restrictions on free transfer of land are known to operate against the satisfactory collection of arrears in co-operative societies. Amendment of land laws permitting free transfer might enable societies, as well as individual creditors, to collect the dues in the course of a few years; but such freedom is in its turn bound to increase the volume of debt and give rise to other familiar difficulties.

Ryots under the Madras Estates Land Act, 1908.

The Madras Estates Land Act of 1908 did confer valuable occupancy rights on ryots who, at the time, were in possession of land other than the private land of the zamindar. The Act secured for them virtual freedom from eviction and gave them heritable and transferable rights in the holdings. The ryots also secured partial immunity from further increase of rents paid by them at the commencement of the Act, except by mutual agreement or by order of a revenue court which should be convinced that there was a rise in prices of produce or increase in the productivity of the soil due to improvements effected, or paid for, by the zamindar. Even then enhancement was limited to two annas in the rupee and it could not be raised further for another twenty years.

There are, however, many provisions in the Estates Land Act which have affected the ryots adversely in many estates, to enquire into which a Parliamentary Committee had been appointed by the Congress Ministry in Madras in 1937. The Committee made an elaborate enquiry and submitted a voluminous report containing some drastic remedies and a bill radically altering the provisions of the Act. We are not concerned here with the discussion of the solution offered, nor need we speculate on the shape legislation would have finally taken if the Ministry had not resigned. The Committee has placed at the disposal of the public abundant materials on the working of the Estates Land Act in the zamindaris and other privileged estates in the Province. The presumption that

collection of arrears in societies. My own feeling in the matter, which was supported by my enquiries, is that in portions of the Province where such restrictions exist, rural indebtedness has been generally less than in the places where such restrictions do not prevail." [*Report on the Conditions of the Co-operative Movement in Orissa* by K. Deivasikhamani Mudaliar (1938), p. 78].

rents paid by ryots before 1908 were 'fair and equitable' is found to be far from correct judged by any rational standard.

Due to the increasing pressure of population on the soil and the liability to eviction at any time before 1908, ryots had to submit to rack-renting in several estates. There was neither regular survey by modern methods nor any scientific classification of soils. Old wastes could be reclaimed and cultivated only on terms dictated by the zamindar at his pleasure. There appeared to be discrimination between village and village and between ryot and ryot in the same village. Rent often took the form of *varam* or crop-sharing in varying proportions between the ryot and the zamindar and it still continues so in some estates. Some zamindars have been collecting high cash rents on valuable commercial or garden crops. The provisions in the Act for the commutation of *varam* and crop-war rents have worked havoc in many cases, especially when the commutation was effected in the decade before the depression when prices ruled very high. The rates paid by ryots in zamindari areas are almost always higher than ryotwari rates of land revenue in neighbouring Government villages, which are themselves felt to be oppressive. Remissions are rare and not obligatory except when it is proved that the crop suffered from a permanent failure of supply from an irrigation work. Drastic and summary powers have been given to the zamindar and his officers—who have been by no means noted for administrative efficiency or integrity—to distrain the crops and movables of ryots and bring to sale even the land of the ryots, who could rarely contest it by means of a suit before the Collector.

Effect of Tenures on Credit.

It is not in all zamindaris that conditions are so bad. But where such conditions still prevail, the credit that ryots command is bound to be restricted. Moneylenders demand higher rates of interest as the risks are greater and the chances of recovery of dues from borrowing ryots are less than in ryotwari areas. On this subject of credit, unfortunately, the Estates Land Act Committee has elicited little definite data and its own short note of three pages on Agricultural Indebtedness in Part II of the Report is hardly helpful. Apart from the lack of any fresh data, its assertion that "there would have been no debt at all if the cultivator and the ryot and the land he cultivated had not been taxed beyond their capacity" is too naive to impress any serious student. On a line with this is the finding unsupported by facts that "indebtedness started with the enhancements of land revenue assessment claimed by the landholders against the cultivators contrary to the rules laid down under the Permanent Settlement

Laws . . . ."[6] The Andhra Provincial Congress Committee's statement is more probable, though here again no facts or figures have been cited. "On account of the high rates including crop-war rates of rents, joint pattas, precarious supply of water, absence of survey and of revision, the credit for the zamindari land is far lower."[7] In fact the whole thesis of recent writers on rural credit, like Sir. M. Darling, is that increased security and prosperity lead ryots to get into greater debt, productive and unproductive. There is little doubt that the ryotwari ryot commands greater credit and avails himself of the same with results perhaps not so disastrous, because the rates of interest are not so usurious. We wish we had more data, but we are simply told, for instance, by the Andhra Congress Committee that "the average of lands escaping into the hands of non-agriculturists from those of agriculturists would be greater in the zamindaris. The sub-leases produced by the estates are mainly from these non-agriculturists."

The majority of the Estate Land Act Enquiry Committee contend that the Permanent Settlement fixed not only the peishkush or contribution payable by the zamindar to the Government but also the rates of rents payable by the ryots to the zamindar, which has been vigorously contested in the legislatures and outside. They recommend the cancellation of illegal enhancements of rents made in the course of over a century and the commutation of kind rents in terms of prices prevailing just prior to the Settlement. We are far from sure whether this solution would be accepted and acted upon even if the party returned to power. Agitation to repeal the Permanent Settlement is developing all over the country, though divergent views are expressed on the need for and the degree and form of compensation to be paid to zamindars. The estate ryots themselves have been clamouring for rates and methods of assessment prevailing in the ryotwari areas, as though these were free from objectionable features. Granting that zamindari ryots were placed on the same footing as those in ryotwari tracts as regards fixity of tenure, freedom of cultivation and fair rents, would there be no problems of tenure at all in zamindari areas, or for the matter of that in ryotwari areas? The fact is that many ryots in zamindari as well as ryotwari areas do not cultivate the land themselves or even supervise its cultivation, but are only rent receivers.

Ryots are not all Cultivators.

We have no means of knowing the exact number of such non-cultivating ryots in the zamindaris and the total burden they bear. The

6. Estates Land Act Enquiry Committee Report, Part II, p. 221.
7. Supplementary Memorandum, pp. 640-41.

Estates Land Act Committee's report refers to "much of the land having gone out of the hands of cultivators into the hands of creditors, such cultivators who had parted with their properties will be compelled to obtain leases, as sub-tenants, even for higher rents, knowing there will be no margin for them ultimately."[8] An idea of the high rents that such sub-tenants in several estates pay to the ryots may be gathered from the volume containing the Reports of Collectors made in connection with this enquiry. On an analysis of the figures relating to the major zamindaris it may be said that sub-tenants pay generally from 50 to 66 per cent of the gross produce as rent to ryots—while the latter pay the zamindar anything from 10 to 60 per cent of what they receive from their tenants. Advances of cash and of materials required for cultivation, and the exercise of supervision over cultivation by tenants are functions performed only by a small proportion of landholders, though all the rest cannot be said to be absentee landholders.

Sub-leasing in Ryotwari areas.

This system of sub-leasing is not confined to the zamindaris but is widely prevalent in ryotwari areas too. It was noticed even 60 years back by the Famine Commission of 1879: "A considerable class of subordinate tenants is growing up who pay such high rents that they must always be in a state of poverty." The Commission wanted the Local Governments to consider whether "Government ryots should be permitted to sublet their lands, and if so, whether measures should not be taken for recognising the status of such sub-tenants and recording the area they hold, the rents they pay, and the conditions of their tenure."[9] According to the last (1931) Census Report of Madras, of every 1,000 persons engaged in agriculture in the province (comprising both zamindari and ryotwari areas) only 390 are cultivating owners; 34 are non-cultivating owners, 120 are cultivating tenants, 16 are non-cultivating tenants, while as many as 429 out of 1000 are classed as mere agricultural labourers. We are not sure whether some of these are not cultivating the land on the *varam* or crop-sharing tenancy system, analogous to the metayage in Europe. The Special Officer who enquired into agricultural indebtedness in the Madras Presidency in 1935 noted: "What is alarming, however, is that in spite of fresh assignment to small farmers and labouring classes, the small holder who constitutes the bulk of the agricultural population of the Presidency is gradually making way

8. Report, vol. I, p. 141.
9. Report of the Indian Famine Commission, 1879, p. 120.

for the large landholder, who while absorbing the lands of the cultivating small farmer seldom cultivates the land himself."[10]

Agricultural reformers who are anxious to see the small and fragmented holdings in this country consolidated and enlarged are not likely to evince much enthusiasm at this process of aggrandisement since many of the enlarged holdings continue to be fragmented and the number of tenants-at-will with insufficiency of land to cultivate tend to increase. The growing competition among them results in rack-renting, though this in its turn affects their efficiency as tenant-cultivators. The general tendency is for the *varam* or crop-sharing tenancy to give place to *kuthagai* or fixed lease in cash or kind, as more and more landholders are either unable or unwilling to take risks and exercise supervision involved in the former system.

Tenancy is not an evil by itself.

We do not believe that any legislation that would compel every owner of land to cultivate his or her own land, or part with it, would be fair or workable. There are temporary absentees, the sick and the aged who have put in hard work in their day on the soil and who expect their land to be taken up for cultivation again by themselves or by their heirs who are growing up. The widows and minors are obliged to let out their lands for a short time. There are some in the learned professions and trade in urban areas who are eagerly looking forward to go back to land after retirement and carry out improvements with their savings. In fact many of these keep on their tenants on land, often advancing loans and other aids, and without harassing them as petty local landlords are known to do. Absentee landlordism, if it is a curse, is not the only curse of the countryside. The landlords who are present in the village are many of them idle or impecunious and do little to improve or even maintain the productivity of the soil. There is no reason, in the absence of any scheme of nationalisation of land and other sources of production, why any one should be discouraged from owning land as a form of property as long as such land is put to good use by the owner or his tenant and not allowed to be exploited wrecklessly or laid waste.

Tenancy of every type should not be tabooed. *Kuthagai* or fixed lease is not so bad generally as *varam* or share tenancy, though the difference between the two is bound to shrink and adjustments take place with increasing competition by the tenants for land on the one hand and

10. W. R. S. Sathyanadhan's Report on Agricultural Indebtedness, p. 6.

by landlords for tenants on the other hand. Some of the most intensively cultivated and valuable commercial crops like sugarcane, plantains, tobacco and betels are more often raised by tenants than owners of land. These enterprising tenants are not afraid of investing their own or borrowed capital and moving from one land to another, offering to pay rents according to the nature of the soil and irrigation facilities and the probable prices of crops. Indeed they are not anxious to stick to the cultivation of particular pieces of land and invest capital in their purchase and suffer for want of working capital. So far as processing and disposal of produce are concerned they take trouble and risks which the average owner cultivator cannot take. These people, however, are exceptional and few in number. The majority of cultivators, who are not owners, would like to have more security and fairer rents—especially those who raise tree crops, as in Malabar, where kanam tenure has been made more secure by the Malabar Tenancy Act, though some of its provisions have been abused. We await the report of the special Committee of enquiry on the working of this Act.

Co-operative Societies for Tenants.

Whatever be the reform in the system of tenure effected—and no reform can serve for all time—it is neither possible nor desirable to do away with tenant farming altogether. The part of wisdom lies in providing facilities for tenant-farmers that exist, and will exist under any system, to organise their own supply of credit, of agricultural requirements and the processing and marketing of crops. Credit societies of the unlimited liability type would have, in their case, no meaning unless they had other property than land, or unless the lofty co-operative ideal of the capitalisation of honesty and capacity had any practical value in their circumstances. In the absence of either of these conditions, the more realistic solution would be to organise limited liability societies and extend credit on standing crops, allowing a due margin for rents due to landlords. Credit might preferably take the form of payments in kind—seeds, manures, feeding stuffs, implements, etc. In every case efforts should be made to get hold of produce available for sale to be sold through the co-operative society, or for it by a central organisation. This would mean a system of controlled credit.

Societies for tenants would be unworkable unless rents were already fair, or fair rents could be fixed by an impartial tribunal, so that the tenant would be left not only with enough to live upon, but with something to lay by for the future or rise in the agricultural ladder by the purchase of land. In fact co-operative societies may be organised by would-be tenants to take on lease a large piece of land or several pieces from one or more landlords. Joint farming may be tried or, if that would be going too far at once, an earnest attempt may be made to consolidate cultivation units and place each individual member in charge of one unit. The bargaining power of such co-operative ventures will surely be far greater than that of petty individual tenants, competing among themselves. The advantage will not all be on the side of tenants alone. Many an absentee landlord, and institutions owning lands, not to speak of reasonable local landlords, who have worries of one type or another, would be more pleased to deal with a well-knit co-operative organisation than with a number of petty and helpless tenants. Is it too much to hope for a lead to come from an inspired and humanitarian landlord and co-operator as the late Sir Daniel Hamilton, who organised the wonderful Gosaba Settlement with a net work of co-operative societies of tenants in the Sunderbans in Bengal?

THE RICE PROBLEM IN INDIA*

BY

VAIKUNTH L. MEHTA,

Managing Director, Bombay Provincial Co-operative Bank, Ltd.

The study of nutrition problems is a recent development in the world of science and the League of Nations has played no small part in encouraging such study and research. India has been recently taking an interest in this problem and the visible embodiment of this new interest is the establishment of the Nutrition Research Laboratories at Coonoor in South India. The results of research on rice problem in India are now embodied in an interesting memoir, which is a joint product of the work carried out by the Director of the Laboratories, Dr. Aykroyd and three of his colleagues. It is written in simple language, which is not usual with scientific memoirs and is therefore bound to appeal to the lay public. Only the price is too high for a publication covering 84 pages. A summary of its contents in regional languages may, if priced low, place the valuable material contained in the memoir at the disposal of welfare workers in rural and urban areas.

Rice is the main crop in many tracts of the country; it occupies 33 per cent of the area under cultivation in India. The diets of the bulk of the rural and urban classes in the rice producing areas consist principally, if not wholly, of rice and a table in the memoir shows that 80 per cent of the total calories compressed in the average diet of the working and labouring classes consists of rice. The quantity of millets, pulses, leafy vegetables, non-leafy vegetables, fats and oils and fish, meat or eggs, that the rice eater can afford to include in his diet, is so small that the nutritive value of such diets depends, to a large extent, on that of the main ingredient, namely, rice.

Rice is, in some respects, inferior in nutritive value to most other cereals in a similar state. Where, however, the rice is home-pounded it retains several of the constituents which impart to it its essential nutritive elements. Dr. Aykroyd and his colleagues examine in detail how milled rice is poorer than under-milled rice in most important constituents.

* The article embodies a critical and interesting study of the publication, *Rice Problem in India* of the Nutrition Research Laboratories, Coonoor by Dr. W. R. Aykroyd and others. Price Rs. 3-8.—(*Ed.*).

Striking changes are brought about in the nutritive value of rice as a result of par-boiling, and par-boiled rice, even if milled, retains some of the nutritive value which is lost by raw rice during the process of milling. The most important ingredients lost in the process of milling are the vitamin-B and nocotinic acid. Researches have shown that the beri-beri disease is due to a deficiency of vitamin-B. Dr. Aykroyd and his co-workers adduce irrefutable evidence in support of their view that in India beri-beri is endemic only in areas in which milled raw rice is consumed. Typical rice diets in such areas are also deficient in vitamin-A, calcium and various factors in the vitamin-B_2 complex.

The economic and other factors leading to the gradual abandonment of home-pounding next come in for examination. Investigations carried out in the province of Madras under the guidance of Dr. Aykroyd and his colleagues show that only about 30 per cent of the population consume home-pounded rice. The proportion in other parts of India is much less though in Burma it is higher. The substitution of milled for home-pounded rice has proceeded far in South India and the tendency is on the increase. It is not so much the larger rice mills as the small plants set up in the countryside, in villages with populations of 2,000 or less, that according to Dr. Aykroyd are responsible for the transformation that has taken place. The process has been accelerated to a certain extent by the closer and quicker contacts with industrialisation and town life brought about by the ubiquitous motor-bus. The paddy-grower has thus been enabled to take his grain to the mill instead of having the grain processed at home for domestic consumption. One hour's pounding by two women working simultaneously at the same container would suffice to pound enough rice for the daily requirements of an average family. If each rice eater, observes Dr. Aykroyd, pounded his own rice daily the task would take him less than ten minutes. The task is monotonous, but is not very exacting and the average villager has sufficient time for it. Inasmuch as home-pounding has gone out of vogue, "the time that the village women used to spend on pounding rice is now spent on doing nothing." Another economic loss is that the miller keeps the husk and bran and the villager deprives himself "of fuel (husk) and food elements of high nutritive value contained in the germ and pericarp." In extenuation of the attitude of the women, Dr. Aykroyd's explanation is significant. It is that many village women, exhausted by malnutrition, ill-health and continuous child-bearing, instinctively avoid undertaking extra work demanding any physical effort. But if the malnutrition and ill-health are themselves brought about by the consumption of a cereal which in the process of milling gets deprived of some of its essential nutritive elements, the abandonment of the practice of home-pounding cannot but be deplored as creating a vicious circle out of which apparently

there is no escape. It is urged by some of the persons consulted by Dr. Aykroyd and his colleagues that local employment is available, which is better remunerated than pounding. This view however is in conflict with the statement that the time previously spent in home-pounding is now spent on nothing.

Reference is made to the existing social environment and housing conditions especially in urban areas which are incompatible with the continuance of home-pounding. Some of the other economic factors are referred to in a note by Dr. Pattabhi Sitaramayya. The use of home-pounded rice means home storage of paddy. Most of the agriculturist families are in debt and therefore sell off the paddy at the earliest opportunity. They have hence no paddy to pound. On this side of India the storing of small quantities of paddy by tenants and even field labourers is, however, not uncommon. It may be possible to encourage the present practice by some active measures such as the formation of common paddy reserves through co-operative grain banks and the imposing of certain restrictions on the starting of new rice mills or the working of the existing ones. Another point that is emphasised by Dr. Aykroyd is that the recent trend of trade development is such that home-pounded rice has ceased to be a staple article of commerce. The consequence is that distributive costs for the retail supply of home-pounded rice are greater than the expenses of putting on the market large stocks of milled rice. The cost of labour involved in home-pounding is computed as being double that demanded by the rice-mill. A hundred pounds of hand-pounded rice are calculated to cost 5 to 8 annas more than 100 lbs. of milled rice and the consumption of home-pounded rice in place of milled rice is estimated by Dr. Aykroyd and his colleagues to involve an increase in expenditure by about 3 annas per adult per month. Against this has to be set, however, the larger food value that the home-pounded rice yields, although the exact determination of the difference in the food value is not attempted in the memoir.

There is no doubt, Dr. Aykroyd and his colleagues say in conclusion, that highly milled rice is a danger to public health and steps should be taken to prevent its use. But they do not favour legislation to check the spread of rice mills or to reduce the number already in existence, mainly on the ground that it may lead to an increase in the cost of living in rice-eating areas and reduce the quantity of rice easily available. It is difficult, however, to appreciate the force of the argument when according to these eminent authorities the food stuff in question is such as has been robbed of much of its nutritive value. The line of action that Dr. Aykroyd and his colleagues recommend is two-fold. In the first place, the milling of rice beyond a certain degree should be prohibited. A minimum content of 1·5 micrograms/gramme of vitamin-B is suggested as the basis of a standard of milling; because according to Dr. Aykroyd, the vitamin-B content of this order corresponds roughly to that of once polished rice. The second line of action along which Dr. Aykroyd would proceed is mainly educative. This may be particularly helpful in areas where the inroads made by rice mills are not extensive. This, Dr. Aykroyd remarks, may be true of all the areas outside the province of Madras where the practice of home-pounding persists to a considerable extent. In several of these areas it is par-boiled rice that is ordinarily consumed and the use of par-boiled in preference to raw rice deserves to be encouraged.

Emphasis has also to be laid on the fact that the growth of rice mills has led to the disappearance of a useful and suitable cottage industry for the rice-growing areas. In Madras, attempts have recently been made to revive the industry by educative propaganda and by the formation of co-operative societies for persons engaged in the production of home-pounded rice. Along with this, the improvement of the implements employed in the work of processing is likely to be helpful; and Dr. Aykroyd and his colleagues refer to an improved type of hand-huller. This is made of wood and in the process of breaking the husk the friction produced by the grooved surface is not such as to remove the germ and pericarp from the grain. Wooden hullers of the type have recently been popularised by the All India Village Industries Association at Wardha.

The province of Bombay is not an important rice-growing tract, and except in the coastal belt of the Konkan and a small zone in North Gujarat rice is not a staple crop. Still rice is the staple food of large sections of the population in the Konken, in urban areas in the Karnatak and the Maharashtra and in the city of Bombay. Although a table given in Chapter VI of the memoir contains no mention of Bombay, the percentage of the rice-eating population in the Province using home-pounded rice is on the decline. The districts of Thana and Kolaba are studded with numerous rice mills and the use of rice imported from Burma is not uncommon. The poor nutritive value of this article of their diet needs to be brought home especially to the poorer sections of the population, who cannot afford to supplement their dietary by the consumption of articles containing the ingredients removed in the process of rice milling. Such educative effort alone is, however, not enough. It is necessary, in addition, to prohibit the milling of rice beyond a certain degree, and to promote measures for increasing the supply of home-pounded rice. Efforts in this direction may well be taken in hand by welfare workers in rural and urban areas all over the province.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

MADRAS.

Extracts from the report of the Registrar of Co-operative Societies, Mr. S. A. Venkataraman, I.C.S. for the year ending 30th June 1939.

Summary of General Progress.—The year was one of general progress. The number of societies and their transactions increased repayments recorded an improvement, and the movement expanded in new directions, especially on the non-credit and marketing side. With the passing of the Madras Agriculturists' Relief Act and the introduction of prohibition in certain districts, a large number of people began to look to co-operative societies not only for finance but as a suitable agency for rural development work. The number of societies consequently rose from 13,138 to 13,759 and their membership from 949,000 to 1,042,000. Loans issued by agricultural societies amounted to Rs. 307·79 lakhs, which exceeded the last year's figure by about a crore of rupees and even topped the figures for 1929-30—the highest in recent years—by about Rs. 50 lakhs. In the sphere of mortgage credit, the land mortgage banks advanced a sum of Rs. 59·43 lakhs bringing the total amount advanced to Rs. 235·26 lakhs. Though co-operative societies are exempt from the operations of the Agriculturists' Relief Act, central banks and societies have extended all possible concessions to the borrowers, consistently with their financial interests. Alongside expansion, central banks also undertook rectification and consolidation of existing societies, and 664 societies were revived during the year.

The Madras Provincial Co-operative Bank Ltd.—The working capital of the Bank rose from Rs. 204·88 lakhs to Rs. 236·45 lakhs, of which Rs. 202·16 lakhs represented borrowed capital and the rest owned capital. Deposits held by individuals and societies were Rs. 63·85 lakhs and Rs. 60·03 lakhs respectively.

The Bank granted loans to central banks to the extent of Rs. 64·88 lakhs during the year as against Rs. 32·79 lakhs in the previous year. The increase was largely due to the encouragement of loans against pledge of produce, the amount lent for this purpose alone being about Rs. 40 lakhs. The loans outstanding at the end of the year against central banks were Rs. 56·93 lakhs. Loans outstanding against primary societies amounted to Rs. 15·23 lakhs, of which Rs. 14·93 lakhs was due from the Vuyyuru Co-operative Industrial and Credit Society.

The Bank interested itself in the development of sale societies. It lent Rs. 40 lakhs to central banks for financing sale societies at a special rate of 3 per cent while the normal lending rate to central banks was 3½ per cent. Further, the Bank granted a subsidy of Rs. 21,900 to the central banks for the development of sale societies. The Bank laid great stress on the need for insurance of hypotheca in the sale societies and has recently sponsored the organisation of a Co-operative Fire and General Insurance Society. The registration of the society is under consideration. The Bank earned a net profit of Rs. 2·36 lakhs as against Rs. 2·93 lakhs in the previous year. The fall is mostly due to the concessional rate on loans to central banks. From 1st July 1939 the concession has been withdrawn and a uniform rate of 3½ per cent is charged on all loans.

Central Banks.—The number of central banks decreased from 31 to 30 during the year, due to the cancellation of registration of the Christian Central Co-operative Bank. The membership of these banks consisted of 10,263 societies and 4,114 individuals. The working capital amounted to Rs. 566·24 lakhs as against Rs. 523·54 lakhs of the previous year. The fall was mainly due to the cancellation of Christian Central Bank referred to. Deposits from societies fell slightly from Rs. 132·67 lakhs to Rs. 131·16 lakhs; those from individuals and other sources rose to Rs. 252·56 lakhs from Rs. 241·57 lakhs. Borrowings from the Provincial Bank during the year amounted to Rs. 64·88 lakhs and the amount outstanding at the end of the year was Rs. 56·93 lakhs. No amount was overdue. During the year, Government passed orders restricting the investment of funds in central banks by local bodies. All current accounts of local bodies were to be closed and the amounts transferred to Government treasuries. Investments in fixed deposits could be made only in the case of certain funds and that too when such investments were more profitable than in Madras Government Securities.

Loans disbursed to societies amounted to Rs. 201·08 lakhs (Rs. 137·67 lakhs short term, and the rest long term) as against Rs. 142·25 lakhs in 1937-38 and Rs. 105·88 lakhs in 1936-37. This increase in transactions is said to be due to the demand by agriculturists for co-operative loans after the passing of the Madras Agriculturists' Relief Act, 1938 and the encouragement of produce loans through loan and sale societies. Recoveries from societies were Rs. 145·66 lakhs and the outstandings at the end of the year amounted to Rs. 350·45 lakhs of which Rs. 106·14 lakhs was overdue. The outstandings against societies under liquidation stood at Rs. 30·59 lakhs. Most of the central banks charged to the societies 5½ per cent and 5 banks only 5 per cent on the loans advanced to them. The net profits of these banks amounted to Rs. 3·18 lakhs as agains Rs. 3·15 lakhs of the previous year.

Alongside expansion, the policy of rectification and consolidation of existing societies was also pursued and 664 societies were revived during the year. There were occasions where loans had been granted to societies regardless of their financial condition or management and the adequacy of the action taken by them for recovery of overdues from the members. It is essential that before granting loans to such societies, the banks should satisfy themselves that the financial condition of the societies is sound and adequate action has been taken by them for the recovery of overdues from members.

The Madras Co-operative Central Land Mortgage Bank Ltd.—The statement given below shows the progress of the Bank:—

	1937-38.	1938-39.
No. of members: Individuals	478	466
Primary L.M.Bks. ..	94	106
	Rs.	Rs.
Share Capital ..	6,69,300	7,76,500
Borrowings: Debentures ..	131,85,700	60,56,200
Deposits ..	6,37,277	7,64,487
Overdraft ..	4,21,296	3,78,006
Loans ..	1,00,000	21,52,184
Loans outstanding against P.L.M.Bks. ..	140,79,859	189,17,981
Investments in G.P. Notes etc. ..	11,68,638	12,44,563
Overdues ..	Nil.	Nil.
Net Profits ..	92,962	1,12,715
Reserve fund ..	1,58,858	2,03,939
Other reserves ..	80,000	1,20,000
Dividend declared ..	4 p.c.	4 p.c.

The Bank issued the 25th series of debentures for Rs. 25 lakhs at par at 3 p.c. and the 26th series at the same rate but with a discount of 1 per cent. The total amount of debentures issued during the year amounted to Rs. 39·57 lakhs. Debentures to the extent of Rs. 10·86 lakhs belonging to the 23rd and prior series were redeemed from out of principal collections. To enable the Bank to float debentures in bulk once or twice a year when the moneymarket was favourable and to carry on its transactions between the two issues of debentures, the Government agreed to give temporary accommodation to the Bank. From August 1938 to 30th June 1939, Rs. 52·25 lakhs were drawn from the Government of which Rs. 30·23 lakhs were repaid. At the beginning of the year the rate of interest charged on loans to the primary banks was 4½ per cent and to the ultimate borrowers 5½ per cent per annum. It was felt that as the Central Bank would not be able to raise funds by floatation of debentures at 3 per cent as in the previous years, it should raise its lending rate so as to maintain a margin of 2½ per cent between the debenture rate and the rate charged to ultimate borrowers. The rate was therefore raised to 5 per cent to primary banks and 6 per cent to the primary borrowers. The Bank, according to the orders of the Government, maintains a Debenture Redemption Fund from the 24th series of debentures.

The Bank has been growing from strength to strength. It has issued loans to the extent of Rs. 222·96 lakhs from the date of its inception to 30th June 1939. The Government guarantee to the debentures was raised from Rs. 150 lakhs to Rs. 200 lakhs during the year and to Rs. 250 lakhs after the close of the year. The passing of the Madras Agriculturists' Relief Act brought into greater prominence the need for a suitable agency to enable the ryots to discharge prior debts as scaled down according to the provisions of the Act.

Primary Land Mortgage Banks.—There were 112 banks working at the end of the year, including the 11 registered during the year. The working capital of these banks amounted to Rs. 207·48 lakhs of which Rs. 15·3 lakhs represented owned capital. These banks borrowed a sum of Rs. 59·07 lakhs from the Central Land Mortgage Bank during the year and repaid Rs. 10·14 lakhs leaving an outstanding of Rs. 189·18 lakhs. Loans advanced to members amounted to Rs. 59·43 lakhs and recoveries to Rs. 10·27 lakhs. The loans outstanding at the end of the year amounted to Rs. 192·57 lakhs, of which Rs. 1·27 lakhs was overdue. Seven of these primary banks which had their own debentures continued to redeem portions thereof during the year. Rs. 38,900 of debentures were thus redeemed, and debentures outstanding at the end of the year amounted to Rs. 3,12,600.

The existing banks cover now as many as 17,241 villages and loans have been issued in as many as 4,432 villages. The total number and volume of loans issued up to 30th June 1939 were 13,650 and Rs. 235·26 lakhs respectively. Though there is no district which is not having a land mortgage bank, there are still some areas in the districts not covered by these banks. The organisation of new banks has been deferred for the present as a measure of economy forced by the war. The question of organisation of land mortgage banks in dry areas is also engaging attention.

For the last few years, land mortgage banks have been attempting to scale down the debts of their members, but the intensity of the efforts made in this direction have naturally varied with the personnel of the directorate, as the scaling down was voluntary and had no statutory recognition behind it. After the passing of the Madras Agriculturists' Relief Act, the debts of members of primary land mortgage banks are scaled down according to the provisions of the Act and only the reduced sums are sanctioned by the Central Land Mortgage Bank for disbursement to creditors. It has been ascertained that out of Rs. 41·01 lakhs due to creditors according to original contracts, reduction of Rs. 7·16 lakhs (or 17·46 per cent) was effected.

Agricultural Credit Societies.—The number of these societies rose from 10,520 to 10,926 and their membership from 523,998 to 567,279. The following figures will show the comparative financial position of these societies in the last three years:—

	1936-37	1937-38	1938-39
	In Lakhs of Rupees		
Share capital ..	52·01	51·46	53·36
Reserve Fund ..	75·09	77·46	78·75
Working Capital ..	430·24	437·13	473·00
Loans issued to members ..	96·17	110·97	147·47
Net profit ..	6·37	4·94	4·06
Loans outstanding ..	317·80	322·03	353·53*
Net loss ..	19·01	19·26	20·29

* Of this amount Rs. 162·25 lakhs was overdue.

The increase in transactions is not followed by a corresponding increase in profits. The profits earned by good societies are falling while the losses sustained by other societies continue to be on the increase. The reduction in the rate of interest on loans, abolition of penal interest and the scaling down of debts in deserving cases, as measures of relief to the members, have chiefly contributed to the fall in profits. The number of societies that worked at a loss during the year represented 55 per cent of the total number of societies.

The Alamuru Rural Bank, which was started on a multi purpose basis in February 1938 was mainly engaged in credit activities during the year. It had 231 members and a share capital of Rs. 3,148. It advanced loans to the extent of Rs. 52,236 against gold, standing crops, produce and immoveable property. It sold 1,172 bags of manure and Rs. 1,657 worth of cloth to the members. Recently, the Society has obtained on lease from the Government lanka lands of about 259·28 acres for assignment to members of the scheduled classes.

Non-agricultural Credit Societies.—There were 1,131 societies of this class with a membership of 292,844. Of these 992 societies were of the limited liability type and the rest of the unlimited liability type. The working capital rose from Rs. 393·14 lakhs to Rs. 417·43 lakhs. They disbursed loans to the extent of Rs. 293·33 lakhs. The overdues amounted to Rs. 63·23 lakhs as against a demand of Rs. 321·74 lakhs under long and short term loans. The total loss sustained by 264 societies amounted to Rs. 1·27 lakhs, while the profit earned by the remaining societies was Rs. 7·13 lakhs.

Urban banks are generally working well. They have large membership and heavy transactions. Though large membership is a source of strength to these banks, yet in many cases the membership is so unwieldy that it is impossible for the general body to meet and transact any serious business at a meeting. It is necessary that a body more representative than the Board of Directors but smaller than the full general body should be constituted with powers to transact business on behalf of the general body. Necessary amendments to the Act have been suggested to the Government for consideration.

Employees' Societies.—There were 177 societies exclusively for Government servants with a membership of 47,031 and 322 societies for employees of local bodies, muncipalities, commercial firms, etc. with a membership of 81,845. The financial position of these societies is sound, but there is almost a universal tendency among the members to borrow to the maximum limit and also to borrow continuously. Deduction of debts at source is not done in all cases. In order to ensure their safe and sound working, a second loan should be refused to a member until a portion of the first loan is discharged or before the expiry of a time limit from the date of the prior loan. Deduction should be made compulsorily at the source by securing the co-operation of pay disbursal officers by associating the heads of offices in the management of the societies. A systematic attempt at regular contribution to a thrift fund and joint purchase of the members' domestic requirements should be made.

Loan and Sale Societies.—The number of these societies rose from 118 to 134, and their membership from 18,936 to 27,548. They issued loans to the extent of Rs. 95·86 lakhs during the year, as against Rs. 62·12 lakhs in 1937-38 and Rs. 26·16 lakhs in 1936-37. The loans outstanding at the end of the year amounted to Rs. 56·63 lakhs. There is a feeling that these societies should confine themselves mainly to marketing and should not undertake issue of loans. While emphasis should be laid on marketing by these societies, it is not possible altogether to dispense with the supply of credit by them. In fact, such credit when necessary is an essential link in the marketing chain. The societies may usefully attempt processing of agricultural products also. One of the causes for the slow progress of marketing activities is want of adequate storage facilities. The Government have been giving loans and free grants to these societies for construction of godowns. During 1938-39, 5 societies were given loans to the extent of Rs. 34,525 and free grants of Rs. 11,012. The loans so far issued amounted to Rs. 2,13,186 to 25 societies. The Government have also granted a subsidy of Rs. 26,500 to 62 of the small societies for employment of adequate staff and a staff of 10 inspectors for employment in larger societies.

The Madras Provincial Co-operative Marketing Society.—The membership of this society consisted of 86 societies and 52 individuals with a paid-up share capital of Rs. 6,200. The Society continued to receive financial and other aid from the Government and the Madras Provincial Co-operative Bank as in the previous two years. During the year, it sold articles worth Rs. 1·7 lakhs and earned a commission of Rs. 7,931. Of the goods sold, goods worth Rs. 1·59 lakhs were supplied by the co-operative societies alone. The Society at present sells most of its articles in retail from its godowns in Madras. The main objective of the society is to create and develop an assured market for the products of its members to be sold in bulk. This is possible if the several stores in the Province, including the Triplicane Urban Co-operative Society, make their purchase as far as possible through the Marketing Society. This arrangement will bring the producers and consumers together to their mutual advantage. Besides the Provincial Marketing Society, there were three other marketing societies—2 in Tanjore and 1 in Tinnevelly. They did not show any appreciable progress.

Milk Supply Unions and Societies.—There were 6 milk supply unions and 51 milk supply societies at the end of the year. The Madras Milk Supply Union had a membership of 14 milk supply societies and a paid-up share capital of Rs. 18,249. The Union purchased 666,840 measures of milk for Rs. 2,05,038 and sold 617,907 measures for Rs. 2,40,775. The unsold milk was converted into milk products and sold for Rs. 16,191. The Union earned a profit of Rs. 13,915, of which Rs. 10,983 was set apart for pasteurisation and building fund. There is a great demand for pasteurised milk in the city, and the Union is growing more popular. The other unions are also progressing well.

The milk supply societies had in all 1,613 members and a paid-up share capital of Rs. 12,692. The main function of these societies is to collect the milk supplied by their members and to deliver it to the milk unions for being marketed. In areas where services of unions are not available, the Societies themselves are permitted to undertake the sale of milk. Some of the societies earned a profit of Rs. 1,082, while others sustained a loss of Rs. 986.

Sugarcane Growers' Societies.—There were 15 sugarcane growers' societies and unions and three industrial societies for the benefit of sugarcane growers. The Vuyyuru Sugarcane Growers' Union, the Hospet Sugarcane Growers' Co-operative Society and the Coimbatore Sugarcane Growers' Union did some useful work and deserve mention.

The Vuyyuru Co-operative Agricultural, Industrial and Credit Society (the largest of the three co-operative sugar factories in the province) had a membership of 550 and a paid-up share capital of Rs. 1·95 lakhs. The factory worked for 72 days in the year and crushed 46,587 tons of cane. The sugar manufactured was 3,628 tons at a cost of Rs. 10·57 lakhs. The society continued to be financed by the Madras Provincial Co-operative Bank. During the year the sugar sales amounted to Rs. 6·63 lakhs, leaving a stock on hand worth about Rs. 5·49 lakhs on 30th June 1939. The outstanding loss of the society was reduced from Rs. 4·09 lakhs to Rs. 2·95 lakhs during the year.

The condition of the other two industrial societies (one at Etikoppaka and another at Tummapala in Vizagapatam District) continued to be unsatisfactory.

Fruit Growers' Societies.—Only 3 out of 8 of these societies did any work. The Kodur Fruit Growers' Society in the Cuddappah District deserves mention. The society marketed its produce through the Madras Provincial Co-operative Marketing Society. During the year, the society sold 20,376 baskets of oranges, 1000 baskets of mangoes, 704 baskets of lime and 85 baskets of melons and sapotas for Rs. 81,092 and earned a commission of Rs. 3,819. The oranges marketed by the Society represented one-sixth of all the fruits of that variety grown in the district. The society earned a net profit of Rs. 2,346 as against Rs. 820 in the previous year. The Society also issued loans to its members for cultivation expenses to the extent of Rs. 62,025 of which Rs. 45,537 was recovered.

Consolidation of Holdings Societies.—There were 16 societies of this kind on 30th June 1939. From the experience gained in their working, it is observed that no substantial progress in consolidation is possible unless arrangements are made to effect transfer of registry of holdings of members in the revenue records. The ordinary procedure of registration under the Indian Registration Act is not suitable for consolidation of holdings. In the Punjab, there is a separate Consolidation of Holdings Act, and I have suggested to the Government that in the absence of such legislation in this province, the registration Act and the Co-operative

Societies Act may be amended suitably in this behalf. The Government set apart a sum of Rs. 50,000 out of the Government of India grant for rural uplift to meet the cost of special inspectors recruited from the Revenue Department to supervise the work of these societies. One society in North Arcot district consolidated 181·21 acres of wet lands comprising of 823 plots into 130 plots. Another society consolidated 323 plots into 78.

Stores Societies.—The number of these societies rose from 58 in 1936-37 to 73 in 1937-38 and to 85 in 1938-39. The value of goods sold during the year was Rs. 23·77 lakhs as against Rs. 21·6 lakhs in 1937-38 and Rs. 18·91 lakhs in 1936-37. The present time seems to be most opportune for the starting of new societies and for enlarging the business of existing ones. The outbreak of war has brought in its wake a tendency on the part of retail shop keepers to profiteer at the expense of the consumer. This should be checked, and one effective method is organisation of consumers on co-operative basis.

The Triplicane Urban Co-operative Society, with its 29 branches in the city and 5,943 members and a paid-up share capital of Rs. 83,682, continued to do useful work. It sold goods worth Rs. 8·76 lakhs and earned a profit of Rs. 19,213. The progress of this society has been stationary and I wonder whether in view of its long standing in the city, the progress made by it has been adequate or satisfactory. It is hoped that the society will rapidly expand its membership and business.

School and College Societies.—The number of these societies rose from 89 to 94, with a membership of 5,564. The paid-up share capital of these societies amounted to Rs. 13,922 and the value of articles sold to Rs. 1·72 lakhs. These societies effected a saving of Rs. 6,593 and distributed bonus to members to the extent of Rs. 3,282. The number of these societies is rather small considering the number of educational institutions in the province.

To co-ordinate the work of these societies a Central Stationery Store was started during the year at Madras. This central society will make purchases in bulk the articles required by the primary societies and distribute them according to the indents received. 27 of the primary societies have affiliated themselves to the central society, and it is hoped that before long the remaining societies will also join it.

Weavers' Societies.—During the year, the number of these societies rose from 133 to 174 and their working capital, excluding that of the Provincial Society, rose from Rs. 2·42 lakhs to Rs. 3·39 lakhs. The societies purchased raw materials worth Rs. 3·22 lakhs and sold finished products to the extent of Rs. 7·37 lakhs as against Rs. 2 lakhs and Rs. 4·31 lakhs in 1937-38.

The Madras Handloom Weavers' Co-operative Society recorded another year of progress. During the year, the membership and share capital of the society rose from 214 and Rs. 33,165 to 276 and Rs. 40,070 respectively. Among the members were 87 individuals and 37 central banks and societies, other than those for the weavers. The society stands in need of more capital and has appealed to all co-operative institutions in the province to join it. A sum of Rs. 70,159 was utilised by the Society out of the Government of India subventions. During the year it subsidised 123 societies to the extent of Rs. 30,996. The system of supplying yarn to the societies at wholesale rate on the Provincial Society's guarantee was continued, and on 30th June 1939 such guarantee amounted to Rs. 63,043. The societies were also granted cash credit to the extent of Rs. 35,925 for direct purchase of yarn by them and for payment of wages. On 30-6-1939 the societies owed the Provincial Society a sum of Rs. 61,725 under cash credit loans. The loans advanced by the Provincial Society on the security of finished products amounted to Rs. 13,804. The Society has an Emporium at Madras and seven sale depots in the important mofussil centres of the province for sale of finished products. Besides these, some of the co-operative institutions were induced to interest themselves in the sale of the finished products. The society earned a net profit of Rs. 6,385.

Cottage Industries Societies.—The societies formed for the promotion of cottage industries did not make any appreciable progress. They were faced with difficulties of finance and marketing. The Government have been considering the question of giving an impetus to the development of these societies for some time past, and as a preliminary measure commercial museums have been established in some districts. It is hoped that ere long there will be one such museum for each district. A provincial organisation has also come into being to serve the purpose of a museum and information bureau. The possibilities of organising cottage industries on co-operative lines is being examined by the Co-operative and Industries Departments. It is however felt that it would be a mistake to organise societies for all kinds of cottage industries, irrespective of the consideration whether they have or have not a survival value, and can or cannot withstand the competition of organised industry.

Building Societies.—There were 126 societies of this type at the end of the year as against 127 at the beginning. The membership of these societies rose from 4,462 to 4,583 and paid up share capital from Rs. 8·47 lakhs to Rs. 10·53 lakhs. The number of houses completed rose to 2,515 of the estimated value of Rs. 78·18 lakhs from 2,071 and Rs. 75·84 lakhs. There were 169 houses under construction of the estimated value of Rs. 3·58 lakhs at the end of the year. Loans outstanding to Government amounted to Rs. 20·36 lakhs of which Rs. 2,704 was overdue as against Rs. 11,310 in the previous year. Loans to the extent of Rs. 25·13 lakhs were outstanding against members of which Rs. 1·85 lakhs was overdue, besides an interest overdue of Rs. 0·58 lakhs.

Labour Contract Societies.—The Madras District Labour Co-operative Society which started on its work in 1936 completed the construction of 19 buildings of the value of Rs. 1·33 lakhs and had at the close of the year 5 buildings of the estimated value of 0·51 lakhs under construction. During the year the society paid wages amounting to Rs. 19,185. From the profits of 1937-38 the members were also paid a bonus of five pies for every rupee of wages earned by them. The rate of daily wages paid by the Society was, on the average, four annas more than that paid by private contractors to workmen engaged by them. The society has proved useful not only to its members but also to those in the city who wanted to build houses.

Printing Societies.—There were three societies of this type, one each at Tanjore, Coimbatore and Madras. The Central Co-operative Printing Works at Madras, which continued to be under supersession and in charge of a special committee appointed by the Registrar, has been making steady progress.

Better living Societies.—There were 54 societies of this type at the close of the year as against 50 in the previous year. Some of these societies are doing useful work. One Society in South Kanara and three societies in Tinnevelly have been carrying on propaganda in favour of reduction of expenditure on marriages and other ceremonies. It is estimated that the expenditure of the members of the society in South Kanara has been reduced by as much as 50 per cent. Three societies in Guntur are doing similar propaganda for social reform among the members. Progress in social reform is bound to be slow, and while every attempt should be made to stimulate the societies to greater activity, what little has been achieved by way of arousing the social conscience of the members deserve appreciation.

Thrift Societies.—There were 105 societies of this type as against 42 in the previous year. Of these 19 were exclusively for women as against 22 last year. The total share capital of all these societies was Rs. 10,416 as against Rs. 7,130 in the previous year. The savings of the members invested in the societies rose from Rs. 57,869.

In the Salem District where prohibition has been introduced a great impetus was given to the thrift movement in the last year. That work was continued throughout the district during the year. Savings were collected through hundi boxes and 'thrift day' was celebrated in several centres throughout the district. The total savings effected during the year through the agency of the societies amounted to Rs. 57,461.

Chittoor and Cuddappah, where prohibition was introduced during the year, also started a campaign for the encouragement of thrift among the people. In Chittoor, Rs. 7,607 was collected before the end of the year under the 'home safe deposit' scheme and in Cuddappah Rs. 26,726 was collected. In certain villages in Cuddappah, where labourers are paid in kind, grain pots have been introduced and the labourers are encouraged to deposit in them grain, which on accumulation will be converted into money and credited to their accounts.

Women's Societies.—During the year the number of societies rose from 34 to 44, with a membership of 1,378 and paid-up share capital of Rs. 2,829. These societies were originally intended mainly for the encouragement of thrift among women, but they were subsequently permitted to start cottage industries. Co-operation has not yet made much headway among women. Lack of sustained propaganda among them, a natural shyness on their part to come forward and manage co-operative institutions and want of finance for undertaking cottage industries are mainly responsible for the slow progress. For propaganda and successful organisation of these societies, a paid staff is required and until this is provided, the progress is bound to be slow. The experiment of having honorary workers has not been much of a success.

Scheduled Classes Societies.—At the end of the year there were 2,647 societies formed specially for Adi-Dravidas, Adi-Andhras, Fishermen, Kallars and other scheduled classes as against 2,705 last year. At the end of the year Rs. 78,363 under principal and Rs. 15,662 under interest were overdue to Government from the societies in charge of this Department. The societies in charge of the special Police Officers were in arrears to Government to the extent of Rs. 2,188 out of Rs. 1,05,081 outstanding against them. The overdues in respect of loans granted by the Madras Christian Central Co-operative Bank and other central banks were Rs. 3·77 lakhs under principal and 0·49 lakhs under interest.

With the liquidation of the Christian Central Co-operative Bank during the year, the problem of the future financing of the societies affiliated to the Bank needed solution. Steps were taken to ensure that the needs of such of the societies as required fresh finance were met. The failure of the Christian Central Bank showed that a central institution with business confined to financing scheduled classes societies scattered all over the province and not having intimate touch with them could not succeed. The most appropriate financing agency for the purpose was the district central bank with a mixed clientele. Attempts are being made to affiliate these societies to the local central banks under certain conditions and it is hoped that with the co-operation of the central banks, there will be no difficulty in future in supplying adequate funds to the deserving of these societies.

The South India Co-operative Insurance Society Ltd.—The year under report is the seventh year of the working of the society. At the end of the year there were 9,266 members composed of 32 societies and 9,234 individuals. Including 8 proposals pending acceptance at the end of the previous year, 3,916 proposals for Rs. 33·24 lakhs were received during the year; 3,850 proposals for Rs. 32·63 lakhs were accepted; 33 proposals for Rs. 28,900 were rejected; 18 proposals for Rs. 17,500 were postponed; and 15 proposals for Rs. 14,450 were pending examination. The number and amount of policies issued were 2983 and Rs. 25·45 lakhs as against 2,276 and Rs. 19·75 lakhs in the previous year. 29 claims amounting to Rs. 21,083 were paid during the year and 32 claims amounting to Rs. 25,435 were pending payment at the end of the year. The Life Assurance Fund stood at Rs. 4·27 lakhs as against Rs. 2·84 lakhs in the previous year. The total life assurance business on 30th June 1939 stood at Rs. 89·87 lakhs in respect of 10,613 policies as against Rs. 64·41 lakhs relating to 7,630 policies at the end of the previous year. The bylaws of the Society have been amended to suit the requirements of the Indian Insurance Act, 1938. It will be observed that the society has been making steady progress.

The Postal and R.M.S. Benefit Fund.—There were 3,058 members and a paid up share capital of Rs. 26,662 as against 2,775 members and share capital of Rs. 28,100 at the beginning of the year. The premia realised during the year amounted to Rs. 1·36 lakhs as against Rs. 1·23 lakhs in the previous year. During the year 453 lives were insured and 204 claims amounting to Rs. 67,614 were paid. The risk covered at the end of the year stood at Rs. 30·33 lakhs in respect of 3,105 policies. The total life assurance fund at the end of the year was Rs. 5·71 lakhs as against Rs. 5 lakhs of the previous year. Since the close of the year, the Society has taken up new schemes of business such as insurance on joint lives, education of children and marriage.

Supervision.—The number of supervising unions was 252, and their activities were co-ordinated by the central banks. The amount spent on supervision was Rs. 4·54 lakhs, of which the societies contributed Rs. 1·36 lakhs and the central banks contributed Rs. 1·31 lakhs statutorily and Rs. 1·35 lakhs voluntarily. The system of supervision by central banks, assisted by unions has been in operation for some years past, and it is found that the system, though well conceived, has not been working satisfactorily. Though a few unions are doing good work, it cannot be denied that the working of a large number is unsatisfactory. The opinion is widely held in many quarters that the unions should be abolished and that central banks should carry on supervision through their paid staff. I feel that before taking this step a real attempt should be made to rectify, improve and strengthen the working of the unions and make the system of supervision through unions more efficient. The central banks will then find in the unions a source of valuable assistance in their schemes of expansion and rectification of the movement.

Education and Propaganda.—The Madras Provincial Co-operative Union continued to publish the 'Madras Journal of Co-operation' in English. The library and reading room maintained by the Union continued to be popular. The president and members of the Executive Committee, as usual, did useful propaganda in the districts. The magic lanterns and slides prepared by the Union have been very popular and the demand for them has been on the increase. The Union received substantial grants from the Madras Provincial Co-operative Bank and subsidised the Tamil and Andhra Language Federations and the South Canara Central Bank for the publication of the Tamil, Telugu and Kannada Journals respectively. The Union conducted the panchayatdars' training classes and spent Rs. 27,666 for the purpose of which the Government grant amounted to Rs. 20,749. The Union recently celebrated its Silver Jubilee. During the year the union conducted two peripatetic training classes, one in the north and another in the south.

The Madras Central Co-operative Institute, which was started under the Government of India Education scheme, gave training in non-credit activities and training in the duties of Secretaries and Managers of central and urban banks. The Institute also gave training for Junior Inspectors to be recruited by the department. The question of enlarging the Institute into a College of Co-operation and the proposals of the Madras Provincial Co-operative Union regarding peripatetic training schools have been referred to the Committee on Co-operation, and their recommendations are awaited.

Co-operation and Rural Uplift.—During the year, central banks and societies spent out of their common good funds Rs. 43,476 of which Rs. 20,961 were for education and propaganda, Rs. 8,813 for maintenance of libraries and reading rooms; Rs. 7,298 for medical relief and sanitation, Rs. 4,455 for providing village promotion such as repair of wells and roads, Rs. 1,287 for promotion of cottage industries and Rs. 662 for purchase of stud bulls. Since the close of the year, the Madura Ramnad Central Bank, which has a sum of Rs. 13,000 to the credit of its common good fund, has decided to launch a scheme of rural development. The proposal is to select 27 villages and devote attention to the material and moral improvement of the villagers through the co-operative societies.

Audit.—During the year the scales of audit fees were revised and Government ordered that fees should be collected from societies on the basis of the actual time taken for the audit. According to the new scales, all central banks and urban banks with a working capital of Rs. 1 lakh and over will be charged at the rate of Rs. 5-8-0 per day while all other societies liable to pay audit fees under the rule will be charged Rs. 3-12-0 per day. It is now too soon to estimate the extent of relief which the new scales will give the societies which were complaining of the heaviness of the fees payable by them under the old scales. Instructions have been issued to officers and societies to see that, while audit is not rushed through merely to reduce the fees payable, every endeavour should be made to finish the audit within a reasonable time.

Cost of working of the Department.—The total expenditure incurred on the Department amounted to Rs. 13·81 lakhs as against Rs. 13·38 lakhs in the previous year. Receipts during the year amounted to Rs. 4·18 lakhs as against Rs. 3·96 lakhs in the previous year. The net expenditure of Rs. 9·63 lakhs represents 0·42 per cent of the total working capital of all the societies, as compared with 0·47 per cent in the preceding year.

Co-operative Enquiry Committee.—During the year, the Government appointed a committee under the chairmanship of Sir T. Vijayaraghavachariar, to enquire into and report on the working of the co-operative movement in the Province. The question of rehabilitation of the movement and of giving it a new orientation is now under consideration of the committee; and it is hoped that as a result of its recommendations, a fresh vigour and direction will be given to the movement in this province.

ASSAM.

Extracts from the report of the Registrar of Co-operative Societies, Mr. S. L. Mehta, I.C.S. for the year ending 31st March 1939.

Summary of General Progress.—The movement passed through another year of acute distress. During the year 83 new societies were registered and 27 liquidated; the number of societies stood at 1551 as against 1495 in the previous year. The total working capital of all classes of societies continued to decrease from Rs. 90·20 lakhs to Rs. 88·21 lakhs. Loans due by individual members stood at Rs. 16·46 lakhs and Rs. 19·16 lakhs in the agricultural and non-agricultural societies as against Rs. 17·85 lakhs and Rs. 18·74 lakhs respectively in the preceding year. The total reserve fund of all societies decreased from Rs. 15·84 lakhs to Rs. 15·5 lakhs which is due to the continued reduction of the reserve fund of agricultural societies. Most of the agricultural societies are working at a loss due to the applicability of the provisions of the Assam Moneylenders' Act, decisions of the Debt Conciliation Boards to the Co-operative Societies, remission of interest granted to members by the societies, reduction in lending rate and excessive execution costs. If this position continues entire reserve funds of these societies are sure to be wiped out within a few years.

Surma Valley Organisation Society.—The number of members in the society was 614 of which society members were 503. This is the fourteenth year of existence of the Society; and though the Government grant was discontinued from 1932-33, it continued to maintain its position on its resources from subscriptions which were rather meagre.—Rs. 362. The Hon'ble Minister for the Department of Co-operative Societies made a grant of Rs. 150 out of his discretionary allotment, and another sum of Rs. 500 was contributed by the Registrar. The Society could purchase magic lantern slides for propaganda. The Society stands in real need of financial assistance from the Government and public to be more useful to the co-operative movement.

The Provincial Co-operative Bank of Assam Ltd.—The Provincial Bank continued to maintain its satisfactory position, as the following statement will show:—

	1937-38.	1938-39.
Number of members: Individuals ..	33	27
Societies ..	51	53
	Rs.	Rs.
Working capital ..	3,67,186	3,85,337
Loans made to central banks and societies ..	1,10,400	1,11,850
Paid up share capital ..	1,01,500	71,292
Loans due by the central banks and societies at the end of the year ..	2,61,098	2,80,708
Deposits held ..	1,98,067	2,06,460
Reserve and other funds ..	41,300	44,123

Loans issued during the year amounted to Rs. 71,292. As in the previous year, most of these loans were taken for refund of deposits bearing high rates of interest. The recovery of loans was not satisfactory and inflow of deposits comparatively lower than in previous years. The Bank had therefore hardly any resource for fresh finance and had to adopt a very cautious policy in granting loans to the societies; and consequently many loan applications had to be refused. Of the sum of Rs. 2·8 lakhs outstanding, the overdues amounted to Rs. 1·21 lakhs. The Bank earned a net profit of Rs. 9,866 as against Rs. 9,202 in the previous year. Since the close of the year, the Bank is faced with difficulties in meeting demands for fresh loans due to non-payment of dues by primary societies to their respective central banks. The Bank has already approached the Government to devise ways and means to help the Movement out of the present crisis immediately.

Central Banks.—The total number of central banks continued to be 18 as in the previous year, of which 5 were in the Surma Valley and the rest in the Assam Valley divisions. Almost all these banks, with few exceptions, are finding it very difficult to maintain their credit and confidence in the midst of various adverse circumstances. There has not been any improvement in the position of central banks but on the contrary there were signs of further deterioration in most of them. The rate of interest on lending was reduced to stimulate collections but there was no appreciable improvement in any. Due to the continued economic depression and the operations of the Assam Moneylenders' Act and the Debt Conciliation Board in some of the places and also hard competition of the joint stock banks, the credit side of the movement has been greatly affected with the result that some of the central banks have been unable to meet their obligations to their depositors. In such a condition of the financing agencies, the expansion of the movement would not be possible. Most of the societies registered in recent years could not start work for want of finance. It is, therefore, high time to consider whether a scheme should not be formulated at once and sufficient funds provided to the Provincial Bank in order to enable it to finance the central banks according to their necessity. If immediate steps are not taken in this respect, I am afraid, the whole structure of the movement might collapse in near future.

The number of society members in central banks increased from 1,191 to 1,230. The paid up share capital increased from Rs. 1·94 lakhs to Rs. 1·95 lakhs and the total working capital decreased from Rs. 23·56 lakhs to Rs. 23·07 lakhs. The following further figures show the working of the central banks:—

	1937-38.	1938-39.
	Rs.	Rs.
Loans and deposits held at the end of the year from individuals and others ..	14,53,799	13,69,709
Loans and deposits from societies ..	2,19,315	2,08,946
Loans from the Provincial Bank ..	2,07,611	2,26,316
Reserve fund ..	1,19,543	1,23,257
Other funds ..	1,61,907	1,83,468
Loans due by societies ..	16,16,470	15,77,007
Loans issued to societies in the year ..	66,326	55,679
Loans repaid by societies ..	97,815	94,358
Interest realised during the year ..	1,30,222	1,07,501
Cost of management ..	38,225	38,114
Profits ..	4,406	717

Agricultural Credit Societies.—The total number of agricultural credit societies with unlimited liability increased from 1,289 to 1,324 of which 670 were in Surma

Valley and 654 in the Assam Valley Division. The 16 limited agricultural societies (which were started as health societies) were practically doing credit business. The membership of these societies was 41,189 as against 42, 383 of the previous year ; and the working capital fell from Rs. 30·34 lakhs to Rs. 28·69 lakhs. It was Rs. 31·12 lakhs at the end of 1936-37. These societies issued loans to members to the extent of Rs. 88,789 as against Rs. 92,227 and recovered Rs. 1·56 lakhs as against Rs. 1·61 lakhs of the previous year. In spite of strenuous efforts on the part of all concerned, the collections are decreasing and the position is causing grave anxiety to the movement in general. The total loans due from members stood at Rs. 16·43 lakhs as against Rs. 17·81 lakhs of the previous year. The overdues amount to Rs. 15·26 lakhs or nearly 93 per cent. Most of these societies are working at a loss. The position is indeed critical and unless some preferential treatment is meted out to the co-operative societies exempting them from the operations of the Assam Moneylenders' Act and the Assam Debt Conciliation Act and the Government come forward with financial assistance the movement is likely to collapse.

Non-agricultural Credit Societies.—The total number of these societies was 136, including 24 societies registered during the year. The membership of these societies rose to 13,614 from 13,337 ; and the working capital from Rs. 26·42 lakhs to Rs. 26·56 lakhs. The percentage of owned capital is more than 58 per cent. Loans issued to members amounted to Rs. 8·68 lakhs as against Rs. 8·78 lakhs in the preceding year. The recoveries of loans were Rs. 8·02 lakhs as against Rs. 8·03 lakhs in the previous year. The recoveries however include paper transactions in some of the banks. The total loans due to these societies from members stood at 19·12 lakhs as against Rs. 18·71 lakhs in the previous year. The overdues at the end of the year stood at Rs. 7·01 lakhs or 36·6 p.c.

The Salary Earners' Banks included in these types of societies are as usual showing satisfactory progress. But there is a bad tendency in these banks to allow the members to increase their liabilities, giving them facilities for borrowing from other co-operative banks in the same station. It would be well if these societies co-operated with one another to prevent a member from borrowing beyond his repaying capacity and to see that wherever possible he exercises thrift, for which these societies are mainly established.

Land Mortgage Banks.—As in the previous years, 5 land mortgage banks continued their existence under extremely trying circumstances. The working of the Banks has not improved and the collections during the year decreased considerably. Total amount of loans repaid by members was Rs. 19,077 as against Rs. 41,821 of the previous year. Only one Bank could issue loans to the extent of Rs. 2,400. The total loans due from members stood at Rs. 2·9 lakhs of which Rs. 2·83 lakhs was overdue. The position of the working capital as compared with the previous year is shown below:—

		1937–38.	1938–39.
		Rs.	Rs.
Share capital	..	88,787	88,607
Deposits from members and non-members	..	2,55,803	2,30,751
Borrowings from Banks and Societies	..	5,563	2,063
Loans from Government	..	51,650	46,400
Reserve Fund	..	23,505	24,243
Other Funds	..	54,073	52,378
		4,79,381	4,44,442

The figures clearly indicate that the Banks are gradually collecting their assets and repaying the depositors. No scheme for reorganisation of land mortgage banks could be formulated as it is advisable to wait for the results of the proposed enquiry into the working of the movement by the Government are published.

Stores Societies.—There were 13 societies of this type as against 11 of the previous year, with a membership of 776. The working capital of these societies was Rs. 1·02 lakhs and sales amounted to Rs. 1·60 lakhs. They earned a profit of Rs. 5,433.

Milk Societies.—The total number of these societies decreased from 20 to 16. The work in the Surma Valley has been practically closed. The experiment has failed as it appears from the report of the Deputy Director of Agriculture, Livestock. The Co-operative Department has no direct touch with the working of this class of societies as their general supervision is entrusted to the officers of the Live Stock Branch of the Agricultural Department.

Land Improvement Society.—The Pailgaon Land Improvement Society, the only society of its kind, started work for the improvement of lands, which were constantly visited by floods destroying the paddy fields. The society erected an embankment to protect the fields and it is reported this has resulted in much good to the people of the locality. The Society has not been able to take up any other new project.

Women's Society.—The Sylhet Women Co-operative Thrift and Home Savings Society is the only society in the province among the women. The number of members increased from 13 to 46 since its inception on 5th February 1938. A sum of Rs. 744 and odd in thrift and special deposits and share money was collected from the members and invested in various banks.

Reserve and other Funds.—The reserve and other funds of all classes of societies increased slightly from Rs. 19·44 lakhs to Rs. 19·53 lakhs and formed a little over 22 per cent of the total working capital of the movement. Most of the reserve fund is still locked up in the working of the societies. Attempts to separate these funds for investment in fluid form did not meet with any appreciable result, owing to the difficulties in collection of overdues.

Audit and Inspection.—Unfortunately the proposals for strengthening the existing inspection staff and the creation of a separate audit staff were not sanctioned by the Government. Officers are finding it difficult to complete the statutory audit in time. The stagnant position of the societies requires more care and attention which the officers cannot give due to inadequacy of staff. Though audit mainly comprises of the detection of fraud and errors, the co-operative audit is to be much more comprehensive and requires longer time and thorough scrutiny than the ordinary company audit. Most of the other provinces are maintaining separate audit staff for thorough and efficient audit of the societies, and in several cases the Provincial Governments are supplementing the audit fees by further grants from the general revenues.

General Remarks.—The movement is passing through, as already stated, through acute financial crisis gradually leading to collapse of the whole movement. The position of the agricultural credit societies, the provincial and central banks is interlinked. Some of the bigger central banks are unable to meet the depositors' demands. The Provincial Bank also is faced with similar difficulty owing to failure of the central banks to meet their commitments to the Provincial Bank. The Bank is not able to meet the crying needs of central banks or devise ways and means of obtaining additional funds owing to stringent conditions of the moneymarket. The immediate need of the Provincial Bank is stated to be Rs. 1·6 lakhs and that of the central banks Rs. 8 lakhs. The Provincial Bank approached the Government in September last to help them immediately with a loan of Rs. 9·6 lakhs or to permit the Bank to issue debentures to that extent with government guarantee for principal and interest. The Board of the Bank apprehend that the issue of a questionnaire, which would only be of academical interest and the constitution of a committee to enquire into the whole movement would all take a long time to come to any decision, and it would then be too late to come to the rescue of the movement. The credit of the whole movement has been completely shaken, and it is imperative that Government should at once give financial help as now applied for before it is too late. I fully endorse the views of the Provincial Bank and expect that the Government will in no time extend the help to the movement. The question of strengthening the staff of the co-operative department should also receive immediate attention of the Government.

MYSORE

Extracts from the Report of the Registrar of Co-operative Societies, Mr. M. Abdul Hukh for the year ending 30th June 1939.

Trend of the Movement:—The seasonal conditions during the year continued to be not quite satisfactory; nor was there any tangible change for the better in the economic condition of the people. There was no abatement in the rigours of the economic depression and the prices of commodities continued to be at the same low ebb as during the previous year. The following is a comparative statement showing the working of the movement during the years 1937-38 and 1938-39:—

Particulars.		1937-38	1938-39
Number of Societies	..	1,893	1,899
Do. of members	..	1,39,609	1,40,077
		Rs.	Rs.
Paid-up share capital	..	53,81,565	53,34,747
Deposits from individuals	..	1,20,67,089	1,23,67,976
Do. from societies	..	7,29,378	6,15,853
Loans from Government (outstanding)	..	3,55,733	3,02,406
Do. Central Institutions (outstanding)	..	28,71,478	30,82,729
Reserve Fund	..	33,81,910	35,21,168
Other Funds	..	10,60,378	10,85,879
Total Working Capital	..	258,47,531	2,63,10,758
Loans recovered during the year	..	76,23,238	78,65,341
Loans issued during the year	..	83,61,071	81,86,158
Total Turnover	..	10,34,09,145	9,20,66,536
Net Profits	..	4,12,545	3,35,544

Central Societies:—There were 13 Central Societies at the beginning of the year. Of these, eleven were classed as Financing Banks, and two institutions for Co-operative Propaganda and Education. The Bangalore Central Co-operative Bank, Ltd., has, during this year, been treated as an Urban Bank and not as a Central Institution. The registration of two Federal Co-operative Banking Unions was cancelled. Thus there were at the end of the year ten Central Institutions, of which two are institutions for Co-operative Propaganda and Education and Co-ordination. Action is being taken for closing down the District Banks by arranging for the winding up of the societies indebted to them. A comparative statement showing the working of the Financing Banks is given below:—

Particulars.		*As on 30th June* 1938	*As on 30th June* 1939
		Rs.	Rs.
1. Membership	..	3,088	1,756
2. Share Capital	..	6,72,877	3,75,630
3. Deposits and Debentures	..	55,17,539	34,91,164
4. Reserve Fund	..	4,36,705	2,01,642
5. Other Funds	..	3,17,286	1,78,982
6. Total Working Capital	..	69,44,407	42,47,418
7. Net Profits	..	26,599	28,598

The decrease in the figures is due to the treating of the Bangalore Central Co-operative Bank as a primary society.

The Mysore Provincial Co-operative Apex Bank, Ltd:—The 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 240 to 212 but in respect of societies increased from 1,001 to 1,024. The policy of eliminating individual shareholders and strengthening society membership is steadily being pursued to achieve the Bank's ideal of a federation of societies.

The paid-up share capital which was Rs. 2,56,732 at the beginning of the year decreased to Rs. 2,51,271 at the end of the year. The deposits and reserve fund stood at Rs. 25,29,061 and Rs. 1,74,050 respectively, at the end of June 1939 as against Rs. 29,24,066 and Rs. 1,73,851 in the year previous. The amount of loans issued to societies during the year was Rs. 1,98,438 as against Rs. 1,76,142 last year. During the year, the Bank sanctioned loans aggregating Rs. 1,45,850 to five House Building Societies and actually disbursed Rs. 1,03,355. 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 under principal have fallen from Rs. 1,71,073 of last year to Rs. 1,69,571 while under interest there is an increase from Rs. 1,26,253 to Rs. 1,38,423 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 79.12 as against 77.96 on 30th June 1938. The net profits of the Bank for the year rose from Rs. 54 of last year to Rs. 14,614.

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 indebted to the Apex Bank, only 179 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 loans outstanding against the individual borrowers of the societies indebted to the Bank continue to receive the special attention of the Department and 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 by the Bank 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. Government have been pleased to sanction a cash credit of Rs. 5 lakhs to the Bank to enable it to tide over its difficulties. There was however no need for the Bank to draw from this source. Mr. C. S. Kuppuswami Iyengar, retired Deputy Commissioner, has been elected as its President and he is taking special interest in improving its affairs.

Primary Societies—Agricultural:—The number of societies under this class fell from 1,445 to 1,436 consequent on the weeding out of hopeless societies and the policy of cautious expansion adopted by the Department. The membership increased from 62,307 to 64,676. The share and working capitals of these societies increased from Rs. 11,87,225 and Rs. 58,77,661 to Rs. 12,02,905 and Rs. 61,28,877, respectively. Out of the 1,436 societies, 1,325 were ordinary Credit Institutions, 37 Land Mortgage Societies, 22 Agricultural Supply Societies, 33 Grain Banks, 6 Marketing Societies and the rest miscellaneous institutions.

The Agricultural Credit Societies including the Land Mortgage Societies had a membership of 62,644, a paid-up share capital of Rs. 11,82,339, a deposit of Rs. 5,49,735 and a total working capital of Rs. 60,32,908. They issued loans to the extent of Rs. 10,55,414 and recovered Rs. 9,00,892 as against Rs. 9,98,144 and Rs. 8,69,185 respectively, last year. The percentage of overdues to demand has increased from 73.2 to 76.1.

The Agricultural Supply Societies had a membership of 542, a paid-up share capital of Rs. 13,350, a deposit of Rs. 1,686 and a total working of Rs. 75,145. Their purchases and sales amounted to Rs. 418 and Rs. 520 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 and manures to the extent of Rs. 6,894.

Grain Banks.—There were 33 Grain Banks at the end of the year. They had a membership of 1,029, a share capital of Rs. 4,681, a total working capital of Rs. 14,020 worth of grain and a reserve fund of Rs. 5,445. For want of proper facilities for stocking grain and lack of enthusiasm on the part of the members,

ese Banks have not been a success. Very few of them own granaries of their m.

Non-Agricultural Societies:—There were 453 societies of this class at the end the year with a membership of 73,645 as against 435 societies and 74,214 members st year. Their paid-up share capital, the deposits held by them, their reserve nds and total working capital have all increased from Rs. 35,21,413, Rs. 67,14,348, s. 16,90,113 and Rs. 130,25,463 to Rs. 37,56,212, Rs. 89,60,308, Rs. 20,50,594 and s. 159,34,463 respectively. Their net profits however decreased from Rs. 3,42,434 Rs. 2,89,110, the fall being mostly due to the reduction in the rate of interest n loans. The percentage of overdues to demand increased from 27.7 to 30.18. Of e 453 societies in this class, 305 are credit institutions, 72 Consumers' societies, Industrial societies and three miscellaneous ones.

Urban Credit Societies:—There was 305 societies as against 292 last year. heir membership decreased from 55,595 to 54,365. In other directions, they show n improvement over the last year's figures. Their share capital, deposits, reserve ınd, and working capital increased from Rs. 29,27,661, Rs. 54,93,541, Rs. 13,77,056 nd Rs. 1,05,41,771 to Rs. 31,84,724, Rs. 75,70,399, Rs. 17,11,727 and Rs. 1,33,89,097; espectively. They issued loans to the extent of Rs. 57,36,742 and recovered ts. 56,27,926. Their net profits amounted to Rs. 2,56,047.

Consumers' Societies:—There were 72 societies at the end of the year. They ad a membership of 16,462 and a working capital of Rs. 23,40,110. They earned a et profit of Rs. 52,549, having effected purchases and sales to the extent of ts. 14,16,099 and Rs. 15,17,734. The gross profit from trade amounted to Rs. 84,985. The majority of these societies, which are combined banking and stores institutions, re situated in the cities of Mysore and Bangalore where they are transacting busiless on a large scale, while those in other places have fewer transactions. The nore 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 Lancers' Co-operative Society, the Mysore Co-operative Society, the Chamarajapuram Co-operative Stores, and the Bhadravati Iron Works Co-operative Society. Attempts made by the Department to reduce credit sales and increase cash sales have not been very fruitful owing to the long-established practice of permitting members to purchase their requirements on credit though in a few societies cash sales have increased.

Weavers' Societies:—There were 58 societies as against 62 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 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 1,753, a share capital of Rs. 56,514, a deposit of Rs. 12,590, a reserve fund of Rs. 56,688 and a working capital of Rs. 1,62,017. The loans due by them to the Central Financing Banks and Government amounted to Rs. 27,823. They transacted business to the extent of Rs. 3,58,602. They purchased raw materials and finished products of the total value of Rs. 47,664 and effected sales to the extent of Rs. 58,849. The gross profit from trade amounted to Rs. 1,411. The efforts made by the Department to place their working on a sound footing so far have been futile. The Bangalore City Weavers' Co-operative Society which was reconstituted with a large financial assistance from the Apex Bank is mainly engaged in clearing the old stock and paying off the Bank loan. Its Committee of Management remained superseded at the end of the year.

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, nine are not doing any sericultural work and they will have to be closed after adjusting their accounts. The 17 societies had a membership of 585, a share capital of Rs. 2,479, a reserve fund of Rs. 1,206 and a total working capital of Rs. 7,294. They owed Rs. 644 to Government. During the year they prepared and supplied 4,21,374 disease-free layings and earned a grainage bonus of Rs. 2,624 from Government.

House-Building Societies:— There were 27 House-building Societies at the end of the year. Three of them had not started work. These societies had a membership of 3,545, a paid-up capital of Rs. 1,43,933, deposits of Rs. 2,97,233, a reserve fund of Rs. 52,691 and a total working capital of Rs. 9,75,914. Their total transactions amounted to Rs. 20,17,614 which resulted in a net profit of Rs. 10,614. The societies have so far rendered financial assistance for the construction of 1,706 houses. During the year they granted loans aggregating Rs. 2,21,510 in 317 cases.

Co-operation in Malnad:—There were 336 societies in the Malnad at the end of the year, including the 13 Land Mortgage Societies that were working in the area. The membership of these societies rose from 21,216 to 21,553 and the share capital from Rs. 6,11,085 to Rs. 6,13,398. The deposits however decreased from Rs. 4,67,932 to Rs. 4,48,389. The working capital increased from Rs. 23,57,161 to Rs. 23,65,834. The average working capital per society in the area was Rs. 7,041 as against Rs. 6,933 in the previous year. The deposits held by these societies work out to Rs. 21 per member. The savings of members by way of shares and deposits amounted to Rs. 10,61,785 or Rs. 49.3 per head of membership as against 50.8 in the previous year. The reserve fund built up by these societies amounted to Rs. 5,12,359 and the total transactions during the year to Rs. 50,15,708. The net profits for the year amounted to Rs. 32,715 as against Rs. 38,988 last year.

The Bhadravati Iron Works Co-operative Society is the biggest consumers' society in the Malnad and is progressing well. It is a combined banking and stores institution and is serving a useful purpose to the employees of the Mysore Iron Works. It has a memberhip of 723 and a paid-up share capital of Rs. 30,668 and holds deposits of Rs. 54,418. The purchases and sales aggregated Rs. 1,43,023 and Rs. 1,57,348 respectively; and it earned a gross profit of Rs. 12,930.

The Mysore Co-operative Central Land Mortgage Bank:—The membership and paid-up share capital of the Bank as on 30th June 1939 were 209 (35 land mortgage societies, 32 other co-operative societies and 142 individuals) and Rs. 89,850 respectively, as against 212 and Rs. 72,600 at the close of the previous year. The working capital of the Bank increased during the year to Rs. 10,41,892 from Rs. 8,99,468. The reserve fund at the close of the year stood at Rs. 10,492 as against Rs. 8,792 last year. The working of the Bank during the year resulted in a net profit of Rs. 13,697 as against Rs. 12,012 of last year. Towards the fourth series of debentures carrying interest at 3½ per cent, subscriptions to the extent of Rs. 1,25,300 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. 9,26,100 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 495 loan applications during the year for an aggregate sum of Rs. 5,82,148 inclusive of the 94 applications that were pending at the beginning of the year for a sum of Rs. 1,17,808. In 240 cases, loans amounting to Rs. 2,42,155 were sanctioned and 113 applications for a total loan of Rs. 1,64,397 were rejected. The remaining 142 cases for Rs. 1,65,103 were pending further enquiry and scrutiny. The total amount of loans sanctioned by the Bank from its inception till the end of the year of report amounted to Rs. 11,01,940, out of which, a sum of Rs. 10,44,765 has been disbursed. Short term loans to the extent of Rs. 625 in two cases were also sanctioned during the year.

The demand and collection during the year under loan instalments were Rs. 80,668 and Rs. 71,702 respectively, leaving a balance of Rs. 8,966 unrecovered at the end of the year. The percentage of overdue to demand was 10.95 as against 13.91 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 the 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 155 cases (5 of the Bank and 150 of Primary societies). Fifteen applications under section 60 were also filed, aggregating a claim of Rs. 22,761. The total loans outstanding and due to the Bank at the end of the year amounted to Rs. 9,55,871.

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. 6,000 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* K. R. Srinivasa Iyengar, M.A., Retired Member of Council, in the day-to-day administration.

Primary Land Mortgage Societies:—There were 32 Land Mortgage Societies working at the beginning of the year and five more were organised during the year bringing the total number of primaries to 37 at the close of the year, two of which had not yet started work. The remaining 35 Land Mortgage Societies had a membership of 5,081, a share capital of Rs. 1,08,870 and a reserve fund of Rs. 3,655 as against 3,711, Rs. 84,925 and Rs. 3,117, respectively, last year. The amount of loans due by the societies to the Bank was Rs. 8,85,644. The loans outstanding against the borrowers of the societies aggregated Rs. 8,96,467. The total working capital and transactions were Rs. 10,06,404 and Rs. 10,01,648, respectively. The working of the societies resulted in a net profit of Rs. 208 as against Rs. 6,159 last year. The average number and amount of loans disbursed during the year works out at 6 and Rs. 7,059 per society which cannot be considered to be adequate. The average number of applications sanctioned during the year per society works to 7 and the amount to Rs. 7,205. The poor average is due to the fact that many of the societies have not developed, some are at a standstill, and some have just started work and out of the 35 working societies, five had not disbursed any loans to their members by the end of June 1939. 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 about 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 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 last year the appointment of six Inspectors to be placed in exclusive charge of the Primary Land Mortgage societies. The number of Inspectors was increased to eight during the year of report. With this facility, a large number of applications was dealt with by the societies promptly. The Government continued the grant of Rs. 1,500 towards 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.

The Mysore Co-operative Institute held, as usual, Co-operative Training classes at Bangalore and Mysore for the benefit of office-bearers, and employees of Co-operative Societies and others. The Institute is 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 correct principles and practice of co-operation. There is no lack of public spirit among the people but it should, by proper means, be created and harnessed to the best advantage of the institute and the movement which it is intended to galvanise into activity. With the improvement of its finances, 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, which is the main plank in all schemes of amelioration of the masses.

Conclusion:—It will be noticed that, as usual, the Urban Co-operative Movement has been faring better than the societies in the rural areas. In fact, excepting the Land Mortgage Societies, which have again recorded appreciable progress, there has not been any tangible improvement in the other rural societies. More societies had to be placed in liquidation, while there are still a few more which deserve to be placed in liquidation. There has not been much demand for loans from the Apex Bank from rural co-operative societies. The most important work that the societies were engaged in was the problem of recovery of the old dues by adoption of coercive processes. Attempts made to liquefy the frozen debts and revitalise the indebted societies have not been quite as successful as was anticipated. Grant of a larger number of instalments for repayments in the same way as in the case of the Land Mortgage Societies, at least, in the case of long-term loans granted by the Apex Bank through the rural societies, is engaging consideration. The future lines of advance in respect of Agricultural Co-operation are the expansion of the Land Mortgage Scheme and the development of the marketing of agricultural produce. These are steadily kept in view and an accelerated programme of work has been undertaken. A society for the sale of areca at Shimoga and another for the sale of fruits at Belur have, since the close of the year, been organised. Steps have also been undertaken to organise societies for the sale of butter and cocoanuts in some important centres. The working of these institutions will be watched before fresh ground is attempted to be covered. As the question of the supply of raw materials to the weavers and the marketing of the finished products has been undertaken by the Department of Industries and Commerce according to the scheme recently sanctioned by Government, the Weavers' Co-operative Societies will in future have to function only as credit institutions. The question of their amalgamation with the existing local credit institutions will be considered.

CO-OPERATIVE CONFERENCES AND MEETINGS

MEETING OF THE MULTI-UNIT SOCIETIES SUB COMMITTEE

(Appointed by the Thirteenth Conference of Registrars of Co-operative Societies)

NEW DELHI, 22ND AND 23RD MARCH 1940

PRESENT

1. Dewan Bahadur C. M. Gandhi.
2. Rai Bahadur Pandit Radhe Lal Chaturvedi,
   Registrar of Co-operative Societies, United Provinces.
3. Khan Bahadur A. M. Arshad Ali,
   Registrar of Co-operative Societies, Bengal.
4. Mr. M. R. Bhide, I.C.S.,
   Registrar of Co-operative Societies, Punjab, N.W.F.P. & Delhi, (Convener).

1. The question of the necessity of having central legislation for regulating the operations of co-operative societies working in more than one unit of the Federation was discussed. It was unanimously decided that central legislation was necessary and that the task should be undertaken by the Central Government.

2. The question of the form of central legislation and of having a Central Registrar was discussed. It was decided that central legislation was necessary on the lines of the draft proposed by the Hon'ble Mr. Pantulu.* It was decided that there was no necessity for a Central Registrar as the work could be done by the Provincial Registrars concerned under the Central Act. In Section 5 of Mr. Pantulu's draft (bill) a provision is made that the Provincial Registrars may call such returns and information as may be prescribed, and exercise powers of audit, inspection and supervision, etc., etc. K. B. Arshad Ali, R. B. Chaturvedi and Mr. Bhide were of the opinion that the wording was satisfactory. Dewan Bahadur Gandhi, however, felt that the point of audit may be clearly mentioned in the rules to be framed. In his opinion it was necessary to say clearly that the statutory audit by the Registrar of the Province in which the society was registered must continue and that the local Registrar should be given the power to have an additional audit if necessary.

Notes by the Hon'ble V. Ramadas Pantulu

I. Multi-Unit Co-operative Societies—Need for Central Legislation

The opinions of the several Provincial Governments in regard to action to be taken in respect of multi-unit societies are now before the Committee. Many

* The Hon'ble Mr. V. Ramadas Pantulu, member of the Sub-Committee could not attend the meeting under unavoidable circumstances; but he submitted two notes which, together with the draft bill proposed by him, are appended to these proceeding.

of the Provinces, which communicated their views to the Central Government, agree that recourse to central legislation is the most suitable mode of dealing with the question. This view seems to me to be justified, in the light of the specific provisions of item 33 of the Federal Legislative List (Schedule VII to the Government of India Act, 1935). The first part of the item seems to exclude completely from the scope of federal legislation "co-operative societies." If that were the effect of item 33, then each Provincial Legislature would have power to pass its own supplementary legislation to govern multi-unit societies and make it part of the law governing co-operative societies. But unfortunately, the last 14 words of item 33 seem to include co-operative societies also, if they are multi-unit societies. These words run thus: "and of corporations, whether trading or not, with objects not confined to one *unit*." These words, according to their literal interpretation, will include also co-operative societies, for co-operative societies are corporations, because they are incorporated under some Act in force in British India. Then federal legislature alone can legislate for multi-unit co-operative societies. If this is the correct interpretation of the last fourteen words, then it follows that the words, "co-operative societies" immediately occurring before these fourteen words must be deemed to refer only to co-operative societies, that is to say, to only societies operating in the province in which they are registered. It is in this view that this controversy has come to the forefront particularly after the passing of the Government of India Act, 1935. So, on the whole, giving a literal interpretation to the last fourteen words, it will be both desirable and expedient to invoke the aid of the Central Legislature which now functions as the Federal Legislature until the provisions of the federal part of the Government of India Act are brought into force.

I find that in some of the notes put up by Provincial Governments some question is raised about the continuance of the validity of incorporation of multi-unit societies registered under the old Act outside the province in which they were registered. There is absolutely no room for such a doubt. There is nothing in Act II of 1912 to prevent the registration of societies with sphere of operations extending to more than one province. Any contention that corporations validly constituted lose their character of valid corporations outside the province of registration simply because a central statute is replaced by a provincial or state statute cannot be sustained for a minute. If authority is wanted, I believe there are rulings of the Privy Council in cases which went up to that Tribunal from Canada. Some of the States modified or repealed the law of the Dominion Legislature under which some corporations were registered. Even subsequent to the repeal of Dominion Statute by a Statute of the State, it was held that the original incorporation was valid. These decisions are on all fours with the question now under consideration. Nevertheless, other questions besides validity of original incorporation such as the regulation of the working and dissolution of societies registered under Act II of 1912 may arise. Act II of 1912 cannot probably be invoked in dealing with such questions in certain provinces where that Act is not now in force, *e.g.*, Madras, Bombay and Bihar which now have their own Provincial Acts. So, to provide for such cases also, it will be desirable to make it clear that multi-unit societies registered under Act II of 1912 shall be deemed to be registered under this Act and to make specific provision for their regulation, control and dissolution in the manner stated in the bill (copy enclosed with the amendments proposed by me to the bill circulated with the notice of meeting of the Committee).

II. The Draft Bill and Amendments proposed Thereto

The draft bill relating to multi unit societies which has been circulated to the members of the Committee seems to require modifications in two important respects:—

Firstly: the bill must not only provide for registration of multi-unit societies in future but should also provide for regulating the working of such societies as have already been registered and which are described in the lists furnished by the several Provincial Governments. So, the preamble should be suitably altered and a new section should be added for this purpose. The following words have, therefore been added to the preamble:

> "and to regulate the working of similar societies registered before the passing of this Act"

and a new clause 6 has been inserted, and the existing clause 6 has been renumbered as 7.

Secondly: clause 5 which deals with the law which governs multi-unit societies coming into existence hereafter and the extent of control to be exercised over them by Registrars of the Provinces other than that in which the Society is registered, seems to require radical modification. While the law governing the registration, control and dissolution will be that of the province in which the society is registered, powers of audit, inspection and supervision to be exercised by the Registrars of the provinces in which the multi unit society establishes a branch or place of business can more appropriately and conveniently be carried out in accordance with the system prevalent in each of such provinces. It will not be appropriate or convenient to ask the Registrar of Bengal to adopt the system of audit, supervision or inspection obtaining in the Punjab or vice-versa. At the same time, it is now difficult to define exactly the scope, nature and extent of such powers. They may vary not only from province to province but also with the type of society concerned. What may be suitable for a co-operative store may not suit a co-operative credit society, and what suits either of these types of societies may not suit a co-operative insurance society. So, on the whole it is desirable to leave the definition of these additional powers to be exercised by Registrars of Provinces other than that in which the multi-unit society is registered to rules to be made by the Central Government or Provincial Governments, with the previous concurrence of the Central Government, and not inconsistent with the provisions of the law governing co-operative societies for the time being in force in the province in which the rules are to be enforced. Any attempt on the part of this Sub Committee of the Registrars' Conference to lay down more definitely the scope of such functions may lead to conflict of opinion and controversy which may only result in delaying the passing of this law. When rules are to be made, the Provincial Governments and the Provincial Registrars will necessarily be consulted and the rules will be suitably framed in accordance with such opinion.

A new clause 8 has been added to provide for rule making power of the Central Government or the Provincial Governments, with the previous concurrence of the Central Government.

A Bill to Supplement the Law Relating to Co-operative Societies for a certain Purpose

Whereas it is expedient to supplement the law relating to Co-operative Societies in order to provide for the registration as co-operative societies of societies whose sphere of operations extends to more than one province (unit) *and to regulate the working of similar societies registered before the passing of this Act*, it is hereby enacted as follows:—

1. (1) This Act may be called the Co-operative Societies (Supplementary) Act, 1940.

(2) It extends to the whole of British India.

2. In this Act, unless there is anything repugnant in the subject or context, "society" means a society which under the provisions of the Co-operative Societies Act, 1912, or of any Act of a local Legislature by which this Act has been or may hereafter be replaced in any province, is eligible or would, if its sphere of operations and membership were confined to one province, be eligible for registration as a co-operative society.

3. Where a society is of such a nature that its sphere of operations or membership extends to more than one province, or that component branches of the society are established in more than one province, the society shall, for the purpose of registration as a co-operative society, be deemed to be situated wholly in the province in which its principal place of business is for the time being situated, and may, notwithstanding any limitations imposed by the law in force in that province, be registered by the Registrar of Co-operative Societies of that Province, in accordance with the law for the time being in force in that province.

4. When a society has been registered under the provisions of section 3 in any province, the Society shall, subject to the provisions of section 5, be deemed in any province, to which its sphere of operations or membership extends or in which any component branch of the society is established, to be a registered society for all the purposes of the Co-operative Societies Act, 1912 or any Act of the local Legislature by which that Act has been, or may hereafter be, replaced in such province.

5. *A society registered under section 3 as a co-operative society shall be subject, for purposes of registration, control and dissolution, to the provisions of the law relating to co-operative societies in force for the time being in the province where such society is registered; but the Registrars of Provinces outside that in which it is registered and where such society establishes a branch or place of business, may call for such returns and information as may be prescribed and exercise powers of audit, inspection and supervision in respect of business done in such province to the extent and in the manner prescribed by the rules to be framed under this Act either by the Central Government or the Provincial Governments concerned with the previous concurrence of the Central Government and not inconsistent with the provisions of this Act or any other Act governing co-operative societies for the time being in force in any province to which the rules are made applicable.*

6. (a) *Every society registered before the commencement of this Act under the Co-operative Societies Act (II of 1912) or an Act of any Provincial Legislature by which the said Act has been replaced and which has established or may hereafter establish a branch or place of business in any Province other than the Province in which it is registered shall be deemed to be registered under this Act.*

(b) *Every such society shall within six months from the commencement of this Act or from the establishment of such branch or place of business file with the Registrar of the Province in which such branch or place of business is established, a certified copy of its registered bylaws and amendments and shall submit to the Registrar of such Province such returns and information pertaining to the business done in that Province as may be prescribed by rules made under this Act in addition to the returns and information submitted to the Registrar of the Province in which the society is registered.*

(c) *The Provisions of section 5 in regard to exercise of powers of control, supervision, inspection and audit by Registrars of Provinces other than those in which the society is registered shall also apply to societies falling under this section.*

7. Where any question arises as to the Province in which a society is to be deemed to be situated for the purposes of registration under the provisions of section 3, the question shall be referred to the Governor General in Council whose decision shall be final.

8. (1) *The Central Government or the Provincial Governments, with the previous concurrence of the Central Government, may make rules to carry out the purpose of this Act.*

(2) *In particular and without prejudice to the generality of the foregoing power such rules may prescribe the forms of returns and information and define the scope, extent and nature of control, supervision, and audit under sections 5 and 6.*

SILVER JUBILEE OF THE BILASPUR CO-OPERATIVE CENTRAL BANK, LTD. BILASPUR, 8th APRIL 1940.

The Silver Jubilee of the Bilaspur Co-operative Central Bank Ltd. was celebrated on 8th April 1940 amidst great enthusiasm in the premises of the Central Bank. There was a large gathering of co-operators, official and non-official. On account of the regrettable absence of the Hon'ble Mr. V. Ramadas Pantulu, President-elect, owing to sudden illness, Sir M. G. Deshpande, K.B.E., Chairman of the C.P. & Berar Provincial Co-operative Bank Ltd. was voted to the Chair.

The proceedings began with "Vandemataram" song, sung by the girls of the Saraswati Sangit Vidyalaya of Bilaspur; and after introductory remarks of the Chairman, Rai Sahib S. C. Mitra, Chairman of the Bilaspur Central Bank welcomed the co-operators assembled in a brief but lucid and illuminating address.

The welcome address over, the Chairman requested Rai Saheb Udai Singh Bisen, Secretary of the Central Bank and Governor, C.P. & Berar Co-operative Federation to read the inaugural address of the Hon'ble Mr. V. Ramadas Pantulu (printed below.)

Suitable presents were made to members of societies and staff of the Bank for the meritorious services rendered by them; and the function came to a happy close with a Silver Jubilee Dinner in the night and the enactment of a drama, "A True Co-operator."

Inaugural Address by The Hon'ble V. Ramadas Pantulu

In accepting your kind invitation to me to inaugurate the Silver Jubilee Celebration of the Bilaspur Central Co-operative Bank Ltd., I looked forward to the pleasure of meeting the co-operators of Central Provinces and acquiring some first-hand knowledge of the present condition of the movement in the province in general and in the area of the Bilaspur Central Bank in particular. I need hardly say how greatly honoured I feel by your generous invitation. At the same time, it is a matter of sincere regret to me that on account of sudden deterioration of my health, I had to deny myself the privilege of being amidst you on this happy occasion. I sincerely apologise to you for the disappointment and inconvenience that I have thus caused to you. I am, however, sending you my greetings and message for the occasion.

I congratulate the founders of the Bilaspur Central Co-operative Bank and those who have been at the helm of affairs of the Bank since then on the successful manner in which they have developed this co-operative institution. It is a somewhat striking coincidence that the establishment of your Bank and the celebration of its silver jubilee should have synchronised with the commencement of two great European wars. Your Bank was registered on 9th April 1915 about eight months after the commencement of the Great War, and you are celebrating the completion of the 25th year of your existence to-day, about eight months after the starting of the present war in Europe. You started your bank in difficult times with a dear money-market to borrow from and other handicaps. You passed through a series of intensive phases of the economic depression and had also to carry on the business of the bank among very depressing surroundings, as almost all the central banks in Berar and many of the central banks in C.P. have been passing through difficult times. The sustained and continued progress made by your Bank under such conditions entitles you all the more to sincere felicitations from friends of the co-operative movement in your province as well as elsewhere.

Starting with an authorised capital of Rs. 25,000 and 25 affiliated societies and a loan business of Rs. 23,700, you have now built up a share capital and reserve fund of over Rs. 1 lakh, working capital of Rs. 7 lakhs and a loan business of round about Rs. 3 lakhs, with about 500 affiliated societies. There is still very large scope for the expansion of the movement in the district, and there seems to be a genuine demand for the organisation of more societies. I find that the Bank is engaged in considering the question whether it should push on with the organisation of more societies or whether a limit of 500 societies should be fixed for each central bank. My own opinion is that we must expand the organisation till every village in the province is served by a society. Where villages are too small to have a society, it will be desirable to form societies for a group of villages, say within a radius of three or five miles, so that all the villages may be effectively served by a society. As a part of the scheme of rehabilitation and reorganisation of the movement in the province, it will be desirable to have a ten year plan for the organisation of new societies so as to cover the whole province and provide every village with the services of a society either a single village society or a group society.

You completed just ten years of your working when the Central Provinces Banking Enquiry Committee examined the working of co-operative central banks in your province in 1929. I was gratified to find that that committee placed on record their high appreciation of the way in which you have built up your business. That Committee said that "if all other central banks in the province had followed the example of Bilaspur, we should have been able to take a much more optimistic view of the future of the co-operative movement in the province." I find that by concentration, close supervision and intensive campaign for organisation and co-operative education—features which were noted by your Provincial Banking Enquiry Committee—you have placed your Bank as well as the societies in its area on a sound and satisfactory basis. I am also gratified to read in the latest administration report of your Registrar for the year ended 30th June 1938 that the central banks of Bilaspur, Raipur and Drug "continue to be the best-managed banks in the province." An examination of the classes of persons from whom your bank draws its deposits discloses that you command the confidence of all important sections of the public. Among your patrons are to be found government servants, pensioners, lawyers, doctors, businessmen, local bodies and the Court of Wards. I am not a little agreeably surprised to find that you get your fixed deposits at two per cent for one year and that you pay no more than 3 per cent for deposits for even five years and more. Another healthy feature which deserves mention is your scheme for promotion of thrift by encouraging members of the societies under the Bank to keep some amount in deposit in your societies annually at the time of repayment, to be drawn upon and utilised for expenses on ceremonies and the like, so as to avoid getting into debt for such purposes. It is a creditable achievement to accumulate Rs. 40,000 under such deposits so far. I understand that mortality among plough cattle is one of the chief causes which accounts for the indebtedness of your members, who are compelled to buy new cattle by borrowing money for the purpose. The suggestion made by Mr. K. G. Ambegaonkar to induce members of societies to deposit a few rupees out of the sale of their crops every year to serve as a cattle fund, from which the cost of new cattle may be at least partially met, is therefore timely and helpful. I am glad to know that your Bank proposes to implement this suggestion forthwith.

The success of your Bank is partly to be attributed to the emphasis that you have laid all along on the need for co-operative education and training. Your rallies and training classes are helpful to propagate correct principles of co-operation and inculcate in your members co-operative virtues. Such education provides the necessary socio-economic background for further studies and helps to acquaint the recruit with different aspects of village life in which improvement may be effected by the co-operative effort of the villagers. The aim of all 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.

Before I conclude I wish to say a word on the press communique issued by the Government of Central Provinces regarding rehabilitation of co-operation in Berar. This is not an appropriate occasion for me to examine in detail the merits of the revised scheme of the Government or to express my own opinion thereon. But I am glad to find in that communique a desire on the part of the Government to do something for the movement. The Provincial Government is after all the best judge of what has to be done and can be done for the movement, with due regard to the claims of all interests concerned as well as of the tax-payers of the province. The conclusion arrived at by the Government that indiscriminate liquidation of central banks and societies was undesirable is one with which co-operators would readily agree. The Government may also be right in theory that whatever scheme of rehabilitation is accepted, it should not place the creditors in a more disadvantageous position than they would have had to face if the banks had been liquidated. On the merits of the Government scheme, it is extremely doubtful whether the help offered by the Government will result in implementing this principle. To me, it does not seem to be able to do it. I also feel that the principle or theory, whatever you may call it, on which the Government proceeded to assess the rights of the creditors, must itself be modified in the light of the exigencies of the situation and the duty of the Government to adopt adequate measures which are absolutely necessary to extricate the rural economy of the province from economic collapse. Reading the communique as a whole, I am constrained to say that the Government's arguments as well as conclusions are unduly dominated by a desire to safeguard some supposed inviolable fundamental rights of creditors of central banks in C.P. I am fully aware of the need to deal justly and equitably with the creditors and depositors of central banks, who unstintingly placed their spare wealth at the disposal of the movement in the past. I am also fully aware of the fact that many of those who deposited their money with central banks are not men who could afford to lose money or to indefinitely lock it up in these investments, for many of them are themselves men with small incomes and slender resources who would be hit hard by even partial loss of their investments. At the same time, I must say that in a widespread crisis like this, when a large majority of the members of the societies who are poor agriculturists must be given relief in respect of their accumulated past debts to co-operative societies, which they cannot repay unless they are scaled down to the level of their repaying capacity, all those who are connected with the movement must bear their due share of sacrifice. If the welfare of the agricultural population and the interests of the agricultural co-operative credit movement so require, I think the creditors must be told that they cannot insist on the liquidation of central banks and societies.

Vesting the Registrar with powers to propose and bring about compromises and agreements between the society and its creditors and the other provisions of the scheme, I hope will result in affording the much-needed relief for the members of societies and in setting the movement on its feet once again. Every day's delay means further deterioration of the movement. Available assistance promptly given will in the long run prove economically more beneficial than promise of larger assistance delayed or deferred. I therefore hope and trust that the proposals embodied in the communique will not remain *tentative* proposals, as the concluding part of the communique indicates in the process of further prolonged investigations, in order to more fully ascertain the wishes of the creditors but that they will take shape in practice as quickly as possible.

The Government communique rightly lays emphasis on the need to make adequate arrangements for the future financing of such societies as may be found to be worthy or capable of being saved. But I am afraid that few such societies will be left under the Government scheme, which contemplates arrangements for payment pro-rata of as much as practicable and legally permissible out of the cash and liquid resources of banks, including their reserve funds and reserve funds of societies affiliated to them. Thus, the creditors are to get the benefit of practically the entire existing liquid resources of the movement. Further process of the rehabilitation scheme will deal with the balance due to the creditors. After the liquid resources, including reserve funds, being thus diverted to the utmost extent possible under law for immediate payment to creditors, I see very little scope for the banks and societies to put their houses in order. In fact, they will have no houses to put in order. When the liquid resources are thus depleted, the prospects of money coming into the movement from the investing public within measureable distance of time seems to me to be very remote. Even the chances of removing the present stagnation by advancing fresh loans and effecting recoveries over a given period of time by revising the kists will be greatly minimised. The creditors will ultimately find that it is a case of killing the goose that lays the golden egg.

They will not have any clientele on which they can rely in future, for banks and societies, with existing liquid resources wiped out, will be hardly institutions worth dealing with. I wish the Government had found some means of leaving with the Movement at least part of the liquid resources so as to keep central banks and selected societies as going concerns.

Your Provincial Bank is to be congratulated on its readiness to help the central banks in the province in a number of ways both in regard to schemes of normal finance and in the pursuit of schemes to rehabilitate the movement. The Provincial Bank took a very helpful attitude in regard to the scheme of rehabilitation suggested by the joint session of the Standing Committees of the Indian Provincial Co-operative Banks Association and the All India Co-operative Institutes' Association held at Madras in October last, and if only your Provincial Government had adopted a more sympathetic and liberal attitude towards that scheme, you might have expected better and speedier results. I may also point out incidentally that the creditors and depositors of the central banks would have been benefited to a larger extent and in a more real measure under the Standing Committees' scheme of rehabilitation than they are ever likely to be under the present scheme of the Government. I wish the creditors and depositors gave a more careful and dispassionate consideration to the Standing Committees' scheme, in their own interests.

I once more thank you for the honour you have done me in asking me to inaugurate the celebrations to-day, and wish the Bilaspur Central Bank and its affiliated societies all success and a long and prosperous career in the service of the movement.

XXIII UNITED PROVINCES CO-OPERATIVE CONFERENCE
MEERUT, 18th, & 19th April '40

Presidential Address of Sir T. Vijayaraghavachariar, K.B.E.

The co-operative movement in this country has been very much in the public eye in the past twelve months and I am afraid the eyes have been highly critical in their scrutiny. In the long agricultural depression out of which the country has not yet emerged the co-operative societies have been put to a tremendous strain. Many provinces have stood the strain, a few have broken down. If in spite of the discouraging features which have developed during the depression, a province of the former class is able to claim that not one of its district central co-operative banks which finance the primary agricultural credit societies has crashed, while during the same period no fewer than 44 joint stock banks have closed their doors, there is hope for the movement and there is vitality in it.

Another point on which public criticism of the movement has fastened is the alleged deterioration in the character of co-operators. In dealing with this, we must not forget that every movement of a moral or spiritual character, and co-operation is as much directed to the improvement of the moral side of its followers as to the improvement of their economic position, is apt as time passes to lose the freshness and enthusiasm of its earlier days. The fervent missionary spirit that characterised the pioneers of co-operation in India cannot be expected to last beyond the first generation. It is now over 35 years since co-operation took root in this country and societies which were once counted in hundreds have now swollen into several thousands. Naturally the same average quality cannot be maintained. But what really is a matter for concern is the fact that the young do not seem to be attracted to co-operative work.

I think it will be admitted in every province of India, not excluding even the Punjab, that the weakest part of the co-operative structure is the primary village society. Several suggestions, not many of a practical character, have been made as to how to strengthen it. The suggestion that may be said to hold the field is what is known by the rather clumsy name of the multi-purpose society. Bulletin No. 1 of the Agricultural Credit Department of the Reserve Bank of India, which described the success achieved by the Banking Union at Kodinar in the Baroda State, and stated that the most important factor which contributed to its success was the fact that the societies dealt with not only the credit side of the villager but with every economic need of his, started what I may call the boom in this multi-purpose business. Bulletin No. 2 which recommended its general application intensified it. To put it in the very words of the first pamphlet, "the Indian peasant's whole psychology of life must be changed, and if this is to be done, it is necessary that he should be taken up as a whole man and that all the aspect of his life should be dealt with by the same agency." These words have a familiar ring and I seem to have heard the same kind of panacea prescribed in other departments. How often have I not heard District Officers of a by-gone generation say that the secret of keeping the peasant happy and contented is to concentrate all the governmental functions in the Collector or Deputy Commissioner instead of splitting them amongst a number of departments, such as the Judicial, the Forest, the Irrigation, the Agricultural, the Veterinary and so forth? If it is a question of changing the peasant's whole psychology of life, can this miracle be performed merely by amalgamating several societies for several functions into one? Is it not the law of life that as more and more varied functions have to be performed, there must be more and more specialised organs? In the very case of Kodinar, we read in the bulletin that the land of the villages was of a good quality and capable of producing profitable crops like sugarcane, and that a number of good years followed the inauguration of the scheme. Assuming that we were dealing with a village in the unirrigated tracts of the Madras Deccan or of Rajputana where a crop can be had only once in three or five years, would success have followed even societies formed on the multiple purpose system? After all, in many rural credit societies the bye-laws do provide for the society undertaking functions other than credit. If in practice these have not been taken up, it was because either the natural resources were lacking or the men with the necessary resource, initiative and ability were not there. I recall the criticism I have heard from an enthusiastic co-operator. Let me quote it as nearly as possible in the critic's own words. "There is no special advantage in forming multi-purpose societies for undertaking activities other than credit; because in most of the villages the same set of persons will have to handle the new society and the old credit society. If the members and the committee are sufficiently earnest, there is scope for working out all the objects of the multi-purpose society through the credit society itself." I have been quoting the words of a man who is what I may call the co-operator in the street. Let me now quote an expert, Mr. C. F. Strickland. "A society aiming at a general uniform, not at a specific and limited, object is in danger of becoming cumbrous in mechanism and

unintelligible to the simpler members. It then passes into the hands of an educated oligarchy and loses its co-operative quality. Societies which ambitiously try to carry on several activities soon become highly complex and technical and probably end in disaster. Such institution have been set up in China at the instigation of zealous organisers who do not realise what a peasant can do and what he cannot. Their influence is either negligible or harmful. Societies of similar wide powers are found in Japanese villages, but for the most part they are content to arouse public interest in a new idea and then organise a separate co-operative society to put the idea into action."

I have not the same suspicion or distrust of an "educated oligarchy" as Mr. Strickland has. On the other hand one of the ways of giving a new life and a new orientation to the co-operative movement is, in my opinion, to attract the large number of educated young men now available into the villages to give their assistance to the less educated villagers in working societies. In fact, such a diversion by utilising the generous instincts of youthful minds, might materially remove the difficulties in the way of forming multi-purpose societies of the type advocated by the Reserve Bank. The amalgamation of credit societies in contiguous areas into one large central multi-purpose society might facilitate the same object by providing the finance and the quality of workers required to work an institution which is bound to be more complex than the simple type of rural credit society. But let us not forget that there are limits to the concentration of functions and that actual experience has compelled us in some matters to reverse the policy of concentration and to introduce separation of functions. In the earlier days of the movement we worked on the idea that a village society should satisfy as many of the economic needs of the villager as possible and not only provided him with ampler and cheaper credit, but also attempted to supply him with the equipment required for his husbandry, for subsidiary occupations and domestic needs as well. Experience taught us that all forms of credit could not successfully be dispensed through the village society. We had to start land mortgage banks for giving long-term credit, loan and sale societies for promoting credit for movement and marketing of crops, industrial societies for promoting subsidiary occupations and simple things like hand-loom weaving, arts and crafts, field labour and so on. Even in the sphere of agriculture, in order to promote commercial and money crops, we have decentralised and we have now sugarcane growers societies, fruit growers societies, cotton societies, ground-nut societies, societies for bee-keeping; dairy products; poultry keeping and so on. There is no doubt that it would be disastrous to amalgamate again the institutions for giving long term credit with those for dispensing short-term and medium-term credit. It is exceedingly doubtful if many of the other societies just enumerated can be abolished or merged in a single unit with advantage. But on the contrary there are functions which may with benefit to the agriculturist be combined in one village society.

I have dwelt in such long detail on the multi-purpose society, because while we should appreciate the possibilities of employing it under limitations to good purpose, we should not cherish the illusion that it is going to change the farmer's psychology and outlook on life. An intellectual revolution like that is not accomplished by a change in machinery. As the Maclagan Committee pointed out, the theory underlying co-operation is that weak individuals are enabled to improve their individual productive capacity and consequently their material and moral position, by combining among themselves and bringing into this combination a moral effort and a progressively developing realisation of moral obligation. This can only be done by education in the principles of co-operation, and as example is better than precept, the educators must be men of the right quality. In the rapid multiplication of societies which took place in every province between the end of the last war and the beginning of the economic depression, the vital necessity for careful and discriminating selection of members of rural societies was forgotten. As a result things have happened which are a reproach to the movement. This is where departmental supervision can help, but the working impulse by which the motive power for regeneration can be supplied can come only from our educated youths.

This is perhaps the right place to consider the recommendation made by the Reserve Bank that loans must be strictly limited to cultivation finance and must be repayable at the harvest. As an exception, loans for the replacement of cattle may be repaid in two years, but such cases should not exceed a comparatively small proportion of the societies' business. A strict compliance with this injunction would doubtless have saved many rural societies from collapse during the depression; in fact the advice appears to be based on the majority recommendation of the Burma Committee on co-operation. But a restriction of a loan purely to the financing of cultivation will nullify the essential purpose of the co-operative movement and drive the farmer into the arms of the money-lender even for many of his most ordinary needs. The village sowcar will doubtless welcome the putting into force of this rule. Not that I do not recognise that societies should be run on business principles and that in an ever increasing measure members should be taught to cut down their expenditure on unproductive purposes. But I recognise realities as well. A sound system of rural credit must be based on a recognition of the fact that the agriculturist requires: (*a*) Short-term loans, repayable at the harvest, for current expenses of cultivation, including purchase of manure or seed, wages for farm labour, purchase of fodder for cattle, payment of Kist or unavoidable domestic expenditure; (*b*) Medium-term loans for purchase of cattle, implements, field carts, or small repairs to the farm or the farm buildings. Such loans to be repayable in two to six years; and (*c*) Long-term loans for redemption of mortgages on the farm, discharge of other prior debts, sinking of wells or other improvements to the land, etc., such loans to cover seven to twenty years.

I think rural societies should disburse short-term and medium-term loans and land mortgage banks long-term loans.

An interesting proposal has been made in Madras in order to reduce overdues in primary agricultural credit societies and to enable them, at least such of them as are found capable of rehabilitation, to enjoy a new lease of life. It is to pool the statutory reserve funds of all the primary agricultural societies in a district and of the district central bank and constitute them into a trust fund to be administered by the Registrar of co-operative societies. This fund is to be temporary and is to cease to exist on the purpose being fulfilled, which is to write off the bad debts of societies which find that their own bad debt reserves are insufficient to meet them. I have no time to describe the scheme in detail, but it will be sufficient to say that the advocates of the scheme consider that it is a logical and reasonable extension of the co-operative principle of "Each for all and all for each" from individuals to societies, while its opponents stigmatise it as a case of robbing Peter to pay Paul. I must add that the scheme is devised only to deal with the existing overdues and bad debts in the primary societies and central banks, and is not intended to apply to future loans and to reserves built up after the scheme comes into operation.

Having dealt with some problems of all-India interest, may I now proceed to make a few remarks on co-operation, in these provinces. I do so with all reserve because views formed on a study of reports and other published papers may often require correction by a study on the spot.

At the outset I desire to congratulate the United Provinces on the comparatively high percentage of recoveries in Central banks. I understand it is 67·2% in the banks affiliated to the Provincial Union, and 42·5% in the small number unaffiliated. A part of the credit for this result is attributed to the experiment which the Moradabad Bank started of accepting repayments in kind, an example which has been copied by the Etawah, Kotdwara and Bijnor Central banks. I am informed that as an encouragement for such repayments the party is offered for his grain a rate slightly higher than that ruling in the market, that speculation is studiously avoided, and that the grain thus accumulated is sold off as soon as the glut season comes to a close. Where, as an exceptional case a society resorted to speculation, it burnt its fingers and soon returned to the normal path of orthodoxy. In Madras the proposal has been made that there should be banks which conduct all their transactions in grain, that is receive fixed deposits in grain, lend out in grain, charge interest in grain and receive repayments in grain. The obvious risk in the case of grain banks is the tendency to fluctuations in the rates of price; added to this are the difficulties of storing grain, looking after it, selling it and correctly crediting the proceeds. The system requires a competent staff and vigilant supervision, but where these can be secured it offers a considerable facility to the agricultural borrower.

If I may venture to say so, the absence of a co-operative apex bank is a serious defect in the co-operative structure of the United Provinces. Borrowing and lending operations are carried on by the district central banks who negotiate with one another direct. In the past with a comparatively stationary movement and credits curtailed owing to the slump these *ad hoc* arrangement might have worked well. But with the recent striking developments that you have made in your marketing societies, advances for varying periods and needs will have to be made, and an automatic machinery for balancing and raising funds is necessary. Such a machinery exists in Bombay and Madras in the Provincial Co-operative Banks—institutions of which we in Bombay and Madras feel justly proud. I understand attempts have been made before to start a provincial bank in these provinces. I venture to say that you cannot afford to shelve this question any longer.

Another direction in which you have yet to make marked progress is in the co-operative land mortgage system. I am informed that there are only five such banks in these provinces with a total membership of about 600 and that the advances made come to about Rs. 60,000. As I have said in an earlier part of my address long-term loans are essential to the farmer to redeem him from the burden of old debts and it is important that the agency for disbursing long-term credit should be sharply divided from the agency set up for giving short-term and medium-term credit. In Madras there are 120 land mortgage banks, they have disbursed so far 2½ crores of rupees, and at their head is a provincial land mortgage bank which is entirely distinct from the Provincial co-operative bank which administers short and medium term credit.

I understand that a question which has aroused a sharp difference of opinion in the Committee of Inquiry in Madras has also come up to the front here, that is the question of the continuance of unlimited liability in rural credit societies. One section of opinion is in favour of maintaining it on the ground, amongst others, that it is the only principle whch is in harmony with pure principles of co-operation. The opposite section considers that whatever may be its theoretical attractiveness, in practice it deters many persons whose means will make them valuable members of village societies from joining them, with the result that the societies have to look to outside sources for their credit. The Madras Committee decided by a majority to reverse the present practice, make limited liablity the rule and unlimited the exception the point being decided in individual cases by the Registrar in conformity with local co-operative opinion. Apparently opinion in the United Provinces is veering round the same way. The decision to my mind really rests on practical considerations. If unlimited liability does really prevent the richer man from throwing his lot in with his poorer fellow, a rigid adherence to the old practice is to be deprecated and a relaxation of it is called for. In this connection it is interesting to note that while the percentage of persons within the co-operative fold is 18·1 in Madras, it is as low as 4·1 in these provinces. A curious fact, for which I have no really adequate explanation, is that opinion on this point amongst co-operators in Madras differs with the language which the man speaks. Both Tamil and Telugu are sister languages of the Dravidian group but the Telugu man wants limited liability, while the Tamil sticks to the pure word of the Raffeissen creed.

I must not try your patience any further, but I cannot close these remarks without congratulating you on the success which your marketing societies have attained, particularly in the two commodities of Ghee and Sugar-cane. The development of cane societies has been astonishing and in the current season favourable weather conditions and the high rates for cane fixed by the Provincial Government (till they were recently reduced) have put an enormous quantity of money into the pockets of the cane grower. I understand that in the season 1938-39 out of a total quantity of 16 crore of maunds of cane crushed in factories as much as 5 crores were supplied by co-operative cane societies. In the current season, figures are not complete, as crushing is expected to go on till the end of April or even a week later. In four districts of the Meerut division Meerut, Muzaffarnagar, Dehra Dun and Saharanpur over 4 crores and 10 lakhs of maunds of cane have been sold by societies to factories up-to-date (18-4-1940) and about 80 lakhs of rupees have gone to the growers as net profit. This is a gratifying result. If I may utter a word of criticism it is this. Most of the credit goes to the cane department of the Provincial Government with its hierarchy of officers leading down from the Cane Commissioner to the Assistant Commissioner, the Cane Development Officers, the assistant officers and so on down to the Kamdar. Is it not possible to make the panchayats of village societies take a more active part in the scheme?

Resolutions Passed at the Conference.

(1) This conference requests the Provincial Government to give adequate grant to marketing unions and seed unions for the construction of godowns in mandis and villages for storing agricultural produce.

(2) With a view to properly carry out and guide the recent policy of the Government about the rapid expansion of the Co-operative movement in the province this conference recommends to Government:—(i) To make a substantial increase in the annual grant to the U.P. Co-operative Union; (ii) To separate the posts as well as the offices of the Registrar of Co-operative Societies, U.P.; and the Registrar of Joint Stock Companies, U.P.; and (iii) To strengthen on the lines of Madras and the Punjab the staff of the Co-operative Department for exercising proper supervision and control over the societies.

(3) This conference recommends to the Government to appoint one inspector for every 150 societies and one Assistant Registrar for every 1,000 societies.

(4) This conference regrets that the Department and the Government have failed to find means to start the Provincial Co-operative Bank and requests the Government to take early steps for its establishment so that it may be possible to expand the movement in all directions.

(5) This conference recommends to the Department to prepare detailed proposals as to how workers of the Co-operative Department can be enabled to make the fullest use of the opportunities opened to them by the present passing of the Consolidation of Holdings Act.

(6) That in the opinion of this Conference the Department should lay down a variety of methods whereby savings might be encouraged in the rural areas during these times of comparatively high prices.

(7) As no lasting and permanent improvement in the condition and breeding of cattle can be possible without proper facilities for treatment of cattle and prevention of serious cattle epidemics, the Conference requests Government to make it obligatory on the district boards of this province to establish and maintain one well-equipped veterinary hospital in each tahsil if not in every pargana.

(8) That in the opinion of this Conference the scheme framed by the Reserve Bank of India for financial accommodation to Co-operative Institutions does not meet the needs of the present situation and that the conditions laid down are far too stringent and need substantial modification. This conference authorizes the Executive Committee of the U. P. Co-operative Union to frame a memorandum on the subject for the consideration of the Reserve Bank.

(9) That in the opinion of this Conferenc the task of converting ordinary societies into multi-purpose societies be proceeded with due caution.

(10) This conference requests the Government of India to order the State managed railway companies to allow special concessions in respect of charges on waggon loads of cattle or goods consigned to or by Co-operative Societies.

(11) This conference requests the Registrar to provide greater facilities for propaganda in co-operation in the countryside and makes the following suggestions for the purpose:—(1) Publicity vans with posters and co-operative records be supplied to all circles of the Assistant Registrars; (ii) All village societies should be encouraged to build their panchayatghars and a beginning should be made at the headquarters of each supervisor's circle; (iii) Scouting be introduced in all societies; (iv) Bhajan mandalies be formed in every supervisor's circle; (v) Co-operative Dramas be arranged in all societies and for that purpose necessary equipment be provided; and (vi) Qualified honorary workers in villages be given preference in the selection of supervisors.

(12) This conference recommends to Government that they may as a matter of regular practice consult the co-operative institutions for under writing purposes when they have recourse to provincial borrowing.

(13) This conference is of opinion that a co-operative society of the educated unemployed (to enable them to start business approved by the Executive Committee of the society) be formed in every district of the province.

(14) In view of the fact that taxes levied by municipalities and town area committees on cart loads of sugar cane prove a heavy burden on the cultivator, resolved that the Government be requested to exempt cane from these levies.

(15) Resolved that in the opinion of the Conference it is necessary for the success of the co-operative movement that a better planned and more intensive propaganda be carried on to enlist the sympathies of educated classes.

(16) Resolved that in order to promote effectively the idea of thrift it is necessary to organise women's societies on a much larger scale.

(17) Resolved that the U. P. Government be requested to give special attention to the development of handloom industry and to give adequate financial help to the Co-operative Department so as to enable it to achieve the mission without the least handicap.

(b) Resolved that all the Co-operators be requested to give preferential attention to the improvement of handloom industry as without this the problem of unemployment and mass poverty can hardly be solved.

(18) This conference requests the Local Government to order municipal boards and other local bodies to deduct loan advances by co-operative societies to its staff members from their pay.

Extracts from the address delivered by Pandit Radhe Lal Chaturvedi, Registrar of Co-operative Societies U.P., to the U.P. Co-operative Conference.

Co-operation stands for peace and harmony all round; it is founded on democracy and believes in well-ordered progress. It discards all violence in whatever shape or form as the crude law of the jungle. As members of a co-operative brotherhood, we cannot but condemn the aggression in progress in Europe. It behoves us as co-operators to explain to people in the country-side the implications of the war and the mighty issues at stake.

In the economic sphere, the war has created problems which we must take note of in good time. The prices of agricultural commodities have gone up and may rise higher still. The loss to the consumers may not mean a corresponding gain to the producers unless all efforts are mobilised to organise co-operative marketing. Warehousing facilities are lacking, but even so we can arrange for bulk sales which will not only secure proper prices to the producer but spare him a number of illegitimate charges. But this alone will not help him much. Unless a check is applied to his expenditure, he will fritter away his earnings on ceremonial expenses or the like. Some form of compulsory deposit or thrift has to be enforced to see that the cultivator does not waste his extra gains.

A well-planned campaign in favour of thrift will carry a wider appeal at a time when the producer can conveniently lay by something. These savings will spare him the necessity of borrowing at rates which must of necessity rise higher and higher for some time to come. The present occasion is also one which can and ought to be utilised to liquidate old indebtedness or at any rate to reduce its amount. In the case of those comparatively well off, the extra income should be utilised to make permanent improvements on land. The cultivator has a fine opportunity to rehabilitate himself, and he must not miss it.

So much for the borrower. There are two points for the lender too. Apart from what the cultivator gains in credit on account of his improved status under the new Tenancy Act, the increase in his repaying capacity due to war conditions can only be temporary. This aspect of the question should not be forgotten in advancing him credit. Any credit fixed on the basis of temporary prosperity operates in the long run as a drag on the borrower and the lender alike. Financing banks will do well to bear in mind that the boom does not lead to inflation and subsequent freezing of assets. For a variety of reasons, money will become dear. Banks will have to pay a higher rate of interest on deposits and tighten up their own on advances to societies. Yet another adverse factor is the loss to central banks in their investments in Government Paper. Unlike irredeemable and long-term securities, fluctuations in short-term or medium dated paper move within narrow limits and should therefore be preferred for purposes of investment.

In view of the importance of co-operative marketing, it might interest you to know what we have done of late in this connection. As a result of grants received from Government, we employed last *rabi* additional staff and arranged for the co-operative sale of 2·28 lakhs of maunds of cereals and oilseeds of the approximate value of Rs. 7 lakhs and earned about Rs. 8,000 as profits. We are undertaking the work on a bigger scale during the current harvest. The scheme as drawn up contemplates marketing of the produce of over 2,000 societies and we have recently employed about 170 supervisors and 15 inspectors out of the Government grant for the purpose. In view of certain difficulties experienced last year in the supply of grain to jails, steps have been taken to prevent a recurrence of the same. Two main points have emerged out of the recent discussions with the Inspector General of Prisons. The local grain purchase committees will be reconstituted so as to include the Assistant Registrar in-charge of the circle. Facilities for storage outside jail compound will be provided to societies where for one reason or another grain cannot be delivered on the day of arrival.

In October last, I pleaded for the early formation of a Provincial Co-operative Bank and appealed to you to give a practical proof of your sympathy and support for an institution which you had been longing for two decades to bring into being. The response was quite encouraging and shares to the value of nearly three lakhs were promised on the spot. We have not yet been able to go ahead with the scheme for sheer budgetary reasons. The need for an apex bank is not disputed in any quarter. Its formation has been merely postponed; the scheme has in no sense been dropped. It would be disastrous if we launched new schemes and developed those on hand at one end and made no suitable provision for financing them at the other. The intervening period affords an opportunity for banks which have not subscribed to shares to fall in a line with those that generously have. In the absence of a Provincial Co-operative Bank, it will devolve upon central banks to arrange for finance for marketing operations out of their own funds or where this is not feasible, to enter into suitable arrangements with some joint stock bank.

The *ghee* societies which now number 400 are making good progress. They handled *ghee* worth about Rs. two lakhs last year, made a profit of Rs. 28,000 and distributed nearly Rs. 6,000/- to members as bonus. Thanks to increased Government grant, the staff has been strengthened and further expansion in activities may be looked for in future. Although co-operative *ghee* enjoys a reputation for purity, we have to see that it is not adulterated by any middleman before it reaches the consumer. It is proposed to get the *ghee* graded and impressed with a distinct co-operative *ghee* brand at every centre before the stock is taken out to the market for sale.

The equipment of the Lucknow Co-operative Milk Union with an up-to date plant out of the Government grant of Rs. 20,000/- is well known. The Union receives milk from 30 societies through three assembling centres. The total quantity of milk handled per day is 35 mds. i.e., about 1/10th of the total consumption of milk in the city. The capacity of the plant is 70 mds. and the aim is to raise the supply to this figure through suitable stages. The surplus milk is converted into butter, cream or *ghee*. A preliminary survey is afoot about putting up a similar plant at Allahabad. A *khowa* marketing Union has recently been organised at Rampur Garhwan. The activities of this Union cover 25 villages where 10 *gools* are working at selected centres. The daily output comes to 6 maunds. This is a promising line and it is proposed to put up a cream separater to convert surplus milk into cream and send it to the Lucknow Co-operative Milk Union for sale.

Societies for consolidation of holdings now count 150. We have so far consolidated 67,000 *pucca* bighas with a staff which only recently has been raised to one inspector and 16 supervisors. The work is obviously of a difficult nature and progress must necessarily be slow when unanimous consent is a condition precedent to the registration of the society. The progress achieved, however, was sufficient to demonstrate the value and utility of consolidation and paved the way for the recent enactment of the Consolidation of Holdings Act. With the enactment of law, it was thought proper to stop consolidation on co-operative lines and employ the staff instead in popularising the provisions of the Act. As however the appointment and training of a sufficient staff of consolidation officers is likely to take time, supervisors have been recently instructed to carry on the work on old lines.

Of the co-operative industrial stores that have joined the Co-operative Union or are about to, Bara Banki and Sandila deserve special mention. The one as the other produces cloth of fancy designs. Bara Banki sold goods to the tune of five lakhs last year in quick turnovers. It made a profit of Rs. 3,000/-, but more than that, it has succeeded in much enlarging and extending its customs. East Bengal is its best customer and efforts are afoot to open branches or depots at suitable places therein. Sandila turns out furnishing cloth of attractive make and design. With its projected connection with the Bombay and Calcutta Stores, Sandila is expected to command a larger market for those products. It has specialised itself in the manufacture of gauze and jackonet cloth which it supplies to a number of institutions in the U.P. and Bihar. It has recently received an order from Kabul. The weavers at Sandila and Bara Banki earn about Rs. 17/- p.m. i.e, near about double of what they used to earn before work was developed on co-operative lines. The Co-operative Knitting and Weaving Society at Cawnpore is a new and promising concern. Preliminary work is being done in Almora, Naini Tal and Garhwal to organise sheep rearers' societies in those districts. The Dhangar Co-operative Woollen Factory at Najibabad is expected to receive an order for the supply of 45,000 blankets to the Central Government for war purposes.

When we met last, I made a passing reference to the resolution adopted at the last session of the Provincial Conference to the effect that the Executive Committee should examine the present position of the movement and make suitable recommendations for its development. A comprehensive questionnaire has since been issued to prominent co-operators, economists and other persons competent

to express an opinion on the subject. The Committee will start work as soon as opinions have been collected. This Committee must be distinguished from its like appointed by Government. It is the Co-operators' own committee constituted to take a careful stock of the progress the movement has made and to explore all possible avenues for its development in future.

The Provincial Co-operative Union has now worked close upon a decade. It has passed through a stiff test, and time has justified its formation only too well. Collections from societies affiliated to banks under the Union compare distinctly favourably with those that still remain outside. The percentage of collections to demand has risen from 44·93 in 1934-35 to 67·3 in 1938-39 in the former case as against a mere rise from 33·11 to 42·6 in the other. Similarly while the percentage of overdues (including postponements) to outstandings amounts on 30-6-1939 to 25·2 in the former case the figure is more than double in the other. This demonstrates clearly the superiority of the divorce of supervision from finance. It is time that the remaining healthy banks also fell in a line. As the supreme non-official body in the province, the Union is progressive and covering large ground. The federation of all banks into the Union would greatly facilitate the training of bank accountants or the introduction of suitable commercial practices, on uniform lines. For one thing, the advantage will be that the Union will gain in weight, authority and popularity. For another, the lack of uniformity in the measure of progress achieved will all disappear.

In October last, I had occasion to invite the attention of members to the need for more workers. I venture to repeat that appeal. Co-operation is essentially a people's movement and not merely a department of administration. The ultimate aim obviously is that it must be run, managed and controlled by the people themselves. If the movement is to spread in every nook and corner of the province, a mere increase in staff will not do. We have to associate with the work a correspondingly large number of non-official workers so that schemes, however bright and promising, may not suffer for want of man-power. What is therefore imperatively necessary is the enlistment of large number of young and selfless workers who are prepared to live and work in an atmosphere of co-operative brotherhood, promoting loyalty to the movement and discipline among its ranks.

Speaking of the exploitation of the agricultural labourers in his country by the squire and the farmer and pleading for a readjustment in their mutual relations on account of the changed times, the late Mr. Joseph Chamberlain once recited an interesting story which deserves to be quoted. "I remember to have read somewhere" said Mr. Chamberlain, "that when a passenger ship had travelled several hundred miles, a passenger went to the Captain and said 'Captain, I want a berth.' 'Berth!' said the Captain, 'What have you been doing so long?' 'I have hitherto been lying on a sick man,' said the passenger, 'but of late he is recovering and showing signs of resistance. I must have another berth and at once'." We are faced more or less with a similar situation. The moneylender can no longer lie on the sick agriculturist. For a variety of reasons, his age-long exploration bids fair to come to an end. On the one hand, the Debt Acts on the Statute Book or on the anvil restrict the creditor's powers of recovery; on the other the Tenancy Law raises the debtor's place in the rural heirarchy. The cultivator's old passive despair is disappearing and he feels he is on the threshold of a new life. The moneylender has realised the repercussions only too well and he is feeling increasingly shy of his old and time-honoured customer. He is in quest of a clientele which can give him better security. The mahajan has a distinct place in the rural economy of the country and it is as much in the interest of the cultivator as in his own that he must continue to finance agriculture. Instead of carrying on his business with individual agriculturists, he must be roped in as member-depositor of a co-operative society, preferably with a place on the panchayat. Co-operators will give the mahajan the safer berth for business that he needs and see that they do not miss the opportunity of extending and developing the movement.

XIX MADRAS CENTRAL BANKS' CONFERENCE, MADRAS, 20TH APRIL, 1940.

Welcome Address by the Hon'ble Mr. V. Ramadas Pantulu, President, Madras Provincial Co-operative Bank Ltd.

Present Financial Position of Central Banks—Need for Rehabilitation:—I wish to avail myself of this opportunity to bring under brief review the general position of central banks and some of the problems which demand our attention at present. Information regarding the financial position of the several central banks tabulated under various relevant heads has been compiled by the Provincial Bank giving figures as on 31st March 1940. It is appended to this address and I hope you will study the statement with some care. You will find therefrom that the overdues position in many central banks is far from satisfactory. Of the 30 central banks, excluding the two in South Orissa which are still with us, the overdues (balance to demand) stand at 50 per cent and over in as many as 19 banks, that is, nearly 66 per cent of the central banks in the province. Again, in six of these they are over 90 per cent. The estimate of overdues to outstandings will not yield useful data, for among the outstanding loans large amounts now represent loans against produce both to loan and sale societies and village societies, which are expected to come back from the sale of produce. So, any such estimate will not reveal the true position about overdues. That is a very unmistakable indication of the fact that bulk of the assets of these central banks had become frozen and that the condition of several societies affiliated to them is such as to justify the conclusion that they are in a state of stagnation. This is a situation which ought to put us on our guard. There is something for us to feel anxious about. So, I think the time has now come for each central bank to undertake a careful investigation of the condition of its affiliated societies to unfreeze the frozen assets and put fresh vigour and life into the credit movement in their respective areas. This is by no means an easy task and neglect of it for any considerable time will involve the movement in this province, as in the case of some other provinces, in serious difficulties. Of late, I inspected certain central banks and in my notes of inspection not only did I record my impressions of the conditions of the movement in their areas but also submitted for consideration of the Provincial Bank and the central banks concerned, my suggestions to bring about an improvement. Among other measures I may mention the following as being of urgent importance:—

(1) A fresh programme of rectification should be drawn up with a view to ascertaining as definitely as possible what portion of the loans outstanding in the societies can be collected either in lump sum or in extended instalments, what portion of the loans are adequately secured and what portion should be remitted or written off *in toto* or scaled down to the level of the repaying capacity of the members. Unless we do it, we do not know exactly where we stand in regard to each central bank. Mere paper statistics collected from the books of societies serve no useful purpose. Genuine investigation on the spot and an honest endeavour to gather reliable data can alone help us.

(2) Each central bank should also put in operation a scheme of revitalisation of societies by writing off all bad debts which are definitely ascertained to be irrecoverable from the accumulated and legally available reserves. Some central banks are over-capitalised and in the case of a number of central banks a large number of indebted societies have substantial amounts of share capital and reserve fund invested in central banks. Nevertheless, we follow the time-honoured orthodox methods and practices of merely showing the indebtedness of societies on one side of the account and their investments in share capital and reserve funds on the other side. But what relation there is between the two sides of the account and when and how the balance is going to be struck are questions which do not so far seem to have engaged the serious attention of central banks. This practice appears to me to be indefensible, judged by either normal rules of banking or accepted methods of accounting. I therefore suggest that central banks may immediately embark on the task of clearing the dead wood from their path and removing as many of their indebted societies as possible from the list of defaulters by making necessary adjustments referred to above. My personal enquiries have convinced me that a large number of societies, which are shown as persistent defaulters and find a place in C and D class can be once more revitalised by this process. There is nothing in co-operative law and practice to prevent such adjustments, and I am sure that if reasoned representations are made to the Registrar, furnishing all relevant information, he will not withhold his assent. In cases where the share capital, reserve fund and bad debt reserve of societies are found insufficient, portion of the bad debt reserves of central banks concerned may also be used. The question of pooling the reserves which is clouded in controversy may be left out for the purpose of the present scheme of revitalisation and societies may be dealt with individually, without one society being asked to go to the help of another. Even this will result in retrieving the position considerably. Unless some such scheme is worked out bankers and creditors of central banks may not consider their balance sheets worth looking into in course of time.

(3) The position in regard to bad debt reserves must be thoroughly re-examined. These so called bad debt reserves of central banks and societies are now utilised in their business and have become indistinguishable from their bad assets. It is not denied that bad and doubtful debt reserves are kept distinct from general statutory reserves with the avowed object of having at the disposal of the management funds from which bad debts of the institution may be periodically written off, before touching statutory reserve. But the purpose of creating a bad debt reserve is frustrated firstly by utilising it in the business of the society whereby itself becomes a bad asset again and secondly by not periodically writing off bad debts at least to the extent of the bad debt reserve. I have dealt with this question at some length in my inspection notes of half a dozen central banks, and a circular on the subject has already been issued by the Provincial Bank to all central banks. I hope and trust that central banks will pursue the matter and obtain necessary permission from the Registrar for periodical adjustments.

Financing of Central Banks:—The Provincial Bank always considered itself to be the custodian of funds gathered into a common pool for the benefit of the central banks. Every endeavour has been made and is being made to meet the financial requirements of the central banks to the extent possible. Of late some fresh problems have cropped up in regard to financing of central banks, whose committees of management are superseded and of central banks, the overdues position of whose affiliated societies is extremely bad. The Executive Committee of the Provincial Bank shoulders very serious responsibility in such cases. In accordance with a previous decision of the Board of Management, in the case of banks whose committees are superseded under section 43 of the Act, fresh finance by the Provincial Bank is limited to loans against produce in the custody of loan and sale societies affiliated to central banks. So, no fresh loans are expected to be advanced to central banks for carrying the normal financing operations with their affiliated societies. The same rule must be observed in the case of central banks, the bulk of whose assets are practically frozen as in the case of banks with overdues over 90 per cent and whose collections from their affiliated societies are evidently not forthcoming to the extent necessary to enable them to meet on maturity the claims of their depositors and creditors. In other words accommodation in the case of central banks, so situated as not to be able to effect sufficient collections from their outstanding loans in societies even to pay their depositors and creditors in time is extremely risky and unbusinesslike for the Provincial Bank to undertake. But loans against tangible security of produce stored in the godowns of loan and sale societies or places of storage which are in the effective custody of central banks stand on a different footing, and I feel that the financing of such central banks must be limited to such loans. Central Banks which to-day find themselves in that situation must first make every endeavour to put their houses in order by carrying out some of the suggestions which I have already made and in such other ways as they think fit. In order to help the central banks to put their affairs on a better footing, the Provincial bank will, I am sure, extend its help liberally by way of subsidies or subventions for additional services, guaranteeing long term accommodation to a safe limit if deposits have to be returned as a result of putting old loans on a long term basis after adequately securing them, and the like. Then several societies which are now ineligible for fresh loans from such central banks will become eligible for fresh credit besides their paper becoming acceptable as cover for overdraft from the Provincial Bank. It is a matter of regret that we should be fast losing our sensitiveness to the deadly effect of these overdues. I find a proposal on the agenda for to-day that the Provincial Bank should accept overdue paper of societies as cover for overdraft. It is a request that should not have come from any responsible quarter. If such discrimination is made in the case of central banks which are admittedly in financial difficulties there will be little justification for not showing a similar concession to central banks which are comparatively more sound financially. The Provincial Bank will be betraying the trust and confidence placed in it by the central banks as well as the investing public if it accepts such suggestions. That only shows how the persistent continuance of overdues has deadened our sensation to the rot that has set in, much in the same way that the noses of those who dwell in city slums become insensible to foul odour. We must wake up before it is too late and treat all overdue paper as dead paper for discounting or rediscounting for purposes of fresh co-operative credit. We shall then become alive to the need to put our houses in order expeditiously and deal more effectively with our overdues.

But there are certain central banks which are in a much better financial position and do not fall in the category mentioned above but which have some affiliated

societies whose overdue position is very unsatisfactory. During the period of intense economic depression we showed some laxity in regard to financing such societies. Broadly speaking, we took the view that future finance must not be wholly cut out simply because a society is in default to a central bank and the overdues of members in the society were heavy. We relaxed our caution to a certain extent and pursued the policy that non-defaulting and new members of defaulting societies should not be starved, though the financial condition of the society taken as a whole was far from satisfactory. It was clearly a temporary expedient to prevent stagnation and a virtual collapse of the credit system at a time when the credit movement was passing through an acute economic crisis. But that policy should not be turned into the normal rule. I have of late found a tendency on the part of certain central banks to press for loans to societies which are bad and persistent defaulters merely on the plea that the new loans applied for are intended for disbursal to non-defaulting and new members. I think we shall be treading on very dangerous ground if we accept this as normal procedure in daily loaning operations. We must not allow overdues to continue indefinitely on the books of central banks or societies. Even if non-defaulting or new members are to be financed, it is necessary both for the central banks and the Provincial Bank to know the exact position in regard to overdues and the adequacy or otherwise of the action taken by the concerned societies to collect the overdues. I therefore consider it desirable that along with their applications for loans to finance rural societies, the central banks may also furnish to the Provincial Bank information regarding the overdues position of the societies as on the date of the application.

I may also add that in future short term seasonal credit should be encouraged more and more and that long term credit, that is to say loans for over three years, should be restricted as far as possible to the owned resources of the central banks. This will be a safe rule, specially in the case of central banks which have not considerable reserves of societies invested with them. Demands for long term loans on the Provincial Bank will put a certain amount of undesirable strain on the financial resources of the Provincial Bank and will adversely affect its present excellent liquid position. This is a contingency which the central banks must avoid in their own interests and the interests of the societies affiliated to them.

When short term seasonal loans are advanced, there should be a limit to the period for which a loan may continue to be overdue. The convenience of the borrower no doubt plays an important part in our method of dealing with the societies, but there seems to be no justification in allowing a defaulter to whom a short term loan is advanced more than one year after his loan has become overdue. He must repay it at least out of the second harvest. If he does not, I think action for recovery should not be postponed.

In order to encourage produce loans and to facilitate the business of the central banks in that sphere, the Provincial Bank has been sanctioning on a forecast basis, loans to central banks for advance against produce both to loan and sale societies and village societies. The main object of providing this facility is to meet the demands of the members for loans against produce promptly and adequately. There has been a demand to extend the forecast system to ordinary loans to village societies. In the present stage of the movement and the condition of central banks and societies, this will involve serious risks and will remove practically all control of the Provincial Bank and central banks on the loaning operations of societies. It is therefore, in my opinion, not desirable to introduce this system at this stage.

Produce Loans and Insurance:—From the tabulated statement of the financial position of the central banks, which is appended to this address and to which I have already referred, it will be seen that the business of the loan and sale societies is progressing satisfactorily. On the 31st of March 1940, loans to the extent of more than half a crore of rupees are outstanding against these societies. Besides this type of produce loans, there are loans advanced against produce by village societies themselves. There are, however, no available data to show with any degree of accuracy the amount of such loans. In future, it will be desirable for the Provincial Bank to obtain through the agency of the central banks figures for loans advanced by village societies against produce apart from those advanced through loan and sale societies. The desire to extend loan business of rural societies against produce stored and pledged is both legitimate and beneficial. With the expansion of produce loans through village societies, the operations of loan and sale societies may be more and more linked up with the marketing of produce of members. The Provincial Bank has therefore rightly decided to charge the same rate of interest to central banks whether the loans against produce were intended to be given through loan and sale societies or village societies. That scheme may continue.

In connection with the development of this business we are coming up against some new obstacles. I shall deal only with one of them. There is a growing reluctance on the part of central banks to enforce the conditions laid down by the Provincial Bank with reference to these loans. More than one central bank wants to relax the rule about insurance of produce. Some banks say that the existence of unlimited liability in societies is sufficient reason for not insisting on insurance. Liability in loan and sale societies is limited and I believe that even in rural societies their bylaws do not contemplate unlimited liability in respect of produce loans. Can it be contended with any justification that, if the produce of one member is accidentally destroyed by fire and he is unable to repay the loan from his other assets, the other members of the society should be made to bear the loss ? You all know that produce loans are not computed with reference to the maximum borrowing power either of the society or the individual borrower and these loans are generally large in size in relation to the produce stored. Is it reasonable or just to seek to enforce unlimited liability in respect of such loans when the produce is destroyed by fire ? I do not think any one will subscribe to such a proposition. Then, some banks say that produce like paddy or cereals is not combustible. So far as I know, when the receptacle in which it is stored takes fire, such produce will burn quite as well as any other substance; and the argument is quite unconvincing. Once our depositors and creditors come to know that we do unsound business by lending against uninsured produce, our credit in the market will definitely go down. The agriculturists, who borrow from commercial banks, even at higher rates, do not complain against the insurance charges and pay quite cheerfully. When loan and sale societies and village societies are making money available at as cheap a rate as possible and offer various other facilities, which commercial banks do not, I do not see why our borrowers should make such complaints against insurance charges. These charges are borne by the borrowers and the central banks do not shoulder any portion of the burden. In these circumstances, I do

not see why some central banks are so insistent on the condition about insurance being waived. The Executive Committee of the Provincial Bank is doing everything possible to keep the credit of the Provincial Bank in the market as high as possible, and I most earnestly beg of you not to drive the Provincial Bank to embark on patently unsound banking business. Waiving of insurance is most suicidal to the interest of the Provincial Bank and the central banks, and I hope that the demand will be dropped.

Rates of Interest:—You are aware that the Imperial Bank of India has put up its rates of interest both on loans as well as overdrafts on gilt edges to 3½ per cent. Three and a half per cent is the lending rate of the Provincial Bank to central banks. Nevertheless, the Executive Committee of the Provincial Bank has been endeavouring its best not to raise the rate of interest to central banks until it becomes absolutely necessary to do so. We are now able to get accommodation at 3 per cent both from the public as well as the Reserve Bank of India. Unless the conditions of the money market are greatly disturbed, I hope that during the present busy season, that is during the unexpired portion of the current co-operative year, there will be no need to raise the lending rate of the Provincial Bank, which will be maintained at 3½ per cent. It is, however, difficult now to predict what may happen in future, specially having regard to the world conditions and their reactions on money markets. So, it will be desirable for the Provincial Bank and the central banks not to commit themselves too far in advance either in borrowing or lending and to adjust their finances to the requirements of the changing times.

It is not for me to tender any advice as to the rates which the central banks should charge to the societies and those which the societies should charge to their members. The question of the margins which central banks and societies should maintain has now come to the forefront, particularly in view of the speech delivered by Mr. H. M. Hood, I.C.S., at Tinnevelly recently. About the soundness of Mr. Hood's advice, there can be no two opinions. Prudence and banking principles alike demand that we should so regulate the margin between our borrowing and lending rates as to ensure the financial stability of the institutions concerned. But excessive conservatism leading to reverting to old high rates such as 9⅜ per cent must be avoided. I think the societies can be made to work satisfactorily, if rates going up to 7½ per cent and not more are charged to the ultimate borrowers according to the local conditions. In some areas we may be able to work with 6¼ per cent especially if societies and their transactions are large. I have adverted to this question because I have heard that in some quarters there is an attempt to advocate the need to raise universally in this province the lending rate to ultimate borrowers to the old level of 9⅜ per cent. I consider it is unnecessary. The Provincial Bank now lends at 3½ per cent, and the Executive Committee has already approved a proposal to permit the central banks to receive deposits at the same rate. This proposal has also the approval of the Conference of Registrars of Co-operative Societies, which met at Delhi in December last. So, there will be a clear margin of 4 per cent between the borrowing rate of central banks and the lending rate of the societies if they charge 7½ per cent to their members where conditions justify it. It ought to be enough in my opinion. The way to increase the revenues of the societies is to improve their membership and expand their transactions and not unduly raise their lending rates to an uneconomic level. We must take note of the realities of the villagers' life and the fact that rural economy is on the whole a deficit economy and the villagers can pay even 6¼ per cent with considerable strain on their resources. So, we must not err either on the side of charging rates which are too low or which are too high.

Investments of Central Banks:—The main investments of the central banks outside their business and the Provincial Bank are in gilt-edged securities and the debentures of the Madras Co-operative Central Land Mortgage Bank. At the last general body meeting of the Provincial Bank held on 26th November 1939, I dealt at some length with the question of investment of reserve funds and general funds of central banks in the debentures of the Central Land Mortgage Bank. The position at present is that out of the total reserve fund investment of central banks in the Provincial Bank amounting to over Rs. 32 lakhs, a sum of Rs. 16 lakhs or about 50 per cent thereof has been invested by the Provincial Bank in the debentures. This does not involve the central banks in any financial embarrassment in regard to either capital depreciation or their ready negotiability and marketability. The average borrowing rate and the average yield on the investments of the Provincial Bank are well spread out and rise and fall with the conditions of the money market, and on the whole do not involve any steep loss. Besides the investments thus made by the Provincial Bank, the central banks have directly invested a sum of Rs. 2.88 lakhs from out of their reserve funds (over and above the investment in the Provincial Bank) and a sum of Rs. 24·08 lakhs from their general funds in these debentures (Vide columns 17 and 18 of the financial statement appended). The position as to the discountability of these debentures is this. The Imperial Bank and other joint stock banks, if they agree to accommodate, will not charge less than 3½ per cent to the Provincial Bank on loans or cash credits granted on the backing of these debentures. So, if the Provincial Bank is to accommodate the central banks on such security, they must necessarily be charged something more than 3½ per cent, unless money is to be passed on at the same rate at which the Provincial Bank borrows, which is not a business proposition. The Provincial Bank has, therefore, taken up the question with the Reserve Bank of India and requested the Reserve Bank for accommodation at bank rate on the security of these debentures. The Reserve Bank was addressed as early as 21-1-1940 but the matter seems to be still under investigation and no reply has been received. It will be helpful if the Madras Co-operative Central Land Mortgage Bank also takes up this question of accommodation on these debentures at bank rate with the Reserve Bank. It will strengthen our hands.

As for the soundness and safety of investments of central banks in these mortgage debentures, there is no question. But two points have to be considered in connection with these investments. One is the question of capital loss. Gilt-edged securities of Provincial and Central Governments carrying 3 and 3½ per cent are now quoted at a discount and the debentures of the Central Land Mortgage Bank can certainly not be expected to fetch more, if need arises to sell them. A capital depreciation on these debentures will mean a substantial loss to the creditors and depositors of central banks. Secondly, the objection frequently raised to the general funds of central banks, raised from short term deposits, being invested in long term loans applies to investments in long dated mortgage debentures as well, and this involves a certain amount of risk which cannot be overlooked. This risk can be eliminated only when the Government and the Reserve Bank take adequate steps to give these debentures the same status as gilt-edged securities in the market as well as in the matter of accepting them as cover for fluid resources. The present rule regarding fluid resources is that investments made in the debentures of the Central Land Mortgage Bank can count for fluid resources only to a limit of one-third of the resources required, subject to a maximum of 80 per cent of the market value of the debentures. So, investment in debentures of the Central Land Mortgage Bank stands to-day on a very different footing from investment in gilt-edged securities in regard to fluid resources. The central banks are driven to the necessity of investing their funds in these debentures for the reason that cast credit given by the Provincial Bank to central banks against the security of societies' promissory notes cannot be counted by central banks as fluid resource for outside liabilities, while the cash credit enjoyed against the mortgage debentures can be so counted, though their availability is restricted to one-third of the resources required or 80 per cent of the market value, whichever is less. To me, the whole position seems to require re-examination. Further representations should be made to the Government and the Reserve Bank to put these debentures on a more satisfactory basis by removing the handicaps mentioned above.

Super-tax Relief:—There is a general belief that co-operative societies enjoy substantial privilege in respect of income-tax and super-tax. While it is true that under an old notification of the Government of India, what are called 'business profits' of co-operative societies are exempt from income-tax, in actual practice the scope of the exemption is being cut down to the narrowest limits. In fact, in regard to super-tax the co-operative banks stand on a different and much worse footing than the joint stock banks earning the same profit. The Madras Provincial Co-operative Bank has been paying on its profits a much larger amount of tax than what it would have paid if it were a joint stock bank. The following figures for the three years 1937-38, 1938-39 and 1939-40 will show the position:—

Year of Assessment.	Profits as per Balance-Sheet.	Profit-assessed by the Income-tax Department.	Income-tax paid.	Super-tax paid.	Super-tax payable if it were a Joint Stock Company.
	Rs.	Rs.	Rs.	Rs.	Rs.
1937-38	2,02,267	2,58,260	34,207	29,916	14,101
1938-39	1,97,722	2,51,941	31,214	28,576	13,673
1939-40	2,93,184	5,10,377	42,535	72,345	31,898

I have taken up this question with the Finance Department of the Government of India and with the Cenral Board of Revenue for some time past. My endeavour to move an amendment to the Income-tax Act, when it was in its final stages in the Council of State, proved infructuous. But the then Finance Member gave me an assurance on the floor of the House that the question would be looked into at the earliest opportunity and legitimate relief would be given. The anomaly arises from the fact that co-operative societies are not treated as corporations, companies or firms but as associations of persons under the Income-tax Act and as such are liable to pay the highest amount of tax. So, while a joint stock bank is taxed as a company, a co-operative bank is taxed as an association of persons. This is the reason for our being subjected to heavier taxes. Though it has not been possible for the Government of India to introduce legislation to amend the Income-tax Act by classifying co-operative societies as separate class of assessees and prescribing the mode of taxing them yet as a temporary measure of relief a special provision was introduced in this year's Finance Bill by the Finance member. The result of this proviso will bring immediate relief in respect of assessment for the year 1940-41. But for the introduction of this próviso we would have had to pay a sum of over Rs. 59,000 as super-tax. Now our liability will be round about Rs. 16,000 and we thus obtain a relief to the extent of over Rs. 43,000 for the assessment year 1940-41. As the proviso also has the effect of exempting all profits up to Rs. 25,000 from the super-tax, central banks, which earn not more than Rs. 25,000 of assessable profits will be totally exempt from super-tax and on assessable income over that amount only a flat rate of one anna in the rupee will be charged while the banks were liable to pay a graded tax going up to Rs. 0-7-6 in the rupee, previously. Thus the central banks also get substantial relief by this amendment. While conveying our thanks to the Finance Department and the Central Board of Revenue I have laid stress on the need for placing this relief on a permanent statutory basis by amending the Incometax Act itself. There are also three or four other grievances of co-operative banks in regard to assessment to income-tax. I have submitted a memorandum to the Government of India on that matter, and shall pursue it to the best of my ability and see what relief we can get.

Conclusion:—Before I conclude I wish to repeat the sentiment which I often expressed in the past, *viz.*, that the central banks must look upon the Provincial Bank as their common possession and that the Provincial Bank must feel absolute identity of interests with the central banks. I therefore hope and trust that in the years to come the central banks and the Provincial Bank will continue to function as integral parts of the one co-operative credit machinery with common aims and ideals to pursue and common needs to serve. I have not anticipated the recommendations of the Committee on Co-operation, which is soon expected to publish its report. The aim of that Committee is to give a new orientation to the Movement. I hope that in implementing the recommendations of the Committee, the Provincial Bank and the central banks will collaborate and contribute their best for the lasting benefit of the agriculturists of this province.

Resolutions passed at the Conference

1. (a) This Conference places on record its sense of sorrow at the death of Mr. V. Venkatasubbiah, who rendered conspicuous service to the Co-operative Movement in various capacities and resolves to perpetuate his memory in a suitable form.

(b) Resolved to appoint a Committee of the undermentioned five gentlemen with power to co-opt for taking necessary steps to perpetuate his memory:— 1. The Hon'ble Mr. V. Ramadas Pantulu; 2. Sri T. A. Ramalingam Chettiar; 3. Sri Dr. P. Gurumurti; 4. Sri M. Shiva Rau; and 5. Sri Rao Saheb A. D. Thandu Mudaliar.

2. Resolved that notice of resolutions and motions sent by representatives of Central Banks shall be supported by a resolution of the Executive Committee of the Central Banks concerned.

3. Resolved in pursuance of the circular of the Provincial Bank dated 1st March, 1940 and in modification of the resolution of the Central Banks' Conference dated October 1926 that Central Banks be allowed to regulate the rates of interest on deposits, subject to a maximum of the lending rate of the Provincial Bank.

4. Resolved to request the Government to cancel G.O. No. 1407 L.A. dated 5th April, 1939 regarding investment of funds of Local Boards and Municipalities and allow Local Bodies to deposit in Co-operative Institutions on the same conditions as before.

5. That in the rectification of bad societies affiliated to Co-operative Central Banks, whose debts to the Central Bank and outsiders can be discharged by setting off the share capital held by the society in the Central Banks (on which the Central Bank has a lien, under section 22 of the Co-operative Societies Act) and the reserve fund of the society invested in the Central Banks, it is resolved to request the Registrar to permit wherever necessary the adjustment of such share capital and reserve fund to Central Bank loans.

6. Resolved to request the Government to exempt Co-operative Institutions from the operation of the Sales Tax, as it will hamper the growth of the movement.

7. Resolved to request the Government to appoint special staff (including Sale Officer) at least temporarily to collect the heavy overdues from liquidated societies.

8. Resolved to request the Registrar to issue suitable instructions with a view to get amended the byelaw of societies fixing the remuneration of Panchayatdars on the basis of collections instead of the loans outstanding at the end of the Co-operative year.

9. While the Conference is anxious to keep the rate of interest as low as possible to the ultimate borrower, it is of opinion that the Central Banks' rate of interest should not in any case exceed two per cent over the lending rate of the Provincial Bank and the rate at which the primary societies lend should not exceed two per cent over the rate at which they borrow from the Central Banks.

10. Resolved that arrangements be made wherever facilities exist to secure the gold jewels mortgaged with the primary societies in the Central Bank to which they are affiliated and the Central Banks do allow credit facilities to a corresponding extent on the lodging of such jewels.

11. Resolved that in the opinion of the Central Banks' Conference, it is desirable to invest separately the bad debt reserves of Central Banks outside the business of the bank but within the movement.

12. Resolved to request the Provincial Bank to accept in special cases pronotes of limited liability societies as cover for loans to Central Banks.

FINANCIAL POSITION OF CENTRAL BANKS IN THE MADRAS PRESIDENCY AS ON 31—3—1940.

No.	Name of Central Bank.	Share Capital.	Reserve Fund.	Other Owned Funds.	Reserve Fund of Societies	Deposits. Time	Deposits. Demand.	Borrowings from Provl Bank. Time loans.	Borrowings from Provl Bank. Cash credits.	Other borrowings.	Loans to Primary Societies	Loans to Sale Societies	Loans to Liquidated Societies	Estimated bad debts.	Investments in G. P. notes.	Investments in C. L. M. B debentures. R.Fund.	Investments in C. L. M. B debentures. G.Fund.	Investments in Banks. Provincial Bank	Investments in Banks. Other Banks.	Percentage of over dues. Balance to demand.	Percentage of over dues. Balance to outstanding.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
1	Aska ...	119117	32280	105027	59972	408414	36085	...	1846	4599	540113	...	24775	34820	58975	...	...	44279	...	92.0	37.0
2	Berhampore ...	74045	18396	29585	110814	333609	286121	40000	5493	..	521622	7500	2076	7230	221063	...	50000	25496	2900	55.0	24.0
3	Chicacole ...	77515	24834	17996	43626	170478	57153	125645	18080	3544	398713	...	23690	20450	34500	...	...	37334	11457	96.3	59.6
4	Vizianagaram ...	203680	82950	96000	346197	838623	275606	404400	79572	..	1538487	20834	88401	48631	30500	...	369000	124212	29221	66.51	45.78
5	Cocanada ...	84400	41284	63646	109574	316621	101587	177000	...	..	475631	158924	60341	56287	46498	3000	32000	47488	510	72.8	47.5
6	Ramachandrapuram...	103200	98100	81781	168274	447895	174132	600000	39833	7738	1199006	233062	22875	22875	60265	1000	9000	112100	...	11.72	64.3
7	Amalapuram ...	149800	70241	69598	163982	291371	203102	568140	54709	9498	1095536	198017	41656	82934	46500	17300	40000	70841	1500	36.6	22.3
8	Rajahmundry ...	26150	16977	3358	41109	77543	130744	...	...	..	156287	60442	2357	2804	11511	...	15000	19942	...	49.6	15.64
9	Ellore ...	254125	106713	83580	259164	786236	145755	950030	...	..	1296443	690275	82343	53700	237629	33362	20000	131505	146764	42.2	32.1
10	Krishna ...	188739	157376	142589	433430	748410	243547	1050000	100774	[illegible]6683	1832833	736614	58372	33150	103502	12600	50000	77500	625	28.0	16.0
11	Viziavada ...	167347	37054	46480	115170	528316	251764	549101	...	..	1324104	84225	10113	17877	24469	2700	82658	68762	35080	37.9	24.4
12	Guntur ...	178672	195052	153960	202280	306546	397097	785400	14726	..	866119	731739	113339	119545	152356	4290	...	227743	57232	27.0	20.0
13	Nellore ...	143299	96200	120229	135914	1105948	863717	...	15899	[illegible]2552	845915	166664	48156	...	1125457	10600	10000	106566	118291	38.13	17.89
14	Chittoor ...	147627	45909	33733	201141	266771	75214	133634	81260	..	596410	54278	73253	107816	...	...	90000	167941	618	75.2	34.3
15	Cuddapah ...	73170	30155	36247	75524	431107	97769	190500	...	[illegible]6169	456750	184007	90646	95043	252336	7500	20000	47440	1184	97.83	71.14
16	Hospet ...	148448	51458	78565	138873	486818	105429	23550	...	..	772190	23231	38083	136603	19922	...	34500	113442	19182	96.9	73.8
17	Anantapur ...	202561	87588	94836	314909	762106	67319	24032	45426	..	1110155	13154	134353	194233	63306	1100	119930	105040	10869	91.4	70.9
18	Kurnool ...	101325	54545	75123	89983	596416	83309	...	44970	..	708109	85859	47515	60228	50000	14700	10000	101845	9118	92.6	67.7
	Total ...	2442220	1247122	1332433	3009936	8903528	3595450	5621432	502588	30783	15735378	3453825	962354	1105226	2538789	108152	952088	1629476	445181		
19	Madras ...	120481	6105	23205	454971	158544	125182	297600	...	...	798851	...	32616	43826	144045	...	...	38108	1069	14.4	10.3
20	Conjeevaram ...	363281	268959	155156	687403	610156	229627	31425	89348	[illegible]	1434044	28952	291699	233477	...	...	50000	472824	...	91.0	82.0
21	Vellore ...	267325	233402	234470	623079	952271	329658	68500	60009	7301	1647069	13893	356400	180000	237100	...	219835	258363	3118	78.4	42.9
22	Salem ...	185364	200173	262287	762205	1082777	470877	754449	...	[illegible]2343	2638360	5020	68423	69854	409726	10100	...	217527	58900	44.0	14.0
23	Coimbatore ...	268689	273893	73410	1068130	2523834	627811	120000	...	[illegible]0000	3771367	8000	44584	42679	405396	24000	332100	304847	71692	60.7	29.9
24	Malabar ...	114149	50863	55155	146934	547972	155129	50000	16992	[illegible]1172	721693	202784	252263	170485	27100	20000	45000	52123	1100	66.15	42.6
25	South Canara ...	117227	72968	25884	415460	502939	121536	187000	...	52608	686149	415749	64931	49326	51611	1700	63100	123745	...	16.0	9.0
26	South Arcot ...	294643	144776	107736	366397	450189	89404	170250	96609	...	890313	170250	255012	144524	74531	17000	100000	154649	5675	79.9	73.5
27	Kumbakonam ...	123397	117142	83603	371022	590868	392748	...	...	...	786419	155845	145357	112896	391500	8700	...	189851	5923	50.0	42.5
28	Tanjore ...	129266	75213	59226	235678	339429	157550	...	1037	[illegible]0084	561658	96130	147827	193227	...	...	150000	93938	20575	61.16	65.15
29	Trichinopoly ...	193420	444410	267185	1197468	982010	618227	...	...	...	1919295	117044	211115	197543	343666	46200	301500	624793	74019	73.78	18.52
30	Madura-Ramnad ...	313802	201932	184679	756803	1441306	390417	188000	36875	45920	2484291	338639	96662	77107	147500	...	100000	323848	5481	57.8	23.9
31	Tinnevelly ...	187091	148947	70458	326174	572136	356479	...	88600	68079	802056	294146	90567	89213	197244	53000	175000	214123	8812	57.3	26.1
32	Srivilliputhur ...	87391	33476	40184	106266	98400	30631	86227	72068	...	336805	27527	71758	71840	...	...	25000	50976	1025	74.2	60.6
	Total ...	2765626	2272259	1642638	7517991	10852831	4095306	1958451	461538	[illegible]7505	19478370	1873959	2129214	1675997	2429419	180700	1561535	3119715	257389		

XTH ANDHRA PROVINCIAL CO-OPERATIVE CONFERENCE, NELLORE, 27TH APRIL 1940.

The tenth session of the Andhra Provincial Co-operative Conference was held at Nellore on the 27th April 1940 under the presidency of the Hon'ble Mr. V. Ramadas Pantulu.

Mr. B. Gopala Reddy, ex-Minister to the Government of Madras hoisted the co-operative flag, the rainbow flag commended by the International Co-operative Alliance. The flag, he said, was symbolic of unity of races, world peace and universal brotherhood. The movement of which it was an emblem was based on sound economic principles and aimed at the removal of class competition and class hatred.

Mr. R. Dasaratharama Reddy, Chairman of the Reception Committee of the Conference, while welcoming the delegates, said that the proposal to introduce limited liability in the place of the existing unlimited liability, the organisation of societies for a group of villages instead of one society for each village, the replacement of the agricultural credit society by the multipurpose society might all be expected to attract into the fold non-borrowing public, who now fight shy of becoming members of the village society. It would also enhance the society's transactions and enable the society to earn larger profits with a smaller margin and employ adequate and efficient staff. The revival of the movement depends largely on the economic uplift of the agriculturists. Steps, therefore, should be taken to improve the income of the ryot by means of better-irrigation, supply of better seeds and manure, assuring a better price for his products by measures, legislative or otherwise.

On the problem of central banks, Mr. Reddy said that the income of the central banks had gone down considerably on account of (1) fall in transactions of credit societies, (2) accumulation of arrears of interest and principal, resulting in writing off of debts, (3) fall in lending rates to societes and (4) increase in the cost of establishment. Income earned on government paper and other such investments of surplus funds was being assessed to income-tax on the ground that such income was not earned from co-operative business. The Government should be moved to exempt co-operative banks from income-tax entirely. Societies should be stimulated to expand their business on right lines. Irrecoverable debts of societies should be ascertained and the same set off against their general and bad debt reserves without resorting to liquidation, and in deserving cases the bad debt reserves of the central banks also should be utilised for the purpose, and the societies revived. The Unions and their governing bodies, which function at heavy expenditure may be suspended temporarily. He was not for enhancing the lending rate to primary borrowers. The Conference should consider the scheme put forward by the President-elect of the Conference, Mr. V. Ramadas Pantulu, for the rehabilitation of the societies and the improvement of the working of central banks, and restore them to the position they occupied before the depression.

Co-operative education has all along been neglected. The panchayatdars' training classes organised in the last four years have not been serving the purpose for which they were intended. The funds should be more usefully diverted to organise better institutions which the non-officials should manage for themselves.

The non-official employees were labouring under various difficulties: insecurity of service, arbitrary cut in salaries, absence of any increments or grades. It is necessary to assure them permanence, so that they may live contented and discharge their duties efficiently. The services of secretaries, managers and executive officers may be provincialised. The central banks however should have control over their staff, though an appellate Board consisting of non-officials may be constituted for redressing the grievances.

A number of non-credit societies had been started in the last four years by departmental officials. They could not, however, make them function without the enthusiasm and support of non-officials. In the initial stages they require subsidies and donations. The Provincial Bank and the Government should be requested to give aid since the central banks did not have adequate resources. Loan and sale societies have not done any marketing work except in Salem District. Societies in Andhradesa should take a lesson from them and find a better market for the produce of their members.

The recommendation of the Reserve Bank of India for the better administration of co-operative banks deserved a close attention. But he was afraid that too rigorous application of methods applicable to commercial banks would not be conducive to the healthy growth of co-operative banks.

There was increasing suspicion and distrust between official and non-official co-operators. This should give place to a sympathetic understanding of each other's difficulties and co-ordination of activities by both these agencies.

Mr. Dasaratharama Reddy thanked Mr. Gopala Reddy for unfolding the co-operative flag and Mr. Prakasam for agreeing to open the Conference. In them they could find true friends and guides of the villager. The President-elect of the Conference, Mr. Ramadas Pantulu, was the accredited leader of the movement in this province and attained an all India eminence. With his vast experience of the Movement he was bound to give a valuable lead to the Conference. Mr. Reddy was confident that the deliberations of the Conference would lead to some tangible improvement in the movement.

Mr. T. Prakasam, ex-Revenue Minister to the Government of Madras, declared the conference open. In doing so he said that villages could become self-sufficient with the development of spinning and handloom. He said that before India could become independent, the lot of the villager had to be considerably improved. Village panchayats and multipurpose co-operative societies should find a place in every village. Adequate funds were necessary for future development, and it is gratifying to note that the co-operative movement was sailing smoothly in this province under the leadership of Mr. Ramadas Pantulu and others.

The Hon'ble Mr. V. Ramadas Pantulu then delivered the following presidential address:—

Before I proceed to give my views on what should be our plan and programme of consolidation and expansion, let me set out the position of the movement in the Andhra districts and the rest of the Madras Presidency in terms of aggregate figures of the societies and their transactions.

	Telugu Dts.	Other Dts.
Number of Central Banks ..	18*	14
No. of primary land mortgage banks ..	51	68
No. of societies affiliated to Central Banks ..	4710	6480
Working Capital of Central Banks ..	Rs. 268·69 lakhs	Rs. 322·49 lakhs
Owned Capital of Central Banks ..	„ 50·21 „	„ 66·8 „
Loans due to Central Banks from primary credit societies ..	„ 157·35 „	„ 194·78 „
Do. from loan and sale societies ..	„ 34·53 „	„ 18·73 „
Amount involved in liquidated societies ..	„ 9·65 „	„ 21·29 „
Loans due by primary land mortgage banks to the Central Land Mortgage Bank ..	„ 99·35 „	„ 105·99 „

Scheme of Reorganisation and Expansion.—Our aim must be to bring every village in the Telugu Districts within the sphère of operations of one or other of the village co-operative societies. Of about 16000 and odd villages in the Andhra Desa, not more than 6500 villages are covered by societies. So, the necessity for expanding the movement is clear. The ideal which we so far followed in the formation of our societies is that of single village societies. This is based on the principle that such societies will foster mutual help and mutual knowledge, leading to promotion of corporate life. But in a scheme of reorganisation of village societies on a group basis—which I commend in order to cover the entire area as quickly as possible—there is no need to sacrifice these principles of co-operation, so far as they are still live factors in our present day individualistic rural economy. I am of opinion that we must immediately embark on a five or seven year plan of expansion of village credit societies and their reorganisation.

Effort should be made to bring every resident of a village within the influence of a society and every village within the ambit of the movement. This attempt to bring the bulk of the rural masses into the movement should be coupled with an effort to make the village societies serve as many of their members' needs as possible, consistently with the objects, aims and structure of the societies. Our programme has a two-fold aspect—one an intensive drive to increase membership and the other to supply as many socio-economic needs of the members as possible.

The scheme of reorganisation involves not merely amalgamation of small village societies into larger societies or forming new societies on a group basis. It involves a programme of work which is perhaps more difficult than either of these two items. Seventy-five per cent of our existing societies require to be rehabilitated. The financial position of some of our central banks and their affiliated societies is far from satisfactory. Of the 18 central banks, the overdues stand at 50 per cent and over in 10 banks. Again, in 6 of these they are over 90 per cent. All the four banks in Rayalaseema fall under this head, Aska and Chicacole being the other two. The corresponding figures for the 14 central banks in the non-Andhra districts are these. In 11 out of the 14 central banks the overdues are 50 per cent and over, while in one bank they are over 90 per cent. This is a state of affair which must give rise to some amount of anxiety, if not alarm, to co-operators in the north as well as the south of the province. Schemes of reorganisation and expansion cannot succeed unless the work of rehabilitation of the central banks and their affiliated societies is tackled simultaneously.

Detailed recommendations regarding the methods of rectification and reconstruction of existing societies have been made by the Committee on Co-operation. An important part of that programme is the writing off of bad debts by judicious and proper utilisation of the resources hitherto laboriously built up by central banks and societies. Even by dealing with societies individually and not asking a strong society to go to the help of its weak neighbour—or in other words advocating the pooling of their resources even on a voluntary basis—much can be done. We have all along neglected to deal with our bad debts by making periodical adjustments, to write off or reduce them, from out of available reserves. In our attempt to rejuvenate the movement we must clear our path by cutting the dead wood that impedes our motion.

Agencies to Implement a Five or Seven year Plan.—If the Provincial Government and the non-official organisations collaborate in the formation and execution of schemes of expansion and reorganisation we can achieve marvellous results. There is a departmental field staff of about 750 men besides indoor staff on whom a sum of Rs. 12 lakhs is being spent annually, that is to say about Rs. 1 lakh monthly. The non-official organisations, central banks and the unions between them maintain a very large field and indoor staff. If these departmental and institutional staffs are employed on fruitful work, a great deal can be done. In course of time we can train an adequate number of village workers. Our ideal of honorary service of panchayatdars and secretaries of village societies must continue, for it is impossible to pay for these services. Honorary services must be fostered and encouraged. With the imparting of co-operating education to the members of the societies and supply of well-trained teachers through co-operative schools and training institutions our new societies can be managed by honorary workers more efficiently than has hitherto been the case. I hope the co-operators of Andhra Desa will turn their attention to this aspect of the question. With the development of the statutory village panchayats, somewhat on the lines so often emphasised by Mr. T. Prakasam, and the planting of village guides and rural development staff, there will come into existence really efficient agencies to develop and give a new orientation to the co-operative movement.

The prevalence of the zamindari system in large areas in the Andhra Districts is a great handicap to the development of the co-operative movement. The scheme of expansion of co-operative credit movement outlined above will not be practicable to any large extent in the zamindari areas. The faulty system of record of rights, non-transfer of pattas registering the names of the real owners of the holding, the evil of joint pattas, heavy rents, absence of irrigation facilities and other defects in tenure stand in the way of organising primary land mortgage banks or even co-operative credit societies to help the agriculturists in zamindari areas. It will be a slow and laborious process. In the meantime, I am of opinion that the system of loans against agricultural produce may be usefully developed. Formation of loan and sale societies is not attended with the same risks as the formation of land mortgage banks or credit societies. The question of developing produce loans in zamindari areas, therefore, deserves serious consideration.

Ideals and Ideologies of Co-operators.—There has been an attempt in some quarters to make out that there are some fundamental differences in the ideals and ideologies of co-operators of the Tamil Nadu and Andhra Desa. I am unable to find any material divergence in the principles or practice of co-operation as they obtain in the Tamil Nadu and Andhra Desa. It is true that on two important questions affecting the movement, there is some amount of conflict of opinion among some of the co-operators. These two matters of conflict relate to the future of unlimited liability of the village societies and utility of supervising unions. I am unable to agree with the view that this conflict is one between the co-operators of Tamil Nadu and Andhra Desa. Opinion is not divided on lines of Tamil and Telugu. An analysis of the answers received in response to the questionnaire issued by the Committee on Co-operation will show that there is a fairly large volume of opinion in Tamil Nadu also in favour of limited liability, while there is a certain volume of opinion in the Andhra Desa in favour of unlimited liability.

In the Committee on Co-operation itself, the majority of the members were in favour of abrogating the statutory provision that unlimited liability should be the rule and that limited liability may be adopted only by general or special exemption from the Government. Andhras are in a clear minority in the Committee as a whole. So, when a majority of the Committee were in favour of limited liability it is obvious that opinion in this connection was not divided on Tamil and Telugu basis. Moreover, among the minority, consisting of six or seven members which expressed itself in favour of unlimited liability being the rule, there is at least one Andhra. So, it is clearly wrong to say that the cleavage on the question of liability is one between Tamils and Andhras. It is a question of personal opinion of the co-operators concerned.

Let me assess the position outside the province of Madras. At the thirteenth session of the All-India Conference of Registrars of Co-operative Societies held at Delhi in December last, opinion on the question of unlimited liability being maintained on the present statutory basis was very sharply divided. Indeed, the resolution in favour of maintaining the present rule about unlimited liability was adopted by the casting vote of the Chairman, 17 voting for and 17 voting against it. The Bengal and Punjab votes were over-weighted and decided the issue. The report of the Committee on Co-operation sets out the arguments for and against unlimited liability on the merits of the controversy and nowhere drops any hint that the issue is one between Tamil Nadu and Andhra Desa.

The position is the same in regard to the future of supervising unions as well. There has been a radical change in the position and functions assigned to the unions all over the province. The original conception of the unions was of organisations created for mutual supervision of societies based on the doctrine of divorce of supervision from finance. It may be said that the idea of divorcing supervision from finance is now definitely abandoned. The central banks have taken over the functions of appointing and controlling the supervisors practically all over the province. The supervision fund is no longer collected and administered by the unions, but is pooled in the central bank which frames the budgets for the unions and distributes it among them. In some cases, central banks themselves directly administer it. In fact, the supervision fund is itself a nebulous thing now, as the entire cost of supervision is met by the central banks from out of their interest collections from the societies. Any deficiency in the supervision fund is made up by a grant from the general funds of the central banks. So, we have receded very far from the original conception of these unions. The Committee on Co-operation itself, while setting out the arguments for and against the unions, has left it to each central bank either to carry on supervision through the medium of unions or directly by its own field staff, according to local conditions. As a matter of fact there has been substantial decrease in the number of unions in the province. From about 400 unions in 1930-31, the number has come down to 252 at the end of the year 1938-39. The declining process is going on and I do not find much evidence of any attempt to start new unions. In some districts the unions, which have not been liquidated, have been suspended temporarily. The number 252 includes unions under suspension. The Committee on Co-operation has definitely recorded its opinion that the working of even many of the unions, which are not actually suspended, is also far from satisfactory. Even while leaving the question of continuance of the unions to the central banks, the Committee has made certain recommendations which will have a very drastic effect on the representation of societies on the governing bodies of the unions. The Committee recommends that the bylaws of the supervising unions should provide that only representatives or delegates of A and B class societies should be elected to the governing bodies which may consist of not more than five members. Of the 5800 societies audited up to October 1939, only 1100 societies fell under A and B class. Representation of the other 4700 societies will be cut out under this recommendation. No suggestion is made in the report about any discrimination to be made in the application of that recommendation with reference to any linguistic area. There are advocates of continuance of unions in Andhra Desa also. No body ever advocated that where unions are working satisfactorily and local co-operative opinion favours their continuance, they should be abolished.

Thus both in regard to unlimited liability and the local supervising unions ample freedom is left for local option. Any endeavour to make out that these two ideals are the salt of the movement and their abandonment will lead to the deterioration of the movement is, in my opinion, a fruitless task. I feel no doubt that when the time comes for the recommendations of the Committee on Co-operation to be actually implemented, co-operators of North, South, East and West will equally find the unsuitability of unlimited liability to the new type of societies with larger membership, wider area of operations and enlarged functions. They will also realise the need for financing banks to take up supervision more and more into their own hands. It is only a matter of time.

Financial Policies.—In regard to another matter there has been and there still is some difference of opinion between the Tamil banks and societies on the one hand and the Andhra banks and societies on the other, generally speaking. It relates to our loan policy. Many of the southern banks have been, and some are still, staunch advocates of long term loans extending up to 10 or 12 years through village credit societies and central banks. They hold fast to the view that short term loans are not of much economic benefit and that unless long term loans are disbursed, the true economic interests of the members will not be properly served. In fact, in some of the big central banks in the south till recently the proportion of long term loans to short term loans has been astounding. Two of the once biggest banks in the south, viz., the central banks at Cuddalore and Conjeevaram, which have now practically ceased to advance new loans to their members and whose assets have almost entirely become frozen show on 31-3-40 the following proportions of the long and short term loans:—

	Cuddalore.	Conjeevaram.
Long term loans outstanding ..	Rs. 8,39,000	Rs. 16,11,000
Short term loans outstanding ..	Rs. 1,66,000	Rs. 60,000

Though there has been of late some change in this attitude, still unlike the Andhra Desa banks in general, the southern banks believe in the need to dispense real long term loans through credit societies and central banks. The Madras Provincial Co-operative Bank for over a decade, and latterly the Department, have consistently discouraged long term loans through ordinary co-operative credit agencies. One of the main purposes of long term loans is the discharge of prior debts. The Provincial Bank has practically ceased to advance any moneys to central banks for that purpose, and the central banks, as can be judged from the proceedings of their periodical conferences and of the Board of Management of the Provincial Bank, have on the whole accepted this principle. If some loans are still advanced for discharge of prior debts, they are confined to very small debts, say not exceeding Rs. 500, and even then very small sums are advanced for such purpose. Co-operative opinion, official and non-official, both in the Tamil Nadu and Andhra Desa may now be said to have crystallised round the view that village credit societies and central banks should tackle only short and intermediate loans and that real long term loans should be made available only through land mortgage banks. The Madras Committee on Co-operation has made a unanimous recommendation on these lines. No distinction was made in the application of this recommendation between the banks in Tamil Nadu and elsewhere.

Of course in actual working of the institutions, the peculiar economic condition of the tracts, the staying and purchasing power of the members, their repaying capacity, the vicissitudes of seasons and so on will naturally react on our day to day transactions. But these are not matters of any difference in ideology and do not justify a claim that the movement in different parts of the province should be run on different principles and practice.

Rates of Interest.—To the province of Madras goes the credit of maintaining the rates of interest on loans advanced through co-operative societies at the lowest level, compared with other provinces, as the following figures will show:—

1.	Madras	.. $6\frac{1}{4}$—$7\frac{1}{2}$	p.c.
2.	Central Provinces	.. 9	p.c.
3.	Bombay	.. $9\frac{3}{8}$	p.c.
4.	The Punjab	.. $9\frac{3}{4}$	p.c.
5.	Bengal	.. $12\frac{1}{2}$	p.c.
6.	United Provinces	.. 15	p.c.

You are aware that the Madras Agriculturists' Relief Act has laid down $6\frac{1}{4}$ per cent should be the maximum rate of interest on loans to agriculturists, subject of course to the right of the Provincial Government to modify it. There is a feeling that co-operative societies should not charge to agriculturists more than what any private credit agency is allowed to charge. The Madras Agriculturists' Relief Act expressly excludes co-operative societies from its scope. The reasons for excluding co-operative societies from its scope are, in my opinion, three-fold whether they have been so stated or not. First, as co-operative societies never attempted to exploit the credit needs of their members and on the whole kept down rates of interest within reasonable limits under normal conditions there was no need to legislate in regard to them. Secondly, the co-operative credit societies not only lend money for the credit needs of the agriculturists but are also expected to render other forms of relief, particularly internal supervision of societies by their own agency, without which the credit movement cannot work successfully. So the rates of interest charged represent not only the interest proper but also the amount of additional tax required for their own supervision. Thirdly the notion of dealings between creditor and debtor is wholly inappropriate to co-operative credit. The managements of these societies

are composed mainly of borrowers who preponderate. Whatever opinion the Reserve Bank, commercial banks and other capitalists may hold about this feature of the composition of the boards of co-operative institutions, in my opinion it is the one outstanding feature which imparts to our movement its co-operative, popular and democratic character. We must pride ourselves on this feature of our constitution and management. I have always resented and strongly resent the advice coming from outside to include in our boards and committees capitalists and joint stock bankers. They have no place in our institutions. So, any legislation which is made to prevent a creditor from exploiting his debtor is wholly unnecessary for co-operative societies whose entire structure is based upon the borrowers in their collective role being their own creditor. So, while accepting that debt relief legislation affords useful guidance to us in regard to our loan policies and rates of interest, we must not entirely base our own business rules on any inelastic or cut-and-dried rates and formulae laid down in such legislation. In my opinion, the safest rule to follow for co-operative societies is this. "While co-operative credit societies and central banks should make every endeavour to keep down the interest on loans advanced to their members at as low a level as possible, they must so regulate their business as to maintain sufficient margin between their borrowing and lending rates so as to ensure adequate revenue for the efficient conduct of their indoor and outdoor operations and maintain unimpaired their financial stability."

So far as I am able to gather, the general trend of opinion is that the central banks and societies should at least have a margin of 4 per cent between them, that is to say between the rate at which the central banks are able to borrow and the rates at which the primary societies can lend to their members. One per cent out of this 4 per cent will have to be set apart for supervision. We shall then be left with 3 per cent. for our other needs. How much of this margin should be retained by the central banks and how much by the societies, I think, should depend upon the volume of business done by the particular central banks and societies. While $1\frac{1}{2}$ per cent margin for the central banks and $1\frac{1}{2}$ per cent for the societies, excluding the one per cent set apart for supervision, may be a safe rule, generally speaking, there may be some central banks which now make large profits with $1\frac{1}{2}$ per cent margin. In the case of such banks, if they can reduce their lending rate to the societies to such a level as to enable the societies to lend to their members at $6\frac{1}{4}$ per cent, no one will object to that. But in the case of small central banks, if the margin of $1\frac{1}{2}$ per cent is found too small to enable them to maintain their services efficiently and build up reserves, they will have to put up the margin. Now that the Provincial Bank not only lends at $3\frac{1}{2}$ per cent to central banks, but also has relaxed the convention hitherto observed of asking central banks to offer at least half per cent less on their borrowings than the lending rate of the Provincial Bank and the central banks are now free to offer on their deposits the lending rate of the Provincial Bank, viz., $3\frac{1}{2}$ per cent, an interest rate of $7\frac{1}{2}$ per cent to the primary borrowers may, generally speaking, be considered to be reasonable and equitable at the present juncture. In many cases it is also a necessary and safe rate, to go below which will not be in the true interests of the central banks and societies. It is very difficult to lay down inelastic formulae or fixed rates of interest for all time to come. The conditions of the money market may so change as to enable us to reduce our present rates still further or to compel us to put them up considerably. In so far as co-operative credit organisations are primarily and essentially business concerns, they must necessarily regulate their business with reference to the prevailing conditions of the investment market which is our main feeder. In regard to other services like supervision and education we may have to tax ourselves in addition.

My plea for co-operative organisations having freedom to settle their own terms and conditions of borrowing and lending should not be understood as a justification in the least for the Provincial Government to modify the provisions of the Madras Agriculturists' Relief Act to the prejudice of the agriculturist-borrowers. The considerations that govern the need for that legislation are wholly different from those which ought to apply to co-operative societies.

Our Provincial Organisations.—There is now fortunately no longer any controversy among the co-operators of Tamil Nadu and Andhra Desa about the need for developing their provincial organisations in the process of consolidation of the movement in their respective areas. The Andhra Sahakara Sammelanum must be so reorganised and developed as to effectively discharge the function of education and propaganda and to serve as the recognised exponent of accredited non-official opinion of the Andhra Districts. I have always been of opinion that co-operative education and propaganda are legitimate functions of co-operative institutions themselves. I am not a believer in imparting co-operative education through departmental agency. The responsibility for the discharge of this function must sooner or later be fully assumed by the language federations.

As regards the question of establishing separate provincial co-operative banks for the Andhra Desa and the rest of the province, I now find that the co-operators of the Tamil Nadu also are agreed. Indeed, their Provincial Conference passed a resolution to that effect. This is a good and healthy development, and I hope that we shall be able to lay the necessary foundations from now to so reorganise the existing Madras Provincial Co-operative Bank as to furnish the Tamil Nadu and the Andhra Desa with two separate banks, which will be its healthy off-springs. It is gratifying to note that the Committee on Co-operation has not only made a definite recommendation in this behalf but also marshalled the reasons in support of it in an admirable manner.

Our New Role.—Both the public and the Provincial Government have for some time past been evincing increasing interest in general schemes of economic rehabilitation of the people. Legislative and executive measures for relief of indebtedness, setting up of machinery for conciliation and scaling down of debts, regulation and control of moneylending and the like are essentially intended to rehabilitate agriculture which is the basic industry of the people and not so much to give relief to individual agriculturists who have run into debt. Land is the source from which not only the food for the people but also the grist for the factories and mills is raised. The depression of agricultural industry reacts very unfavourably on other sections of the community as well and with depressed agriculture no part of national economy can be sound—indeed can thrive. The Co-operative Movement must be made an integral part of the agencies for the economic rehabilitation of the rural masses, and we in our turn must equip ourselves to play our role as an integral part of these agencies. By judicious and proper regulation of our methods and practices we can help the agriculturist not only to abstain from contracting unproductive debt in future but also to improve his income and purchasing power. I think we have not so far sufficiently realised the great service the Movement can do to the agriculturists by placing in their pockets productive credit for their seasonal operations and pursuit of other rural industries. I feel that there is scope for the beneficial investment in this manner of about Rs. 3 to 5 crores annually in the form of agricultural loans advanced on a system of controlled credit and against the pledge of produce in the Andhra Desa. We have plenty of resources if only we care to collect and utilise them. We must help the agriculturist to buy his credit cheap and sell his produce

dear by correlating his productive and marketing activities. The co-operative institutions in the Andhra Desa must give an intensive drive in this direction.

We must also effectively play our part in the constructive programme of the nation. Villagers are now fairly familiar with the benefits of production and consumption of khaddar and using products of village industries in preference to those which are dumped on them by the factories of the towns and cities. Cannot the 4000 and odd societies in the Andhra Desa function as miniature emporiums of products of handlooms and cottage industries so as to popularise them among the people? We can act as so many khaddar banks, for instance by pooling the small savings of our members by pursuing a programme of thrift and returning the savings not necessarily in the form of coin but in the form of domestic requirements such as a fine pair of khaddar cloth to wear and some really useful and durable articles of domestic use. We can justify our existence only if we take our proper place in our national economy and help the successful pursuit of the constructive programme laid down by the nation.

Resolutions passed at the Conference

The following are some of the resolutions passed at the Conference:—

1. This Conference is of opinion that the audit fees charged by the Government is highly exorbitant and requests that the scale be reduced to a rate not higher than Rs. 3-8 per day.

2. This Conference requests that the Government may be pleased to exempt the decrees of the co-operative societies from the operation of the Civil Procedure Code which exempts from attachment the wages of labourers and salaries of officials of Government and local authorities to the extent of Rs. 50 and allow attachments for such salaries and amend the rules accordingly.

3. This Conference resolves that multipurpose societies be formed to cater all economic needs to the ryots.

4. This Conference is of the view that co-operative societies being essentially people's institutions, co-operative education should be guided by the Non-official co-operators alone and the instruction given should conform to the aims and aspirations of the people whom co-operative societies ought to save. They therefore feel that co-operative education controlled and guided by the British Government cannot be called co-operative education and can in no way serve the needs of the people.

5. This Conference resolves to request the government to exempt co-operative institutions from the operation of the sales tax, as it will hamper the growth of the movement.

6. While this Conference is anxious to keep the rate of interest as low as possible to the ultimate borrower, it is of the opinion that 1% for supervision fund in the difference in borrowing and lending rates and there should be a margin of rates of interest of 1% between the lending rate of the Provincial Bank and the Central Bank and 1% between the lending rates of the central bank and the primary societies.

7. This Conference is of the view that the policy of the department in dictating the constitution of a co-operaive fire insurance society and introduce the mediaeval principle of nomination and the action of the Provincial Bank in acquiesing in the said principle are alike opposed to the principles of co-operation

and hopes that better regard would be paid to observance of co-operative principles.

8. This Conference calls upon all co-operators to insure their lives in the South India Co-operative Insurance Society, as this society has been working on co-operative principles.

9. This Conference is of the opinion that the Co-operative Supervising Unions involve waste of co-operative funds and is of the opinion that all co-operative Supervising Unions be suspended.

10. This Conference appoints a committee consisting of the following gentlemen to go into the question of Provincialisation of the non-official co-operative employees of the province with a view to safeguard the security of service of the non-official co-operative employees working in co-operative institutions:— (1) Hon'ble Mr. V. Ramadas Pantulu; (2) Dr. P. Gurumurthy; (3) Mr. R. Dasaradharama Reddy; (4) Mr. K. Krishna Rao; and (5) Mr. N. Satyanarayana.

XXII BIHAR CO-OPERATIVE FEDERATION CONGRESS, HAZARIBAGH, 15th JUNE, 1940.

Presidential Address of Shri Krishna Sinha, M.L.A., Ex-Premier, Government of Bihar.

Co-operation has taken different forms in different countries according to the exigencies of the situation. In India naturally it has taken the form of co-operative credit. The greatest need of our rural community is credit. Credit occupies a very important place in the economic structure of to-day. Eliminate credit and the entire economic machinery may come to a standstill. Naturally it occupies a very important place in the economics of agriculture too. The nature of agricultural industry is such that the peasant has often to depend on credit. It is much more so in the case of a country and a province where the raiyat lives on the margin of subsistence and in a state of chronic indebtedness. He has to borrow even to purchase his seed. But scientific discoveries and technical improvements have made great strides in the field of agriculture too and if he is to be taught to give up his empirical methods and ancestral traditions and adopt new techniques recommended by experts, he will have to borrow more. So credit must occupy a very important place in our rural economy.

But credit in order to be useful must be very carefully regulated. Cheap credit carelessly given may do harm instead of good. It proved so in the case of Egypt and it has proved so in our case too. I must be pardoned if I say that careless distribution of credit in many cases has been one of the contributory causes of the crisis through which the co-operative movement is passing to-day. It is said that many rushed to the movement as it was easy to get cheap money by doing so. Proper care was not taken in selecting the man to whom and scrutinising the purpose for which, credit was sanctioned and it was natural that credit so granted should have become frozen. I hope, once the movement is rehabilitated and put on sound lines, care will be taken to see that in the granting of credit principles of co-operation are strictly followed.

Though credit must continue to occupy a very important place in the co-operative movement, yet in order that it may serve its purpose fully and well, it is very necessary that attention should now be paid to the non-credit side of the movement also. The aim of the co-operative movement is to increase the general prosperity

of the people and a great deal can be done in this direction by means of non-credit societies. The agriculturists have to be taught the use of good seeds, manure and improved implements and these have to be made available to them. The advantages of co-operative sale of their produce have to be inculcated. A great portion of their time in the year is wasted in idleness. Some subsidiary occupation like spinning etc., has to be found for them so that they may add a little to their small income. Let us remember that village industries and handicrafts can only hope to survive in competition with mass production and power machinery if they are organised co-operatively, both for the supply of implements; raw material; and finance; and for the improvement of methods and processes and for marketing. Their holdings are small and lie scattered in strips. They are to be taught the benefits of consolidated holdings and co-operative farming and encouraged to make a move in these directions. They are to be taught the principles of hygiene and sanitation and made to observe them in their life. Co-operation is applied rural economics and the more a co-operator will think of the needs of the rural population the more the directions he will find in which there is scope for planned co-operation to improve the lot of the people. All these things can be done by means of non-credit co-operative organizations. These, if accomplished, will add to the wealth of the people and increase their creditworthiness. The task will doubtless be uphill but a real effort must be made because the objective can be most successfully achieved through the agency of co-operative organization alone. Our great experts are there to give advice on these points but they have not the means to approach and influence the agriculturists who lie scattered in the villages Even if it were possible for the experts to establish contact with them they will come up against the solid mass of conservatism which makes the farmer impervious to all notion of change. The peculiarity and beauty of the co-operative movement, on the other hand is that it works from below. It appeals to the moral side of man and wakes in him the finer instincts which make him alive to his own needs and to the needs of those around him and make him realise the necessity of working in common to further his lot. If genuine non-credit organizations for such purposes are started, then in most villages we shall have men ready to seize with avidity the advice of the experts, take to modern methods of agriculture and adopt subsidiary occupation which will go to substantially increase their income. As I have said, the task is difficult but difficulties are meant to be overcome, not to frighten into inaction. I know the problem of consolidation of holdings is beset with peculiar difficulties in our province. But let us take heart from the fact that some very striking results have been achieved in the Punjab where the movement for consolidation has assumed the dimensions of an important agricultural reform. About nine hundred thousand acres have already been consolidated with the unanimous consent of all concerned and the Punjab Revenue Department is now working in the same field backed by a law which allows in specified circumstances the application of compulsion. For many years the whole cost was borne by Government but the advantages of consolidation are now so keenly appreciated that in many districts villagers willingly contribute from 8 to 10 annas an acre towards the cost which works out to about Re. 1—8—0 an acre. It is popular because it increases the productivity of the soil more rapidly and more surely because it increases the productivity of the soil more rapidly and more surely than any other measure. The precise increase is difficult to assess arithmetically, but no competent judge puts it at less than 10 per cent and many put it at from 20 to 25 per cent. A visit to the villages in the Punjab where the latest methods of consolidation are in vogue, is an inspiration. Consolidation of holdings is an important measure of rural reconstruction. It is an effective means to make an appreciable addition to the small owner's net income in a comparatively short space of time, and I am aware of no valid reason why it should not be regarded as suited for adoption in our own province.

If consolidation alone can increase yield by not less than 10 per cent., the increase will be very much more if other activities in the directions suggested above are also carried out. The ultimate aim of the co-operative movement must be to so increase the productive power of the people that by a proper exercise of thrift sufficient capital may accumulate and the co-operative credit societies may be saved the necessity of relying mostly on borrowed capital. I do not exactly know the percentage of the working capital of the co-operative societies at present which is derived from the members. But I apprehend that it must be a small percentage. This aim I have spoken of can be achieved only by slowly and cautiously but steadily expanding the non-credit activities of the movement.

I shall now discuss some of the reasons why co-operation has not been the success in Bihar it should have been. In the first place, people used the new system to obtain cheap credit. They swallowed the lessons of thrift and co-operative effort with a gulp and rushed to obtain cheap credit. No discrimination was made as to the object or purpose of loans. Consumption was financed more often than production. Whereas borrowing should have been confined to productive purposes, farming and land development and other absolute necessities, money was borrowed for all purposes. What is more, from out of short-term deposits loans were advanced to memebers to repay their old debts. The burden of past indebtedness is no doubt a drag upon productive enterprise. But it is long-term credit that is required for repayment of past debts, and for long-term transactions only such funds should be employed as can be relied upon for a period of at least equal length.

Another handicap from which the co-operative credit societies suffered was the absence of any further policy or machinery to enable the agriculturist to repay his debts. The co-operative societies were content by merely lending money. They did not pursue the matter further with a view to strengthen the agriculturist and make him better able to repay his debts. They took no interest in improving his earning capacity, in increasing his credit-worthiness.

Thirdly, the co-operative societies have worked more or less on the line of loan companies with only a structural difference. One set of people, mostly non-members, have deposited money and it has been borrowed by a quite different set of people. Within the societies the borrowers and the lenders have constituted two different classes whose interest being different there has been no common urge for them to co-operate. One mark, and alas only too rare a mark, of good co-operative bank is a number of debt-free members who have joined not for what they hope to get out of it but to help their neighbours and village.

Above all, endeavour was made to sow the province within a short time with as many societies as possible. It was not realized that co-operation is not merely a matter of registers and entrance fees. Until it begins in the heart it can never hope to be a success. It is a slow and difficult growth depending on the absorption of the stern principles of self-sacrifice, self-help, and mutual help and it is the anxiety for quick results that has in some cases given the movement a bad name by starting a large number of societies which had no roots in the hearts of their members.

But these internal difficulties are not the only cause of the sad plight in which the co-operative credit movement finds itself in our province. Those who point to the failures and say they have no use for co-operation are speaking in ignorance of its principles, of its history in other countries and of what it has done and can do in Bihar itself. Co-operation was not the only financial structure that found itself in trouble when the post war (1914—18) boom came to a sudden end. A principal cause was the depression and the crisis caused by the fall in prices. Prices dropped to half in a night, debts doubled, credit went, crops were un-saleable and except for a box of trinkets the villager had little except debts to show for a period of prosperity which he had never seen before. The sharp fall in agricultural prices, the shrinkage of markets, and more generally the severe economic depression that affected agriculture placed by far the large majority of debtors in an extremely awkward position, and in more cases than not made it impossible for them to discharge their liabilities at the rates originally fixed.

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 from their members, we realize at once the disastrous consequence of the inability of the ultimate borrower to pay, on the societies, the Central Banks and the Provincial Bank. A deterioration in the position of the borrowing societies has led to new business with them being stopped. There is thus a state of stagnation in the credit movement in the province. The need of the moment is the revival of the movement. It is not yet too late to revive, but that does not mean that it will never be too late. Time may stand still for those in whose hands the decision rests, but certainly is not standing still for the movement whose position is daily growing worse. The question has been hanging fire for a long time now. Every day makes rehabilitation more costly, and what is wanted is quick decision. I cannot see how the decision can be against rehabilitation. As far back as April 1938, the attitude of Government in respect of rehabilitation was made plain. It was publicly endorsed by the then Governor, Sir Maurice Hallett. Of course, no commitment was made in respect of the details of the scheme of rehabilitation. But since then the scheme has been gone into thoroughly by successive experts, and it is more than time that Government made up their mind about it. I know part of the responsibility rests upon the Government of which I was the head. But then my difficulties were obvious. Rehabilitation involved a large outlay, and as the head of a democratic Government I had to instruct a large party in the difficult and technical details of the scheme before I could ask their assent to it. Naturally it took some time, it took longer than I had intended, but if we had not been forced by circumstances of which I need make no mention here, to lay down the reigns of office, my Government would have taken all possible steps to fulfil the hope of the Board of Experts that the scheme would be in full operation before the end of the cold weather of 1939-40. But the Board made its report only a short time before our resignation and we were helpless. The present Government is, however, in a fortunate position in that it is not required to carry with it the support and concurrence of the people to any measure it has set its heart upon. It has to satisfy only itself of its desirability and urgency. In this view of the matter the delay by the present Government in coming to a decision is a little hard to explain.

I do not propose to take your time in dealing at length with the scheme so ably drawn up by the Board of Experts. I have no doubt you have studied the recommendations with the attention they deserve, and are by now fully familiar with them in all details. I shall only refer to the broad outlines.

The first consideration which any scheme of rehabilitation must keep in view is the economic rehabilitation of the members of village societies. It is essential to bring about an immediate lightening of the debt burden of the members of village societies so as to make it possible for them to carry on while awaiting an improvement in economic conditions. With debts at their present nominal totals they are technically bankrupt. They cannot possibly meet their liabilities in full. But they must be kept on the land. They must be able to live a reasonable life and bring up their family, and they cannot live for ever on a minimum subsistence as perpetual debt-paying serfs. There must be a possible end of their debt. within a reasonable time for the members who work hard and well. The process of alleviation may be three-fold: (a) reduction of indebtedness through a lowering of the rate of interest, (b) reduction of the capital amount of agricultural debts and (c) conversion of short-term loans into longer term liabilities. The recommendations of the Board of Experts on this point are easily stated. They are three-fold—(1) The entire balance of outstanding arrears of interest on the loans should be written off. Of course, they mentioned interest only up to the date of the report. Naturally the remission should be up to the date of enforcement of the scheme. (2) The outstanding amount of the loans after the remission of accumulated interest, should carry interest in future at 6-1|4 per cent. (3) Debts should be repayable within a maximum period of 20 years. It will appear that out of the three processes of alleviation that I have mentioned the Board did not consider that the seriousness of the situation warranted reduction of the capital amount of debts.

The Board approved of the classification of members into retained and eliminated. Some percentage of the debts is even now irrecoverable and as time passes is likely to become more and more so, and the recommendation is that members from whom debts are irrecoverable should be eliminated and that steps should be taken to recover from them as much of the principal with interest in future at 6-1|4 per cent as can be realised within a period of time not exceeding 5 years. The result will be that most of these eliminated members, if not all, will be sold up; but the Board seems to have taken the view that there is no help, that if the representation of their condition is not inaccurate they are bound to be sold up one day or another and regard for them, though justifiable on other grounds, would be entirely out of place in any scheme of reconstruction.

I now come to the Central Banks. Just as the primary societies will have to reduce the amount of their outstandings by writing off a portion of their dues, the Central Banks would have to write off their dues from the societies *pro tanto*. If the assets are thus written down the Central Banks will be unable to pay off their depositors and other creditors in full. Who is to bear the loss? The amount is bound to be large and it is neither possible nor desirable for Government to come to the rescue and pay the depositors and other creditors in full. The only course left is for the creditors to agree to a rateable reduction. The recommendations on this point may be summarized as follows:—

(1) Where the loss is less than 4 annas in the rupee the creditors should forego their claim to the extent of the loss.

(2) Where the loss is 4 annas in the rupee or more, Government should grant a subsidy to the Central Bank concerned to enable it to pay its creditors in cash to the extent of a sum represented by 2 annas in the rupee of their claims. The creditors should forego their claims to the extent of the balance of the deficit.

Since the primary societies will have to agree to an instalment basis of repayment of their loans the Central Banks will have to arrange a similar basis with their creditors. This would involve hardship to the creditors who would naturally require some mode of immediate payment of at least part of the balance. But what is more important is that unless the Central Banks are enabled to meet their settled obligations in cash, they would not be able to attract deposits for their day-to-day working, and the endeavour to resurrect the movement will have an insuperable hurdle to frustrate its success. The Board, therefore, recommended a loan to Central Banks not exceeding 50 per cent. of the amount estimated as recoverable from retained members of reconstructed societies to be utilized for immediate repayment to all their creditors, other than the Provincial Co-operative Bank, on a *pro rata* basis.

The Board of Experts did not feel called upon to make any recommendations in regard to the losses of the Provincial Bank as it felt that Government had already realised the necessity of maintaining its position unimpaired and had assured its creditors that they need entertain no fears as to the soundness of their deposits and investments in this apex bank which is the nerve-centre of the whole movement. Nothing short of this guarantee would help in rousing the confidence of the depositors, and in view of the fact that its resources are derived almost entirely from the deposits that the bank receives it would be suicidal to do anything which would sap the vitality and vigour of the only source from which money flows.

But the story does not end here. Rehabilitation does not consist merely in mitigating the burden of rural indebtedness or in providing for the adjustment of losses that the past working has resulted in. The aim must be to infuse life and vigour into the moribund bones of the decaying movement, and if this aim is to be achieved money will have to be found to supply productive credit to eligible members of reconstructed and new societies. With this end in view the Board recommended that Government should take steps to provide fresh finance in case and to the extent the Provincial Bank may be unable to command the requisite resources.

To start with, great caution will have to be exercised in granting loans out of this fund. The limit up to which the societies can advance money to the members will have to be very carefully determined with reference to the value of the crop yielded by their holdings and the surplus available to them after meeting all necessary expenses out of which to repay the debt within the stipulated period. Injudicious loans will involve considerable risks, but certain precautions can easily be taken. For example, the sum lent may not exceed a certain proportion of the probable value of the crop. The debt should be required to be repaid in the course of a year. The societies might even insist upon a member disposing of his crops through his society so that recovery could be made from the proceeds, refusing a loan to a member who was not prepared to do this. Experience in other countries has shown that loans granted on the security of standing crops do not usually give rise to an unfortunate consequence for the lenders in the countries in which they are granted. This method of guarantee might, therefore, be adopted here also.

I have given you a brief resume of the recommendations made by the Board of Experts. It is unnecessary to make any elaborate comments upon them. But I should like to say a few words about one or two points that emerge from the recommendations. The first point I wish to make relates to the burden of debt which the members of primary societies have so patiently borne. This indebtedness has not been recommended to be scaled down to an amount which members can pay. All that the Board recommends is that past interest should be wiped off and that future interest should be reduced to 6¼ per cent. I am not competent to say offhand whether these twin palliatives will meet the seriousness of the situation fully. I should have preferred a thorough assessment by competent and independent persons of the actual paying capacity of members and of the reduction of the capital amounts of debts, if necessary; having due regard to the ability of the individual borrowers to pay. That would really set the farmer on his feet, and writing down the capital is a normal procedure all over the world during times of depression. If agriculture slumps, capital must slump, and the lender has no more right in slump times to repayment of capital at boom rates than the farmer has to sell a bumper crop at the high rate he paid for the seed. A very promising scheme for the reconstruction of debt-loaded co-operative societies in Burma was described in a bulletin of the Reserve Bank of India. An essential feature of the scheme was debt conciliation by bringing down the outstandings against members to the present market value of their land. But in any case past interest must be written off up to the date of coming into force of the scheme of reconstruction, and I hope no endeavour will be made to deny to the members the full benefit of this very modest recommendation.

Another point I have in mind is that of eliminated members. Of course, in accordance with the recommendations of the Board they would be entitled to the remission of interest; but assuming that they are beyond redemption, what I have not been able to understand is how these members can liquidate in five years the debts that the more solvent members are expected to take 20 years to repay. It is virtually tantamount to their extirpation. I quite appreciate the necessity of weeding out undesirable members who are a source of weakness to the movement. But I am not pleading for their continuance as members. What I am pleading for is some device which would, if possible, save these eliminated members from the prospect of certain ruin which faces them. It should not be beyond the resources and sagacity of the co-operators to think of a solution; and if the depositors of these banks which are to be liquidated could be persuaded to face the situation boldly and agree to a reorganisation on the basis of the slimming down of the balance sheets, I am not sure that some satisfactory scheme could not be devised. The outstandings against members could be brought down to the present market value of their land, surrenders of land could be obtained from and leased back to them, and the conciliated debt spread out into instalments fixed as lease money and recovered in kind. I commend the matter to your attention. I feel that, after all, the real aim should be the economic rehabilitation of the members as far as it admits of rehabilitation, and I cannot contemplate with complacency or equanimity the total destruction of a large number of them without exploring all measures for redeeming them from the abyss into which they have fallen.

The third point to which I wish to draw your attention is connected with the question of the conversion of short-term loans into long-term liabilities. In some cases it has been thought better to entrust short-term credit transactions on the one hand, and medium and long-term transactions on the other to separate bodies. It is very difficult to say whether a distinction between agricultural credit institutions according to the nature and length of the loans they grant is desirable or not. It depends on circumstances. The strict enforcement of banking practice would imply such a separation but there are at the same time practical objections to it. The farmer prefers to apply to a single institution for all the forms of credit he requires. Moreover, a single organization is better able to judge the general position of an agricultural borrower. But what I am anxious to advocate is not the superiority of one system or the other. It is something different. It is the need of organizing agricultural credit institutions in such a manner as to offer farmers each of the various forms of credit they may require. These are:—(a) Short-term or seasonal credit providing farmers with the working capital they require to run their farms efficiently, to obtain crops in the best possible circumstances, and to carry on until the harvest can be sold, to be paid back within a year; (b) Medium-term credit, affording farmers the means required to purchase live-stock and agricultural implements as also to carry out improvements of an average duration, to be paid back over several years; and (c) Long-term credit, affording the farmers the means required to repay their past indebtedness, to purchase holdings or to effect lasting improvements, repayable over a longer period.

Of the needs for which long-term credit is required the repayment of debts is perhaps the most important. The burden of indebtedness is bound to be a drag on productive enterprise. It will not do only to institute measures for the compulsory scaling down of debts. It will be necessary to set up an agency for the provision of long term credit. Such an agency will serve many useful purposes. In the first place, if composed debts can be paid in cash, the process of scaling down will be greatly facilitated. In the second if provision is made to enable the debtor to repay his debts over a long period of time the annual charge he will have to bear for repayment of his debts will be much lowered. This should not only increase his ability and willingness to repay but also leave a balance in his hands which may contribute towards making his existence a little brighter. He can then be gradually weaned from the tragic fatalism he now suffers from and in course of time develop into a more efficient productive agent. At present, however, when even the agency for short-term credit has to be rebuilt this is a distant dream, but if we keep the ideal before us and work to achieve it we will get nearer to it every day.

I have a word or two to say about the interest that should be charged. In the past it has been not only heavy, but considering the yield on capital invested in agriculture, exorbitant. We must remember that agriculture is a special form of activity owing partly to the nature and length of the operations involved and partly to the rate of yield on the invested capital. It produces living organisms under conditions of uncertainty due to the weather against which man is for the most part powerless. Many of its products are highly perishable. The farmer does not fix the prices of his produce. They are imposed upon him so that his profits are limited and he often suffers a loss. Consequently the rate of interest on loans granted to him should be low and commensurate with the degree of remunerativeness of agriculture. If interest is too heavy in proportion to the income earned, the credit, instead of being of benefit, will only make the position worse. As long-term capital brings in an even lower yield than short term capital it is necessary that the rate of interest on long-term loans should be lower than on short-term loans although this may be contrary to normal banking practice.

After the movement has been rehabilitated, every care must be taken to see that it does not again fall in difficulties and here we should take a lesson from the past.

Sound co-operation is a matter of growth from within and it cannot be successfully imposed from above. In order that co-operation may succeed, it is necessary that the members comprising it should understand the principles of co-operation and work accordingly. Here in our country the urge for a co-operative organisation did not come from below but it was rather a Government anxious to solve the problem of rural credit, which initiated it. Co-operative organisations were founded; but most of them artificially. Gentlemen possessed of money were invited or persuaded to deposit money and people in chronic indebtedness who found here an easy means of obtaining credit rushed to it. There arose, no doubt, a structure of co-operative organisation, but the spirit of co-operative ideology was almost entirely lacking. The natural result was the difficulty in which we find ourselves to-day. I am not minimising the part played by depression. But the main reason was this lack of spirit of co-operative ideology. If we are to save the movement from a similar fate in future, it is necessary that endeavour should be made to inculcate the proper spirit in those who are already within the fold of the movement or may come within it. The members of primary societies must be educated in the principles and meaning of co-operation. Unless this is done members of primary societies cannot manage their societies in the way required by the philosophy of co-operation. But before this essential training is imparted to the members of village societies, the organizers and administrators must be fully trained in the basic principles of co-operation.

The Royal Commission on Agriculture made a similar recommendation while suggesting remedies for putting this movement on a sound basis. And if after rehabilitation we want to have a flourishing co-operative movement in our province we must arrange for co-operative education and competent teachers. I do not think that at present there is any adequate arrangement for training competent teachers and imparting co-operative education. This is the thing which could very well be done by your Federation. A perusal of the report of your Federation makes me feel that whatever arrangement for it there might have been in the past, there is no arrangement for it at present.

This naturally makes me come to the question of the Federation itself. In European countries co-operation is more or less independent of Government. They have strong central organisations which serve as a bureau of information, undertake the work of organisation and inspection and in many ways strengthen and stimulate the movement. This example has been followed in India. A number of public-spirited men have given valuable time and energy to the movement and in our country too we have got provincial Federations. There is a Federation in this province also. But if our movement is to develop and prosper this Federation must become a really live organisation. In the words of the Royal Commission on Agriculture its object should be "to promote the co-operative movement in all possible ways by serving as a centre of co-operative activity, by carrying on propaganda and publicity work; by organising and developing diverse types of societies, by organising training classes; by acting as an information bureau and by ascertaining and representing the views of the co-operators on questions of general and public importance relating to the movement." We see here at a glance what an important role your Federation has to play in the healthy growth and development of the movement. As I have not been in touch with the movement I am not in a position to say what part it actually plays at present but from the budget of the Federation and report it appears that its condition is anaemic and requires looking after. As I have said, it should be the business of the Federation to make arrangements for co-operative education and competent teachers but at present it seems there is no arrangement for this. Only two magazines, one in Hindi and the other in English; are published; but their circulation is not encouraging. It seems to me that the development, training and propaganda activities of your Federation are almost at a standstill. This must give a cause for despair to those who want to see the movement flourish and prosper in the interest of the poor of this province. It seems finances stand in the way and the resources of the Federation are not sufficient to make its achievements commensurate with its aims. Now that we are talking of rehabilitation it is necessary that we must think of rehabilitating the Federation too. Our ultimate aim must be to see this un-official agency occupy its proper place in the movement and an attempt must be made to reinvigorate it from now. To do this some aid from the Government may be necessary but if Government make up their mind to rehabilitate the movement they should not grudge an aid to the Federation to enable it to carry on those activities a proper discharge of which alone will insure the movement against failure in the future.

Another point that has often ben lost sight of is that a specialised personnel is a most important factor. This involves creation of a special cadre for co-operative service. The present position is not very satisfactory and the administration of the Co-operative Department is constantly in danger of being put in the hands of people who have had no training worth the name. At the top the Registrar is liable to be transferred before full benefit of continuity of policy has been assured. He has had generally no experience as Assistant or Joint Registrar before he is called upon to shoulder the responsibilities of the head of the organisation, and if the present Registrar has proved equal to the duties and responsibilities of the post, it is not because the system is sound but because he is dowered with qualities that will make him a success wherever he is placed. The Deputy and Assistant Registrars are similarly drafted from the Executive Service, and before they are well in the saddle they begin to strive for a reversion to the general line where prospects of a promotion appear to be brighter. At the bottom recruitment is made regardless of any specialised training and it is a pity that the only training institute we had has largely ceased to function. The selection of the right type of men constitutes the essential preliminary of efficient administration, and the need for the training of a highly educated efficient and intelligent staff can scarcely be exaggerated. The organisation and supervision of co-operative societies is a technical business and those who have not been fully trained in its principles and practice should not be allowed to meddle with it.

Resolution passed by the Congress

This Congress reaffirms its faith in the Co-operative Movement as the only agency for improvement of agriculture for the development of industries, for marketing of agricultural and industrial produce and for the economic and social advancement of the rural population;

It, therefore; notes with satisfaction the announcements made on behalf of Government, from time to time, expressing their determination to rehabilitate the movement.

This Congress also offers its thanks to Government for giving financial assistance to the Bihar Provincial Co-operative Bank and for the promise to stand behind it;

It, however, expresses its profound alarm at the inordinate delay in the financial reconstruction of the movement. In view of the enactment of the Bihar Money

Lenders' Act and the consequent shrinkage of private credit, the necessity of an alternative machinery for providing credit to the agriculturists on organised co-operative basis has become all the more pressing.

This Congress is, therefore; of opinion that any delay in the financial reconstruction of the movement would hasten its collapse, creating panic and spreading irretrievable distress at this time of crisis. It therefore, urges upon Government to sanction full financial help and reconstruct in moment immediately.

In the opinion of the Congress no useful purpose will be served by discussion of any other matter until the decision of the Government on the fundamental question of reconstruction of the movement is announced.

DEBT CONCILIATION IN MYSORE

Summary of recommendations made by the special Duty Officer on the working of the Debt Conciliation Scheme.

1. A complete adoption of compulsion is not immediately necessary or advisable.
2. The element of compulsion already present in the Act should, however, be strengthened.
3. Arrangements for immediate payment of settled debts is highly desirable.
4. Payment of settled debts should be arranged through the Land Mortgage Banks and Co-operative Societies.
5. The maximum limit upto which loans may be granted by the Land Mortgage Banks may be raised from 50 percent to 70 per cent of the market value of the security.
6. The minimum amount for loans granted by the Land Mortgage Banks should be lowered to Rs. 100.
7. The upper limit of Rs. 5000 should be raised in deserving cases where adequate security is forthcoming.
8. Land Mortgage Banks should be opened in all places where the Debt Conciliation Boards are established.
9. The work of the Land Mortgage Banks and the Debt Conciliation Boards should be co-ordinated.
10. The repaying capacity of the debtor should be improved.
11. Judical Officers may be tried as Chairmen of the Debt Conciliation Boards in some places.
12. It is not necessary to increase the strength of the Board.
13. It is not necessary to amend the definition of debtors limiting the scope of the Act to pure agriculturist only.
14. No debtor need be excluded on account of his pecuniary status or of his being heavily indebted.
15. Statistics regarding the agricultural indebtedness may be collected in the coming census operations of 1941.
16. Section 3 to be amended by adding a saving clause enabling the Board to function notwithstanding any vacancy due to death, resignation or removal.

17. The following debts to be excluded from the definition of debt :—
    (i) Claim for maintenance either under a decree of court or otherwise;
    (ii) Tax, cess or payment due to municipality, village panchayat or other local authority.
18. The Board may be empowered to order costs when dismissing a petition for failure of a debtor to comply with a notice under Section 8 (2) or to furnish particulars under Section 8 (3).
19. A provision to be made in the Act, placing a bar on the right of the debtor to file successive applications.
20. Section 9 to be amended by the addition of a clause making the application liable to be dismissed if the Board is satified that an alienation by the debtor within 180 days before filing the petition was with a view to defraud the creditors.
21. Section 14 to be amended by empowering the Board to pass an order directing an unwilling creditor to accept a fair offer by the debtor, where creditors to whom more than 50 per cent of the debts are owing, agree to an amicable settlement with the debtor.
22. Section 14 to be amended by permitting the existing mortgage or lien or charge to subsist when a secured creditor agrees to a settlement.
23. Second provision to Section 14 also to be suitably amended.
24. First proviso to Section 14 to be omitted and power taken by Government to exempt such societies as in their opinion deserve the preferential treatment.
25. It is not necessary to extend the period of one year prescribed in Section 17.
26. Act to be amended by making provision for deposit of the amount by the debtors.
27. A specific clause to be added to Section 19 that the repaying capacity of the debtor should also be taken into consideration.
28. Right of revision against certain orders of the Debt Conciliation Board may be allowed.
29. The appearance of lawyers before the Board should be restricted.
30. Section 26 to be amended by providing for stay of proceedings before the Revenue Court and the Registrar of Co-operative Societies.
31. An explanation to be added to Section 26, that execution proceedings should be deemed to be pending until the sale becomes absolute.
32. The Boards to have power to conciliate joint debts, even when only one of the debtors files the application before the Board.
33. In cases where the debts are far in excess of the assets, the Board should refer the debtor to the Insolvency Court.

—*The Mysore Co-operative Journal*, June 1940.

CO-OPERATIVE NEWS AND NOTES

The B. & O. Co-operative Journal, formerly known as the B. & O. Co-operative Federation Gazette, came into existence in 1919, as the official journal of the B. & O. Co-operative Federation. It was published annually till 1924, when it was converted into a quarterly. From January 1935, the journal was published monthly under the editorship of Mr. J. P. Misra, then Vice-Principal of the Co-operative Training Institute, Bihar and later by Rai Sahib Mathura Prasad, Principal of the Institute. In January 1938, Prof. B. B. Mukerjee resumed the editorship (he was editor from 1931-34) and the journal was once more converted into a quarterly. With the publication of the first quarter's issue for 1940, or the "Coming of Age Number" as it is called, the journal may be said to have attained majority. We wish our contemporary all success.

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We are glad to find that the Travancore Co-operative Institute has revived the publication of the *Travancore Co-operative Journal*, after a brief suspension. The journal is in the vernacular of the State, Malayalam, even as the *Mysore Co-operative Journal* is in Kannada. The latter, however, contains an English section. We hope that Travancore journal will continue to be published without interruption and will serve as the medium for propagation of co-operative ideals in the State of Travancore, and will also contain an English section for the enlightenment of co-operators outside the State.

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The Saraswat *Co-operative Housing Society*, the earliest of co-operative housing societies in India, celebrated its Silver Jubilee on 21st February 1940. The occasion may also be said to be the Silver Jubilee of the inauguration of the Co-operative Housing Movement in India. Started in March 1915, thanks to the initiative and enterprise of Rao Bahadur S. S. Talmaki and the financial aid of Shamrao Vittal Co-operative Bank, the Society rose from success to success. It is worked on the Tenant Co-partnership System, which is the distinguishing feature of societies formed by persons who are not in a position to own houses or flats independently and therefore join together to own them in common. We congratulate the Society on its past achievements and wish it a long and useful career of service to its members in the years to come.

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The 22nd Session of the U.P. Conference held at Bijnor entrusted the Executive Committee of the U.P. Co-operative Union with the task of examining the present position of the Movement and make suitable recommendations for its development, specially with the expansion of the movement in new directions in the last five years or so and opportunities afforded by several legislative measures and development schemes. A comprehensive questionnaire has been drawn up and issued to prominent co-operators, economists and others competent to express an opinion on the subject. The Committee will commence work as soon as replies to the questionnaire are received. This Committee is the Co-operators' own committee as distinguished from the usual committees appointed by Government.

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It is understood that the scheme for the formation of a Provincial Co-operative Bank for the United Provinces has been dropped for the present by the Government, owing to war economy measures. The scheme was sponsored by the Co-operative Department, and the Bank was to be established with an authorised capital of Rs. 25 lakhs and issued capital of Rs. 7 lakhs. The issued capital was expected to be contributed by (1) the Government, (2) the public, and (3) co-operative societies. The Congress Government, which approved the scheme had advanced Rs. 50,000 to the Co-operative Department for preliminary expenses, besides promise of financing the Bank. The decision of the present Government to postpone the scheme is regrettable though it is said to be dictated purely by financial conditions.

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During the year 1937-38, a large number of co-operative cattle breeding societies were started in different Provinces and States for the improvement of cattle and other aspects connected with it. The number of these societies was Madras 3; Punjab 272; Delhi 7; Travancore 1; Baroda 2; United Provinces 7. These societies maintained stud bulls, advanced funds to their members for purchase of good cattle, made arrangements for training in veterinary first aid, and also for the treatment of sick animals, organised cattle shows and distributed prizes.

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It would appear from a communique issued by the Government of Bombay that the scheme of rural development work drawn up by the Congress Ministry is not likely to be abandoned. The Bombay Agricultural Debtors' Relief Act has been assented to by the Governor-General, and rules are being framed under the Act; also the administrative machinery required for the setting up and smooth functioning of Debt Adjustment Boards is being designed. The enactment of the legislation has created misgivings in the minds of the money-lending classes, who are disinclined to continue relations with the agriculturists on the old basis. This is not regrettable, if the new machinery which the Act proposes to create is brought into existence in the immediate future.

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The development of co-operative societies among women on a large scale is an important feature of the programme in the United Provinces. A refresher class for Lady Supervisors of Co-operative Societies has consequently been opened at the Women's Institute, Lucknow.

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The Government of Sind have completed the enquiry into the debts in agricultural societies with a view to introducing a scheme for the recovery of frozen debts of the Sind Provincial Co-operative Bank. Details of the scheme are awaited with interest.

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