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THE
INDIAN CO-OPERATIVE REVIEW

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EDITORIAL NOTES

REPORT OF THE VIJAYARAGHAVACHARYA COMMITTEE

The report of the Committee on Co-operation in Madras presided over by Sir T. Vijayaraghavacharya has been made available to the public by the Government of Madras. We publish elsewhere in this issue the recommendations of the Committee and also a number of articles reviewing the report. We invite more views of co-operators not only in Madras, but outside the province, on this report as it deals with some fundamentals of the Raiffiesen credit system and has reached conclusions opposed to notions that have prevailed over a generation in India.

The Committee sat for a longer term than was contemplated, partly because of the great disturbance in the political situation brought about by the war and the resignation of the Government which appointed the Committee and the suspension of the sessions of the legislature which were expected to bring most of the members together to Madras. The size of the Committee too was unduly large for decisions to be taken quickly after discussions. It was, as one member has put it, 'too big to form an expert body and too small to form a conference.' A democratic Government has to please all parties and interests, and hence all could not be experts in the subject. There was, however, no lack of intelligent appreciation or even contribution by the comparatively inexpert members on problems in which they as representatives were interested.

Readers of the report, we hope, will find enough compensation for the delay in the exhaustive treatment of several phases of the movement in Madras. Having been ourselves a member of the Committee we do not wish to dilate on its merits or demerits except indicating, in the capacity of the Editor of this Review, our agreement or disagreement with the main recommendations of the Committee.

A word meanwhile on the procedure adopted by the Committee may be of interest. Before the appointment of the members of the Committee the Government had chosen a special officer, who later became the

Secretary, to frame a questionnaire with the help of the Co-operative Department and to collect and sift answers from a very wide circle of co-operators in the province. The questionnaire was detailed on most issues but had unfortunately no question on consumers' stores, building societies, tenants and labourers' societies and societies for consolidation of holdings. The report itself contains little about these types except a note appended on building societies. The written evidence collected was, as was to be expected, of uneven value. But the Secretariat of the Committee did a great service not only to the members but also to close students of the movement, in breaking up the answers and arranging them question-war in three volumes, so as to admit of ready reference on any issue.

It is again unfortunate that no oral examination was sought of any but a few experts in different Development Departments. Some of the remarks in two dissenting minutes are based on the supposition that witnesses would not have been able to substantiate their statements on close oral examination. We do not believe this; the points of view of the majority would have gained greater strength by oral examination of veteran workers in the field. Doctrinaire views on co-operation would have found little support.

The Committee devoted considerable attention to the discussion of measures of debt-relief and control of moneylending. It was found that the working of the measures was not conducive to the development of rural credit and did in fact adversely affect it. The only rational, though not immediately practical, method would be the elimination of the system of private moneylending and its replacement by co-operative credit. This is not a chimera; but it requires tremendous efforts on the part of rural leaders and an aggressive goodwill on the part of the Government—neither of which we have at present in Madras or in any other province. Palliatives are, therefore, suggested like the automatic termination of mortgages after a period of years, the regulation of interest, etc. But the Committee felt that all such efforts would be more or less futile in the absence of a more comprehensive treatment of the agricultural and economic conditions. The co-operative system could not work a miracle if conditions of rural economy were essentially unsound.

After a fairly detailed historical survey of the different phases of agricultural co-operation in the Presidency, the report proceeds to discuss the measures that should be taken to avert further catastrophe in the credit side of the movement, and rehabilitate it before developing other forms of activity. Most of the methods of rehabilitation suggested are now quite familiar—abolition of penal interest, extension of time for repayments, recovery of arrears in kind, rent purchase of lands by those who had to surrender them and the writing off of bad debts. The one new suggestion made is the creation of a pool of the reserve funds of all the primaries in the area served by a central bank and the reserves of the central bank itself for the purpose of writing off of bad debts. As there was strong opposition to such a pool by compulsion, a voluntary pool of reserves has been suggested. Even to this some of the members of the Committee and co-operators outside are opposed. We hope they will not stand in the way of a voluntary pool by societies and banks strongly inclined to the extension of the principle of mutuality to weaker institutions.

The most controversial part of the report is that which deals with the organisation of village societies in future. The recommendations of the Committee which constitute a departure from the hitherto accepted principles of the Raiffeisen system—in respect of the area of operations, the liability of members and the rendering of honorary service but not of purposes to be served by societies—have been dissented from by a minority of members, two of whom write strong dissenting minutes. The decisions were arrived at by the majority after a very close and careful consideration of all the data placed at their disposal apart from their own experience of the working of the societies all these years. They were convinced that unlimited liability did not and would not work in spite of all anomalies and subterfuges resorted to in most parts of the province. Hence they recommend as a general rule limited liability—reinforced if need be by a guarantee—for societies to be organised in future, leaving it to the Registrar to permit unlimited liability where there is a local demand for it. We have no doubt that there is an increasing volume of opinion in favour of limited liability not only in the Madras Presidency—which is by no means confined to the Andhra districts—but also in several other provinces and States, judged by the statements of responsible officers and leaders in the last Registrars' Conference and Provincial Conferences. We invite the attention of readers to the articles and extracts dealing with this subject in this issue and in some of the previous issues of our Review.

As regards the size of societies too, the Committee felt that the old rule of 'one village one society' must be replaced by the formation of one society for a group of villages, except in the case of big villages, so as to serve a larger number of agriculturists to afford greater scope for the choice of panchayatdars and to increase the volume of transactions, which would alone enable the employment of paid staff thoroughly trained for looking after the necessary routine duties and the technique. The limitation of liability would also help to achieve these objects as solvent and prudent ryots will not fight shy of getting into these societies. And if the area of operations is to be enlarged, unlimited liability will be out of the question.

These enlarged societies will take upon themselves not only the supply of credit as hitherto but also undertake the supply of all the requirements for an improved system of agriculture, so vitally necessary to increase the purchasing power of the people. The societies will also act as agencies for the sale of produce and help the loan and sale or marketing societies. In fact, there is no economic function that they cannot take up on an agency basis. But the committee did not rightly, wish to entrust to co-operative societies functions which ought to be performed by village panchayats—services like education, sanitation, water supply, communications and lighting—which are best left to statutory local bodies with powers of coercion and taxation.

We trust that impartial readers of the report will find that the Committee has done its best to draw up a safe and workable plan of expansion of the Co-operative Movement in the countryside in response to the wishes of the Government that appointed it.

We shall deal with the other phases of the movement on which the Committee has given its findings and solutions in the next issue of this Review.

REMITTANCE FACILITIES FOR CO-OPERATIVE SOCIETIES

We desire to draw the attention of our readers to the Schedule of Remittance Facilities to the Scheduled banks and Co-operative Banks, recently issued by the Reserve Bank of India, the representations made by co-operative institutions and the opinions expressed by co-operative journals thereon, which we have published elsewhere in this issue. The effect of the Reserve Bank's new scheme of remittance facilities is the discontinuance, with effect from 1st October 1940, of the concession of free transfer of funds even for *bona fide* co-operative transactions hitherto enjoyed by co-operative societies. The concession of free transfer of funds through treasuries and sub-treasuries which co-operative societies enjoyed till 1st October 1940 has a long history behind it. Those facilities were vouchsafed to the co-operative societies under orders promulgated by the Central Government almost simultaneously with the inauguration of the Co-operative Movement in 1904, and the concessions were incorporated in the Civil Account Code, Art. 170. The Maclagan Committee which reported in 1915, dealing with free remittance facilities, observed that the grant of reasonable facilities to co-operative societies and banks was a necessary and desirable concession. The Committee also drew

by the Bombay Government authorising the Registrar of Co-operative Societies to permit refund of 75 per cent of the money-order commission paid by co-operative societies, and recommended the adoption of similar concession by Provincial Governments all over India (Vide paragraph 182 of the Report). In Madras, the Townsend Committee recommended in 1928 that co-operative societies, in addition to the remittance tranfer facilities enjoyed by them under orders of the Central Government already referred to, should be granted exemption from payment of money-order commission on remittances made through the post office. At the time when the Townsend Committee reported, such concession for remittances through post office was being enjoyed by co-operative societies in the Punjab and Bombay (Vide paragraph 31 of the Report). The Indian Central Banking Enquiry Committee, which reported in 1931, also pointed out that the free transfer of funds for co-operative purposes was of the utmost importance to the Co-operative Movement to organise agricultural credit on sound basis and no attempts should be made to curtail that privilege.

The recent Committee on Co-operation in Madras, presided over by Sir T. Vijayaraghavachariya, has also unanimously recommended that, in view of the general reduction in the lending rates of co-operative organisations and low margins on which they are working, the existing concession of free remittance of funds for *bona fide* co-operative transactions should be continued by the Government and that transactions other than those for such co-operative purposes should be charged commission at the same rates as those charged to scheduled banks. The Committee referred to the attitude of the Reserve Bank in this connection and expressed the opinion that the Provincial Governments, if they wish to continue the concession for remittance of funds for *bona fide* co-operative purposes, should pay the Reserve Bank commission on such remittances to compensate for the loss that the Reserve Bank may sustain on the continuance of the free remittance of funds.

It is surprising that the Reserve Bank should have brought into force its revised scheme from 1st October 1940 without even consulting the Provincial and Central Co-operative Banks in India which are seriously affected by the change. It however appears to us that the question is now one to be tackled by the Provincial Governments, and that the proper course to adopt for the co-operative institutions is to approach their respective Provincial Governments for the restoration of the privilege of free transfer facilities for *bona fide* co-operative purposes.

There is, however, another aspect of the Reserve Bank's scheme which is equally unsatisfactory. The various Committees which reported on Banking in general and Co-operative Banking in particular, urged funds for banking business as distinguished from what may be termed co-operative business, they should be entitled to the same privileges as joint stock banks or scheduled banks under the Reserve Bank of India Act. This request of the co-operative banks was strongly recommended by the Indian Central Banking Enquiry Committee. It is based on general public interests served by development of modern banking facilities in smaller towns and trading centres. Of the 1700 towns and cities in India, it is estimated that only 730 are served by joint stock banks and their offices and branches, and more than half the number of towns in India are not served by any banking institutions other than co-operative banks. In Bombay, for instance, about 100 towns are now served exclusively by co-operative banks and their branches, whose number exceeds 200, as Prof. V. G. Kale has pointed out in a recent issue of the *Bombay Co-operative Quarterly*.

The extension of modern banking facilities through co-operative banks to places not served by joint stock banks is an obvious need of the country. At present in many provinces co-operative banks carry on one or more of the items of modern banking business such as collection of bills or drafts, transfer or remittance of funds through issue of cheques and drafts on other banks, collection of insurance premia on behalf of insurance companies, grant of loans or cash credits against securities approved by the Registrar such as debentures of a land mortgage bank, Government Securities, shares of the Imperial and Reserve Bank of India and purchase and sale of giltedged securities. Some discount Bills or do what is called inland exchange business. The Madras Committee on Co-operation recommended that central banks and larger urban banks in the province should take up banking business of the kind described above. In Bombay many of the good co-operative banks do such business in an appreciable degree. It is, therefore, to be regretted that the Reserve Bank has not thought fit to extend to the Provincial and Central Co-operative Banks facilities similar to those offered to the Scheduled banks in regard to transfer of funds. We hope that the Reserve Bank will revise its decision at least in regard to the desirability of extending to Provincial Co-operative Banks and Central Banks, which are affiliated to the Provincial Banks, the concessions which are given to the Scheduled banks such as (a) transfer free of charge of an amount of Rs. 10,000 or multiple thereof between their accounts at the office or branches of the Reserve Bank, (b) transfer free of charge once a week of a sum of Rs. 5,000 or multiple thereof to the principal account which they maintain with the Reserve Bank from any place at which they have an office, branch, sub-office or pay office and at which there is an agency of the Reserve Bank, and (c) other remittances to the principal account subject to a charge of 1/64 per cent. For this purpose, the Provincial

Banks and their member-Central Banks should be treated as integral parts of a single financial structure based on a federal scheme. The Central Government which convenes periodical Conferences of Co-operative Registrars and which through its Department of Education, Health and Lands still exercises some functions of advice and co-ordination in relation to co-operative institutions in India will also, we hope, interest itself in this question and advise the Reserve Bank on the desirability of extending at least to Provincial Co-operative Banks and Central Banks affiliated to them the concessions which the Scheduled banks enjoy. The Provincial Co-operative Banks are within the scheme of the Reserve Bank of India Act and are treated as part of the banking system of the country, whose interests are to be suitably served by the Reserve Bank of India.

CO-OPERATIVE BANKS AND GOVERNMENT SECURITIES.

The war has created its own problems to co-operative banking. The fluctuation in the market value of securities is bound to affect the co-operative banks like joint stock banks. We are not in possession of information regarding the manner in which the Central Banks and Provincial Banks in several provinces have attempted or are attempting to deal with this problem. Normally, it is no doubt the recognised practice of auditing to exhibit investments in the balance sheets of co-operative banks at cost price or market price on the date of the balance sheet, whichever is less. Our experience is that while securities of certain denominations depreciate in value, there will be appreciation in the value of securities of other denominations. A rise in the value of securities in one case is being set off against the fall in the value of others, without offending any rule of auditing. But this practice is obviously unsuited to conditions in which there is a fall in the value of almost all securities, owing to disturbance in the money market caused by the war.

We understand that the Bombay Provincial Co-operative Bank formulated a scheme to meet the situation and that it has received the approval of the Registrar of Co-operative Societies, Bombay. The important features of the scheme are: (1) Normally if a bank invests in securities with the idea of keeping them till the date of redemption, it is not considered necessary to write down their value periodically whenever there is a fall in the market value due to an extraordinary situation like the one arising out of a great war. (2) If, however, circumstances necessitate the realisation of certain securities, the loss due to depreciation having been incurred in the same manner as any other business loss, without a chance of being made good, the loss has to be provided for in the year of account itself. (3) It is sufficient if a bank writes down the book value to the extent of the unrealised premium in respect of its holdings, that is, the amount of purchase price paid over and above the face value, in annual instalments depending on the date of redemption. Such securities are designated in the Bombay scheme as 'premium securities.' (4) The bank should not take credit for the difference in purchase price and the redemption price if the face value is in excess of the purchase price. Such securities are designated 'discount securities.' (5) In its scheme of investment a co-operative bank should ensure that the dates of redemption of the securities should be evenly spread, that is to say, there should be a definite proportion of short dated securities. But the ratio is not fixed under the Bombay scheme.

The Madras Provincial Co-operative Bank addressed the Registrar of Co-operative Societies and the Local Government on the question and suggested that the following rules might be safely laid down for the guidance of co-operative banks in this matter: (1) Value of Securities need not be written down below face value in the case of terminable securities. (2) It is sufficient to create investment reserves in other cases. (3) Credit should not be taken for unrealised discount in 'discount securities' which are redeemable on specified dates. Even if the securities are quoted at less than the book value, no provision need be made. (4) Specific reserves should be created in the case of premium securities as referred to above, spread over the currency of the securities. The actual difference between the face value and the book value will have to be spread over the number of years from the date of purchase to redemption in equal annual instalments, the first instalment to be provided for immediately. (5) It will suffice to write off only the losses actually incurred in sales during the year of account or in subsequent years. It has also been suggested that co-operative banks need not write down depreciation in securities in cases where the entire holdings of a bank are within its owned capital and the book value of the securities is at or below the face value.

But the Department of Co-operation and Government of Madras do not seem to have so far issued any orders calculated to give relief to co-operative banks. Even co-operative banks which will otherwise be working at a profit may have to show a loss if the normal rule about showing the market value of the securities on the date of the balance sheet is insisted upon. It is said that the Registrar of Madras proposes to allow the Banks to spread the depreciation over three years. This will be neither here nor there and may not result in any advantage to the Banks or give relief to them. We hope that the matter will receive early attention of the Government.

In regard to the future much depends upon the investment policy pursued by co-operative banks. In a well regulated plan of investments the short dated securities should bear a minimum to the working capital while a superior limit may be fixed for long dated securities. We consider that the following plan will be a safe one for adoption by co-operative banks in the selection of securities: —(1) Securities maturing beyond ten years should not exceed paid up capital plus statutory reserve plus one-fifth of deposit liabilities. (2) The period of redemption of other securities held by a co-operative bank should be within ten years, and such investment may be round about 50 per cent of its total investments. (3) Non-terminable securities should be very rarely acquired.

We shall be glad to publish in the pages of the *Review* schemes that are either adopted or in contemplation in the various Provinces in this behalf.

THE BENGAL CO-OPERATIVE SOCIETIES BILL.

We publish elsewhere in this issue proceedings of a co-operative conference held in Calcutta on 13th July 1940 under the presidency of Mr. Santosh Kumar Basu, Advocate, M.L.A. and ex-Mayor of Calcutta, which was convened, in the words of the President, "to voice independent non-official opinion regarding the Bengal Co-operative Societies Bill, 1938." We also publish an article dealing with the Bill by Mr. Satyapriya Bannerjee, Advocate, a member of the Opposition in the Bengal Legislative Assembly and an active member of the Select Committee on the Bill.

Bengal is the fifth Province to attempt replacement of the All-India Act II of 1912 by a self-contained provincial enactment dealing with co-operative societies. Bombay led the way with its Act VII of 1925, then followed Burma, which was then not separated from India, with its Act VI of 1927, Madras with its Act VI of 1932 and Bihar with its Act VI of 1935. The Bengal Co-operative Societies Bill, which had a somewhat stormy passage through both the Houses of the Legislature and which is perhaps awaiting the assent of the Governor, in order to find its way to the Statute Book, was introduced in the Bengal Legislative Assembly in August 1938. The need for a revision of the existing law (India Act II of 1912) was felt in Bengal at least from 1935, and the present legislation has not come a day too soon. We gather from the statement of objects and reasons of the Bill and the speeches of the sponsors of the Bill and their supporters in the Bengal Legislature that the deterioration in the condition of the societies was due to lack of adequate powers in the department to intervene effectively in preventing maladministration of societies and their failure to comply with the provisions of the law or the rules framed thereunder by the Government. It was therefore said that for the reconstruction of the movement and the rehabilitation of the societies, a drastic legislative measure of the kind vesting larger and more stringent powers of control in the Registrar was needed to meet the peculiar requirements of the Province. Mr. S. K. Basu, who presided over the Conference, questions this statement and characterises it as "a complete misrepresentation of existing state of things and travesty of actual facts." Though this is somewhat strong language to use, we are in agreement with the view that the deterioration of the movement in the several provinces was not due to any large extent to the inadequacy of official control. Indeed, we have often said in the past that the All-India Act II of 1912, as well as the Provincial Acts that replaced it later, were framed with the Registrar as the centre of the picture and not the society, and that increasing measure of official control which was attempted by the Provincial Acts in a spirit of vying with each other in regard to stringency of control, did not result in the improvement of the movement in the respective provinces. In fact, in Bihar and Orissa, whose Provincial Act is the most stringent enactment yet placed on the Statute book—barring of course the Bengal Bill—the movement is perhaps in the most deplorable condition.

Speaking so early as 1931, Sir Rajendranath Mukerjee, the then Chairman of the Bengal Provincial Co-operative Bank, very rightly observed "that the co-operative movement here (Bengal) rotates and revolves round one individual—the Registrar. His position is unique. He not merely fulfils formal requirements of the law but guides and controls the entire movement and directs policies." This was more or less true in regard to all Provinces, even under the India Act II of 1912. So, any attempt by the Provincial Governments or the Provincial Departments of Co-operation to ascribe the failure of the movement in their provinces to inadequacy of statutory official control cannot certainly be justified. If the movement in Bengal is going to be reconstructed and improved it will not be with the aid of this new bill. As Prof. Niyogi in his *Co-operative Movement in Bengal* says, "with the placing on the Statute Book the Co-operative Societies Bill of 1938 there will emerge a form of co-operation which is drilled and regimented by the State. But State-controlled co-operation, while it may enable the Government to cope with the present emergency, it will hardly offer a permanent solution in any endeavour to build up a vigorous and self-reliant movement."

Coming to the bill, both the Conference and Mr. Satyapriya Bannerjee rightly criticised the Government of Bengal for not conducting an investigation into the working of the movement by an expert committee before undertaking legislation. We shall now refer to a few of the important provisions of the Bill which have provoked adverse criticism. The critics of the Bill object to unlimited liability being made the rule in rural societies. They are in favour of a compromise on the lines recommended by the Madras Committee on Co-operation, viz. limited liability being made the rule and unlimited liability being allowed wherever local conditions or co-operative opinion favours such form of liability.

Though we agree with the view that the Madras Committee on Co-operation has not gone to the extent it should have, we are satisfied with the recommendation of the Majority as expressing the maximum amount of agreement possible under the circumstances.

Another important provision of the Bengal Bill which is criticised adversely is the entrusting of audit to the Department of Co-operation. They consider that the recommendation of the Madras Committee on Co-operation that the audit staff should be entirely separated from the administrative staff while maintaining the statutory responsibility of the Registrar for audit of co-operative societies, does not go far enough. They hold the view that to ensure independence of audit, the Registrar also should have been relieved of all responsibility in the matter of audit and an agency entirely independent of the Registrar should have been recommended for the purpose. There is much to be said for this view and we are willing to subscribe to it ourselves. But we work under several limitations. The movement in no province is able to finance the audit services from fees collected from societies. In Madras, all rural societies and even urban societies with a working capital of under Rs. 20,000 are audited free of charge—a concession which few provinces in India enjoy. The critics of the Bengal Bill also want audit by government agency, but other than the Co-operative Department. Such an arrangement is bound to cost the Government substantially more than audit by the Department of Co-operation. It is true that the general tax-payer may legitimately be expected to contribute a reasonable proportion of the expenditure on the Co-operative Movement; but it may not be possible in the coming years to saddle the tax-payers with the entire cost of audit of co-operative societies with growing demands on the provincial exchequer for the promotion of comprehensive rural development schemes.

Following the example of other provinces, the Bengal Bill introduced a clause empowering the Registrar to reconstruct or supersede a Committee to avoid the more drastic step of liquidation in cases of mismanagement. But the Bill as it finally emerged from the Select Committee, while doing away with the provision of supersession of committees, gave power to the Registrar to disqualify all or any of the members of the Committee of Management for election or appointment as officer of a society. We consider that the amended clause is more objectionable than the original clause.

The bill is more comprehensive than the Madras Act for it deals with the co-operative land mortgage banks as well. Very little criticism is directed against the provisions dealing with land mortgage banks or with special types of societies. The main attack is directed towards the provisions of the Bill giving plenary powers to the Registrar, There is no doubt that if the powers vested in the Registrar under the Bill are actually exercised to the full, administrative interference in the internal management of co-operative societies in Bengal will become a matter of everyday occurrence. The Bill undoubtedly gives the go-by to the ideal aimed at by those who inaugurated the movement in India and by the spokesmen of the Government in later years, viz., "the progressive realisation of self-sufficiency and autonomy, in other words, gradual relaxation of official control with a view to making the societies as democratic as possible."*

Considerable stress is laid upon the omission of the word, "economic" occurring in clause 11 of the Bill, which defines societies which may be registered under the Act. It is true that co-operative societies are mainly intended to promote the common economic interests of the members. But we do not think that the omission of the word, "economic" matters much. With the increasing tendency and desire to deal with co-operation as an integral part of rural reconstruction, the line between an economic interest and non-economic interest becomes more and more indefinite. In schemes of rural reconstruction emphasis is laid not only on promotion of what may be called pure economic interest but equal emphasis is also laid on mutual collaboration of the members in all undertakings which tend to promote their material and moral advance.

Mr. S. K. Basu, in his Presidential address at the Co-operative Conference, referred to the Bengal Provincial Co-operative Conference held at Calcutta on 31st March 1940 as a conference organised under official auspices and had very little to do with independent non-official co-operators. Judging from the large attendance of co-operators from all parts of the province and the representative character of the delegates we must say that this observation is far too sweeping. It is true that that Conference did not deal with the Bengal Co-operative Societies Bill, which was then on the legislative anvil and did not even emerge from the Select Committee. That Conference was mainly intended to deal with the question of rehabilitation of co-operative societies which were and still are in a perilous condition and with connected questions, the consideration of which could no longer be delayed or neglected by non-official co-operators themselves. It is a matter for regret that the Conference held in July, consisting of independent non-official co-operators, has not thought fit to deal with all the vital questions that confront the movement and which have to be tackled even in the wake of a less objectionable and more popular legislative measure.

* *Co-operative Movement in Bengal* by J. P. Niyogi, p. 254.

REPORT OF THE MADRAS CO-OPERATIVE COMMITTEE

BY

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Introspection is ordinarily a good habit, but if it is carried too far it often leads to morbidity and diffiidence detrimental to healthy growth. That is a point of view which occurs to one in relation to the inquiries and investigations to which the co-operative movement is being subjected in some Provinces and States. Madras had its own Committee of Inquiry in 1927-28, apart from the Maclagan Committee, which conducted its investigations in 1914-15. The Co-operative Movement in the Province had to undergo examination also at the hands of the Royal Commission on Agriculture in India in 1926-27; the Provincial Banking Inquiry Committee in 1929-30, the Indian Central Banking Inquiry Committee in 1930-31, and Mr. Sathianathan in 1934. If the suggestions and recommendations made by these Committees and Commissions were not enough, the Movement had before it a fresh series of recommendations contained in the Preliminary and Statutory reports of the Reserve Bank of India on Agricultural Credit, apart from proposals put forward in the Bulletins issued from time to time by the Agricultural Credit Department of that Bank. However, Sjt. C. Rajagopalachariar's Ministry presumably wanted not a string of recommendations but a well-considered programme of work for the immediate future. It appointed a strong and representative Committee, the Report of which is now before the co-operative public in Madras and elsewhere. The best tribute that one can pay to the prolonged labours of the Committee is to offer the observation that had Rajaji's Ministry been still in office it would have felt its action in constituting the Committee thoroughly justified on a perusal of this comprehensive Report. That Report represents a plan of work which not only is capable of being immediately undertaken but contains within it seeds of future healthy growth. It may, at places, read like an academic treatise, but it is nevertheless replete with valuable hints born out of practical experience.

It is not the purpose of this article to emphasise the good points of the Report—and these are too numerous to receive adequate notice in a review—nor to reproduce the lines of development chalked out by the Committee. On the contrary, it is proposed to confine this article mainly to an examination of those portions of the Report with which the present writer finds himself in disagreement. This word of explanation is necessary, as otherwise the tenor of the criticism offered may be misunderstood by the unwary reader. On several of these points, there was, apparently, lack of agreement among the members of the Committee, and hence, before Government and the leaders of the Co-operative Movement in the Province of Madras take their decisions, it may be well to draw attention to what appear to the writer weak points in the otherwise admirable programme chalked out by the Committee.

The first of these points is the proposed replacement of unlimited liability in agricultural credit societies by limited liability of the ordinary type, based on the amount of the share-capital that is subscribed. This recommendation is not unanimous, and the two points of view find proper expression in the body of the Report. But both in the Report and in the dissenting notes, one misses an exhaustive exposition of the implications of unlimited liability. In his well-known "Law and Principles of Co-operation," Mr. H. Calvert has very fully set forth the limitations and safeguards with which this form of liability is hedged in, in the constitution of agricultural credit societies in India. The fact is often overlooked that the general body of members of a society has the right of delimiting not only the aggregate liability to be assumed by the society as a whole, but also the liability to be incurred on behalf of every one of its individual members. The latter restriction comes into operation through the fixation of normal or maximum credits for individual members which is now a common feature of the working of societies in most provinces. The fact is that for facilitating their own task, those responsible for the organization of societies, while explaining the basic principles and methods of working, raise a bogey or bugbear by stressing the idea of joint responsibility in a manner contrary to law and practice. It is this bogey or bugbear that scares away substantial cultivators, and neither the underlying principle nor its enforcement in practice. In the Province of Madras, the extent to which unlimited liability has been brought into operation is nearly negligible, considering the vast sums that are borrowed by societies on the strength of that liability. And yet there is no denying the fact that unlimited liability has served as the basis of credit for agricultural credit societies, and it is to be seen how far institutions of the type contemplated by the Madras Committee will be able to secure credit. The consequence of the abandonment of unlimited liability will be to base the credit operations of the rural societies on tangible security, particularly the mortgage of land, and to deny to those who are not in a position to offer this security the advantage of personal credit. Once unlimited liability is given up,

honesty and character cannot be accorded the importance they deserve, in view of the difficulty of getting outside credit for members possessing no tangible security.

Not that there is no scope in the field of agricultural credit for limited liability. As the Registrars' Conference decided at its last session, discretion may be exercised by Registrars of Co-operative Societies in permitting the organization of societies with limited liability in special circumstances. A wide area of operations, multiplicity of functions, possibility of raising an adequate fund of guarantee, these are some of the factors the presence of which may influence the Registrars' decision in the matter. But such cases would be exceptional, while what the Madras Committee envisages is the retention of unlimited liability only in exceptional circumstances. Even if Madras accepts this view, it is certain that other provinces will be in no hurry to follow it. While the Committee condemns the limited operation of the principle of joint and several liability in the working of primary societies, it is curious that it recommends a pooling of the reserve funds of such societies themselves, albeit on a voluntary basis, in a manner which is not far removed from the working of that principle. In his classic works on co-operative banking, the late Mr. Henry Wolff has uttered grave warnings against the intermixture of liabilities for primary units, the members of each of which can assume financial responsibility for the transactions of their own institutions and not for those of other bodies over the affairs of which they have no control. If in Madras, the process of rehabilitation involves the writing off of bad debts on a large scale, it is the body concerned that should meet the losses and not any sister institution which was at no previous stage consulted about the transactions that led to losses being incurred.

A similar contradiction in thought appears to run through the Committee's recommendation about the elimination of individual shareholders in Central Banks. The Committee records the fact that the working of Supervising Unions is far from being satisfactory in the Province for various reasons among which are mentioned a general dearth of interested and enthusiastic workers, the difficulties of such men, even if available, securing election to the governing body, the presence of nominees of bad or useless societies on the governing body, the dormant state of affiliated societies, the prevalence of local factions or party politics. Hence, for all practical purposes these federal bodies for supervision and mutual control have ceased to exist as integral parts of the co-operative structure. But this experience does not deter the Committee from recommending the elimination of the representation of individual shareholders on the management of Central Banks and the conversion of the banks into institutions of the pure type. This far-reaching recommendation is made without any closely reasoned arguments or facts in support of it. It is necessary to know why if representatives of societies have failed to achieve success in organizing the work of supervision they need still be trusted, unaided by outside elements, to conduct the more responsible machinery of Central Banks. If a purely supervisory union serving a taluka was, for the reasons enumerated above, beyond their capacity to run properly, it needs to be proved by argument how the same type of representatives will run a larger business organization for the whole of a district. It may be observed here that there is scope for a pure type of central financing agency. However, as experience in the Punjab and elsewhere—for instance in Baroda—shows, this type of institutions flourishes best if its operations are of a limited type and for a manageable area over which the representatives of the federating institutions can exercise influence. But, curiously enough, the Committee condemns the proposal to form banking unions for small areas on the ground that these will not be able to inspire confidence among would-be depositors. It is not clear how the Committee expects that the confidence which would not be vouchsafed to a federal body operating over a small area will be enjoyed by another federal institution composed of the same set of representatives of societies, even though it operates over a wider area. In fact, the Committee has not been quite alive to the possibility of securing ordered intensive development in a compact area, by having installed there a representative and responsible local body. Nor, with due deference, does it seem to be aware of the numerous aids to development that can be provided by a branch of a Central Bank, or better still by a banking union, which cannot be provided—as the Committee would suggest—either through an urban bank, much less by a commercial bank. The Committee complains that the system of controlled credit—admirable as it is in the Committee's opinion—has not yielded the expected results because of its being cumbrous and expensive. This is bound to be the case when the control is too highly centralized. Decentralization can be secured only by having local responsible units of operation easily accesible to the societies, with which their members can conveniently have as frequent transactions as they choose to go in for, and which have not to seek orders from a distant authority.

Having suggested the elimination of individual shareholders in Central Banks, it is only logical for the Committee to recommend their removal also from the constitution of the Provincial Bank. Both the Maclagan Committee and the Reserve Bank of India, however, hold that the line of treatment need not be the same for a central bank and an apex bank. In place of elected representatives of individual shareholders, the Committee recommends the co-option of five persons with experience in banking. This is on a par with the proposal for the co-option of three persons on the board of a Central Bank. The practice of co-option may have worked well in Madras in an educational and propagandist body like the Provincial Union, but it is not certain whether in a business organization, a sense of responsibility can be evoked among co-opted directors to the same degree as is expected from elected representatives of shareholders. However, it is not this particular recommendation which, if carried out, will transform the entire aspect of the financial organisation at the apex. It will, however, be transformed altogether if Government and co-operators accept the recommendation that there should be two apex banks in the Province of Madras, one for the Telugu districts and another for the Tamil districts. As the minority notes point out, there is nothing to justify this recommendation except the sentimental desire to see the two main regions of the Province equipped with separate economic and cultural organizations. But as both the apex banks are to operate in the City of Madras, the gain that will accrue is problematical, while the harm it may cause may be considerable. Amalgamation or joining of forces in the co-operative field makes for strength; it is to be seen whether partitioning confers advantages, economic or otherwise, in this particular sphere. In any case, the position that the Madras Provincial Co-operative Bank, as the pioneer apex bank in India, has acquired is so unique that no co-operator would like to see it disturbed in pursuit of a policy which has not yet gained acceptance in the field of administration. Bifurcation of this bank may well be left over for consideration till a new Andhra province is created.

There is something to be said, however, for the proposal that the work of the Madras Provincial Co-operative Union in the different linguistic regions of the Province should be taken over by four separate unions for each of the principal language areas—Tamil, Telugu, Kanarese and Malayalam. These linguistic unions should, according to the Committee, formulate and participate in schemes for the education of members of societies in business methods, accounts, conduct of meetings, and should make themselves responsible for carrying on propaganda for the furtherance of the movement in their areas by the holding of conferences and the publication of journals and other literature in the regional languages. The Madras Provincial Union, the Committee recommends, should then be transformed into a federation composed of representatives of these four regional unions. Its main duty will be the co-ordination of the activities of the linguistic unions, and the consideration of matters affecting the common interests of the Co-operative Movement in the province as a whole. For this purpose, a joint council representative of all the unions might be adequate. A provincial federation may, however, be useful if it can systematize and co-ordinate the work of co-operative education throughout the province and undertake economic investigations and surveys. For the work of co-operative education, the Committee recommends the formation of two co-operative training institutes, one for the northern areas of the province and the other for the southern areas. With four regional unions in existence, it seems superfluous to overload the machinery by having separate bodies entrusted with the running of centres for co-operative education. The unions themselves, it appears to an outsider, can well be entrusted with this task. In that event, a provincial federation will find it possible to secure co-ordination in the sphere of co-operative education and training and will then have good scope for work.

The remarks made so far deal only with some of the controversial aspects of the valuable recommendations made by the Committee. The portions with which one finds himself in agreement are so numerous that, though of importance, they cannot be gone into in the course of a review. There is one recommendation, however, to which it is necessary to invite the attention of co-operators all over India in the hope that all provinces will unite in pressing it on the authorities of the Provincial and Central Governments. That recommendation is to the effect that "the Reserve Bank of India should give unstinted support to the Central Land Mortgage Bank either by itself purchasing some of its debentures or by making advances on any such debentures." The refusal of the Reserve Bank of India actively to interest itself, to the slightest extent, in the floatations of land mortgage banks—particularly of so well-established and sound an institution as the Madras Central Land Mortgage Bank—represents, to say the least, a most inexplicable attitude. That the liquidity of its reserves against the twenty crores of balances—the figure has now gone up to fifty—maintained with it by the scheduled banks may be adversely affected by the Reserve Bank investing a few lakhs out of these huge balances in the debentures of land mortgage banks—guaranteed as to principal and interest by Provincial Governments—is an argument which can scarcely be appreciated even by the most orthodox of bankers. Much less can the argument appeal to those who expected the Reserve Bank of India to play a prominent part in the development of credit facilities for agriculture. Such an investment does not relieve the land mortgage banks of their responsibility for inducing the genuine investor to subscribe to the debentures, but it will be a valuable help inasmuch as it will indicate to such investors the essential soundness of the investment when the Central Bank of the country deems it suitable for the investment of its own funds. To claim this is not to demand a privilege for the Co-operative Movement, but to awaken the central banking auhority to its duty and its obligations to the financial needs of the basic industry of the country.

REPORT OF THE COMMITTEE ON CO-OPERATION IN MADRAS

BY

S. K. LAHIRI,

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The publication of the Report of the Committee on Co-operation in Madras, which was appointed by the Government of Madras early in 1939, was awaited with keen interest for a variety of reasons by people solicitous of a reorientation of the Co-operative Movement in this country. More than thirty-five years have elapsed since co-operative societies were first started in India. During this time the Co-operative Movement may be said to have passed through four stages. These are (1) the period intervening between the passing of the Co-operative Societies Act (X of 1904) to that of the Co-operative Societies Act (II of 1912); (2) the period intervening between the passing of the Co-operative Societies Act (II of 1912) to the inauguration of the Montagu Reforms; (3) the period of operation of the Montagu Reforms, and (4) finally, with the introduction of provincial autonomy the movement may be said to have entered upon the fourth stage.

The scope of the first Co-operative Act was of a limited nature and the period of its working was for all practical purposes an experimental stage. With the passing of Act II of 1912 Government may be said to have taken up the work of introducing the co-operative principle with some amount of seriousness. Declarations by Government on the subject show that they really envisaged from the very beginning the development of a genuine co-operative organisation. Though inaugurated by Government, the pioneers of the movement in India contemplated that the fetters that bound it to the chariot-wheels of departments of State were to be gradually relaxed and that co-operative societies ultimately be transformed into truly free and autonomous bodies.

With the advent of diarchy the subject of co-operation passed into the hands of Indian Ministers chosen from among the elected members of the Provincial legislatures; and as the provinces were entitled to have their own Co-operative Acts in place of the All-India Co-operative Societies Act (II of 1912), a series of provincial Acts were placed on the Statute Book. What was naturally expected was that under the guidance of popular Ministers, the provisions of new provincial Acts would be substantially liberalised so that there would be as far as possible complete popular control in co-operative societies and the largest possible independence for them of outside control. But unfortunately the trend of new co-operative legislation was in the contrary direction, and we have now before us a set of provincial Acts which are all of an extremely retrograde character. The situation demanded that a policy of deofficialisation and decentralisation should be followed unhesitatingly, if the co-operative organisation in this country was to retain its co-operative character, but the popular ministers set their hearts on larger doses of departmental direction and spoon-feeding and more of officialisation and centralisation. The nadir of this policy of reaction has been reached in Bengal, where a co-operative bill, which incorporates all the retrogressive features of the provincial Acts, is at the present moment on the legislative anvil.

When Provincial Autonomy was introduced, the co-operative movement had already reached a very critical stage. It had been hit very hard by the world-wide economic depression and had not yet recovered from its effects in most of the provinces and demands were heard from every quarter for the adoption of measures for its rehabilitation. It was at such a time that the Congress Government in Madras announced the decision to appoint a committee for the examination of various problems relating to the development of the Co-operative Movement in that Presidency. The terms of reference to the Committee, as also the Questionnaire framed by the Special (Departmental) Officer appointed for the purpose of carrying out the preliminary work of the Committee, left no room for doubt that what the authorities were concerned about was more a reform of the administrative side of the movement and its expansion than the adoption of measures for its complete overhauling. Yet it was expected that a Committee which included leading representatives of the movement along with some of the leaders of non-official public opinion in the Province would not fail to avail themselves of the opportunity to probe the real reasons for the critical position in which the movement had been placed and to urge a bold policy of reconstruction and rehabilitation.

Although the Co-operative Movement has, in some of the western countries, achieved remarkably significant results during the time co-operative societies have been introduced and worked in this country, it cannot be claimed that the Indian movement has yet been laid on anything of the nature of a stable foundation. In fact a comparison of the position of co-operative societies in India with the conditions and circumstances under which the Co-operative Movement has grown and developed in some of the democratic countries of the west leaves no room for doubt that something is fundamentally wrong with the co-ope-

rative organisation as it exists in this country, that new methods of approach towards matters connected with its working are needed, and that a re-orientation of the movement is called for. The Committee on Co-operation in Madras has, of course, suggested measures for effecting improvements in various directions and for launching on a campaign of expansion, but they have failed to lay their hands on the organic defects of the movement.

Co-operation was described by the late Professor Alfred Marshall as at once "a business and a faith." In western countries, where the Co-operative Movement has made signal progress, its promoters have emphasised in an equal manner both these aspects of co-operative organisation. In India, however, where it has been followed as a Government policy, that is as an administrative device, based primarily on material, party, or communal interests, rather than on any higher principle, these aspects have received scant attention; and this appears to be one of the main reasons for the present unfortunate position of co-operative organisation in India. No business could be regulated, controlled or managed successfully by a Government department, specially a department like the Co-operative Department, constituted as it is in this country. Neither could it be expected to inspire the adherents of the movement with the necessary energy and enthusiasm and infuse into them the spirit of idealism so essential for the proper guidance of a movement of faith.

What is needed, therefore, above everything else, is that serious efforts should now be made for a remodelling of the entire basis of co-operative organisation in this country along with a transformation of its character of an administrative device into that of a movement of faith. So long as this is not done, one cannot expect from the organisation, although it has assumed vast proportions in this country, the striking results that have been obtained elsewhere, and the serious defects that threaten to overwhelm it in some of the provinces of India cannot be easily remedied. If the co-operative principle is to be properly developed and fostered, it is of vital importance that this aspect of the problem should receive prompt and vigorous attention. Although during the last few years various projects of reform and reconstruction have been adumbrated by numerous individuals, public bodies and parties, both official and non-official, it is to be deplored that this essential and most important matter has so far escaped proper consideration.

For any action that may be taken in the direction indicated above, the first thing to be done is to take steps to release the Co-operative Movement from official tutelage. The trend of the recommendations made by the Committee on Co-operation in Madras does not show them to suggest any material change in the policy that has been hitherto pursued *re*: the control that the department exercises over co-operative societies. Though initiated and directed by the Government of India in the earlier stages of the movement, they had fully realised at the outset that it should ultimately be freed from departmental guidance and control and that co-operative societies be converted into voluntary, free and autonomous bodies. In their Resolution on the subject issued by the Government of India early in 1904, they impressed upon the Local Governments that "the regulative interference of the Government" should be cofined within the strictest limits, so as "to bear spontaneous growth unhampered", and also that the movement may not be prevented by too much supervision and too many restrictions from attaining its full development. The Resolution further declared: "While State help and support will be needed to begin with, the object to be kept in view is to teach the people to help themselves and we shall not have succeeded unless we are eventually able to withdraw that support." They desire further to lay stress on the necessity of reducing restrictions to a minimum so that people may be encouraged to work out the problem on their own lines with such guidance and advice as can be given to them.

In a speech introducing in 1911 the Co-operative Bill which was subsequently passed as the Indian Co-operative Societies Act (II of 1912), Sir Robert Carlyle stated that "it is of the utmost importance to the healthy and successful development of the movement that Government interference should be reduced to a minimum." In a later Resolution issued by the Government of India in 1914, they declared that it was their intention that co-operative organisation should, in its essence, be a popular movement, that no efforts be spared to strengthen among the general public the feeling that it was to be based upon self-reliance and freedom from outside control and dictation and that Government should not allow co-operation in the country to develop into an official concern managed by the State.

It is an irony of fate that the policy followed by the present day "Autonomy" Governments should run counter to the spirit underlying the wise and liberal declarations made by an authoritarian Government at different stages in the development of the movement. What has actually happened is that instead of any relaxation of Government interference, as was contemplated at the outset, even after a lapse of over thirty-five years, there is more of departmental intervention and regimentation. It is most unfortunate that the Committee on Co-operation in Madras have not been able to resist this tendency in any appreciable and effective manner. I would like to quote the view of Mr. C. F. Strickland, a former Registrar of Co-operative Societies in the Punjab and author of various well-known works on Co-operation, on the sphere of Government intervention in the matter. In his work on *Rural Finance and Co-operation*, Mr. Strickland dilates at some length on the obvious danger of official management and comes to the conclusion that "it is not in the best interests of the co-operative movement that the Government itself should permanently assume all these functions." "As the co-operators become capable of managing their own affairs," he adds, "the management should confine itself to the functions laid down in the law. This is the line of co-operative advance throughout the world, wherever a Government has taken a leading part in the promotion of co-operation, and it is a healthy development." As a member of the Committee complains in his Note of Dissent, "the Committee has proceeded on the same old lines and not struck a new one: It has not given a new lead in the matter of reorganisation or indicated a new orientation."

Co-operative Societies are essentially voluntary organisations in all democratic countries. Some of the members of the Committee, however, urged that the voluntary basis of rural co-operative credit organisation should be altered and statutory compulsion be introduced in certain circumstances. "We are afraid," the Committee state, "that the proposal misses the essential point that co-operative societies are voluntary associations and only those who choose to join them can participate in the benefits conferred by them or share the responsibility which such membership involves. This essential principle of co-operative organisation has been unquestionably accepted and practised all along." The Committee very appropriately point out that compulsory co-operation is a contradiction in terms, and have no hesitation to rule it out as being impracticable. They further aver that "it (co-operation) should grow from among the people out of their own free will: it is not and cannot be the result of state compulsion or regimentation." It is gratifying to find that the Committee have given a quietus to the dangerous suggestion that the voluntary basis of co-operation should be changed by introducing statutory compulsion in certain cases. The two or three members of the committee referred to above are not the only solitary individuals to recommend "compulsory co-operation." There has, in fact, grown up of late quite a large number of people elsewhere who have begun to advocate such a course on a much larger scale. It is easy to agree that among those who favour "compulsory co-operation" there are many who recommend such an arrangement because they are moved by the extremely distressed condition of poorer and helpless people and believe in all sincerity that by this means they would be able not only to remove quickly and in an effective manner a considerable amount of misery and destitution but would at the same time be able to help the spread of the co-operative movement much faster by bringing the largest possible number of people within its fold. In this connection, the observation made by a British writer, that "Co-operation is a voluntary act; and all the power in the world cannot make it compulsory," readily occurs to one. A Co-operative society is essentially a free and democratic institution and there can be no room for compulsion in the constitution of such a body. Even so, the introduction of the principle of compulsion would not yield the results that could be achieved by genuine co-operation. Advocates of compulsion should seek other fields for their experimentation rather than attempt to sap the foundations of co-operation. They forget that the relief of indigence and misery by methods of compulsion and the voluntary joining together of people in mutually helpful efforts, which, in other words, means "the education of self-help which shall not be selfish help, but mutual help of men united by the consciousness that they are working for a noble future, and by the firm faith that in promoting the general good they are doing what will most effectively promote their well-being" are altogther different things.

The scheme of co-operative education and training formulated by the Committee deserves special notice. The scheme is a comprehensive and well-considered one; it envisages a co-ordinated plan of co-operative education and training from the lowest stages to the college standard. It is suggested that there should be at the top a Government College of Co-operation, affiliated to the University of Madras, which will impart a specialised course of co-operative education and training to aspirants for employment in the co-operative department and for the higher posts, such as, secretaries, managers, executive officers, accountants, etc., in big urban banks, central banks, the Provincial Bank and other Co-operative institutions. The qualification for admission should be a pass in the Intermediate examination and the University will settle courses of study and syllabus, select text-books, conduct examinations, and confer degrees upon passed students. The Government should have the help of an Advisory Council in the administration of the college. It is further recommended that there should be adequate provision for the education and training of several grades of official and non-official employees for service in the movement below those who are to receive instruction at the Government College, as also of members and panchayatdars of village societies. Arrangements are also suggested for the organisation of refresher courses for office-bearers and employees of co-operative institutions and extension lectures for the general public.

It is urged that all efforts should be made for the sustained and wider diffusion of co-operative knowledge among the people. Apart from the College, all co-operative education and training should be effected through co-operative rather than state effort. The scheme though well designed has two evident flaws. In the first instance, all co-operative education and training should be entirely freed from state interference and be under non-official guidance and control. The Hon. Mr. Ramadas Pantulu, who was one of the members of the Committee along with a minority of members, fought strongly for such a course, but as the majority favoured a college organised, financed and controlled by Government the views of the latter prevailed. This was very unfortunate. The Committee certainly deserve the sincerest congratulations of the co-operative public in this country for the excellent scheme of co-operative education, training and propaganda they have prepared. But efforts should still be made to remove this defect, for if the work of co-operative education and training is done under official guidance and control it is bound to be dull, formal, lifeless and uninspiring. It was this consideration that had led promoters of the co-operative movement in democratic countries in the West to entrust such work to non-official bodies which alone could be expected to infuse enthusiasm and vigour in the movement to ensure future success and progress along proper lines. The other defect in the Committee's scheme is the absence of any adequate and proper arrangement for activities directed towards interesting the general public in the principles, ideals and practical advantages of co-operation.

It is no exaggeration to say that the present system of audit of co-operative societies in India has almost universally been condemned and that a reform of the system has long been overdue. The Committee on Co-operation in Madras have, of course, suggested some improvements, but their recommendations do not go far enough. "We have come to the conclusion," the Committee state, "that the entire audit staff of the department should be constituted into a distinct branch; that there should be a differentiation right through between the administrative branch and the audit branch of the department except in the person of the Registrar who will be the head of both the branches." "To control the entire audit work and the staff in charge of audit of societies in the province, we recommend that a chief audit officer, who should be a qualified auditor of the status of a Deputy Registrar, should be attached to the Registrar subject to his control. The chief auditor will, besides supervising and directing audit work, assist the Registrar generally in all matters relating to audit." The Committee further recommend that the present system of employing full-time Government auditors should be continued and that the statutory responsibility of the Registrar in the matter of audit of co-operative societies should be maintained. One wonders that while admitting that the auditor should be free from official or other local influences, if he is to do his work fearlessly and discharge adequately the responsibility cast on him under the Act, with what consistency the Committee can at the same time, recommend the maintenance of the statutory responsibility of the Registrar for audit. The arrangement suggested by the Committee is, no doubt, an improvement on the present system, but it does not go far enough. The present arrangement is wholly indefensible from the point of view of principle, as also of efficiency, but in the proposed arrangement also the work of supervision and control of co-operative societies is to be combined with responsibility for audit and the Registrar is to be vested with it, and the staff employed in the work is to be controlled by him. In such circumstances, it is certainly an anomaly that the Registrar should be made statutorily responsible in the matter of audit. In Bengal the position in the matter is, perhaps, more unsatisfactory than in Madras. Mr. N. R. Sarkar in a Note on the Problem of Rural Credit, written as Finance Minister, condemned the present system of departmental audit and urged that "it is essential to ensure the independence of the auditors, by making the audit staff divorced from the administrative staff, and by seeing that their departmental loyalty does not stand in the way of a frank and full exposure of defects in the working of co-operative institutions." He suggested that a separate Government department for the audit of co-operative societies and land mortgage banks should be set up. Dr. J. P. Niyogi, Minto Professor of Economics, University of Calcutta, in his recent work, *the Co-operative Movement in Bengal* (Macmillan & Co.,) and Dr. J. C. Sinha, Professor of Economics, Presidency College, Calcutta, in the course of a Note on the Bengal Co-operative Bill have expressed almost similar views. The Floud Commission on Land Revenue in Bengal have in their recent Report made important observations on the administration of co-operative societies in the Presidency. In the course of their remarks, the Commission also urge the desirability of separating audit from supervision and control and suggest that this reform should be carried into effect as early as possible.

Among the other recommendations of the Committee there are several which deserve detailed consideration, but it is not possible to discuss them all within the compass of this paper. The decision of the Committee by a majority, that the liability of rural credit societies should normally be limited, but if in the opinion of the Registrar, having regard to local opinion and other circumstances, unlimited liability is more

suitable for any societies, liability may be unlimited, is a step in the right direction. The principle of unlimited liability has become a sort of fetish in orthodox co-operative circles. It is to be hoped that this assault on an imaginary and illusory safeguard will succeed and that the Committee's recommendation will be followed by other Provincial Governments. The Committee have made various proposals for the resuscitation of such of the societies as still show some hope of revival with the necessary treatment and nourishing, for extending the co-operative principle in spheres other than credit, and for an intensive and extensive development of the movement. There can be no doubt that many of the recommendations of the Committee will be of help in the development of the movement. While defending some of their recommendations which are opposed to orthodox co-operative principles and practice, they observe: "Past experience has convinced the majority of us that changing times call for a change in outlook. Co-operation is a live and growing movement and it offers a rich field for adaptation and experiment. Mere co-operative orthodoxy should not stand in the way of experiments being made and experience gained." These are wise words and should be commended to the notice of co-operative workers, official non-official, all over the country.

REPORT OF THE MADRAS COMMITTEE ON CO-OPERATION

By

SANAT KUMAR CHATTERJEE,

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I have gone through the Report of the Madras Committee on Co-operation. It is indeed a monumental compendium and crystallises the essence of the principles of co-operation without the knowledge of which no co-operative worker can function in these days when we look up to "total co-operation" as our goal.

The historical survey and the detailed summary of recommendations are indeed very useful. In Bengal we are following some of these with modifications suitable to our environments. The idea of extending the field of co-operation to every village is being pushed on.

I agree with most of the recommendations and have only to make comments in a few cases:—

Recommendation No. 43 re: empowering the President of the Central Land Mortgage Bank to sanction all loans up to Rs. 2,000.—It will place too much responsibility on the President and will enable him to dispose of about 80 per cent of the cases without reference to the Board.

Recommendation No. 45 re: dispensing with assignment of mortgage bonds by primary banks to the Central Land Mortgage Bank.—If there be no assignment by the primary society to the Central Land Mortgage Bank, there cannot be assignment of the same to the Trustee. In that case will it not lead to the abolition of one of the most important safeguards to the debenture-holders?

Recommendation No. 112 re: segregation of overdue debts in societies and their transfer to land mortgage banks.—It is doubtful whether this is possible unless the same be sufficiently scaled down. The standard we have laid down for advance from land mortgage banks is so high that in most cases it cannot be availed of by a member of an ordinary agricultural credit society.

Recommendation No. 174 re: elimination of individual shareholders from central banks in order to make them pure type banking unions.—Elimination of individual shareholders from the central banks may lead

to the weakening of the administration. Both in the central banks and in the urban banks provision should be made that representatives of defaulting societies or individual defaulters should not be eligible to be on the Committee of Management; and in the general meeting although they should be allowed to take part in the discussion they should not be allowed to vote, specially in matters dealing with financial problems as well as in the election of the Committee of Management. One of the worst defects of this movement is that the worst defaulters are the persons who are at the helm of affairs and whose own financial position debars them from properly performing their duties. In none of the bills, by-laws and recommendations by the Committees of Enquiry this point appears to have been properly developed.

Recommendation No. 176 re: representation of depositors on the Boards of Management of central banks not recommended.—A rider may be usefully added. A minimum deposit qualification may be introduced for big individual members. It will introduce persons who would have stake in the proper administration of the institutions on right lines.

Recommendation No. 182 re: limiting the operations of central banks to short term and medium term loans, not exceeding five years and in exceptional cases going up to seven years.—If in accordance with the recommendation No. 177 central banks take deposits for three years, is it desirable to advise medium term loans for five to seven years?

Recommendation No. 215 re: loans to borrowers in marketing societies should be made at a rate not exceeding one and a half per cent more than the lending rate of the Provincial Bank to central banks.—It is difficult to manage the normal expenses at such a small margin of 1½ per cent.

REPORT OF THE COMMITTEE ON CO-OPERATION IN MADRAS

BY

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The Madras Committee on Co-operation has under the able guidance of Sir T. V. Acharya brought out a very valuable report which is a unique contribution to the existing literature on Co-operation. The recommendations of the Committee are all the more weighty as they are the result of the deliberations of the eminent co-operators of Madras who met under the Chairmanship of an administrator of wide experience and great repute. The suggestions for the rehabilitation of existing societies and giving a new orientation to the movement with a view to develop and expand the economic life of the province deserve serious consideration. The report although it deals mainly with the problems of Madras will be found useful by Co-operators through-out India, who are faced with similar difficulties. Madras is ahead of most of the provinces of India in consumers' co-operation, land mortgage banks, loan and sale societies and housing societies. Co-operators of other provinces will profit by the suggestions made for improving the working of such societies.

The main report covers 349 pages of nicely sifted material expressed in easy style and the 340 recommendations cover 37 pages. Of the 21 members of the Committee no less than 9 have appended separate notes (covering 58 pages) on a number of points on which they could not agree with the findings of the majority of members. It is not possible in this article to examine in detail all the recommendations of the Committee and we shall content ourselves by making observations on only a few of the important suggestions.

In dealing with the co-operative problems in Madras the Committee had to form its conclusions on controversial points which have grown in number and complexity during recent years. Such controversies are undoubtedly for the better as they are an indication of the sincere attention and thought that the public has begun to bestow on such problems. It is, however, risky to hazard definite opinions on intricate problems as long as experience over a field wide both in time and space has not been gained, and such experience can be acquired only by making experiments on the lines suggested.

The Committee has arrived at some conclusions which in the light of our experience of the past and our reading of the present situation, which we believe does not materially differ from the conditions in Madras, we are not prepared to endorse. Some of these touch the very foundations of the Co-operative Movement and have been opposed by a number of veteran co-operators and members of the Committee like Sri K. Bhashyam, Sri T. A. Ramalingam Chettiyar and Dewan Bahadur K. D. Mudaliyar.

A great deal of controversy has for some time past been raging round the question of liability best suited for adoption in village societies. Many of us seem to have been fed up with unlimited liability sponsored by the founders of co-operative credit and in vogue in the country since the inception of the movement and believe that it has outlived its utility here. It must be conceded that those who advocate the change do it because of the bitter experience they have had of the prevailing type and in the honest belief that the limited type will be a change for the better. Equally convinced are those who stand for the present order that unlimited liability is the most suited for our purpose. There is no strong evidence to show that unlimited liability is alone or in any appreciable manner responsible for the stalemate in many of our existing societies or for the slow progress of the movement in the country. The example of Japan quoted by Sri R. Suryanarayana Rao in his note of dissent is proof positive of the efficacy of unlimited liability and its superiority over the limited type, so far as agricultural societies are concerned.

The strongest argument put forward by those in favour of limited liability is that it would induce the more well-to-do persons in the village to join the society which they refrained from doing, because of the heavy stake involved. Our experience has been that it is not the type of liability but the nature of the management of a society which attracts or repels members, be they poor or rich. In areas where because of mismanagement co-operation has earned a bad name, the change in the form of liability is likely to be of little avail in attracting members and in areas where the movement is doing well the exisiting unlimited liability is proving no bogey even to the well to do. In such areas the better element in the village is largely represented in the membership of the society. Even in new villages of such areas, the enrolment of well-to-do people is not found to be very difficult.

As already stated, our experience of unlimited liability has been that it does not hinder the development or jeopardise the extension of membership in village societies. We are, however, not opposed to the introduction of limited liability in localities where people fight shy of the other type. The governing type of liability in our village societies should however be unlimited. We agree with the opinion expressed by the Conference of Registrars in the resolution quoted below:—

"Agricultural credit societies, other than multipurpose societies.... ......, should ordinarily continue to have unlimited liability but scope may be given for experiments with such societies with limited liability."

The question of the area of operation of a society is intimately connected with that of liability. Unlimited liability is not suitable to a society when its membership is large and is drawn from a wide area in which mutual knowledge and mutual control is difficult to secure.

On page 146 the Committee has suggested the reorganisation of small village societies into bigger ones, working within a radius of 3 to 5 miles and holds that " a radius of 3 to 5 miles according to convenience and facilities, as far as possible for easy accessibility or mutual contact among villages might be the normal feature of reorganization." The area of operations will thus extend to 30 to 80 square miles and to a large number of villages. With no knowledge of the conditions prevailing in Madras, with its villages twice as big as in the United Provinces, we are afraid the Committee is most likely to be belied if it hopes to secure any measure of "mutual contact among villages," scattered so wide apart as suggested by it. At the end of page 147 the Committee, however, suggests an area of 3 to 5 miles and we see no objection to this provided that mutual knowledge and mutual confidence can be secured. The area of 3 to 5 miles will comprise not more than 2 or 3 villages and if in order to secure sufficient business it is necessary to constitute one society for them no serious harm will be done to the existing orthodox rule of "one village one society".

In the co-operative circles of the country there has been a great deal of talk about enlarging the activities of village credit societies so as to enable them to embrace the various economic activities of the village. There is a general recognition of the fact that credit is not the only problem of the villages. There are many other factors retarding progress and reducing the beneficent effect of controlled credit. Among these the lack of arrangement for the supply of agricultural and domestic requirements and for the marketing of agricultural produce are the most important. The Committee has recommended that these functions should be performed by village credit societies. The Reserve Bank of India advocated the organization of this type of society and so have many others. We in the United Provinces have under the inspiration of our late Minister, Dr. K. N. Katju, taken a definite step in the direction of converting all our "A", "B" and "C" class village societies into multi-purpose societies with limited liability and have for the sake of convenience named them as "Village Banks." Similarly all the new societies to be organized are to conform to the same model. With the limited experience we have had of these "banks" we are led to the conclusion that the grafting of supply and marketing on the credit society has not been of much practical value so far. Marketing is a much more technical and difficult business, when compared with the advancement and collection of loans and is beyond the capacity of most of our panchayatdars. The village society is too small a unit to efficiently run the marketing business which can succeed only if run on a moderately large scale. To us it appears that it is difficult to reconcile the conflicting needs of marketing and credit business in one and the same village society. Credit has to be decentralised to reach the villager, while marketing demands centralisation if it is to be handled properly. The two kinds of businesses run in opposite directions and demand separate organizations. The Committee recognized the difficulty of these combinations when it wrote—"In suggesting these comprehensive functions for village credit societies we should not be misunderstood as recommending a combination of incompatible objects," but still seems to have suggested a combination which it wanted to avoid. In our opinion the only activities that can be safely tackled to credit are those connected with better living and better farming such as thrift, reduction of expenditure on social ceremonies, propaganda for education, improvement of agriculture and sanitation etc. Marketing should be the function and special preserve of separate societies organized for the purpose on a wider basis, although there appears to be no harm in employing village credit societies as local agents of the marketing society.

The Committee has not thrown sufficient light on the constitution and working of marketing societies, which are to be reconstituted from the loan and sale societies. It however seems that these societies are to make over their existing object of advancing "loans to members on the security of their produce" to the village credit societies and are to transform themselves into commission agents for the sale of the produce of members and joint purchase of their requirements. Very probably it is not intended that the outright purchase system be adopted by societies, although our experience of marketing of cereals has been that cultivators want to sell their produce outright even at a lower rate than to take an advance on it and wait for its disposal till prices rise.

For our part we think that marketing business can be safely done on outright purchase system. An objection is sometimes raised that the outright purchase system involves a possibility of loss and this is true. But if marketing is at all a profitable business, as we believe it is, and for the same reason it has been advocated, why should one in the long run be a loser even assuming that rates do not favour the society in the first or second year of its working? By the combination of supply with marketing as recommended by the Committee, the chances of loss will be further minimised.

We entirely endorse the recommendations made by the Committee to the Government to meet the cost of management and processing of marketing societies in the initial stages and to continue the subsidy of 25 per cent of the cost of the construction of godowns and grant of loan for the balance even after the Government of India subvention placed at the disposal of the Local Government has been exhausted. We would further invite the U. P. Government to the policy followed in Madras, since without proper storage facilities the organisation of co-operative marketing is almost impossible. The cost of construction of godowns is too heavy for our societies to meet single-handed and state-aid is absolutely necessary.

For purposes of rectification of moribund and bad societies, whose existence is a hindrance to the progress of new schemes designed to widen the scope of the movement, the Committee has divided the societies into 4 categories:

(a) Societies with no outside indebtedness.

(b) Societies whose investments of shares and reserve fund in the Central Bank exceed their outside borrowings.

(c) Societies whose outside liabilities exceed their investments in Central Banks by way of share capital and reserve.

(d) Societies which are definitely bad and cannot be rehabilitated and must be liquidated.

The cases of societies in the first two categories present no difficulty and in their case the only suggestion made by the Committee is that debts which are definitely bad should be written off and those that cannot be recovered in full be scaled down on the principles of Debt Relief Act. For societies of class (c) the Committee has advised the application of all the principles of debt-relief such as the reduction of the rate of interest, scaling down of principal and the writing off of overdues and penal interest in whole or in part. The words of the Committee in this connection are worth quoting: "There should be no hesitation on the part of societies to scale down the principal amount to a level where the members may be resonably expected to repay from their income over a reasonable period. We consider that it is very necessary that socieities should boldly face the problem of overdues and tackle it effectively in order to see that the flow of fresh credit is not checked by the continuance of such debts".

We entirely agree with the above remarks and suggestions of the Committee. In fact we in the United Provinces are already dealing with our bad societies in the manner suggested above.

The proposal regarding the temporary creation of a voluntary pool of Reserve Funds of societies and Central Banks for writing off bad debts does not appeal to us and the reasons given by the Committee in support of their recommendation do not carry conviction. We feel that it amounts to stretching the principle of mutual help too far and may create a dangerous precedent.

We feel that the recommendations made by the Committee to have (a) as far as possible only one Central Bank for each revenue district (b) the abolition of preferential dividends, (c) the closing of the issue of preferential shares and (d) restricting the number of urban banks for each urban area (big cities excepted) to one, are all sound. We, however, doubt if the elimination of individual shareholders altogether from the Central Banks, with provision for cooption of three individuals on the Board of Directors, is likely to serve the purpose of securing public confidence and efficient management, adequate for properly running these banks. Conditions may be so different in Madras as to justify such a course, but so far as the United Provinces is concerned the time is far distant when we can do away with individual shareholders. We also hold that coopted directors with no stake in the bank are not likely to evince that amount of interest and attention as can be expected from shareholders.

The Committee has entered into a very interesting discussion on the question of voluntary versus compulsory membership in village societies and has in this connection remarked that "Compulsory Co-operation is a contradiction in terms and we do not hesitate to rule it out as being impracticable." While agreeing with the Committee that persons should not be compelled to join a co-operative society against their will, we see no contradiction in reconciling ourselves to the following statement in the note of dissent of Sri K. Bhashyam: "To make Co-operative Movement a success there are only two ways. One is to make the society an attractive and advantageous business so that every resident of the village will voluntarily become a member of the society. The other is to devise measures and produce conditions so that the villager has no other recourse but to join the co-operative society."

It is to the latter method, we believe, that the Committee has taken objection on grounds of principle. We fail to notice any sacrifice of co-operative principle in the suggestion of Sri K. Bhashyam who believes that both in the interest of the agriculturist as well as the movement, some drastic measures for "sterilization of credit of agriculturists outside the movement" and prohibition of mortgage of their land to other than co-operative societies is absolutely necessary. We, however, doubt if the time has come for enforcing such drastic measure.

With the following suggestions of the Committee we find ourselves in complete agreement:—

(a) deserving defaulters should be given fresh finance, (b) the limit for unproductive expenditure should be fixed for each member, (c) advances and recovery in kind may be encouraged in suitable places and (d) short term or working credit should be the first charge on the harvest.

The Committee recommended that the entire audit staff of the Co-operative Department should be constituted into a distinct branch and differentiated right through from the administrative branch and that a qualified auditor of the status of a Deputy Registrar should be attached to the Registrar to control this audit staff.

We entirely agree with the recommendation and suggest that similar arrangement may be made in the United Provinces.

"These (Women's) societies were originally intended mainly for the encouragement of thrift among women but they have subsequently been permitted to start cottage industries." They are 'still feeling their way' not only in Madras but in other provinces too. The desirability of interesting women in co-operative work is recognized on all hands, but the pity is that we have not yet been able to chalk out a suitable plan for the purpose. The Punjab gave us the lead in the organization of ladies' thrift societies, but the idea of thrift alone has not appealed to our womenfolk and now for some time past introduction of cottage industries has been suggested. The Committee has not gone beyond making the suggestion. We believe that a proper approach to the problem has yet to be devised. The question demands a much more sustained attention than it has yet received. Our women have to be converted to the co-operative faith.

The recommendation made by the Committee for the spread of knowledge of co-operation is too modest to be effective. Lessons on co-operation should be included in the text books of our primary and secondary schools and co-operation must be made a part of the course in civics both in the Vernacular Middle and High Schools and should also be taught in all teachers' training Schools and Colleges. It is for the co-

operators of the country to devise some suitable methods for inculcating the spirit of co-operation among boys and girls while they are still young.

The Committee in its proposals for the amendment of the Act intends to do away with the restriction as to residence in the area of operation of persons joining a co-operative credit society, (Section 7) in view of the practical difficulty experienced in defining 'Residence'. This is a serious change, nowhere contemplated in India and if given effect to may lead to serious consequences.

Amendments to Sections 10 and 12 (2) propose to take away the discretionary power of the Registrar in the matter of registration of societies and amendment of by-laws on the plea that it is "too wide". We have no objection to the other amendments suggested but believe that the change of word 'shall' for 'may' takes away a lot of responsibility from the shoulders of the Registrar and opens the door for the starting of bogus co-operative institutions, which by the mere satisfaction of the letters of the law may come into existence, not to serve the interests of the movement but only to serve the interests of a few interested persons. We are of the opinion that the change may lead to many abuses.

Voting by proxy has, except for elections, been abolished altogether by the amendment proposed to Section 17 on the ground that it is un-co-operative. In societies with a wide area of operations voting by proxy seems essential. There should be some room left for the by-laws to provide for it, if the circumstances of the society warrant. The casting vote of the Chairman has been sought to be replaced by "Casting lots."

By converting the "prior claim" of the society into 'charge' in Section 21 (2) the Committee wants Madras to fall in line with Bombay and Bihar.

REORGANISATION OF RURAL CREDIT SOCIETIES

Recommendations of the Madras Committee

By

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The Co-operative Movement in India has been from its inception so much identified with the Raiffeisen credit system, and this has been held up as the highest ideal for an agricultural country, that the suggestion of any departure from its principles is looked upon with disfavour, if not intolerance. Any radical revision of the system is frowned upon in the spirit of a heresy hunt. The eleven principles of Raiffeisen have not been subjected to such a rigorous examination in the light of social and economic conditions in India or elsewhere, as the seven principles of the Rochdale Pioneers have been in the national and international co-operative circles in Europe. To those who are familiar with the literature on the latter, charges of lack of co-operative spirit or character, which are bandied about in our country, have a familiar ring.

Rehabilitation.—The Vijayaraghavacharya Committee on Co-operation in Madras has made a very detailed and frank analysis of the working of the ten thousand and odd rural credit societies in the province and suggested some methods of rehabilitation, only one of which is novel and has naturally provoked controversy. All agreed to abolition of penal interest, extension of time, recovery of arrears in kind, 'rent-purchase,' on the Burma model, of lands by those who have had to surrender them, and to the writing off of bad debts. It is for the last purpose that the suggestion was made for the creation of a pool of the reserve funds accumulated by the primaries in the area of a central bank and by the central bank concerned. There was opposition to a compulsory pool; finally a temporary voluntary pool has been recommended. Even this is objected to by a few as stretching the co-operative principle of mutuality too far—to ask not only the central bank, which has a bad debt reserve, but also the sound and prudent societies to go to the rescue of the bad and imprudent ones. We do not know how the central banks and the better-off societies will react to the appeal for voluntary pool.

Programme of Expansion.—The Committee has drawn up an impressive programme of expansion to be carried out in five to ten years

so as to bring every village within the co-operative fold, while so far only twenty per cent of the villagers in the province have had any kind of co-operation. An intensive campaign for increased membership of societies is recommended to be launched with a view to eliminate money-lenders in a short time. The Committee, however, does not favour compulsion of any kind in enlisting members, as it would be 'unco-operative,' though two members plead strongly for some kind of compulsion as otherwise the goal could never be reached.

The need to cover the whole country with co-operative credit societies was felt to be all the more urgent on account of the undoubted shrinkage and grave abuses of private credit in rural areas after the enactment of debt relief measures. The Government which appointed the Committee was indeed very anxious to expand the movement, if necessary in a modified form. The Committee thought it necessary to give a new orientation to the system so long tried but found woefully poor in achievements for one reason or another. The drastic departures that it has formulated with a wealth of reasoning and data are worth a detailed study, though we may not agree with all its conclusions. They relate to (i) the area of operations, (ii) the nature of liability (iii) the functions and (iv) the employment of paid staff.

The Committee is not in favour of small village societies; it suggests the amalgamation of existing smaller societies and recommends the organisation in future of one society for a group of villages within a radius of three to five miles, according to local conditions. A large village may have a society of its own. The Committee wants the village co-operatives to take up actively other economic functions in addition to that of supplying credit, to which societies have been so far confining their attention in spite of the multiplicity of aims professed in the by-laws. This is not a violation of Raiffeisen principle at all; it is rather a closer adhesion to it. The Committee expects societies to introduce improved methods of agriculture and promote subsidiary industries. The most heterodox suggestion of the Committee is that the liability of rural credit societies should normally be limited, but the Registrar of Co-operative Societies may permit unlimited liability, if local opinion and other circumstances warrant a change. Raiffeisen would not look at limited liability. The enlarged multi-purpose societies, the Committee says, must engage competent paid clerical staff and not depend on honorary service for the discharge of technical duties, while Raiffeisen looked to honorary workers for everything except clerical services.

Let us examine each one of these recommendations in the light of the lessons of history, of the views independently expressed by some members of the Committee and of the evidence submitted by co-operators.

Area of Operations.—The Raiffeisen rule was 'one village, one society,' as such a limited area alone would unable members to know and control one another and undertake unlimited liability, which in turn was expected to foster mutual knowledge and control. Wider area was out of the question as long as unlimited liability was insisted on; and this was done even after the law in Germany permitted limited liability. Raiffeisen regarded as fundamental that the members should "live under similar conditions and have active economic and social intercourse with one another." This was possible only in compact villages as were found in the South and West of Germany, where small holders with scattered holdings lived together in villages and not in separate farm houses in the midst of compact holdings as farmers did in England. The minimum and maximum of population that Raiffeisen and his followers permitted for the operations of a credit society were 400 and 2000.[1] Conditions of transport in the days of Raiffeisen did not permit free movement and contact between neighbouring villages.

Following are the grounds on which the Committee has recommended the amalgamation of existing small societies, or the organisation of a new society, in villages within a radius of three to five miles. Most of the existing credit societies are moribund; 90 per cent of them are either bad or indifferent and cannot be pulled up, if they continue to be small units. 50 per cent of the societies worked at a loss of Rs. 20 lakhs. The deterioration of societies has been due, apart from personal causes and the economic depression, to the growth of other types of co-operative societies which have taken away a good deal of the sound credit transaction: the land mortgage banks, loan and sale societies and special crop societies of cotton, groundnut and sugarcane growers. In recent years the margin between lending and borrowing rates had been steadily lowered by higher co-operative pressure and State policy. In the opinion of the Committee, there was no alternative to amalgamation of the smaller societies, if co-operative credit should survive. By all means let the existing bigger societies in single big villages carry on independently. The Committee feels that not all members in societies are fit to continue as members, nor all the villagers fit to be admitted—if considerations of business and not of philanthrophy should prevail. On the other hand, the Committee is anxious to extend the benefit of co-operative credit and other services to the rest of the villages so far untouched. Amalgamation and extension of area will bring more transactions and profits, especially if non-credit functions are also taken up, and it will be easier to engage well trained paid staff to assist the honorary office-bearers. A

1. Cahill, Report on Agricultural Credit in Germany, pp. 63, 83 and 84.

larger field for choosing the proper personnel for panchayat will be found, and incidentally local factions will have less part to play in the choice. Supervision and audit of larger societies in fewer centres would be more effective. Preliminary enquiry and propaganda will surely be necessary if the history of hasty expansion should not repeat itself.

This case for amalgamation and expansion has not convinced two of the members of the Committee and the Officer of the Reserve Bank of India (Agricultural Credit Department). They deprecate undue haste in expansion and the craze for covering the whole province with co-operative credit. Wider area, they fear, would eliminate mutual knowledge and control. Character and conduct, as the basis of credit, would disappear—as though they were the guiding factors so far. Village factions, they argue, might be replaced by inter-village jealousies. The village has so far been the unit of co-operative activity and its people have an identity of interests and therefore the village alone could be the best training ground in business methods. The Reserve Bank Officer has been pleading for multi-purpose activities in one and the same society and is anxious to enlist as many villagers as possible, in which case transactions and profits will swell and paid staff may be employed. On this point, one of the members of the Committee disagrees, as he does not like the village society to dabble in different non-credit businesses and thinks that the panchayatdars can carry on quite well all credit work without a paid agency which 'might take away the initiative and interest the panchayatdars now take.' Many lapses from honest or sound management are, however, mentioned by the same member further down in his note, which weakens the case for letting things alone; and some of the other objections to the continuance of the existing system remain unanswered.

Judging from the volume of written evidence the majority of the Committee had ample support for their view that amalgamation would be welcome. Several district banks in the south, as well as in the north, approved the idea of amalgamation and the extension of the area of operations of a society within five miles. They were definitely against continuance of small societies, some of them overlapping, and most of them working at a loss. Some of the banks said that amalgamation was already effected in a number of centres, though they were not prepared to make it universally applicable. Difficulties were created by vested interests unwilling to part with power and there were sometimes conflicting interests in irrigation etc. between neighbouring villages. Amalgamation of neighbouring societies with different records of working would not also be easy, especially with unlimited liability. There were no doubt some distinguished co-operators and a few district banks which

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opposed the idea of amalgamation or extension of area, but there were a greater number of co-operators, official and non-official, and institutions in support of the idea, though some of them demurred to the change of liability from unlimited to limited.

We are unable to share the optimism of the Committee that in the course of seven to ten years the country could be covered with a net work of flourishing co-operative societies, without some sort of benevolent compulsion as in the British Dominions, or dictation by a totalitarian regime as in Russia and Italy. Not only in Nazi Germany, but also in the Irish Free State, milk producers have been obliged to become members of co-operative dairies and deliver the surplus milk to them. The Milk Marketing Board in Britain compels milk producers to become its members, though it is not called co-operative. Whether it is 'acquiescence in an unpleasant necessity' or 'enthusiastic collaboration in national policy,' it is not co-operation of the orthodox type. Our Committee would not even approve of a provision similar to that in the Bombay Agricultural Debtors' Relief Act (1939), by which a Debt Adjustment Board can in making an award call on the debtor, if he is not a member of a resource society, to become one within a prescribed time. If he does not become one, the Board is to dismiss the application for adjustment of his debts. Even to such a slow and indirect sterilization of moneylenders' credit the Committee is opposed on principle, and yet it looks forward to the millennium in a decade.

If the history of co-operation in other countries is any guide to us, there is no need to lament the pace of our progress, at any rate in the number of societies. In Germany there were only 30 societies at the end of the first 30 years and after another 30 years of effort, the number went up to only 17,000. In Austria, with a peasantry even more organisable than in Germany, there were 12,000 societies at the end of the first 60 years.

A hasty multiplication of societies is bound to have its repercussions on quality. The Reserve Bank rightly insists on a careful selection of villages for organising multipurpose societies; but it does not lay enough emphasis on a rigorous selection of members in each village society. It is anxious on the other hand to find in the society 'a place for every one in the village' and 'to raise the lowest to the level of the most efficient.' Mr. Wace, the Registrar of the Punjab, not long ago wrote: "If the history of co-operation in the Province has taught us anything in the last 30 years, it should be that only a comparatively small proportion of the rural population is as yet really fitted by character and education to be trusted with a co-operative credit organisation."[2] We believe that this is applicable to a much greater extent to our province, where the ryots have smaller holdings and in many parts more precarious sources of water supply and in some parts less secure farming, and soil less fertile and homogeneous.

A small unit may have its value in promoting mutual knowledge and control and in offering ample scope for proper co-operative training, but from the point of view of the existence of really worthy members may be too small for any kind of transactions to be done economically. Again it is not to be taken for granted that "the village in India (as at present constituted) has been a unit of corporate activity." How elusive and indefinite the simple term 'village' is and how artificial the 'revenue village' is may be seen from the following remarks in the Census Report of Madras for 1931 (p. 53).

"The term 'village' used in these statistics does not connote in any sense a normal residential unit. In a ryotwari area......the village must for all practical purposes coincide with the unit of revenue administration. That may on occasions coincide with a formed habitation-unit; but need not necessarily do so and in fact rarely does. The ryotwari administrative village is essentially a charge entrusted to certain officers. From this it follows that a village may not even be consistent in itself, and villages in the past frequently varied according to retrenchment and expansion in the staff of village officers."

A village is often not a geographical or social entity by itself, it is a cluster of hamlets scattered round about a 'kasba' at varying distances. There are marked cleavages among the peoples occupying these hamlets based on creed or social status. There is not much cohesion or identity of interests among the Hindus and Muhammadans inhabiting the same village or the caste Hindus and the depressed classes, especially as the latter almost always happen to be mere labourers or tenants-at-will. The Committee has thought it necessary to recommend separate societies for the benefit of the scheduled classes in view of their special circumstances. In many villages these poor people constitute a considerable proportion—20 to 50 per cent of the population. In parts of the Ceded. Districts a village has a few big families with a number of hangers on and labourers. In the West Coast, as in Bengal, the village hardly exists; it is just an extent of country in which houses are dotted all over. It is not clear why in the face of these facts any one should cling to the dogma of 'one village one society.'

2. Year-Book of Agricultural Co-operation, 1939, p. 450.

Functions of Societies.—The Committee is keen on the enlarged credit societies multiplying their activities so as to carry out the triple programme of "better farming, better business and better living." Attention is drawn to the existing bylaws of credit societies permitting non-credit transactions like purchase of agricultural and domestic requirements and sale of produce and the dissemination of the knowledge of the latest improvements in agriculture and handicrafts. The Committee adds the supply of electric power, collective farming and everything that will increase the income and purchasing power of agriculturists. It is only where industries require special technique, finance or marketing that separate institutions are advocated. The Committee hastens to add that societies should have a simple constitution and simple accounting and should avoid regular trading in speculative enterprise. It sees no harm in a society undertaking supply to members on the indent system; especially of agricultural requirements like seeds, fertilizers and of clothing. As for sale, the society is not expected to store produce but arrange the sale and pay the member the proceeds minus his dues to the society. All this is simple enough to understand and we appreciate the restraint of the Committee in limiting the functions of the societies to the satisfaction of the economic needs of members and not tacking on a number of civic and social functions.

This is all in the Raiffeisen tradition no doubt, and as the Committee says multipurpose is no new idea even in India; the germ of it was in the bylaws of credit societies. Only very few societies strove to fulfil any of these secondary functions. For instance, in 1938-39 all the credit societies in the Province bought on behalf of members agricultural and other requirements to the value of Rs. 6,681 and sold on behalf of members produce to the value of Rs. 1,166. The hiring of machinery and improvement of agriculture or handicrafts were scarcely attempted.

It was Raiffeisen's idea that the village bank should be "directly or indirectly the centre of village life. In the society were to be concentrated in effect the economic forces of the village community." But experience proved that while especially the supply of agricultural requisites may be suitably carried on as a department of the village bank, other co-operative undertakings involving technical skill in their management and considerable capital liabilities are best taken in hand by societies independently constituted."[3] Later on (1920) the success of Raiffeisen societies led to their extension into trading and other activities where control was not easy and hence a number of societies had to be liquidated. And now opinion has settled down to the view that supply, and to a smaller extent sale, can alone be taken up as side lines by credit societies.

3. Cahill's Report, pp. 68-9.

Nicholson recommended among the objects of credit societies "the stimulation of and assistance to associations for co-operative production, sale and supply, either by the grant of advance or by establishing them as branches with, however, liability and accounts wholly distinct from that of the parent society."[4] It is more a moral than material aid that he contemplated. The Maclagan Committee blessed the idea of combination of functions with credit societies and specially those for the supply of seeds and implements, but did not like a society to become itself the owner of the commodities handled but should preferably buy or sell on commission.[5] The Townsend Committee placed more faith in separate societies for non-credit work.

The Reserve Bank of India (Agricultural Credit Department) has been for some years past advocating in a series of Bulletins the development of multipurpose societies to look after all the wants of the agriculturist and improve his economic condition. Starting with credit, it should take up supply of requirements, marketing and even processing of produce. The difficulty about the advocacy of the Reserve Bank is its want of clearness or emphasis on the method or area of operations as regards some of the functions, especially marketing of produce. The Reserve Bank Officer in the course of a statement to the Committee at Coimbatore said, "If the society is going to take up so many activities, its profits from a village would be sufficient to maintain its staff; there would certainly be increased income as a result of increased activities." There is nothing in this statement of the Officer that the village society should do non-credit business only on agency basis. It is in the course of examination that he accepted the idea that the village society should not do this particular work (marketing) and it is necessary to have bigger groups of societies for marketing and the limited liability principle should be observed for granting gold and produce loans. When some inconsistencies in the Bulletins of the Bank were pointed out at the last Registrars' Conference at Delhi, the Officer repudiated the charge and said: "no where has the Reserve Bank said that the primary village society should undertake trading on its own account...... It has always said that it has to be worked through some other agency and it is obvious that a small village society cannot do it."[6]

If one function after another were to be discharged as an agent without any financial risk or external evidence in the shape of a shop or godown or factory, how could the village bank claim to be a full-fledged

4. Report on Land and Agricultural Banks, Vol. I, p. 172.
5. Report, p. 9.
6. Proceedings of the 13th Conference, p. 63.

multipurpose society? We were told in a bulletin "Village banks of the nature advocated here will obviously be more difficult to organise, administer and supervise than were credit societies. Those who are to be entrusted with this work will have to be much better equipped for the purpose......"[7] And we found in the Statutory Report issued by the Bank in 1937, that the primary societies were to be induced to take up joint marketing and assisted to build up inexpensive godowns for the collection and disposal of produce or transfer to central sale societies. Such a local development was considered as essential preliminary to the development of the bigger sale societies.[8]

After the first flush of enthusiasm raised by the bulletins of the Reserve Bank in favour of multipurpose societies, there has been considerable amount of scepticism as to the feasibility of a village bank undertaking several functions, however desirable it may be. This was, for instance, revealed by the discussions at the last Registrars' Conference at Delhi and even more by the colourless resolution that was moved and passed. The Conference recommended that "Provinces should experiment with multipurpose societies to ascertain more clearly the conditions under which they are likely to thrive and the form which they should take with special reference to their area of operations, liability and purposes." On everyone of these points, there has been marked divergence of views in the Provinces, as the Reserve Bank Officer himself admitted.[9]

A study of the written evidence tendered to the Madras Committee shows that among co-operators few were convinced of the practicability of multipurpose societies confined to one village, in view of the lack of human material within a single village and of the lack of demand for such services adequate to make their catering economic. Even those who were wedded to the Raiffeisen principle of 'one village one society' and unlimited liability so far as credit was concerned, were definitely for dissociation of credit from other purposes and the organisation of a bigger society or a trading union, composed of individuals as well as societies, operating over a wider area with limited liability and engaging paid staff. This is well brought out in one of the dissenting minutes.

The Committee itself believes that multipurpose societies can succeed only in a larger area than a village, in which case unlimited liability is out of the question. We feel that even the enlarged credit societies should not take up more than one or two functions at the most in addition

7. Bulletin No. 2, p. 61.
8. P. 19.
9. Proceedings, p. 58-63.

to credit. It would be easier to form a single or dual purpose society in wider areas with a larger clientele. This has indeed been the experience in European countries, whatever the theory of Raiffeisen might be. We wish the Committee had definitely recommended the organisation of single or dual purpose societies in preference to multi-purpose societies, except in areas where commercial crops like cotton and sugar-cane are grown. Here the success of growers' societies with a wider area and limited liability with the combination of several functions—credit, supply, processing and sale—has been already proved.

Liability.—The most revolutionary recommendation that the Committee has by a majority made is with regard to liability. Henceforth the liability of rural credit socities should normally be limited, but if in the view of the Registrar, local opinion and other circumstances demand unlimited liability, this may be permitted. The majority of the members who recommend change were not unaware that unlimited liability was the basic principle of the Raiffeisen system. But they hold that it has outlived its utility. Enforcement of unlimited liability in recent years has caused hardship to non-borrowing and non-defaulting members. It has kept away the better class of agriculturists, who would have been a tower of strength. Members were found to alienate their properties fearing enforcement of unlimited liability against them. The percentage of recoveries to the amount of contribution levied was very small. It was after all a contributory liability and could not be enforced without liquidation of the society. It was not so much unlimited liability as efficient management and Government audit that attracted funds. Personal credit, mutual knowledge and control were not really so operative in rural societies as they ought to be and the loans on mortgage of land constituted 56 per cent of the loans, while those on personal security were only 44 per cent in the Province. This showed the unmistakable trend of diminishing faith in mere unlimited liability in the country; and the weight of written evidence submitted to the Committee was decidedly in favour of a change in the system of liability. The majority of the Committee, on all these grounds, want the unlimited liability to be replaced by limited liability—if necessary by guarantee, though no insistence seems to be placed on this.

A minority of the members of the Committee, however, strongly oppose the change in the system of liability and want the *status quo* to continue. They state that limited liability would in effect be taking out the linchpin from the co-operative machine, that all mutual knowledge and control will fly to the winds and that it will give rise to autocracy and irresponsibility. They point to the safeguards in unlimited liability, to the softening of its rigour by rules, the smallness of sums for which contribution orders are passed and the care exercised in levying contributions. They fear that the flow of funds would be arrested by the adoption of limited liability, that landless tenants and labourers and the scheduled classes in particular would not get any credit as they have no tangible security to offer. It would throw a great strain on central banks as they would have to scrutinise every application for loan. Local management of societies would be replaced by centralised control and administration by central banks. They contend that it was bad management rather than unlimited liability that scared away substantial farmers. They find support for their views in the pronouncements of old Committees of enquiry, and more than all in the evidence tendered to this Committee itself by the Officer-in-charge of the Agricultural Credit Department of the Reserve Bank of India. He said: "Unlimited liability is a matter of necessity and not a matter of choice. If the funds are to be attracted at cheap rates there seems to be no escape from this form of liability. The present credit society has *inter alia* foundered on extravagant borrowing and unproductive use of the money borrowed. The removal of unlimited liability will take away whatever restraint there existed on the Committee and the members, and the mutual supervision which is the rock bed of a rural credit society will be replaced by mutual collusion, which will create difficulties more serious than those with which the co-operative movement is faced at present." He thought that better class people would join societies if the working improved. It was not liability but mismanagement that scared them away.

We agree with the position taken up by the majority that unlimited liability should be exceptional rather than normal for reasons stated in the course of this discussion though we feel that bare limited liability without some guarantee will not work. We will revert to this after examining the objections raised against a change from the *status quo* in the two strong dissenting minutes appended to the Report. In one of them a lurid contrast is drawn between the two forms of liability. It is said: Unlimited liability is designed to promote 'each for all and all for each' while limited liability nourishes the spirit of 'each for each.' The sense of responsibility and discrimination in granting loans which are now exercised by panchayats would no longer be needed, as the purpose of the loan and the character of the applicant could not weigh so much as his creditworthiness of the sort that appeals to joint stock banks. Unlimited liability is calculated to remove communal and other acerbities while limited liability would create economic differences and deprive the deserving poor of the help they need to rehabilitate themselves. With the withdrawal of unlimited liability deposits would not flow into the movement. Limited liability would in short destroy all that is best in village life. All this is unfortunately a picture of the ideal of unlimited liability and not of the actual, as any student of the history of co-operation in this country knows only too well, and the report and even more the volumes of evidence reveal to a distressing degree.

The line of criticism in the other dissenting minute is based as much on expediency as on principle. We are told that any change from unlimited liability will 'deal a death blow to village co-operation' and bring in joint stock principles. It is said that mutual knowledge and mutual supervision were the guiding factors hitherto. There were, it is admitted, cases of influential panchayatdars grabbing all the loans for themselves and their relations and moneylenders getting into committees and realising their dues; but these were made to disgorge what was due to the societies on account of the fear of the enforcement of unlimited liability. This was a valuable weapon in the hands of central banks, which they would be very reluctant to lose. The central banks would have to use more staff, exercise more care and circumspection in granting loans to societies of limited liability, with the result that transactions would shrink rather than swell as the protoganists of change anticipate.

These are admissions which are not complimentary to the societies or banks as they have been run hitherto and are themselves valid grounds for a change. The Townsend Committee attributed overdues to "an exaggerated sense of security in the minds of financing institutions, which is based on a wrong impression of the implications of unlimited liability and failure to realise the seriousness of the results of enforcing that liability."[10] Mutual knowledge and mutual control and the test of character and repaying capacity for grant of loans have by no means been common in our societies. Even the statements of assets and liabilities of members were kept in a perfunctory state, as most central banks complained and an ex-Registrar has gone to the length of saying, "I will merely dispense with them as they cannot be improved upon."

This is a state of affairs not peculiar to our Province. In a recent book, *The Co-operative Movement in Bengal*, Prof. J. P. Niyogi states: "Loans had been readily granted without proper enquiry relying on the security of unlimited liability. Capital asset rather than repaying capacity was the usual basis for the grant of credit. Even these assets were not properly estimated."[11] It will be indeed a service rendered to central banks, if they are deprived of the temptation to take the line of least resistance offered by the continuance of unlimited liability.

After all what exactly is the use of this liability, except as a threat to ignorant men, if it is only contributory liability and that too can be

10. p. 29.
11. p. 100.

enforced only on the liquidation of the society before which substantial members could alienate their land ? What was meant as a safeguard in the 1932 Act has been abused by members of societies, while on the other hand allegations have been made against liquidators that they used their power to satisfy their private or party grudge against individuals who had not defaulted or even borrowed. The helplessness of central banks in the face of the provisions of the above Act had been brought out fully in a communication to the Press by a member of the Committee, who was for long connected with the Co-operative Department and retired as Registrar. He pleaded for the amendment of the Act in such a way as to enable the central bank to proceed against a defaulting society effectively (and) to proceed against individual defaulters in primary societies if the latter fail to take action against them.[12]

So much for the safeguards. If liquidators have not been more numerous nor contributions heavier, it is largely due to the difficulties of liquidation and the difficulty of realising larger amounts in most cases. Solvent ryots have in recent years withdrawn from societies in most districts. Though some over-rich ryots may play havoc, the movement does stand to gain a good deal by the admission of ryots, solvent but of moderate means, whose demand for loans will not be so great as their demand for the supply of agricultural requirements which all rural societies can undertake on an indent basis.

Another objection to the limitation of liability is that people without property to pledge—'the large body of tenants, artisans and members of scheduled classes'—will be denied loans. The Committee has recommended that "in view of the special circumstances of the scheduled classes, there is a necessity to have separate societies for their benefit," though they may also be allowed to join other societies. Similarly separate societies have been recommended for artisans as their problems are peculiar.[13] But have the scheduled classes and tenants and artisans been really benefited to any marked degree by the unlimited liability societies so far? Has the lofty ideal of the 'capitalisation of honesty and capacity' had any practical value, so far as they are concerned? It was a member of the Committee who wrote in the *Madras Journal of Co-operation*, even when it was sitting, that the Co-operative Movement in Madras is a landholders' and middle class movement; it has hardly touched the labourers or tenants, who still borrow from a neighbouring landlord or the moneylender at excessive rates.[14] In fact the better solution would

12. *The Hindu*, 9th August 1938.
13. Vide also The Maclagan Committee on Co-operation, p. 17.
14. September 1939. pp. 135-142.

be to organise limited liability societies and extend credit to them on the basis of crops standing or to be raised. There is no doubt some risk in it, but limited liability does not eschew risks.

To dub all limited liability societies as joint stock institutions with no co-operative ideals or practices to their credit is a travesty of facts even so far as our country is concerned, not to speak of the splendid limited liability credit and non-credit activities in other countries. The consumers' movement is all over the world run on limited liability basis, even where credit sales are permitted to members, which is itself a departure from the Rochdale rules. No one calls them less co-operative on that account at present. All our urban banks and stores are run on limited liability, and they are doing a lot of co-operative service to the poor and the middle classes. Unlimited liability societies cannot arrogate to themselves all co-operative idealism or practice, while they are far less efficient and render much less service to their clientele. Though these are ten times as numerous and have for long monopolised the attention of the Co-operative Department and leaders, their transactions are less and overdues much greater. It cannot be said that in villages members could not be found with status and resources equal to those of the average of members in urban credit societies. It is really the organisation and the nature of the constitution that are to blame to a considerable extent.

The report has drawn attention to the misgivings that the late Mr. G. K. Gokhale expressed as regards unlimited liability, when the first Bill on Co-operative Societies was discussed in the Imperial Legislative Council in 1903. His statement was categorical, and there is nothing 'taken away from the context' in the following. He said, with a prescience characteristic of him. "Unlimited liability is a principle which our raiyats in many parts of India can scarcely be made to understand....this is to them an entirely foreign idea, and in most parts, it is to be feared, would deter people from joining such associations. Responsibility in equal shares on the common partnership principle may be bettter appreciated and would be enough for a start....it will be a mistake to aim at too much in the start. Insistence on such a principle would keep away from new societies those very classes whose help to co-operation would be indispensable."[15]

15. Gokhale's Speeches (G. A. Natesan), p. 279.
The late Mr. V. Venkatasubbaiya, than whom Madras has not had a more genuine co-operator, once told the writer of this paper that in the early days of the movement when he went out to organise societies and explained the implications of unlimited liability he could not succeed in forming more than a few societies, while friends who did propaganda succeeded.

In one of the dissenting minutes it is suggested that the agitation for the change was confined to the Northern Circars, while the Tamil districts, which have more co-operative societies, have not asked for any change, nor the Ceded districts. "The Tamil districts are solidly for the retention of the unlimited liability in village societies." This is not seen from the volumes of evidence. Analysis of the answers on the categorical questions asked reveals the overwhelming support to the change. Limited liability is favoured by 58, while only 25 favour the retention of unlimited liability. The support is by no means confined to the co-operators of the Circars. Representatives of two central banks of Ceded districts and four or five Tamil districts and of Malabar have also expressed themselves against unlimited liability and are in favour of some change. There are veteran co-operators in the south who are far from satisfied with the working of unlimited liability. Some of the answers specifically refer to the need for limited liability to be reinforced by some guarantee or safeguards with a view to inspire confidence among creditors. It cannot be maintained that there is no opinion in favour of a change outside the Circars.[16]

better. He wrote as Editor of the *Madras Journal of Co-operation* in 1935: 'Unlimited liability has not yielded, at any rate in our country, the moral and material results that were expected of it. Nor is it easy of enforcement in practice. It has not proved a greater guarantee to the creditor against loss than limited liability. On the other hand it has the serious disadvantage of keeping out intelligent and propertied men from societies, who would have been invaluable in managing them efficiently. The fact that everywhere in our country limited liability societies are more efficient...... should open our eyes to the superstitious regard we have for unlimited liability. Unlimited liability should become the exception and not the rule as is the case in our agricultural credit societies."

16. Here are some excerpts from the answers of authorities in Cental Banks in southern districts on the working of unlimited liability:—

1. "Unlimited liability is only in name. It is so hard to enforce. It is no liability at all. Limit guarantee to ten times share capital to members."

2. "Enforcement of unlimited liability has shaken the faith of good agriculturists."

3. "The system of unlimited liability, far from compelling that amount of vigilance on the part of each member on the financial position of his fellows, has only resulted in penalising a few for the fault of the many by reason of their indolence."

4. "In areas where unlimited liability has been enforced some of the well-to-do members are averse to join a society and some who are already members are anxious to leave it. The society could be better run with these men on the management. In practice it is impossible to enforce unlimited liability on a large scale. That will bring the whole movement into disrepute. What

Gratification is expressed in the two dissenting minutes on the resolution passed by the 13th Conference of Registrars of Co-operative Societies at Delhi in December 1939, on the motion of the Officer of the Reserve Bank. "Agricultural credit societies, other than multi-purpose societies....should ordinarily continue to have unlimited liability but scope may be given for experiments with such societies with limited liability." This is surely more compromising than the attitude taken up by the Officer before the Madras Committee, where he would not budge from the Raiffeisen standpoint in respect of area, purpose, liability or honorary service. An amendment was moved at the above conference to this resolution asking for "freedom for registration of societies....either on unlimited or limited liability basis according to local co-operative opinion." This was discussed at considerable length in which Registrars of Provinces and non-official leaders participated. The Registrars of the Punjab and Bengal and a non-official leader of the Punjab were the only unreserved supporters of the original resolution, which itself is not pure Raiffeisenism. On the other hand, the Registrars of Bihar and Baroda and a Special Officer of the United Provinces Co-operative Department and two non-officials spoke wholly in favour of the amendment proposed, and exposed the working in practice of unlimited liability. The Registrar of Bombay was in agreement with the amendment but wanted time to come to a definite conclusion.[17]

plays the more important part is the fear of the consequences of enforcement of unlimited liability.

"The bulk of deposits is from local bodies, charitable and religious institutions, reserve funds and other funds of primary societies. The preference shown by these institutions is not due to a knowledge of the nature of liability in primaries. Individual depositors are led by rates of interest and by the connection of Government with the movement. The form of liability has very little to do with the confidence of the investing public and the inflow of funds."

Co-operators who have had ample experience of the movement since its inception have expressed views like the following:

"The present constitution may be done away with as unlimited liability scares away influential people. Limited liability with guarantee may be organised to bring in better human material for management."

"Unlimited liability is a thing of the past, it has no living force."

17. It is worth noting what the Registrars had to say of the working of unlimited liability:—

(1) The Registrar of Bihar said: "I have invariably found that the original aims and objects of unlimited liability have been completely frustrated—at least in Bihar and Orissa. (It) has not kept out undesirable members nor has it given courage or power to the few solvent members in keeping down reckless financing. The result was a number of the more solvent members were

Even the speakers in support of unlimited liability, including the Chairman, Sir M. Darling, conceded the need for experiment with limited liability. After the persuasive speech of the Chairman, the house divided, 17 voting for the amendment and 17 against. The Chairman gave his casting vote in favour of the original resolution, which was thus carried! This is not a triumph for unlimited liability.

An impression has been created in one of the minutes that in all agricultural countries unlimited liability is the only basis of village co-operatives. Denmark is cited as the best instance. It is a statutory obligation on rural credit societies only in certain countries in Europe: Germany, Austria, Ireland. The law permits any form of liability in Denmark, Holland, Finland. But these countries have adopted unlimited liability as a general rule. In fact in Denmark it is adopted for trading as well as credit societies, for central as well as primary societies, which is unsound in theory. Recent opinion is in favour of doing away with this 'ideal' of joint and several liability.[18] It must also be known that Raiffeisen credit has played little or no part in Denmark, which is a land of dairy farmers, who are in receipt of income once a fortnight.

Even in Germany, the home of Raiffeisen societies, the tendency is said to be more and more in the direction of limited liability. There have been other fundamental departures from Raiffeisen which need

kept away from these societies. Reconstitution of societies is not possible if unlimited liability were enforced........."

(2) The Special Officer of United Provinces Co-operative Department was "strongly in favour of the substitute resolution. He wondered whether other types of societies based on limited liability should not be deemed 'co-operative'. After all in the Punjab too, the main criterion for credit limit was the property of a member. It was only limited liability that would attract those who have so far kept away from the village societies."

(3) The Registrar of Baroda said that the Act should be amended to give greater freedom to Registrars. "Unlimited liability has not saved the societies or the Central Banks and in some instances even the Provincial Bank from the plight in which they find themselves after seven or eight years of depression...... In all the Provinces and all the States the societies are in a moribund condition. The banks find it very difficult to meet the depositors. Unlimited liability does not help us. Let us try an experiment with limited liability."

(4) The Bombay Registrar said that "in actual practice unlimited liability is not such a help to the financing agencies or the banks as is generally imagined." Still some banks hesitate to help multi-purpose societies which Bombay had begun to organise on limited liability. "Members do not exercise the interest which one is expected to do in view of the unlimited liability...... The advantages which are expected from unlimited liability are largely illusory." .

18. Report of Enquiry on Co-operative Enterprise in Europe (by an American Committee), 1937, p. 185.

not be dealt with here. Holland had an excellent system of Raiffeisen credit. Dr. Weststrate, whom the writer of this paper saw in November 1937 at the Raiffeisen Central Bank at Utrecht, said that since the depression only two affiliated societies had failed but there was no need to enforce unlimited liability. He wrote soon after in 1938: "Use of this liability impairs the support of members and the feeling that co-operation is valuable to them....We have realised that a sound economic purpose, good organisation and good management are much more essential to the well being of co-operation than the most complete liability of members."[19]

In Ireland credit societies had been organised by Horace Plunkett and his co-workers on the Raiffeisen model for the economic betterment of the emancipated peasants. But these societies failed more than any other type (creamery, supply). The Commission on Agricultural Credit (1912--4) recommended the revival of credit societies but pointed out the difficulty in attracting the better off farmers to a credit society with unlimited liability and so proposed the formation of societies also on limited liability. They did not succeed, because of the lack of business ability among farmers and of the credit supplied by creameries and the credit extended by supply societies.[20]

France has had an extensive system of rural credit with the Caisse Rural as their apex bank in Paris and Regional Banks all over the country like our District central banks. The basis is generally limited liability and societies depend for everything on Regional Banks which raise deposits and sanction loans.

Japan, it is said, tried limited liability for a time but "has come back to the old moorings of safety." The fact is, Japan has after trying limited liability amended her law again in 1932 and directed the limited liability societies to adopt unlimited or guarantee liability. It is the latter form that has been adopted by 64 per cent of societies, while only 6 per cent of societies retained unlimited liability.[21]

It is not necessary that we should follow any model rigidly, though we may have much to learn from every model. We should adopt the methods suited to our requirements and are within the grasp or prospect of realisation by our people. Limited liability is now well understood and is an easier ideal to follow. But it is possible to couple it with a

19. Year-Book of Agricultural Co-operation, 1938, p.

20. Agricultural Co-operation in Ireland (Horace Plunkett Foundation), p. 374.

21. Development of the Co-operative Movement in Japan, Report by the Central Union of Co-operative Societies, 1937, p. 12.

guarantee, so many times the value of the shares held by a member, which in turn should be in proportion to the maximum credit allowed to him on the basis of assets, income and repaying capacity. Some such system was in vogue in parts of Germany like Pomerania and Saxony which Cahill has described in his report.[22]

Mere personal security, in whatever form, is not likely to inspire creditors, who are mostly outside the rural tracts where borrowers live. There is no reason why in Madras a society should not insist on each member pledging just a piece of land as a continuing mortgage on the basis of which an overdraft account may be opened and sums drawn or repaid to the society. Objections on grounds of difficulty of enquiry into the title and the value of land, of the lack of liquidity, and of the sense of false security it may inspire are all over-rated. There are such risks in every system. But this seems to us to be the least difficult and most easily understood, at any rate in Madras, where rights in land are not so complicated. In fact mortgage security has become so common in Madras that there is no need to put up a special defence for it, as a former Registrar had to do in 1915 after the Maclagan Committee made some adverse comments. This seems to be the only easy way of attracting funds from the public and should be given a full trial.

The landless classes can pledge a house or jewels or any other visible property like standing crops, etc., and receive loans required. In well known cases, loans may be advanced on the basis of character and personal surety. It is neither their want of capacity nor of will to repay that is the cause of overdues so much as the lack of an agency to go round continuously day after day in the season to collect the dues. Where this has been well provided for, there has been little difficulty in lending or recovering.

Honorary Service.—It was a fundamental principle of Raiffeisen societies that the services rendered by the Committee of Management should be absolutely gratuitous. The accountant alone, generally the village school master, might be the only paid official and if so, he should not be a member of the committee. The remuneration should be small for the part time work done by him. The very act of administration was expected to develop in the members of the Committee a most useful and enlightened public spirit. Societies were "not merely centres of economic but of social and even of moral progress." The Maclagan Committee had no objection to the village school-master being chosen as secretary and paid a small remuneration; but he should be kept to purely clerical work and should not be allowed to take into his own hands

22. Page 86.

any of the functions of the Committee. It was not advisable to have one secretary for a group of societies, as it would tend to make him too powerful. No remuneration was contemplated for panchayatdars.[23] The Townsend Committee was agaist payment of panchayatdars, except in respect of clerical work done by the secretary who should be paid a small fixed remuneration—not depending on profits or loans granted which provided a temptation which should be avoided. If the work was done by a clerk, he should be similarly paid a fixed sum.[24]

Definite questions were asked by the recent Committee on the need for and the mode of payment of clerical services, on the working of the system of honoraria to office-bearers and on the advisability of the appointment of group clerks for a small number of societies. The answers reveal a painful unanimity of opinion on the breakdown of the purely honorary system. Accounts have seldom been written up properly by any of the panchayatdars. It is often supervisors that have to do it; and in many cases they have had to undertake the work of correspondence also. The financing banks are naturally most annoyed at the slackness and inefficiency in the societies that have borrowed, and almost all of them distrust the honorary system in any form. If the existing system of small societies, each confined to one village, should continue, it would, in their view, be necessary to engage a full-timed group clerk for a small number of societies. Already in some districts, bigger societies are employing clerks or paying the village school-master or karnam (accountant) to write up the accounts in spare time for a small fee.

There are, however, many societies where accounts are written up in an unsatisfactory manner by one or more of the panchayatdars, who are allowed to get honoraria, based not on profits earned but on the outstanding loans in the year ended. This has induced some of them to keep down repayment of loans at the end of the year, so as to ensure larger honoraria for themselves. It has been suggested that payment might be made on working capital or loans disbursed. But this might lead to the granting of loans even more leniently than before. Payment according to deposits received, recoveries made or profits earned might, on the other hand, mean little or no remuneration for all the work done. It is, therefore, best to fix a small remuneration according to the work to be done in particular societies. Purely gratuitous service cannot be expected in respect of scriptory work.

23. Report, p. 18.
24. Report, p. 44.

Several answers, as already pointed out, are in favour of amalgamation of small societies and consequently for the appointment of a full time trained staff to do not merely accounting and correspondence work but to do effective and continuous propaganda from village to village for carrying out the non-credit functions they are to take up. If transactions increase as a result of the grouping of villages and the lifting of unlimited liability, it will be both necessary and possible to engage a good paid staff. There will still be ample opportunity for the new panchayatdars to exercise the functions of general direction and do propaganda in intimate circles.

Conclusion.—We have in these pages pleaded for a more realistic reconstruction of the rural co-operative credit organisation than has been championed by what we may call the Neo-Raiffeisen school of co-operators in India. In the light of the limitations disclosed in the working of the system in the last 35 years in our country, it would be unwise to continue to indulge in vague ambitious phrases on impossible ideals: 'one village one society,' multipurpose, unlimited liability and gratuitous services. We should be content for the present with one society for a group of villages, undertaking a few definite functions, based on limited liability strengthened by guarantee or mortgage of land and employing well-trained paid staff for all routine functions.

Whatever co-operative enthusiasts—official or non-official, professional or dilettante—may say, students of economics who are interested in co-operation as the best known method of agricultural organisation have to bear in mind the following grave warning uttered by Marshall:

We have to study mankind as they are. We must not picture to ourselves an unreal world, as it might or ought to be, and make schemes for it. That way lies social madness, leading to a failure of hot aspirations and then to cold reaction.

THE BENGAL CO-OPERATIVE SOCIETIES BILL, 1940

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The Bengal Co-operative Societies Bill is still on the legislative anvil. It has a history of its own. For a pretty long time past, need was being felt for a provincial co-operative Act to govern the Co-operative Societies of Bengal, and it was during the fag end of the tenure of the Government of Bengal under the Montagu-Chelmsford Reforms in 1936 that the Government had a bill drafted on the lines of the Behar and Orissa Co-operative Societies Act of 1935, not, like other provinces, after an independent enquiry into the co-operative movement but on the basis of an one-sided diagnosis by the Co-operative Department, *viz.,* that the sad plight of the co-operative movement in Bengal was due to inefficiency, nepotism and corruption of the Boards of Management of Co-operative societies. It had provisions which remained one more of the long exploded old schoolmaster's maxim "spare the rod and spoil the child," than of a proper orientation of the movement on genuine co-operative lines. The Government, however, did not think it worthwhile to place it on the statute book. The present Government found it handy to discover the draft Bill of its predecessor from the dusty archives of the Secretariat and without giving it the consideration from the co-operative point of view that it deserved, the Minister-in-charge of the Co-operative Department thought fit to convene a conference of selected persons consisting of members of Legislature as also others said to be interested in the movement to discuss the proposals of the Government, which were in reality those of its predecessor, carefully but scrupulously avoiding members of the opposition in the Legislature and prominent co-operators of the province known to hold a different view regarding the Co-operative Movement from that of the Department, in February, 1938. The Draft Bill was considered by Government and having been approved, the Bill was published in the *Calcutta Gazette,* dated the 7th July, 1938, for public information.

The general public and independent non-official co-operators had been off and on informed during the last few years of the intention of the Government to enact a law for the governance of the co-operative societies in Bengal. They have been also feeling the need of a provincial co-operative law for a thorough reconstruction of the movement by releasing it from official tutelage and spoon-feeding and transforming it into a popular movement of a genuine co-operative character, for their study of the movement had led them definitely to the conclusion that the department by its inefficiency and inaction, its mistrust of independent non-official co-operators had been largely responsible for the present deplorable state of the movement. This diagnosis has been later on confirmed by no less an authority than Mr. Nalini Ranjan Sarkar. As Finance Minister, in his note on the problem of rural credit, he pointed out that "departmental mismanagement" among other factors "contributed to the inability of the societies to enlist adequate popular support and to inspire popular idealism". Mr. Shah Abdur Rauf, for a long time Secretary of the Rangpur Central Co-operative Bank, who is a very prominent member of the Coalition Party supporting the present Ministry, in his speech opposing the motion for circulation of the Bill also corroborated the non-official point of view. He said, "I do not say that it is the non-officials only that are at fault, the officials also are to be blamed. They do not exercise that amount of vigilance which they ought to exercise in working the societies. Various cases of defalcation could have been avoided, had proper vigilance been exercised by the officers of Government and there would have been no necessity for such a Bill." Even the *Amrit Bazar Patrika,* which is reported to be not unfriendly to the Co-operative Department, out of its regard for the welfare of the movement, in its editorial of the 21st of February, 1940 remarked, "We are not going to apportion the blame or the present deplorable state of the movement to the various factors and parties concerned but we cannot at the same time completely exonerate the department from its share of responsibility in the matter. The people, to remedy this state of affairs, wanted, after a thorough and independent enquiry, progressive de-officialisation of the movement with a substantial beginning in that direction here and now; but the Government gave just the thing opposite, *viz.*, complete officialisation; the people wanted bread but the Government gave them stone instead, as the Bill published in the official Gazette clearly showed."

It was quite in the fitness of things, therefore, that the public in general and the co-operators in particular tried to focus the attention of the public on the Bill and tried to ascertain the public feeling in this regard and it is remarkable that the Bill was opposed as we shall see presently, at every stage but, unfortunately for the co-operative movement, with very little effect.

Before the introduction of the Bill in the Legislative Assembly on the 3rd of August, eminent co-operators like Mr. S. K. Lahiri, Honorary Secretary of the Bengal Co-operative Organisation Society from 1925 to

1937, and Editor of the *Bengal Co-operative Journal* from 1926 to 1937, Sj. Nepalchandra Roy, retired Professor of History, Viswabharati, and who is intimately associated with a number of co-operative societies, and was for some time Director of the Bengal Provincial Co-operative Bank and others called a conference in Calcutta on the 31st July, 1938 which was presided over by Sj. Santosh Kumar Basu, M.L.A., ex-Mayor of Calcutta in which many prominent members of the Legislature and Mr. T. C. Roy, retired Magistrate and Collector and sometime Asst. Registrar of Co-operative Societies, Bengal, took part. It is worthy of note that the Conference came to the conclusion that the Government should appoint an independent and impartial committee to enquire into the working of the co-operative societies in Bengal before any Bill to govern the Co-operative Movement in the province was introduced and that "the Bill proposed to be introduced entirely sets at naught the fundamental principles of co-operation, attempts to place co-operative organisations wholly under official surveillance and autocratic control of the Registrar and should be thoroughly recast and brought into line with the accepted principles of co-operation." At about the same time prominent public men including some members of the Legislative Assembly headed by Sir P. C. Roy, one of the pioneers of the co-operative movement in the Province, issued a statement characterising the proposed Bill as a "scheme of reform of co-operative societies by methods of regimentation and dictation which is contrary to all co-operative principles," recommending "a thorough and sifting enquiry, as has been done in some of other provinces before the handy short-cut method of legislation is resorted to" and urging that "no steps should be spared by the public to oppose by all constitutional means the Bill by the help of which the Ministry of Co-operation in Bengal proposes to carry out its reactionary policy."

But the Ministry remained firm and adamant undeterred by these public protests, without paying any heed to the opinion of responsible persons referred to, above all without learning from the example of Behar Act, the inspiration and model of the present Bill. The Hon'ble the Minister-in-charge of Co-operation rushed to introduce the Bill on the 3rd of August, 1938. In the teeth of vigorous opposition on the floor of the House the Bill was referred to a Select Committee with instruction to submit their report as early as possible.

After a long period of one year and a half during which it had forty one sittings, a period which was more than sufficient for a thorough enquiry into the movement, the Select Committee concluded its deliberations on the 15th of December, 1939. The report of the Select Committee was presented to the Legislative Assembly on the 19th of December, 1939 and was published on the 11th of January, 1940 in the official Gazette.

The refusal by the majority of the Committee to accept some vital matters affecting the development of a genuine Co-operative Movement and suggestions regarding the powers of the Registrar in the proposed Bill constrained the writer of the present article to submit a note of dissent which was fully endorsed by Sj. Surendramohan Maitra, who had been for a long time associated with the movement.

Without going into details, the suggestions, among others, that were accepted by the Select Committee may be briefly summarised as follows:

(a) In the preamble, the words "of moderate means" after the word "persons" have been inserted, in conformity with the theory and practice of co-operation all the world over, to indicate the scope of the Bill.

(b) In clause 11, the word "economic" has been added after the word "common" to precisely indicate the interests to be brought under the purview of the Act. It was pointed out that all the other Provincial Acts except that of Behar and Orissa of 1935 contained the word "economic" and it was agreed that, as at present, better living societies, rural reconstruction societies, health societies, etc., could be registered whereas the absence of the word "economic" might lead to abuses.

(c) Clause 18 which empowered the Registrar to direct amendment of the society's bye-laws and was therefore considered to cut at the very root of co-operation was redrafted beyond recognition. Instead of the power being given to the Registrar, it was given to the Financing Bank, after affording the society an opportunity of being heard.

(d) In clause 25, the original provision of supersession has been done away with but the improvement which was affected has been almost nullified by giving power to the Registrar to disqualify all or any of the members of the Committee of Management for election or appointment as an officer of the society.

(e) In clause 33, the guarantee of principal and interest in the case of debentures has been made obligatory by the Government, while in the Original Bill it was discretionary.

(f) The provision of 5 per cent of the net profits of a co-operative society has been made compulsory for the promotion of co-operative education in clause 55, now clause 58.

(g) Provision has been made for deduction of co-operative dues to co-operative societies from salaries of members, notwithstanding anything contained in the Code of Civil Procedure 1908 or any other law for the time being in force.

(h) In clause 134, now 139 i.e. the clause giving power to Government to frame rules, the sub-clause which empowered the Government to delegate its rule-making powers to any other authority has been deleted.

The suggestions that were placed before the Select Committee but were *not* accepted by them have been embodied in the note of dissent referred to above and are on the following lines:—

(i) The choice of liability should be left to the members themselves and unlimited liability should not be made obligatory on the rural societies, as has been done in the Bill.

(ii) There should be a Council of Supervision in addition to the Committee of Management, if not in all the societies, at least in Central Banks, Urban Banks and in larger trading societies.

(iii) The Registrar has only to direct that a special general meeting has to be held to dissolve and reconstitute the managing committee and shall have no power to disqualify all or any of the members of the outgoing committee for election or appointment as an officer of the society.

(iv) The audit has to be entirely separated from administration, the Registrar and his department having nothing to do with it.

(v) The appointment of an independent non-official advisory committee should be provided for in the Bill for advising the Registrar on matters of policy and in directing the movement on right lines.

(vi) Non-officials should be placed on the same footing with officials in the matter of liability for mal-administration, audit, inspection etc.

(vii) The rule-making power should be confined within proper limits.

(viii) It is remarkable that although the Registrar has been armed with dictatorial powers, no liability has been fastened upon him, on the contrary sec. 126, now sec. 131, has been framed to exempt him from any liability.

(ix) A proper selection of the Registrar by the Government, in accordance with the observations of the Maclagan Committee on Co-operation, the Royal Commission on Agriculture and the Reserve Bank of India should be made.

(x) In conclusion, the note of dissent characterises the Bill and sounds a note of warning, as follows:

The Bill has been so framed as to make the Registrar the centre of the picture and not the society on the assumption that "a tightening of the official control by clothing the Registrar with very wide powers over the movement and subjecting the co-operative institutions to tutelage and spoon-feeding in a larger measure will improve the movement in this province" forgetting that the essential character of the Co-operative Movement, viz., that it is a people's movement will thereby be lost, that self-respecting and independent persons will fight shy of the movement, non-official initiative and enterprise will be destroyed among those to whose care the institutions should be normally committed.

Let me digress here for a moment and examine some of the recommendations of the Madras Committee on Co-operation which had been eagerly awaited so long by the co-operators all over the country in the light of the report of the Select Committee.

The co-operators all over India should be grateful to the Madras Committee for having after full consideration recommended that the liability of rural societies should ordinarily be limited. It is interesting to note, however, in this connection that by way of compromise with the orthodox view regarding liability, the Hon'ble Mr. V. Ramadas Pantulu struck the golden mean at the Conference of Registrars held in Delhi in December, 1939 by pleading for freedom for registration of societies, the majority of whose members are agriculturists, either on unlimited or limited liability basis according to local co-operative opinion—exactly the view advocated in the note of dissent referred to above.

In the matter of audit, the Madras Committee has recommended rightly that the entire audit staff of the department should be constituted into a distinct branch and differentiated right through from the administrative branch. But it holds at the same time that the statutory responsibility of the Registrar in the matter of audit of co-operative societies should be maintained. It is clear that the separation of the audit staff from the administrative branch loses much of its force and effectiveness if at the head of both is placed the Registrar. To ensure independence of audit which is the *sine quanon* of proper audit, the Registrar should have been relieved of all responsibility in the matter and any other body entirely independent of the Registrar ought to have been entrusted with the audit of co-operative societies.

In the Questionnaire drawn up the last question regarding the creation of an Advisory Board and the composition of such a Board indicates the necessity and importance of such a body. In the body of the report also we find references to a Provincial Standing Committee charged with the formulation of measures and plans for rural and economic development of the country consisting of the heads of nation-building departments together with a certain number of non-officials, as also to an advisory council with regard to co-operative education. It would have been desirable to recommend the formation of an Advisory Board to advise the Registrar on matters of policy touching the movement in the proposed amendments to the existing Act.

It was expected that the Madras Committee would make some provision in the proposed amendments to the Madras Act of 1932 for the enforcement of the recommendations of the Maclagan Committee on Co-operation and the Royal Commission on Agriculture which have also been endorsed by the Reserve Bank of India in the matter of appointment of the Registrar. The Reserve Bank very rightly remarks that "the non-observance of these principles has resulted in hampering the progress of the movement in some of the provinces and strongly recommends them to the serious consideration of the various Provincial Governments." The absence of such a provision in the Statute has been responsible for this.

The Madras Committee has done the right thing by providing in the amendments to the Act of 1932 "that all rules shall be laid on the table of both the chambers of the Madras Legislature. If the Madras Legislative Assembly passes a resolution rescinding or modifying any such rule, such rule shall stand cancelled or modified accordingly." By this provision the Madras Committee has removed the possibility of immense mischief by the Government under cover of its rule-making powers.

Now to come back to the Bengal Bill: in between the publication of the report of the Select Committee and the consideration of the Bill as it has emerged out of the Select Committee by the Assembly, there has been ample criticism of it in the press and on the platform. The *Modern Review,* for instance, said:

"The Bill as amended now by the Select Committee removes or modifies some of its most objectionable features, but even in its amended form it is an extremely undesirable, unwise and retrogressive piece of legislative measure."

"There is nothing in the Bill excepting the term 'Co-operative' appended to its title to indicate that it deals with, and proposes to further, co-operative principles. It is more like a disciplinary police measure with which to chastise and punish non-official co-operative workers than one for the promotion of the Co-operative Movement. By the introduction of the extremely retrograde provision regarding powers of rule-making, by investing the Registrar with dictatorial powers, by attempting to exclude many co-operative matters from the jurisdiction of courts, by introducing penal clauses of a stringent character, by not defining precisely what really constitutes co-operation, by extending official control to the fullest extent and divesting co-operative societies of autonomous character, and by introducing many other provisions of a stringent character the bill has been entirely divested of co-operative character."

A co-operative conference was called by the Calcutta Corporation Co-operative Societies, quite unlike the co-operative conferences held under the initiative of the Co-operative Department. This conference which was held at the Town Hall on the 13th of July, 1940 under the Presidency of Sjt. Santosh Kumar Basu, ex-Mayor of Calcutta and Deputy-leader of Opposition in the Assembly voiced the non-official point of view and adopted the following resolutions:

A. "This Conference is of opinion that, in line with other provinces, the Government of Bengal should have instituted an enquiry into the working of the co-operative movement in Bengal by an impartial, independent non-official committee including co-operative experts before the introduction of the Bill in the Bengal Legislative Assembly and urges upon the Government to retrace its steps and withdraw the Bill with a view to institute the enquiry referred to above."

B. "This Conference is of opinion that the Bill, as it has emerged from the Select Committee, should be referred back to it with a view to reconsidering the whole matter afresh in the light of public criticism that has appeared from time to time in the press and on the platform."

C. "This Conference is of opinion that the Bill should be amended at least on the lines indicated in the note of dissent submitted by Mr. Satyapriya Banerjee as a member of the Select Committee appointed by the Legislative Assembly to consider the Bill."

Still there was no change in the attitude of the Government. They did not yield. They did not budge an inch from their position. They did not properly consider the opinions invited by the Select Committee. They did not hesitate to ride rough-shod over the considered opinion of the people interested in the Co-operative Movement and after eight days' debate got the Bill, as it had emerged out of the Select Committee,

passed by the Assembly with only i's dotted the t's crossed here and there on the 1st of August, 1940. The peculiarly intractable attitude of the Minister-in-charge of the Bill during its discussion in the Assembly was aptly described by the Leader of the Opposition in the speech opposing the passage of the Bill at its third reading in the following words of Edmund Burke: "Patience is exhausted, reason is fatigued, experience has given judgment but obstinacy is not yet conquered."

The nature of the important amendments moved by the opposition may be briefly indicated as follows:

(1) The Registrar should be appointed either on the recommendation of the Provincial Public Service Commission or a person appointed to be Registrar and persons appointed to assist him shall hold such qualifications as may be prescribed.

(2) The Provincial Government shall appoint an Advisory Committee consisting of elected non-officials connected with the movement, members of the Legislature elected on the system of single transferable vote and nominated experts.

(3) The Liability of a society may be limited or unlimited at the option of the members.

(4) The Registrar shall have no power to disqualify all or any of the members of the out-going committee for election as such members at a special general meeting convened by the Registrar to reconstitute the managing committee.

(5) There shall be no change in the law of limitation in the case of debts due to co-operative societies.

(6) The accounts of every co-operative society shall at least once in each year and by such date as may be prescribed be audited by an audit officer or by such other officers authorised by him in this behalf by general or special order in writing.

The Provincial Government shall appoint the audit officer referred to above and shall maintain a special staff for the purpose of co-operative audit independent of the Registrar and the Co-operative Department.

(7) Where loss or damage is caused to a society through the negligence, wilful default or breach of trust of any person including the Registrar or anybody subordinate to him, such person shall be liable to make good the loss or damages suffered by the society.

(8) Either the clause exempting the Registrar or any person subordinate to him or acting under his authority from any suit, prosecution or legal proceeding in respect of anything in good faith done or intended to be done under this Act should be deleted or it should be re-drafted

as follows: No suit, prosecution or legal proceeding whatever shall lie against any person in respect of anything in good faith done or intended to be done under this Act.

(9) The Rules under the Act shall be either approved by the Legislature or by a joint committee consisting of members of all parties and groups in both the Houses of the Legislature or at least laid on the table of both the Houses of the Legislature.

The Bill as passed by the Assembly went up to the Upper House for its consideration. Here it underwent, at least in one material particular, a transformation which deserves more than a passing notice.

As has already been remarked, it was the unanimous decision of the Select Committee to add the word "economic" after the word "common" in clause 11. In the Assembly there was no attempt at the deletion of the word "economic" inserted by the Select Committee. But it is very curious that the Minister-in-charge who never bent to the opposition at least in respect of amendments, the acceptance of which might render the Bill co-operative to a great extent, did so in respect of an amendment, which took away the last vestige of "Co-operation" still left in the Bill, *viz.*, the deletion of the word "economic," by a member of the Party supporting the Government. This is a very important matter and should be very seriously considered. The opinions of experts should be brought to bear upon it before a final decision is arrived at in the matter, when it will come up again before the Assembly for its consideration.

The Royal Commission on Agriculture was emphatically of opinion that there should be a sound foundation of Better Business to support the superstructure of Better Farming and Better Living.

Mr. Calvert, whose authority in co-operative matters cannot certainly be disputed by officials, points out that it is the word "economic" which prevents the registration of an Indian Station Club under this Act (Co-operative Societies Act of 1912) as otherwise it is a society which is usually strictly co-operative in its constitution and rules and the members of which may be said to co-operate for the provision of recreation, games, reading, etc.

Mr. Strickland, one of the ablest Registrars of Co-operative Societies in India, in his latest edition of *Co-operation in India*, published in 1938, says: "Every group of individuals, associated to secure a common and joint effort may be said to co-operate; for instance a foot-ball team, a gang of robbers or the shareholders of a speculative company. A century of history has given to Co-operation with a capital C a more precise meaning. It indicates the association of individuals to secure a common economic end by honest means".

Let me refer also to the most authoritative definition of a co-operative society by the Co-operative Service of the International Labour Office of the League of Nations in the Survey published by them on *Co-operative Action in Rural Life,* in April, 1939. Therein it is stated:

"A co-operative society is an association of the economically weak who, voluntarily associating on the basis of equal rights and equal responsibility, transfer to an undertaking one or several of their economic functions corresponding to one or several of the economic needs which are common to them all, but which each of them is unable fully to satisfy by his own individual efforts, and manage and use such undertaking in mutual collaboration to their common material and moral advantage."

Lastly, let me come nearer home. Rai Bahadur S. G. Ganguly, ex-Registrar of Co-operative Societies, Bengal in his opinion on the Bill says: "It can hardly be argued consistently that the change made in the Behar and Orissa Act or now proposed in the Bill will facilitate the formation and registration of societies which do not aim directly at the promotion of the economic interests of the members such as health, arbitration, better-living, housing and other classes of societies. As a matter of fact it has been possible to form and register such societies under the Co-operative Societies Act, 1912 and most societies of these classes have been flourishing and doing good work in provinces other than Behar and Orissa." And the Madras Committee on Co-operation has thought fit to retain the word "economic" in the proposed amendments to the existing Madras Act of 1932.

I will conclude by quoting from the speech of Mr. Sarat Chandra Bose, the Leader of the Opposition in the Assembly, in opposing the passage of the Bill at the time of its third reading. He said:

"Members will be shocked to hear that about 60 clauses have been framed and are going to be enacted into law giving extraordinary powers to the Registrar. What is called "delegated legislation" has been enacted with a vengeance in this Bill. I find wide rule-making powers given to Government covering as many as about 90 clauses. The whole attempt, if I may summarise it in one word, is an attempt at officialisation, though in 1904 a clear warning was given by the bureaucratic Government of India of the day to the Provincial Governments that the regulative interference of the Government should be strictly limited to essentials so as to leave spontaneous growth unhampered."

"I regret that the helpful suggestions which have been made in the minute of dissent by a prominent member of my party have been disregarded completely. The result of it is that the wheels of progress have been impeded and the hand of the clock has been sought to be put back."

MULTI-PURPOSE SOCIETIES IN THE CENTRAL PROVINCES

BY

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Co-operation in the Central Provinces has been largely confined to credit but even after the completion of 35 years of its working, it has only touched the fringe of the problem of rural credit. It serves only 4 per cent of the rural population and provides hardly one per cent of the credit required by the agriculturist. It is not, therefore, correct to say that we have had enough of credit co-operation. Co-operative credit is still needed on an ever increasing scale but to shift the over emphasis on this particular phase of the movement, the introduction of other forms of co-operation is of supreme importance.

The movement is passing to-day through a crisis; it is being subjected to searching examination and enquiry and the travails are not yet over. Co-operative thought has naturally turned to other forms of co-operation as an escape out of the present baffling situation and it is thus that the formation of Multi-purpose societies has synchronized with the ebbing of the credit movement.

Ever since the decline of the credit societies, the idea that credit alone cannot help to improve the lot of the agriculturist has been slowly gaining ground and with the publication of the Bulletin of the Reserve Bank of India on Kodinar, it received a fresh stimulus. It is now widely recognised that a sustained attack on all fronts of the rural problems is essential and that the agriculturist must be dealt with as a whole man and not piece-meal. While co-operative credit canalises the capital for the agricultural industry, simultaneous efforts must be made to put the agriculturist on a surplus economy by removing all causes which militate against the increase in his income. A Multi-purpose society is advocated as an eminently suitable means of approach to the problem. Dr. Katju, the Minister in charge of Co-operation in U.P. took up the matter in right earnest and intended the launching of an extensive campaign of multi-purpose societies. The scheme adopted by Government in the Central Provinces has already made a modest beginning. At present, there are nine multi-purpose societies with limited liability, of which six are working and are in charge of managers who are mostly graduates and are appointed by Government and paid out

of the annual Government grant. It is hardly two years since these societies have been established and though there are no remarkable results to chronicle, much useful spade work has been done in preparing a congenial ground for the societies to take root and grow. The time spent in winning over the confidence of the villager will repay amply in the long run.

To begin with, in all these societies, which generally include more than one village within the area of their operation, small co-operative stores for supplying necessaries of life to the villager have been started. In spite of apathy and even antipathy of the villager, the stores are gradually making headway. The main difficulties in their way are the rapid depreciation in the case of some articles, lack of sufficient custom and proper housing arrangements and, where business is increasing, the absence of a separate salesman besides the manager is another handicap. Steps are being taken to remove these obstacles. One of the effective methods of increasing the business of the stores is to enlist the sympathies of the village women who may truly be called "the chancellors of the exchequer" of the village homes; for this purpose, intensive propaganda among the village women has to be done.

Some of the societies are arranging for the sale of the members' produce. A godown has already been constructed out of the Government grant at Kusner village for the Piparia Multi-purpose society in the Jubbulpore district. With the construction of more godowns and organization of central sale societies, this activity will receive a new fillip. Marketing Officers are being requested to help these societies in the disposal of produce by supplying them market rates from time to time and also by making available to them, other useful information in this behalf. In the Bori Multi-purpose Society, the members who are mostly Gonds, have been selling their eggs jointly in the market at Seoni. In this society there are also good prospects for bone-crushing industry.

The managers are trying to co-ordinate the efforts of the various departments aiming at rural reconstruction in various ways. One society is maintaing a stud bull which it received as a free gift from the Veterinary Department; in some societies, attempts are being made with the help of the Agriculture Department to form Seed Unions and open demonstration farms. Medical aid, reading rooms and such other amenities are also being provided to the members. It is proposed to start adult education classes in these societies with the help of the Assistant Educational Inspector, Co-operative Societies, who has been trained in adult education at Gorakhphur in the United Provinces.

A conference of these managers was recently held at Nagpur under the supervision of the Senior Deputy Registrar, as a result of which, it is hoped, that the working of these societies will receive a new orientation. These officials have been exerting to awaken in the members a desire for progress because the urge to improve must come from within and not from above. It is also the task of these managers to widen the outlook on life of the members by patient propaganda and to create in them a longing to co-operate more and more among themselves for their own economic betterment. The managers are to initiate, guide and help and are not to do all the work themselves.

Village industries are the necessary adjuncts of rural uplift and endeavours are being made to revive them. Immediate attention has, however, to be paid to the necessity of teaching the agriculturists to follow some small subsidiary industries, with a view to supplement their meagre income; and as a first step towards the fulfilment of that object, it is most essential that the managers of these multi-purpose societies should be equipped with the knowledge of these industries so that they may help the agriculturists to adopt them.

The Co-operative Central Banks and the Divisional Co-operative Institutes should render all possible help to these managers in their fight against apathy, inertia and prejudice of the villager which have greatly impeded the progress of the Co-operative Movement. Care has also to be taken to see that these officials do not fall into a dead routine.

The societies are still in the experimental stage. It is contended by some that the amalgamation of credit and different non-credit businesses into one society may expose it to serious financial risks. But the multi-purpose societies in this province are based on limited liability and there is little possibility of their working being endangered by financial responsibility. The members of these societies have not so far felt the need of credit beyond advances against their produce. It is expected that multi-purpose societies covering wide area and attracting wider membership because of their limited liability will be helpful in bringing the whole economic life of the members within the bounds of co-operation and will ultimately bring about the renovation of village economy.

FRUIT PRODUCTION AND SALE IN THE NORTH WEST FRONTIER PROVINCE

BY

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It is an open secret that the cultivators do not get a fair price for their produce. The producers, being unorganised and ignorant of the rules of business, are exploited by the shrewd middlemen and clever commission agents. It is estimated that out of every rupee paid by the consumers, only nine annas go to the pocket of the real producers while the balance of seven annas is usurped by the commission agents, brokers and middlemen.

Time there had been in the hoary past when the cultivator used to produce a small quantity of fruits merely for his own consumption and for distributing among his kith and kin. It was then held below his dignity to make money by marketing the fruits. The pinch of economic need later on compelled the cultivator to produce fruits for sale. On the tremendous fall in the price of agricultural produce, the cultivators in this province took to fruit production. In the beginning it proved to be a profitable business and the owners of land were very much tempted to transform their fields into orchards. The mad chase in this direction resulted in the over-production of fruits, the proper disposal of which is engaging the anxious attention of all well-wishers. The owners of orchards as a matter of routine sell their wholesale raw fruits to the middlemen who place a larger portion in the local markets and the balance is despatched to the down markets. At the cost of the actual producers the middlemen are making huge profits in the business. Helpless as they are in the present circumstances, the owners of orchards have no other alternative but to dispose of immediately their unripe fruits. It is a perishable commodity and cannot like other agricultural produce be stored for future disposal.

In order to enable the producers to get the maximum reward for their labour, it is necessary that the owners of the orchards should undertake to sell their fruits by modern methods. But this involves labour and pain which they try to avoid. The sight of ready money tempts them to hand over sour fruits to the businessmen. Solitary instances there are when the owners are prepared to undertake the trouble of marketing their fruits themselves. But they are either lacking in business sense or are devoid of the required amount of capital to conduct the work. If they want success to attend upon their enterprise they should pool their resources by organising themselves.

Past experience has abundantly proved that we cannot compete with other countries in the production and marketing of wheat, tobacco, sugar and cotton. The wheat of Australia, though coming from a distance of three thousand five hundred miles, is dumped into India and is sold at a price cheaper than our own wheat. Should the Government withdraw the prohibitive import duty on foreign sugar, the price of our *gur* and brown sugar would dwindle still further. The cotton produced in India cannot compete with American and Egyptian cotton. Our tobacco does not fare better in the world markets. The only field left for us in N.W.F. Province is fruits. Nature has blessed us with a unique climate suitable for the production of various fruits. The plums and peaches of California, the pears of France, the apricots of Kabul and oranges of America (Washington navel variety) have all proved a unique success in this province. The Punjab and other provinces have carried out experiments, but could not produce the above mentioned fruits parallel to ours in sweetness, flavour and complexion. Hence competition in this direction need not be feared from any quarter. The problem which confronts us at present is the marketing of fruits, produced in abundance, the whole of which cannot be consumed in the province. If no markets are established outside, the ever-increasing tendency of converting fields into orchards will bring disaster to the owners. With the successful organisation of marketing, the Frontier Province will enjoy the same position in India as California does in America.

But to organise markets in India for agricultural specialities is not smooth sailing. Experience, knowledge and capital are very much needed for the successful working of the business. The assistance of the Government is also required. The Government can render help by supplying expert advice and information about the conditions and rates prevalent in markets all over India. The expert alone can tell how to pick and pack unripe fruits destined for the distant markets. He can precisely direct where to despatch ripe, half ripe and raw fruits. It is more easy for the Government to help and guide a co-operative body rather than individuals.

In the year 1934, a number of owners of orchards in Mardan and Charsadda Sub-division of Peshawar District realising the evils of individual deals, organised with 14 individual members the Peshawar Vale

Fruit Growers Association Ltd., Mardan. The hot season fruits of that year were marketed in towns such as Rawalpindi, Lahore, Delhi, Simla and Bombay. In some markets losses were sustained, in others the sale proceeds just equalled the cost, while in others they earned a small profit.

The Association carried on as an unregistered body till it was properly registered with 20 individual members on 13-7-'39 under Co-operative Societies Act. To begin with, the Government lent Rs. 15,000 free of interest. The Agricultural Department has extended the services of five packers at at the rate of Rs. 15 per mensem and the Marketing Department of the Government of India has placed at its disposal the services of a Grader on Rs. 40. p.m.

It is the duty of each member to get his fruits collected and graded according to the instructions of the Association. The fruits are packed into crates and wooden boxes under the guidance of the expert packers. The labels bearing the trademark is supplied by the Association. The owners of the fruits have to take their fruits to the railway station where a whole-time clerk of the Association gets it booked to the down markets. Fruits are openly auctioned everywhere and the sale proceeds are remitted to the Central Co-operative Bank at Mardan, whence each member receives what is due to him. The agents in down markets who dispose of the fruits send an account to the Association showing the gross price of each crate and the details of expenses incurred on each.

About 6514 crates containing various fruits valued at Rs. 13,400 were exported through the Association during the hot season of 1939:—

Name of Fruit.	*Weight in Maunds and Destination.*					
Plums and Peaches ..	Bombay 1108	Calcutta 612	Delhi 200	Madras 100	Lahore 12	Jhelum 7
	Dehradun 2	Simla 8	Hyderabad (Dn.) 20		Lucknow 3	
Pears ..	Cawnpore 470	Calcutta 507	Madras 138	Delhi 44	Lahore 7	

Each variety of fruit is not sure to fetch a price higher than the one prevalent in N.W.F.P. markets. The packing expenses, railway freight, commission for the agents and other miscellaneous expenses constitute a great drain and in some cases the total result is a debit balance. The following table will illustrate the comparative rates prevalent in local and outside markets after deducting the various expenses:—

Fruit.	Local Average Rate per Maund	Average rate per Maund in down Market.
Plums ..	Rs. 1 12 0	Rs. 1 2 6
Peaches ..	Rs. 2 0 0	Rs. 3 9 6
Pears ..	Rs. 1 4 0	Rs. 0 2 6

The members have not the option to sell their fruits either through the Association in down markets or directly to the local businessmen. But in either case the Association charges commission, of course at different rates. In the case of sale through the Association the commission is charged at the rate of half anna per rupee on the sale proceeds, and in the case of direct local sale the rate is one anna per rupee. The rate of commission is lower in the former case, firstly because the owners have to defray freights and other charges in despatching their fruits to down markets, and secondly the sale through the Association is desired to be encouraged in this way.

The funds of the Association till 30-11-1939 were as under:

Liabilities.	Rs. A. P.	*Assets.*	Rs. A. P.
Shares contributed.	1705 0 0	Cash in hand ..	14 13 6
Deposits received as sale proceeds on the fruits ..	1598 13 6	Deposits in Mardan Central Bank ..	2120 9 0
		Stock Purchased ..	333 11 0
		Mardan C. B. Shares.	100 0 0
		Amount due from the Commission Agents ..	160 5 6
		Furniture ..	35 6 3
		Loss for the year ..	619 10 3

The Association is bound to run at a loss as long as the members have not learnt the secrets of the markets. The honesty of the commission agents through whom the fruits are marketed, cannot be relied upon. As long as the Association has got no agents of its own, there is no other alternative but to depend upon them. Their statements about the condition of the fruits received in down markets and the rates current therein cannot be questioned. During the past hot season the members were deputed to visit and study the market conditions in

Bombay, Madras, Calcutta, Simla and Delhi. Throughout the season they remained in their respective centres informing the Association from time to time of the demand in the markets. The Association has spent Rs. 800/- in defraying their travelling expenses. The Railway freights amounting to Rs. 12719/9/- and packing expenses to the tune of Rs. 3750/14/- were equally responsible for the Association sustaining a loss. The difficulties which the Association is facing at present are the heavy railway freights, competition from other dealers and the lack of market organisation which can precisely gauge the demand.

The members are fortunately not disheartened by the above difficulties. They believe that the Association has got a bright future ahead. The losses sustained in the past are the cost of experience. The Association has already proved its utility in sevearl ways to the province. In the first place it has undertaken to export on co-operative basis a large quantity of fruits, which would, if left in the local markets, have caused a tremendous fall in the prices consequently inflicting heavy losses upon the owners of the orchards. Secondly, the money imported in exchange for the fruits makes the province richer by that amount. Thirdly the Association has opened an avenue for employment though on a modest scale. During the fruit season a number of persons are employed as pickers, packers, graders and clerks. Lastly it is the first body of its kind which has embarked upon this enterprise inviting others to follow in the footsteps. The successes scored by this Association will hearten others, while its failures will serve as beacon lights to warn others of the possible dangers in the venture.

EXECUTION OF DECISIONS IN CO-OPERATIVE DISPUTES
CO-OPERATION BETWEEN STATE AND PROVINCES

By

R. K. Jayathirthachar, B.A., LL.B.,

Director, Mysore Provincial Co-operative Apex Bank

In a really Co-operative world, there ought not to be any disputes at all, and the question of decisions and their execution would not then really arise at all. But it is wishful thinking, and in this world of mixed good and evil, mixed honesty and dishonesty, default in keeping the terms of the bond executed by members in favour of the Co-operative institutions to which they belong is not so rare a phenomenon as one could wish. The default may or may not be deliberate. Anyway, defaults there have been and there will be. The legislature has therefore had to think of these defaults and to provide the steps to be taken to launch disputes and to arrange for decisions and for the execution of such decisions. To this end, the several provincial legislatures have incorporated, in their enactments, provisions for execution of those decisions either through the Government Agency for the collection of land revenue or through the ordinary Civil Courts. I have dealt with this aspect of the matter in general in relation to the law existing and the difficulties experienced in resorting to the two agencies in Mysore in an article which appeared in the *Mysore Co-operative Journal,* May 1940.

The question that I propose now to deal with is a different one. It refers to the execution of decisions of Registrars and Assistant Registrars of Co-operative Societies (in a British Indian Province) when the debtor has left the said province with no properties there capable of being proceeded against and has migrated to an Indian State and vice versa. Cases of this kind have occurred and practical difficulties have been experienced and in the interests of co-operation, it appears necessary that all those who have those interests at heart should bestir themselves and move for due provision being made to overcome the said difficulties.

I refer to the position in Mysore. *In Sri Gajanana Urban Co-operative Bank, Ltd., Byadagi* v. *Basavamma* (a case reported in 17 Mysore Law Journal at page 436) it has been held that "it is only decrees of a Civil or Revenue Court in British India that can be executed in the Mysore Courts (subject to other limitations under Section 43 of the

Code of Civil Procedure). The award of a Registrar of Co-operative Societies in British India or his nominee or arbitrators appointed by him ot such a decree and does not come within the scope of Section 43 'e Code of Civil Procedure and cannot be executed by a Court in re."

ırther, it has been held that "the fact that according to the provi- f the Bombay Co-operative Societies Act such an award may be d by any Civil Court in the same manner as the decree of such ıes not invest such an award with the character of a decree of a ıvil or Revenue Court so as to bring it within the scope of Section 43 of the Code of Civil Procedure."

It is apparent from the foregoing extract that it is enough for a man (who owns no properties in British India) who has been a member of a Co-operative Society in British India to get into Mysore in order to escape the liability under an award or decision of the Registrar or an Assistant Registrar of Co-operative Societies of the Province.

Before the ruling in the case referred to above was given, the position of law on the matter in Mysore was not clear. At any rate, it was open to urge that such awards or decisions of Registrars and Assistant Registrars were executable by Civil Courts in Mysore.

In two reported cases, the Madras High Court has held that the Registrar is a Court. In *Thadi Subba Reddi* v. *Emperor,* (A.I.R. 1930 Madras p. 869), Pandalai, J., held that the Registrar was a Court, but the question in that case was in relation to Section 195 of the Code of Criminal Procedure. This decision would perhaps be distinguished on that ground. In *Velayuda Mudali* v. *Co-operative Rural Credit Society* (A.I.R. 1934 Madras 40), Walsh, J. held that a Registrar of Co-operative Societies was a Court. This was in relation to Section 52 of the Transfer of Property Act. This decision would also perhaps be distinguished on the ground that the question was whether a transfer of property pending proceedings before a Registrar was made *pendente lite.* It is thus seen that there is no authority directly in point.

Taking the state of law in Mysore, unless the Registrars and the Assistant Registrars of British Indian Provinces are held to be Civil or Revenue Courts, no decision or award of a Registrar or an Assistant Registrar of a British Indian Province can at all be executed in Mysore.

What then is the remedy? I think the Government of India or the Provincial Governments may be moved to amend the Co-operative Societies Acts or the Code of Civil Procedure so as to clearly declare the Registrars and the Assistant Registrars of Co-operative Societies in British Indian Provinces to be Civil Courts for purposes of transfer to Courts in the territories of any Foreign Province or State, and to move the Government of Mysore to include a similar provision. This can only be done if those in British India who have the interests of Co-operative Societies at heart exert themselves and take effective measures.

Co-operative institutions in Mysore, also, have felt difficulties in the converse cases. Members of societies in Mysore have emigrated to British Indian Provinces, and it has been difficult or impossible to proceed against them even in cases where the debtors have consented to a decree or contested the proceedings before the Registrar or the Assistant Registrar. Employees of the Postal Department are an instance. Postal authorities in British India have refused to co-operate in the attachment of salary of defaulting members who are employees of the Postal Department. In this connection, it may be mentioned that the Co-operators in Mysore, at the 27th Mysore Provincial Co-operative Conference held on the 7th and the 8th October 1940, have resolved that Government be requested to arrange for the execution (outside the State) of decrees obtained by Co-operative institutions in Mysore. The difficulties are thus mutual, and as in the case of other ills, co-operation is the only remedy. Co-operation between Provinces and States is thus essential, and co-operators in Mysore have to exert themselves equally as their brethren in the British Indian Provinces.

REVIEWS

HEALTH BULLETIN No. 28—RICE, (Manager of Publications, Delhi —Annas 2.)

In the review of "The Rice Problem in India" published in the last issue of the *Indian Co-operative Review* the present writer commented on the fact that the publication was priced at the high figure of Rs. 3-8-0. That publication was, however, the reprint of a scientific memoir not primarily intended for the general public. The Indian Research Fund Association have done well to authorise the publication, by the Nutrition Research Laboratories, Coonoor, of a popular summary of that scientific memoir—compiled originally by Dr. Aykroyd and his colleagues. The new publication is priced very low, and couched as it is in a simple style with the detailed and elaborate scientific dessertations left out—it provides just the kind of exposition that should educate the public mind on the nutritive value and deficiency of rice which is the staple diet of the large masses of the population of India.

The Bulletin contains, in addition to a simplified summary of the memoir, a plate showing the effect of the milling of rice. The plate appears to be reproduced from a poster issued by the Nutrition Research Laboratories. It gives the sections separately of the unmilled grain and the milled grain showing the germ and the pericarp removed in the latter. When rice is milled, it is explained 'it loses the outer layers (the germ and pericarp). These contain more protein, mineral salts and vitamins than the starch inner parts of the grain (endosperm). "Under-milled rice," the poster sets forth in bold characters "is hence more nutritious than the milled rice." On the average, the bulletin further notes, rice contains only about half as much phosphorus as hand-pounded rice, and machine-milled rice also contains less iron than home pounded rice. The most serious loss is, however, that of vitamin B, popularly known as the anti-beriberi vitamin.

It is because of these deficiencies in the nutritive qualities of milled rice that the matter has attracted the attention of medical authorities in all countries where rice forms the staple food of the people. The League of Nations Inter-governmental Conference of Far Eastern Countries on Rural Hygiene held in Java in 1937 took up this question and passed a resolution which deserves to be reproduced in full: "The degree of milling to which rice is subjected is of vital importance in connection with the problem of nutrition throughout the East. In many countries the poorer classes consume foods other than rice in small quantities and it is very difficult for economic reasons to increase the amount of supplementary foods in the diet; in such circumstances, the nutritive value of the main article of food, which is influenced by the degree of milling becomes of great significance. The Conference recommends that only under-milled rice should be supplied in government institutions. Efforts to popularise the use of under-milled rice by education and propaganda should be increased. It deplores the increasing tendency of urban and rural populations in the East to consume highly milled rice. It strongly recommends that governments should make a thorough investigation of the nutritional, commercial, economic and psychological aspects of the problem, attention being given to the possibility of checking the spread of mechanical rice mills in rural areas, with a view to conserving the healthy habit of consuming home-pounded rice, and to take measures for making under-milled rice easily avilable everywhere for those who wish to purchase it." The Health Bulletin on Rice provides popular instruction on this subject, and moreover attempts to formulate a programme of work of the type recommended in the resolution quoted above to check the use of highly milled rice and to supply in its stead home-pounded rice. For this reason it deserves the attention of all interested in problems of social welfare, particularly in rural areas.

V. L. M.

CO-OPERATIVE FARMING. By S. K. Dey, I.C.S. (Indira Dey, Collector's House, Nadia, Bengal, Re. 1|-).

Mr. Dey is the Collector of Nadia and has planned and executed a bolder and a more rational scheme of consolidation of holdings in his district than has been given to any co-operator or administrator so far. It is still an experiment, but we have no doubt, judging from the achievements already to their credit, Mr. Dey and his co-workers will see their efforts crowned with complete success at no distant time and there will be no backsliding among the member-agriculturists for whose benefit the whole scheme has been conceived.

The core of the scheme is to induce all tenants with occupancy rights in a village to give up their rights over particular plots of land and to agree to take, in lieu of their valued rights, shares in a society of their own formed for the purpose of a more rational and economic method of farming. Mr. Dey believes that mere consolidation of fragmented plots of many individuals will not make them more economic, but that a farm to be well and properly cultivated should be of the size of about 30 acres in Nadia. The pooled lands of any particular co-operative farm will be worked by modern methods of agriculture. Buying, selling and processing as well as credit will be on co-operative lines. The members may work on the farm for wages but they will be entitled in any case to the dividend on shares.

All improvements, especially, introduction of machinery, will not be carried out at once; for apart from the difficulty of getting capital and creating confidence in the minds of creditors, time should be given to the workers on land to adjust themselves to the new situation. There will be some unemployment as a result of rationalisation which will have to be faced. Industrial development is imperative if the surplus labour on land should find employment. The author does not offer co-operative farming as the panacea of all ills in rural economy.

The co-operative farm will be managed by a committee chosen by members and helped by an advisory body of officials and non-officials. Landlords, to whom arrears of rent are due will be paid off their dues by the society, which will deduct the same from the dividends due to members on shares. Credit facilities will not be found wanting, if confidence is inspired by the more rational and businesslike management of the co-operative farm. Any day this will be better security for investors than the miserable apology of farms for which credit has been extended so far, directly or through co-operative societies and central banks.

The brochure gives a succinct account of the scheme, of the actual achievements in three centres, and the prospects ahead, which are bright. Indeed this line of progress is more in accord not only with the tradition of communal farming in India but with the ideals of the founders of the Co-operative Movement like Robert Owen and Fourier, than schemes so far attempted of consolidation of individual holdings. We wish Mr. Dey and his co-workers all success in this bold venture. In Provinces like the Punjab, Bombay and Madras, where land tenure is simpler and more favourable to the ryots, success ought to be easier, provided there is enough guidance and enthusiasm. The bylaws, the budgets and the books to be kept in co-operative farms, which are appended to this fine report will, we are sure, be read with interest by all co-operators.

A SURVEY OF FARM BUSINESS IN WAI TALUKA. By D. R. Gadgil and V. R. Gadgil. (Gokhale Institute of Economics and Politics, Poona, 1940, Rs. 2-8).

The Gokhale Institute of Politics and Economics, under the direction of Mr. D. R. Gadgil, has established a high reputation for thorough economic investigation of a number of subjects already. The present study of farm business is the result of two years of investigation of farm costs and profits by what is known as the survey method, as distinguished from the elaborate cost accounting method followed, for instance, by the Imperial Council of Agriculture in the enquiry into the cost of production of principal crops in the cotton and sugarcane tracts of India. According to this method an observer has to be stationed continuously in the growing season in particular villages to record after personal observation every detail of expenditure and income. But the survey method only requires the investigator to pay a few visits to ascertain from particular farmers in some selected villages the cost of production and the yield and value of all returns from land. Besides being quicker and cheaper the survey method enables the investigator to give a general picture of rural economy of the whole tract and draw attention to the factors making for efficiency or the reverse. The method is no doubt more difficult to follow in this country because of the lack of written accounts. A more careful selection of farmers, a repetition of visits and the checking of statements by all possible means have to a great extent made up for the defect.

The tracts taken up for investigation is the Wai Taluka in the Satara District in Bombay. 21 out of 39 villages in the taluka were chosen, and in each village 20 to 30 farmers were selected for enquiry. A number of detailed forms had to be filled up and the data had to be worked out and reduced, involving enormous time and energy, as the readers of the book will see from the large number of tables presented. Some of the results of the enquiry may be set out. The average farm is 12·5 acres, 75 per cent of which is cultivated at a time. More than 90 per cent of investment is locked up in the land itself. 5 per cent is on livestock and only 2 per cent on implements. The gross income from a farm is Rs. 411 on an average, the net income is Rs. 88—without any deduction for interest on capital invested, and for wages of labour of the farmer and his family. If these were deducted at 3 per cent on capital and Rs. 108 for annual wages, there will be a net loss of Rs. 99 per farm. Such is the economics of farming, though there are some good farms of different sizes that pay something positive, but nothing attractive. About 50 frequency tables are given, correlating a number of factors with the profitability of farms.

The conclusions are said to be tentative and are subject to revision by a more detailed study. Still we may notice some of them. Farms of less than 7·5 acres are uneconomic, while those above 17·, are not profitable, in proportion to size. Dry farms fetch greater profits than irrigated farms. Farms employing much labour have resulted in losses. Money crops following a cereal crop yield better returns than one cereal crop following another. Owner cultivators are not better off than the tenants. Cash tenants do better than share tenants.

We trust the authors will pursue the enquiries still further and give the readers more precise conclusions and practicable policies to follow.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

CENTRAL PROVINCES AND BERAR

Extracts from the Report of the Registrar of Co-operative Societies, Mr. D. V. Rege, I.C.S. for the year ended 30th June 1939:—

Financial Balance Sheet of the Co-operative Movement.—The financial position of the central banks of the province and the Provincial Bank taken together on the 30th June 1939 is indicated in the rough balance sheet given below:—

Liabilities.	Rs.
1. Deposits.	
(a) Fixed deposits ..	144,22,868
(b) Savings Deposits ..	30,98,102
(c) Current deposits ..	9,84,059
2. Debentures ..	7,89,300
3. Provident fund of the employees ..	3,28,673
4. Loans due to banks outside the movement ..	2,64,736
Total liabilities to outside creditors ..	198,87,738
5. Paid up share capital ..	15,56,422
Grand total of liabilities. ..	214,44,160

Assets.	Rs.
1. Cash on hand and in banks outside the movement ..	5,23,450
2. Surplus in government securities ..	19,88,786
3. Fluid resource and reserve fund in Government securities ..	54,79,131
4. Demand loan on security of government paper and deposits ..	4,09,154
5. Deposits in approved banks outside the movement ..	30,31,636
A. Total liquid assets ..	114,32,157
6. Building and stock ..	7,22,654
7. Landed property ..	34,39,841
B. Total fixed assets ..	41,62,495
Total liquid and fixed assets (A+B) ..	155,94,652
8. Good debts outstanding against societies ..	71,88,462
Grand total of assets ..	227,83,114

The year under report was as unfavourable to the agriculturists as the previous one. The movement suffered a further set back, more particularly in Berar where 9 banks were forced to suspend business during the latter part of the year. In fact the movement in Berar is practically dead, and a solution which will satisfy all is hard to find. Financial accommodation and land management continued to be the main problems of Berar. With the steady drain of deposits coupled with poor recoveries, the Berar banks were obliged to look to the Provincial Bank for financial accommodation and so long as it was available the Berar banks could keep up appearances. The moment it was refused crisis occurred in the nine banks.

Co-operative Enquiry.—The Berar Co-operative Enquiry Committee was appointed by Government in October 1938 under the chairmanship of Mr. P. B. Gole to (1) examine the position of the co-operative movement in Berar in general and of the finances of the central banks in Berar in particular; (2) suggest ways and means of a more remunerative management of lands acquired by central banks; and (3) make proposals for financial accommodation to those central banks which are in need of it immediately or for some years to come. The committee submitted its report in February 1939. The main recommendations include disposal of lands in possession of banks and societies by lottery, supersession of managements of banks and constitution of a Central Banking Board, writing down of Rs. 10 lakhs out of the Provincial Bank loan to banks, compulsory conversion of deposits and the balance of the Provincial Bank loan into debentures for 30 years with interest at 3 per cent both capital and interest being guaranteed by government, conciliation of members' loans, the loss due to conciliation being borne by government and annual subsidy of Rs. 1 lakh by government.

Agricultural Credit Societies (Limited and Unlimited).—The total number of primary societies with limited and unlimited liability increased by 288 to 4,372, of which 3,664 were in the Central Provinces with a membership of 50,411 and 708 in Berar with a membership of 7,289. The working capital of societies in the province, excluding those under liquidation, decreased from Rs. 105,39,352 to Rs. 92,27,249; in the Central Provinces it decreased from Rs. 53,02,025 to Rs. 52,59,385 and in Berar from Rs. 52,37,327 to Rs. 39,67,864. The loans due by members also fell from Rs. 81,26,882 to Rs. 69,15,886. They increased in the Central Provinces to Rs. 39,59,803 (Rs. 38,07,519) while in Berar they fell to Rs. 29,56,083 (Rs. 43,19,363). Cash recoveries from members of working societies, however, increased from Rs. 7,88,873 to Rs. 8,49,053 in the Central Provinces and decreased from Rs. 2,58,422 to Rs. 1,69,024 in Berar. The loans advanced to members decreased from Rs. 19,78,121 to Rs. 16,39,084 of which cash advances amounted to Rs. 8,68,132, being Rs. 7,64,414 in Central Provinces and Rs. 1,03,718 in Berar. The proportion of overdues has decreased to 52·9 per cent [60·7] in Central Provinces while it has gone up to 94·7 (93·9) in Berar. The rate of interest charged to societies varied between 6¼ and 10 per cent.

Big borrowers owing Rs. 1,000 or more were 938 and absorbed Rs. 30,12,488 or 40·3 per cent of the loans outstanding. Out of these, the bulk, viz. 745 borrowers hail from Berar and absorbed Rs. 26,24,593 out of Rs. 34,45,483 or 76·2 per cent of the total loans in that division. The problem of big borrowers continued to be acute in Berar. It is no exaggeration to say that the present deplorable condition of the movement in that part of the province is not a little due to the unco-operative attitude of many of the office-bearers of societies and rural directors of the banks who form the majority of the big borowers. This also explains why the societies did not take severe action against big borrowers.

The progress of reorganisation of societies was as unsatisfactory as in the previous year. I cannot help remarking that the bank authorities did not take as much interest in this work as they should have done. Reorganisation of primary societies is of the utmost importance if the movement is to be revitalised. I have advised the banks individually to attend to this work; and I hope they will give no cause for complaint in future.

Land Mortgage Banks.—The number of land mortgage banks in the province increased from 19 to 21. The following figures will show the working of the banks during the current as well as previous years:—

	1938-39.	1937-38.
Number of members ..	4,685	3,107
Number of applications ..	1,183	1,479
Total amount of loans applied for ..	Rs. 17,29,342	Rs. 17,18,537
Number of applications rejected ..	728	339
Number of applications sanctioned ..	502	348
Number of applications pending ..	843	857
	Rs.	Rs.
Loans advanced ..	4,47,302	3,79,245
Loans recovered ..	67,947	54,481
Loans outstanding on 30-6-1939 ..	11,38,351	7,16,089
Overdues ..	34,691	6,479
Cost of management ..	14,870	10,750
Share capital ..	1,07,456	85,451
Provincial Bank loan outstanding ..	10,88,541	6,63,068
Working capital ..	12,86,619	8,12,030

The reasons for the decrease in the number of loan applications received are: (1) in the area of some banks Debt Conciliation Boards continued to function and debtors got more concessions from them than they would have got from the land mortgage banks; (2) the Relief of Indebtedness Act which was on the anvil created some hope in the minds of debtors who preferred to wait rather than go to land mortgage banks for raising loans to pay off prior debts; (3) there was absence of propaganda on the part of some of the land mortgage banks to popularise their activities in the rural areas; and (4) the large number of loan applications rejected by banks deterred some from putting in 'sporting' applications. The scrutiny of loan applications was made stiffer, and greater attention was paid to the real repaying capacity (as contrasted with the estimated) which could be gauged from the actual repayments made by them in the past to creditors.

The Central Provinces and Berar Provincial Co-operative Bank continued to function as an apex bank for the land mortgage bank movement. It floated the third series of debentures of the face value of Rs. 4 lakhs at 3¼ per cent in October 1938. The total value of the different series of debentures floated till 30th June 1939 was Rs. 8 lakhs, while the loans outstanding against the land mortgage banks amounted to Rs. 10,88,540. The excess of Rs. 2,88,540 represented the temporary accommodation given to its land mortgage section by the Provincial Bank out of general funds on the banking side. The rates of interest charged by the Provincial Bank to land mortgage banks and that by the land mortgage banks to their members were reduced from 5 and 7 per cent to 4½ and 6½ per cent respectively with effect from 1st July 1938. As per orders of Government, the Provincial Bank has decided to establish sinking fund for the different series of debentures issued by it.

The minimum loan that could be advanced to a borrower by the Berar banks was Rs. 300 till now, and it has been reduced to Rs. 150 as in the case of the banks in C.P With regard to revaluation of properties mortgaged to the land mortgage banks, it has been decided that it should be done by Government valuers once in three years.

Central Banks.—The number of central banks continued to be 35. The total working capital of these banks decreased to Rs. 243,41,028 (Rs. 245,81,314). The share capital fell from Rs. 10,01,734 to Rs. 9,61,243 in Central Provinces and from Rs. 5,76,461 to Rs. 5,59,499 in Berar. The Reserve and other funds however increased to Rs. 54,20,648 (Rs. 53,46,402) of which a sum of Rs. 34,10,062 was earmarked for provision for bad and doubtful debts. Deposits from individuals decreased to Rs. 109,72,592 (118,95,206) for the province as a whole. Deposits received in cash amounted to Rs. 18,55,249 (Rs. 20,64,486) in C.P. and Rs. 18,99,250 (Rs. 34,35,440) in Berar.

The total loans outstanding against affiliated societies decreased to Rs. 125,67,417 (Rs. 130,72,932). It increased to Rs. 48,70,945 (Rs. 48,49,513) in Central Provinces and decreased to Rs. 76,96,472 (Rs. 82,23,418) in Berar. Bad debts amounted to Rs. 11,35,173 and Rs. 38,47,106 and doubtful debts to Rs. 2,37,852 and Rs. 25,873 in Central Provinces and Berar respectively. The question of estimating bad debts is engaging the attention of the department. In Berar the land values differ from village to village. The standards of valuation so far adopted are being revised to suit present conditions. Some central banks have not been able to make provision for bad debts out of their funds and profits, except out of Reserve Fund and share capital. In 6 banks in C.P. and 7 banks in Berar, the real assets fell short of liabilities by Rs. 20,16,703. The position of the fluid resource in some banks is far from satisfactory.

The problems facing the central banks are practically the same as before. In Berar, with the exception of three banks, all banks have suspended payment and are awaiting Government's decision on the Berar problem which is "well nigh baffling." The outbreak of the war, after the close of the year, may however stimulate the demand for land and agricultural commodities, and thus help in resolving the difficulties of the banks and societies.

C. P. and Berar Provincial Co-operative Bank Ltd.—The working capital of the bank has increased from Rs. 164,98,916 to Rs. 167,53,817; share capital and reserve fund amount to Rs. 5,19,770 (Rs. 5,24,020) and Rs. 5,15,000 (Rs. 5,00,000) respectively. The provision for bad and doubtful debts amounts to Rs. 5,84,000, which more than covers the bad debts of Rs. 3,61,745. The bank's other funds amounted to Rs. 3,07,653. Further, the current value of the bank's investments in government securities, though not as high as in the last year, is still much in excess of what appears in the balance sheet, and this latent reserve is a source of additional strength. The net profits earned by the Bank also increased from Rs. 46,859 to Rs. 68,276.

The amount due from central banks and societies on account of loans, cash credits and overdrafts increased from Rs. 37,22,434 to Rs. 45,79,135, of which Rs. 9,68,339 (Rs. 7,32,305) were due from the Central Provinces and Rs. 36,10,796 (Rs. 29,90,130) from the Berar banks and societies. The Bank is associated with the management of four central banks in Berar and two in the Central Provinces. Except the loans advanced for financing the crop loan societies recently registered, no loans are usually advanced or cash credits and overdrafts granted without the security of mortgages of central banks' own lands or assignments of lands belonging to members of societies made by the latter in favour of central banks, government paper or fixed deposit receipts of this Bank. The cash recoveries of loans during the year went down to Rs. 227,815 (Rs. 4,87,717), while the cash advance increased to Rs. 637,800 (Rs. 2,47,530). Overdues from central banks and societies amounted to

Rs. 9,16,372 (Rs. 764,217), the increase being mainly due to the incapacity of the banks even to meet easy instalments granted two years ago, particularly in Berar, where 9 banks have suspended payments.

The sound financial position of the Provincial Bank is largely due to the cautious policy and wise guidance of its Managing Director, Sir Madho Rao Deshpande. In these times when the central banks are tottering in some parts of the province and demands for financial assistance are frequently made by them, the position of the Managing Director is not a bed of roses. His assistance to the Berar banks to the extent of about Rs. 35 lakhs postponed the crash till recently and as the limit for long term investment has been almost reached, he cannot be blamed if he now follows a more cautious policy in financing weak banks in C.P.

Agricultural Societies (for purposes other than credit).—The number of such societies rose by 7 to 86. They consist of 2 Landlords' Associations, 58 agricultural associations, 17 seed unions and 9 adat shops. The working capital of the Landlords' Associations amounted to Rs. 1,74,270 and their reserve fund to Rs. 65,527. The corresponding figures for the Agricultural associations were Rs. 1,76,857 and 65,527 respectively. The seed unions usually deal in kind and made a profit of Rs. 1,839, with an working capital of Rs. 9,709. Only one of the adat shops is doing some work, 3 have not started work and the remaining 5 are dormant.

Non-agricultural credit societies (unlimited liability).—Thirty three societies of this class were registered during the year. The total number of such societies at the close of the year was 78 (45) with a membership of 1,085. The working capital and outstanding loans rose to Rs. 67,137 and Rs. 55,470.

Non-agricultural societies (Limited Liability).—The number of such societies rose to 51 with a membership of 22,595. The working capital and loans outstanding have gone up to Rs. 15,94,366 and Rs. 14,72,317 (Rs. 15,72,657 and Rs. 13,37,734), respectively. Most of these societies are fairly doing well and their number may well be increased. In some societies, business has been restricted as attachment of salaries of persons drawing less than Rs. 100 has been stopped.

Non-agricultural societies (for purposes other than credit).—There were 114 societies of this type, of which 26 were stores societies, 3 dairies, 10 industrial associations, 16 housing societies, 17 thrift societies, 5 adult education and 4 compulsory education societies, 14 better living societies, 2 village development societies, 3 cattle breeding societies, 6 general purposes and 8 multi purpose societies. The membership and working capital of the stores increased from 1,234 to 1,713 and from Rs. 77, 248 to Rs. 87,548 respectively. The sale of goods to members also rose from Rs. 1,09,466 to Rs. 1,19,062.

The Telinkheri Dairy Society continues to do good work under the supervision of the Agricultural Department. The other two dairies at Bilaspur and Drug have made good start. The membership of these societies rose from 33 to 66, but their working capital fell from Rs. 16,995 to Rs. 15,238. The sale of goods rose from Rs. 30,283 to Rs. 33,682 and they made a profit of Rs. 936.

The membership of the housing societies has risen to 676 (673), while the loans outstanding have fallen to Rs. 5,78,783 (Rs. 5,79,659). The working capital has decreased further to Rs. 6,00,013 (Rs. 6,54,477).

Reserve Funds.—The reserve funds of all societies rose to Rs. 81,19,812 (Rs. 71,55,963), of which Rs. 5,15,000 represented the fund of the Provincial Bank, Rs. 14,58,456 that of the central banks and the balance that of primaries,—including a sum of Rs. 26,92,422 representing the reserve fund of societies under liquidation. Of the total reserve fund of the movement, a sum of Rs. 25,16,735 is invested in Government securities and post office cash certificates, and the balance of Rs. 56,03,077 is mixed up in the working capital of banks and societies as detailed below:—

		Rs.
In Provincial Bank shares	..	4,66,580
In Central Bank shares	..	27,875
In Reserve Bank shares	..	10,000
In working capital of share societies and societies under reserve fund scheme	..	6,36,771
Uninvested	..	44,61,851
Total	..	56,03,077

Loans due from societies and members under award and societies under liquidation.—The total loan due from societies and members under award and from societies under liquidation was Rs. 86,12,897 (Rs. 96,13,326) or 68·5 (73·5) per cent of the total loans outstanding against societies. These figures give an idea of the failure of co-operation and the straits to which the movement based on thrift and mutual supervision has been reduced. The percentage of central bank loans under coercive recovery decreased in the Central Provinces from 56·8 to 50·0 and in Berar from 83·4 to 80·2.

The Institutes and C. P. and Berar Federation.—The Province continues to be divided into five institutes and all the central banks except Wardha and Balaghat have been affiliated to them. The institutes are experiencing difficulties in the realisation of per capita subscriptions from members, whose debts have been conciliated by debt conciliation boards. The budgets of these institutes show deficits and Government grants are not sufficient to cover them; they are living on their accumulated balances. Opinion is gaining ground that the institute system should be abolished and the old system under which each bank was responsible for its education, supervision and recoveries should be revived.

With the election of the new governor, Rai Sahib U. S. Bisen, in the place of Pandit Kashi Prasad Pande the headquarters of the C. P. and Berar Federation was shifted from Sihora to Jubbalpore. The Federation Congress was held at Nagpur in October 1938. The report of the sub-committee appointed for reviewing the system of education and audit of primary societies was considered by the conference, and the recommendations of the committee were adopted viz. (1) the system of education was working satisfactorily and required no alteration, (ii) the audit of primary societies should be made biennial instead of annual and (iii) the system of audit and education should be made uniform in the C.P. and Berar, i.e. audit fees should be charged in Berar as in the Central Provinces and the audit of primary societies should be controlled by the Registrar's audit fund.

The scheme of training and education financed out of the Government of India grant was carried out by Educational Inspector, assisted by three Assistant Educational Inspectors, as in the previous year. In the first half of the year, classes were held for circle auditors, valuers and chief group officers, society auditors, group officers, managers, accountants, etc. In the latter half of the year, training classes were organised by the staff with the help of the Divisional Co-operative Institutes for members and office-bearers of rural societies. The villagers are much benefited by the instruction given at the classes. It is, however, necessary that their knowledge should be refreshed from time to time. The Institutes have, therefore, been

requested to see that the members do not relapse into ignorance and to utilise the services of trained literate members in the writing of accounts, minutes of meetings and loan applications. Though the results are bound to be slow, the utility of the classes cannot be denied and efforts in this direction must continue until there is real and substantial awakening and the societies become truly co-operative.

Attitude of the public and general remarks.—The general attitude of the public towards the movement was one of disappointment. Even most of the tried workers were not free from this feeling. When in spite of the elimination of member after member and society after society the old and tried workers see continued disregard of the elementary principles of co-operation and banking, and the crumbling of the edifice which they have laboured hard to build up, it is no wonder that they lose heart and feel despair for the future. They have not lost faith in the principles underlying the movement, but they have come to realise that sound principles alone cannot help unless they are put in practice and honestly followed. Co-operation, however, is the only panacea for most of the evils from which agriculturists suffer and it is hoped that with the spread of the knowledge of the fundamental principles of co-operation among the members of primary societies through continuous propaganda work by the department and honorary workers, and with the improvement in their economic position on account of war, it may be possible to revive the movement by pruning out those members and societies which are beyond repair and by organisation of new societies, especially of multipurpose and crop loan type, on cautious lines. To achieve this consummation, it is also necessary that the younger generation and women who have not yet taken sufficient interest in the co-operative movement should come forward in large numbers to join it.

The relations between the department and the honorary workers continued to be cordial. The task of honorary workers, especially in Berar, has not been an enviable one and thanks of the department are due to those workers who have selflessly and devotedly laboured for the movement in spite of adverse circumstances.

THE PUNJAB

Review of the Report of Mr. M. R. Bhide, I.C.S., Registrar, on the working of the Co-operative Societies in the Punjab for the year ending 31st July, 1939.

The Registrar paints a gloomy picture of the year under report, but undoubtedly it was a bad year for the Punjab farmers, and the Registrar's colours are perhaps not too dark. Co-operation, however, is a child of adversity and if it cannot survive in bad times, it is not true co-operation. Judged by this test, Punjab co-operation is the genuine article, as the report shows that taken as a whole it has carried on surprisingly well, in spite of the blows struck at it by climate, prices and Agrarian Laws. These laws although framed to cure evils for which co-operation, so far from being responsible, was founded to be itself the remedy, have enabled co-operators of poor moral fibre and discipline to do much damage to the movement.

There are two bad features noticed and rightly condemned in the report, the turning of the co-operative staff into debt collectors, because of the unwillingness of the co-operators themselves to pay and to make their fellow members pay their just debts to the societies, and the disloyal activities of some rural magnates who have used their influence to borrow from societies, have become wilful defaulters and set a bad example for other debtors in a humbler position.

The Punjab to-day is sadly in need of discipline. The old bonds of custom and religion have been loosened by the impact of modern condition, but not yet have they been replaced by the new bonds of conscious and disciplined citizenship. It is hoped that the Co-operative Movement will in time help to provide these new bonds; but at present it is still an up-hill struggle against the spirit of indiscipline and moral slackness.

Nothing would help more to tone up the Punjab and nothing is more wanted to-day than a strong savings movement. With the vagaries of climate, prices, and the risks of diseases and pests of crops and cattle to which the Punjab is subject, a savings account is as important to the farmer as a good plough, and yet the Co-operative Movement has so far failed to establish the principle of saving except in a few of its best societies. Let us hope that the Punjab's keen desire to help in the defence of India will enable its support of Defence Bonds and Savings Certificates to become the thin end of the wedge of a Punjab Savings Movement.

The Registrar, Mr. Bhide, makes no attempt to conceal the defects of Punjab Co-operation, and the Punjab Government is grateful to him for his frank and interesting report. In spite, however, of the defects which he rightly castigates, co-operation is making definite headway in the Punjab. The report shows that debts have been reduced, while the numbers of members and of societies have increased. Until recently Punjab Co-operation was mainly concerned with credit, but in recent years it has begun to attend to many other aspects of village life and rapidly increasing number of societies are being registered for the improvement of health, both of man and beast, the development of animal husbandry, soil conservation and the betterment of village life in general. This is a most wise and welcome policy. Besides spreading the principles and practice of self-help and self-improvement over a far larger area, it will inculcate the much needed lessons of discipline and mutual harmony and co-operation and so prepare the people for the more difficult and dangerous business of agricultural credit.

As usual, great attention has been paid to the training and education both of co-operators and of the departmental staff. Syed Zahur Hussain has been in charge of this branch since 1936 when the Government of India grant made it possible to expand the educational staff, and the Punjab Government is grateful to him for building it up so well.

The Co-operative Dramatic Party continued to amuse and instruct. This is the most popular of all the activities of the department and wherever it goes it draws far larger audiences than it can possibly cater for.

Consolidation of holdings, the famous invention of Mr. Calvert, is as useful and as popular as ever. Unfortunately it costs more money than the people are at present ready to pay and the difference between cost and receipts severely restricts the speed with which this most urgent reform can be carried out. Consolidation of holdings is the foundation of better farming and better village life. A million acres have so far been consolidated in 18 years and about 157,000 were completed during the year under report.

As there are another 20 million acres to be consolidated the necessity for finding some way of making this activity more nearly self-supporting requires no stressing.

Arbitration societies are another extremely useful branch of co-operation, but unfortunately they are only popular in a few localities.

Some adjustments may have to be made, in villages where panchayats are constituted, regarding arbitration and certain other kinds of co-operative societies, but there is ample room for both types of organization in the Punjab. The panchayats will take a long time to build up and it should be possible for both systems to flourish side by side.

Co-operative Marketing has hitherto been less successful than it should be. Even more than credit, it depends on discipline and personal honesty and can only be expanded as the spread of Co-operative principles being a stronger sense of responsibility to those who wish to profit by the use of the system.

A very promising grain scheme has been started in Gurgaon and round Delhi whereby repayment of loans is made in kind through a commission agent appointed by the Central Bank. The ingenious experiment has applied the collective bargaining to the indigenous marketing system with which the peasant is familiar. The co-operative producer enjoys a reduced rate of commission, some measure of control (through the Co-operative Staff) over weights and measurers and the convenience of remittance direct to the Central Bank, his account in the primary society being cleared by a paper transaction. The scheme has the additional advantage of linking credit with improved seed supply as loans for grain seeds are made in kind.

Women's Co-operative Societies are few in number and not an unqualified success. Considering that thrift is essentially a woman's virtue and that character training is the work of mothers, it is possible that the limited attention hitherto paid to girls' education and to women's Co-operative Societies is at least one cause of the absence of those robust virtues of discipline and self-help upon which Co-operation depends for its success. The Punjab Government, however, is alive to the importance of Women's education and welfare work and every effort is now being made to make up the lee-way lost in past years.

There is much cause for searching of heart in the co-operative movement, but there is also much cause for thankfulness and for confidence. The movement is weak in some areas, but it is healthy and vigorous in many others. There is infinite room for expansion particularly of the many kinds of co-operation not connected with agricultural credit. Expansion, however, means more and yet more staff for organization and supervision, and so it must regretfully be deferred until the provincial finances will allow larger sums to be devoted to this most beneficent activity. The present Co-operative Staff has a full and sometimes difficult task to perform during the present times of financial and economic stringency and Government is grateful for their hard and loyal work and for the willing co-operation of many departments in bringing home the benefits of better health, better farming, better homes and better business to the people of the Punjab.

F. L. BRAYNE,
Secretary to Government, Punjab, Development Department.

TRAVANCORE.

Review of the Government of H. H. the Maharaja of Travancore of the Report of the Registrar of Co-operative Societies, Mr. M. Ramachandra Rao for the year 1114 M.E. (1938-39).

General progress of the movement.—During the year under review the department continued its policy of rectification and consolidation of Societies and cautious expansion. Societies were registered with care and preference was given to non-credit Societies. During the year, 18 Societies were registered of which 17 were non-credit ones. The registration of 67 Societies was cancelled in the year, as against 66 in the previous year. The total number of Societies of all types at the end of the year was 1655, as against 1704 at the end of the previous year. Greater attention was devoted to the development of non-credit activities. The Government note that more attention is being devoted to the rectification of Societies and liquidation of such of them as are beyond resuscitation.

Share capital, working capital, reserve fund and deposits.—The working capital of the Societies fell from Rs. 84,58,447 to Rs. 79,34,873. The fall is chiefly due to the cancellation of a number of societies and to the repayment of share capital and deposits. The average working capital per society was Rs. 5,003 as against Rs. 5,050 in the previous year. The total share capital in the movement at the end of the year was Rs. 32,15,979, as against Rs. 33,71,343 in the previous year. The average paid up share capital per society was Rs. 2,028 as against Rs. 2,012 and that per member was Rs. 16. The total receipts and disbursements under deposits were Rs. 14,01,501 and Rs. 16,10,976, respectively, as against Rs. 16,81,411 and Rs. 18,64,122 in the previous year. The total turn-over of all the Societies aggregated to to Rs. 1,14,58,748 which showed a decrease of Rs. 18,76,214 from the turn-over for the previous year.

Profit and loss.—918 Societies, including the Central Weaving Society worked at a profit, the total profit being Rs. 1,37,027. 667 Societies including the Central Bank worked at a loss, the total loss being Rs. 2,54,018.

Loans.—Loans to the extent of Rs. 11·75 lakhs were given in the year. Loans granted for the purpose of discharging prior debts predominated.

Demand, Collection and Balance.—The collection work was poorer than in 1113 M. E. The Central Bank has fared the worst. Against a total demand of Rs. 8,28,695 under principal and Rs. 2,19,014 under interest, the Bank collected only Rs. 2,54,167 and Rs. 65,166 respectively, thus leaving a balance of 69·3 and 70·2 per cent of the demands uncollected at the end of the year against 60·07 and 60·2 per cent only during the previous year. The percentage of balance to total demand also rose to 72·1 under principal and 79·0 under interest from 70·4 and 74·8 only during the previous year. The collection work is thus very unsatisfactory though it is reported that the Department made a wholehearted effort to induce collection of overdues. Government hope that during the current year the Societies and the Department will be more vigilant in this matter and show apperciable improvement in collection work.

Non-official supervision.—Government are sorry to find that the Supervising Unions have not come up to the mark and that the Registrar has been forced to give them a warning in his report under review. It is hoped that these unions will take the advice and warning given by the Registrar and justify themselves by doing good work during the current year.

Concessions to Societies.—During the year Government continued their assistance to the Neyyatinkara Gorasa Vyavasaya Co-operative Society Ltd., by making a grant of Rs. 500 towards its working expenses. Government also sanctioned the continuance of the services of a Departmental Inspector to the Travancore Wholesale Society at Alleppey and sanctioned a grant of Rs. 2,500 towards its working.

Sale Officers.—Though the Sale Officers had with them awards for Rs. 1,25,375 for execution, a sum of Rs. 24,287 alone has been realised. The Sale Officers should execute a greater number of awards during the current year and reduce the pendency, so that the total amount of overdues may be considerably reduced.

Liquidation.—The liquidation of only 3 societies was completed during the year. There were 327 societies under various stages of liquidation at the end of the year. The Assistant Registrar in charge of the liquidation work and the special staff should devote greater attention to the work and liquidate a large number of those societies during the current year.

THE COMMITTEE ON CO-OPERATION IN MADRAS (1939-40).

SUMMARY OF RECOMMENDATIONS

RURAL INDEBTEDNESS

Effective legislation should be enacted (by amending section 14 of the Madras Debt Conciliation Act) for compulsory conciliation of debts, and facilities must be provided for scaling down debts on some principles definitely laid down by legislation.

Whenever an application is made by a debtor or a creditor, all the creditors of the debtor should, on receipt of a notice, disclose the debts due to them within a prescribed time and all the claims not so presented should be deemed to have been extinguished.

Suitable provision may be made to place scaled-down debts on a new footing with instalments for repayments.

Debt conciliation proceedings should not be confined to cases where creditors can be satisfied with loans from land mortgage banks.

A simple rural insolvency law on the lines recommended by the Royal Commission on Agriculture, the Indian Central Banking Enquiry Committee and other Committees should be enacted and insolvency tribunals should function in villages and promptly administer the law on the spot. If a separate enactment is not considered necessary, suitable provision relating to rural insolvency may be incorporated in the Debt Conciliation Act.

Protection must be given to the debtor not only to ensure to him a fair treatment in the determination and recovery of debts but also to prohibit his eviction without full compensation for improvements made by him if he is a tenant and to exempt his homestead and a minimum agricultural holding from attachment.

Legislation restricting alienation of agricultural land (apart from the land assigned to scheduled classes) is not favoured.

Existing mortgages of agricultural land in which the mortgagee has enjoyed the fruits of the land for not less than 25 years should be deemed to be extinguished.

No usufructuary mortgage of agricultural land should be permitted unless provision is made for automatic redemption within a fixed period of years, of which 20 should be the maximum.

Legislation should be undertaken for compulsory licensing of money lenders. It should provide for proper maintenance of accounts by them, periodical inspection and audit of their accounts, fixation of a maximum rate of interest, imposition of an obligation on money-lenders to furnish periodical statements of accounts to debtors, prohibition of compound interest and the signing of the contract by borrowers, the contract being in the language of the district to which the borrowers belong. The rates of interest prescribed under the Madras Debtors' Protection Act for other debts are high and require to be lowered.

LAND MORTGAGE BANKS.

A five year plan of expansion of land mortgage banks so as to provide for at least 200 banks covering the whole Province is recommended.

Special arrangements should be made to enable land mortgage banks to help the ryots with long-term mortgage credit in dry areas by offering the Central Land Mortgage Bank temporary accommodation either from the general revenues of the Province or from the Famine Relief Fund. Provision should be made for the economic improvement of the ryots in dry tracts through adequate irrigation facilities including the sinking of wells, dry farming and organization of small scale and large scale industries.

Legislation on the lines of the 'Torrens system' may be undertaken and, if necessary, incorporated in the Madras Land Mortgage Bank Act (X of 1934).

The Central Land Mortgage Bank should finance on a more intensive scale permanent productive improvements to lands. The technical advice and help of the Agriculture, Industries, Revenue and Engineering Departments should be made available to the Central Land Mortgage Bank and Primary Land Mortgage Banks for issuing such loans.

Grant of loans by Government under the Agricultural Improvement Loans Act for land improvement in areas served by Land Mortgage Banks should be discouraged. Loans for land improvement should be charged a lower rate of interest than loans for other purposes.

Loans smaller than Rs. 500 should be encouraged.

Loans for periods above seven years may also be given by land mortgage banks for genuine long-term productive purposes, the Central Land Mortgage Bank undertaking to float debentures for 10, 15 or 20 years, as the case may be.

Loans for the discharge of prior debts for more than twenty years are not supported.

The Central Land Mortgage Bank should float debentures for a slightly longer period than the period of loans in order to provide for extensions being given in deserving cases. (In the case of twenty-year loans, debentures for twenty-five years may be floated.)

The present system of making the debentures irredeemable for a definite period of not less than ten years certain, and with option to the bank to redeem them thereafter, is sound and should continue.

The proposal of the Reserve Bank of India that a borrower in a land mortgage bank might serve a period of probation in a primary credit society is considered impractical and is not supported.

No restriction should be placed on the simultaneous operation both by the Government and land mortgage banks for the supply of long-term money to the agriculturists for paying off their prior debts.

Land mortgage credit should be linked up with schemes of insurance.

The operations of land mortgage banks should be co-ordinated with schemes for debt conciliation. Conciliation boards should give notice to the principal long-term agency concerned before they go on with their further proceedings. Either the president or some other office-bearer of the land mortgage bank should be appointed a member of the conciliation board when it operates in a particular area.

The special staff of Land Mortgage Bank Deputy Registrars should be discontinued with a view to avoid delay and secure great efficiency and co-ordination among the co-operative agencies. For this purpose the District Deputy Registrars should be relieved of a portion of their present work and the number of District Deputy Registrars should be increased if necessary.

The co-operative Sub-Registrars in charge of land mortgage banks should be empowered to send all applications for loans not exceeding Rs. 5,000 direct to the Central Land Mortgage Bank. The strength of the Co-operative Sub-Registrars should be increased in areas where there are large number of loan applications.

The President of the Central Land Mortgage Bank may be empowered to sanction all loan applications not exceeding Rs. 2,000, such sanction being intimated to the next Executive Committee.

There should be some machinery to compel creditors and others who have a claim on the properties sought to be mortgaged to appear before the primary bank and to receive payment.

The concession as regards registration fees and encumbrance certificates should be continued.

The continuance of the guarantee by Government of the principal of and interest on debentures of the Central Land Mortgage Bank is recommended.

It is necessary that the Central Land Mortgage Bank should so arrange to do its business that in the long run it may be independent of Government guarantee.

The utilization by the bank of its sinking fund for buying up its debentures and purchasing subsequent issues of debentures which it may float for ensuring their popularity in the money market is recommended.

The Bank and the Trustee should be in close touch with the money market through a firm of brokers for estimating the lowest rate of interest on debentures which will be acceptable to the investing public.

In abnormal times, Government should come to the assistance of the Central Land Mortgage Bank and put it in possession of funds either directly or by floating a loan for the purpose

The Reserve Bank of India should give its unstinted support to the Central Land Mortgage Bank either by itself purchasing some of its debentures or by making advance on any such debentures. It is suggested that the Provincial Government may take up the matter with the Reserve Bank of India.

Section 9 of the Madras Land Mortgage Banks Act should be amended so as to provide that the claim of the mortgage bank to the crop should be postponed to the extent of priority of the primary credit society; in other words, it should constitute a second charge.

AGRICULTURAL CREDIT SOCIETIES.

A comprehensive plan of reconstruction of bad, moribund or indifferent societies should be taken in hand as early as possible.

A voluntary pool of the reserve funds of primary societies in the area of a central bank and of the central bank concerned, with the Registrar as the Trustee, is recommended for a temporary period for the writing off of bad debts in societies which can, through such a measure, be rehabilitated.

Societies beyond the scope of rehabilitation should be liquidated.

The problem of disposal of lands should be tackled at once by a scheme of "rent-purchase" on the Burma model or other suitable methods with the help of long-term money to be provided by the Government or the Central Land Mortgage Bank.

Except those whose loans have proved definitely bad, other deserving defaulters should be given fresh finance.

A comprehensive five, seven or ten-year plan of expansion so as to bring every village in the Province within the orbit of village co-operatives should be drawn up and executed.

Small village societies should be re-organized on a wider basis by grouping them together into one society.

Alongside of expansion and reorganization, an intensive campaign for increased membership of societies should be launched with a view to replace money-lender's credit by co-operative credit within as short a time as possible.

Compulsory membership of eligible villagers in co-operative societies is not favoured.

The functions of agricultural co-operatives should be enlarged so as to include all the economic needs of members.

Promotion of subsidiary industries through village co-operatives or through separate co-operative organizations with suitable safeguards should be attempted and pushed through.

Village co-operatives should introduce improved methods of agriculture and seed and intensive methods of cultivation in order to ensure uniformity of crops and ultimately, to facilitate consolidation of holdings.

Individual maximum credit limits for unproductive but unavoidable expenditure should be fixed by the village co-operatives.

The grant of loans in kind and recoveries in kind by the village co-operatives should be encouraged in suitable places to prevent mis-application of money and to train members of societies in co-operative marketing.

The liability of rural credit societies should normally be limited but if in the opinion of the Registrar, having regard to local opinion and other circumstances, unlimited liability is more suitable for any societies, liability may be unlimited.

The newly organized village co-operatives should have paid clerical staff with necessary training. The system of group clerks is not recommended. Honorarium and clerical remuneration to office-bearers for maintenance of accounts of societies or for specific services rendered may be permitted on a definite scale.

Future lending by societies to members should be carefully regulated and the members should be effectively prevented from being driven to money-lenders, and with this view a policy of full finance is recommended.

It should be open to central banks to relax the individual maximum credit limit of members of affiliated societies.

The Madras Provincial Co-operative Bank, central banks and primary credit societies must confine their operations to short-term and medium-term loans from the money raised through deposits of suitable duration.

Short-term or working credit should be the first charge on the harvest and repaid out of the sale-proceeds of the next harvest. The medium-term credit should be repaid out of the margin of the member's income, ordinarily from three to five years and in exceptional cases, seven years. Loans for domestic expenditure or consumption purposes, while they cannot be eschewed altogether, require stricter scrutiny than has been the case in the past.

Loans against produce should be developed through village societies which should provide facilities for storing the produce in the interval between harvest and sale. It is desirable that Government should extend financial assistance to village credit societies for the construction of indigenous godowns.

Loans against standing crops should be given only by agricultural credit societies, and not by sale societies.

Primary societies should be given the first charge on the produce of members' holdings raised with the help of loans advanced or other requirements supplied for seasonal productive operations subject to the overriding claims of the State in respect of land revenue, up to the extent of the loan advanced.

Village co-operatives may be permitted to give loans to their members on the pledge of jewels.

Members of agricultural credit societies should be provided with capital for their agricultural operations or other needs with as much promptitude as possible.

Sustained efforts should be made in the immediate future for the popularization of the forecast system.

Cash credits may be granted by central banks to select village credit societies to enable them to draw money and disburse it to their members as and when required. A lower rate of interest on cash credit loans is recommended.

The scheme of controlled credit may be given a fair trial in suitable localities with necessary modifications.

The by-laws of village co-operative societies should be strictly enforced in the matter of recovery of overdues.

In the event of failure by village societies to take action, central banks should be empowered to take coercive steps against defaulters with a view to recover overdue debts.

The village co-operatives must adopt a technique of recovery suited to the actual economic and crop condition of the area in which they operate.

Extension should be allowed in all deserving cases, particularly when there is a general crop failure and the member is economically disabled from repaying the loan.

Village co-operatives should aim at financial self-sufficiency by tapping local deposits and promoting savings among members.

All agencies—village credit societies, supervising unions, central and land mortgage banks should aim at the segregation of overdue debts and their transfer to land mortgage banks.

In order to regulate the normal credits of members and facilitate the system of forecast loans, or cash credit or controlled credit, it is necessary to have the property statements prepared even in the case of societies adopting limited liability, with suitable modifications.

SOCIETIES FOR SCHEDULED CLASSES.

In view of the special circumstances of the scheduled classes, there is a necessity to have separate co-operative societies for the benefit of the scheduled classes; option may, however, be given to them to join the existing societies for other communities, wherever they so desire. Members of scheduled classes, where they are already members of ordinary village co-operatives may be permitted to join scheduled class societies also for purposes other than borrowing.

The organisation and supervision of the scheduled class societies should be entrusted to co-operative inspectors working under the Labour Commissioner through the District Labour Officers.

Government must undertake the financing of societies for the scheduled classes in the special circumstances of their present existence.

Government should undertake a ten-year plan of economic re-organization of scheduled classes and should offer facilities of agricultural colonization by the formation of co-operative societies for the purpose.

Subsidiary occupations and suitable cottage industries should be introduced for the members for profitably employing their spare time.

Loans in cash should be eliminated as far as possbile, and their requirements, domestic and otherwise, should be supplied by the societies in kind.

Pawn shops should, wherever possible, be established for the benefit of the scheduled classes.

Propaganda and education among scheduled classes by proper men from their own community should be undertaken.

Compulsory labour among scheduled classes, wherever prevalent, should be abolished.

Suitable measures for debt relief should be enacted for the benefit of farm labourers and landless workers.

Government should formulate a comprehensive policy and concert measures for the educational, social and economic improvement of the aboriginal and hill tribes based on the results of a detailed survey of their existing conditions.

The appointment of a special officer for an enquiry into the conditions of these classes is recommended.

URBAN CREDIT SOCIETIES AND EMPLOYEES' SOCIETIES.

Urban Banks as such should be separately dealt with in departmental statistics and reports.

There should be only one bank for each urban area except in big cities like Madras.

Where the area is large, sub-societies may be constituted with due reference to local conditions.

Where sub-societies are not or cannot be formed, the election of directors should be arranged on the basis of the ward system or through an electoral Committee.

The term of office of the directors may be three years. The retiring directors should ordinarily be eligible for re-election; but it should be open to any urban bank or society to bar re-election for a specified period. A system of retirement of directors by rotation is recommended.

Urban Banks shall continue to give loans on the security of persons, mortgage of immovable properties, deposits of gold and silver and insurance policies. In the case of loans on gold and agricultural produce, the area may extend up to five miles provided there is no society there doing such business—credit society or sale society.

Urban banks should be entrusted with the duties of organizing and cautiously financing artisan classes and crafts men in order to save them from exploitation by middlemen and money-lenders.

Urban banks should provide greater banking facilities to their customers such as extension of current accounts and cheque transactions, etc., but discounting of bills should not be undertaken. Urban banks should extend cash credit facilities to their members on proper security.

A continuous and intensive 'drive' by urban banks should be undertaken for the greater encouragement of the habit of thrift through the provision of extended facilities such as thrift certificates and hundi boxes.

Immediate steps should be taken to reduce the arrears in urban banks and societies and to prevent accumulation in the future.

The rates of interest allowed by urban banks should not exceed one half per cent over and above the rates on their borrowings paid by central banks working in the area.

The direct affiliation of urban banks (with a working capital exceeding Rs. 5 lakhs) to the Madras Provincial Co-operative Bank is opposed.

GOVERNMENT SERVANTS' AND OTHER EMPLOYEES' SOCIETIES.

In places where there is a Government servants' co-operative society or an employees' society, Government servants and employees of district boards and municipalities may join such society only; they should not be entitled to become members of any other credit society.

It should be impressed that employees' societies are primarily intended to promote thrift and savings and that they are providers of emergency credit only. Compulsory savings should be enforced by distributing home safes and hundies to the members of these societies. Government should institute a scheme of compulsory life insurance and make subscriptions to the provident fund compulsory.

A second loan should not ordinarily be issued to a member of a Government servants' or employees' society before he has repaid a certain portion of the first or before the expiry of a specified time from the date of the last loan.

The individual maximum credit should be limited to four times the salary of the member provided it will be open to the society to grant loans beyond the limit against jewels or other valuable securities.

The Government should take power to permit pay disbursing officers to deduct from the salary of their servants instalments of loans or other contributions due from them to the Government servants' societies and other employees' societies.

Heads of Departments must be instructed to take interest in the working and welfare of Government servants' co-operative societies and if the members so desire, they may be made also the presidents of the societies concerned.

Government should make it obligatory on the part of employers of industrial labour to start and run co-operative societies for their workers.

The workers should be paid their wages weekly instead of monthly.

Provision should be made in the rules for the constitution in big employees' societies of smaller bodies of representatives or delegates in place of the present general body of members, in order to ensure a fuller consideration of the subjects and of proper representation of all sections of opinion.

CENTRAL FINANCING ORGANISATIONS

Co-operative Central banks should continue to be independent financing banks for their respective areas and affiliated to the Madras Provincial Co-operative Bank as at present and should not be converted into branches of the Provincial Bank.

Central banks should not be split up into small units, popularly known as taluk banking unions.

Central banks should be constituted on the basis of one bank for one revenue district without prejudice to any scheme of amalgamation, where local co-operative opinion favours such amalgamation.

In order to make central banks pure type banking unions composed of affiliated societies alone, individual shareholders should be eliminated from central banks.

Central banks should co-opt three individuals to their boards of management and provide for such co-optation in their by-laws.

Representation of depositors on the boards of management of central banks is not recommended.

Central banks are advised to encourage deposits for one to three years, and to place themselves in possession of adequate funds for supplying medium-term capital.

The present restriction imposed by Government regarding investment of deposits by local bodies in central banks should be withdrawn.

Central banks should ordinarily rely on their own funds for the return of deposits on due dates; in exceptional cases, the Provincial Bank may also lend to the central banks for this purpose.

Central banks should lend only to affiliated societies, and not to individuals.

Government should give subsidies and loans to central banks for the construction of godowns for the provision of storage accommodation and for promoting agricultural marketing.

Central banks may be permitted to develop a safe custody department and to take a re-pledge of the gold on which societies have lent sums to their members.

Central banks may be empowered to proceed against individual members of societies if the panchayats neglect to recover the dues from them.

Central banks many continue or undertake commercial transactions and banking business of all kinds (excepting discounting of bills.)

There should be a closer contact with and mutual arrangements between commercial banks and co-operative banks for collection of bills, etc.

The payment of preferential dividend and issue of preferential shares by central banks may be done away with.

Co-optation of five individuals to the Board of Management of the Provincial Bank is recommended.

The formation of two apex banks, one for the Andhra districts and another for the Tamil districts working under the Registrar of the Province and with headquarters in the City of Madras with the option for Malabar and South Kanara to determine their own affiliation is recommended.

MARKETING SOCIETIES.

The need for regulating or reducing the freight rates should be periodically and forcefully impressed upon the railway authorities.

The Madras Commercial Markets Act (Act XX of 1933) should be extended to other suitable areas with a view to control and regulate market conditions and standardization of market practices.

Market Committees should fix agreed standards and draw up standard contract forms.

There should be standardization of grades in the several commodities.

Extensive propaganda should be undertaken by societies and market committees through leaflets and talks to educate the grower or the trader to deal in produce of good quality and in the fixing of limits of refraction or moisture and standardization of the produce.

Better dissemination of market intelligence should be ensured to the producers and their organizations by all possible means such as rural broadcasting and posters.

The existing loan and sale societies should be renamed "marketing societies" and they should concentrate their activities rather on marketing and sale than on granting loans against produce. Marketing societies may, however, make advances against commercial produce having concentrated markets and brought to them for sale.

Marketing societies may be formed at the headquarters of each taluk with branches in firkas, and they should deal directly with wholesale merchants and consuming markets for the sale of members' produce.

The system of "controlled credit" should be extended on a large scale and loans given for the supply of improved seed, implements, manure, etc., by village credit societies.

The help given by Government by way of Marketing Inspectors should be extended to a larger number of societies to be formed in future.

The new marketing societies to be formed should be given subsidies, in the initial stages, towards meeting the cost of management and methods of processing, etc.

The Provincial Government should continue to give marketing societies subsidies of 25 per cent, even if the Government of India grant be discontinued for the construction of godowns.

Marketing societies should be encouraged to issue to growers warehouse receipts on the pledge of produce stocked in their godowns and these certificates should be made negotiable under the guarantee of Government or of Central Banks.

Loans to the ultimate borrower-producer should not be advanced at a rate 1½ per cent more than the rate at which the Madras Provincial Bank lends to Central Banks.

There should be no maximum credit limit for loans advanced against paddy to individual ryots and for other crops Rs. 5,000 should ordinarily be the maximum, discretion being given to the Registrar to enhance the limit in special cases.

Marketing societies should deal only with producers, and persons other than producers should be strictly prohibited from the operations of these societies.

Marketing societies should be formed and encouraged for the benefit of agriculturists in the zamindari areas.

Special crop marketing societies for single crops, comprising all convenient areas of production, should be started at suitable market centres to provide facilities for the growers to market their produce.

For the promotion of agricultural marketing a special marketing department should be created. If such a department cannot for any reason be created immediately, all the marketing officers now working under the Agricultural department should be transferred to the Co-operative department so as to ensure co-ordination between marketing organization and marketing credit.

HANDLOOM INDUSTRY AND WEAVERS' SOCIETIES.

Measures should be formulated (by legislation if necessary) for the adjustment of the spheres of production of the powerloom and the handloom or to restrict the production of mill cloth by fixing quota or otherwise.

Adequate cess should be levied on the sale of mill cloth, Indian and foreign, at a rate sufficient to counteract the effect of competition.

Licence fee on mill-cloth dealers should be increased.

Differential freight rates for transport by railway of mill and hand-made products should be introduced, so as to give the handloom product an advantage.

The subsidy now granted under the Government of India scheme should be extended for another five years.

The present annual subsidy is inadequate and should be increased, the Provincial and Central Governments bearing the increase in equal proportion. Part of the subsidy may be in the form of free services of officers.

The supervision and inspection of weavers' societies should be done for the next five years at least at the expense of Government through the Co-operative department.

Primary production societies should be reorganized on a sounder basis.

The organisation of big societies must be differentiated from that of smaller ones which produce popular cloth largely used by the rural population.

The production of artificial silk cloth on handlooms should be discouraged.

The Central Emporium and the local sale depots of the Provincial Handloom Weavers' Co-operative Society should function as central display houses and information bureaus to both producers and consumers.

By a co-ordination of the efforts of the Industries, Co-operative and Marketing staffs, the products of the handloom industry should be encouraged by display, advertisement, etc.

Import of foreign yarn into the country should be controlled.

The production of Khadi with the aid of the All-India Spinners' Association through the agency of primary production societies should be promoted.

The primary production societies should be affiliated to the Provincial Handloom Weavers' Co-operative Society and the central bank of the district and should obtain their finance only from one of these two sources.

The Provincial Handloom Weavers' Society should finance those societies whose requirements do not exceed Rs. 1,000 at any time. The societies whose requirements exceed Rs. 1,000 should be financed by the central bank.

Loans to the primary production societies may be granted up to five times the owned capital including their share capital and their reserve fund. In addition to these, loans may also be given against a floating charge up to 50 per cent of the value of goods taken into stock.

Government must be the main financing agency for the Provincial Weavers' Society by taking shares in the society and granting loans to it.

The Madras Provincial Co-operative Bank can be an additional agency for supply of credit only on the pledge of goods on certain conditions.

COTTAGE INDUSTRIES.

There are possibilities of development of specific cottage industries, on a co-operative basis, which should receive attention.

A Provincial Industrial Society should be established to organize and administer the production societies for industries other than handloom weaving.

A scheme of financing similar to that recommended for the primary weavers' societies and for the Madras Provincial Handloom Weavers' Society is recommended.

If necessary, two provincial societies may be formed; one for the north and the other for the south and the west.

WOMEN'S SOCIETIES.

Societies for upper and middle class women should act as centres of culture, propaganda and education and take to small home industries such as preparation of jams, preserves, pickles, etc.

Poorer and lower middle class women should be encouraged to undertake small home or cottage industries such as hand-spinning, basket-making, mat-weaving, bee-keeping, etc.

An attempt should be made to start societies or organize separate societies in some of the existing co-operative organizations to advance small loans to these women, to recover the advance in driblets day by day and to promote thrift among them.

Paid staff should be appointed to give an impetus for the formation of women's societies and to promote home industries in such societies.

CO-OPERATION AND RURAL RECONSTRUCTION.

A Provincial Standing Committee consisting of the heads of Development departments and a certain number of non-officials having as its Chairman the Development Minister and as its Secretary an Under Secretary to Government should be constituted to secure co-ordination between the development departments and to make them related parts of a comprehensive whole.

There should be a redistribution of portfolios among the Ministers so that the Chairman of the Provincial Standing Committee may be in charge of all the development departments which are intimately concerned with rural welfare.

District standing committees consisting of officers of various departments with the Collector as its ex-officio Chairman should be constituted with the same purpose in view.

The work of rural betterment should be carried on with the help of properly trained rural guides.

Rural reconstruction should be brought about by a co-ordination of the activities of the village co-operative societies and the village panchayat. At present co-operative societies should be entrusted with the main burden of this work.

Separate better living societies are not necessary. Existing societies should be reorganized in such a way that a single organization serves all the economic needs of the villager and promotes village welfare.

A gradual increase in the number of consolidation societies should be encouraged.

Arbitration co-operative societies may be started as an experimental measure in select districts.

The formation of cattle insurance societies is not recommended in view of the difficulties involved.

The efforts of the department should be directed towards the formation of cattle-breeding societies.

Crop insurance on co-operative lines is not possible and is not therefore recommended.

THRIFT AND SAVINGS.

Credit societies should tend to transform themselves into savings and banking agencies.

Village credit societies should provide for linking up savings with some definite objective or purpose.

A sustained thrift campaign should be launched by the introduction of hundi box system among members of agricultural credit societies and petty loans may be granted, if need arises, against these savings to prevent withdrawls of the savings.

Wherever possible, the hundi boxes may be substituted by savings or thrift certificates, which may be made negotiable.

Village credit societies should induce members to contribute savings in kind out of each harvest.

Celebration of 'Thrift day' and vigorous 'Thrift drive' through lantern lectures, bhajana parties, etc., is recommended.

Co-operative urban banks also should institute the system of savings certificates, hundi boxes, etc., to suit their requirements.

Thrift and use of money to be included in the curricula of studies in schools and colleges.

Central banks and urban banks may open small branches in schools to create banking habit in the school children.

SUPERVISION, EDUCATION AND TRAINING.

The question of retention or abolition of local supervising unions should be left to the decision of the central banks concerned.

Suggestions for the improved working of unions (wherever retained) are made.

The question of the constitution of one or more committees in central banks for the purpose of supervision should be left to them for decision.

Central banks may nominate one or two individuals to the governing body with the consent of the unions.

The mode of levy of supervision fund should be left to the discretion of individual central banks.

Four linguistic unions should be formed and entrusted with the functions of the present Provincial Union.'

The Provincial Co-operative Union should have a federal constitution and be composed of the four linguistic unions and be styled as the Provincial Co-operative Federation.

The Provincial Co-operative Federation should make provision for co-opting individuals and giving them the rights and privileges of members.

The starting of a Co-operative College for aspirants for employment in the Co-operative Department and for higher posts in big urban and central banks, etc., is recommended. The College should be a Government college. The courses of study and syllabus should be settled by the academic authorities of the University. The Government should have the help of an advisory council in the administration of the college.

Two co-operative institutes, one for the Northern and the other for the Southern districts should be established and entrusted to non-official management.

Government should introduce a book on co-operation and rural uplift for non-detailed study in high schools run by them or with their grants.

The University should introduce suitable text-books on co-operation for the college courses for non-detailed study.

AUDIT.

The statutory responsibility of the Registrar in the matter of audit of co-operative societies should be maintained.

The entire audit staff of the department should be constituted into a distinct branch and differentiated right through from the administrative branch.

The audit staff should be placed directly in charge of Circle Audit Officers of the status of Co-operative Sub-Registrars.

A qualified auditor of the status of a Deputy Registrar to be styled as the Chief Audit Officer should be attached to the Registrar.

A high quality of departmental audit should be secured and the audit should be done by inspectors adequately trained in audit.

The present system of employing full-time Government auditors should be continued.

Audit of urban and central banks by registered accountants and auditors selected from a panel is not recommended.

The audit of provincial co-operative institutions may be entrusted to registered accountants and auditors appointed by the Registrar.

The extra expenditure involved in the separation of audit from administration should be met from the provincial revenues.

The present exemption from audit fees in respect of certain classes of societies should be continued.

The present scale of audit fees of Rs. 5-8-0 and Rs. 3-8-0 a day should be reduced to Rs. 3-12-0 and Rs. 3 per day respectively.

Sale (marketing) and handloom weavers' societies should be exempted from the levy of audit fees for the first three years and also for a subsequent period of three years, if necessary.

The maximum audit fee levied should not exceed one-fourth of the net profits of societies as declared by the Registrar.

The Registrar should be empowered to give rebate to any society up to a prescribed limit in cases of hardship.

SUPERSESSION.

The provision in the Co-operative Societies Act for the supersession of committees of societies is of practical utility and should be retained. The committee of a registered society should not be superseded without the previous concurrence of the financing bank. It should be obligatory on the Registrar to convene a meeting of the general body of a society before actually dissolving the committee, except in special cases.

The power vested in the general body of a society should not be affected by the supersession of the committee. An appeal should be specifically provided for against every order of supersession to the Local Government. Removal of one or more members of the committee of a society is not recommended.

LIQUIDATION.

Measures taken by the Registrar for accelerating liquidation work are endorsed.

The appointment of non-official liquidators may be tried in urban centres or for a convenient group of societies.

The Secretary of a central bank should be made the liquidator when the registration of a society indebted to the central bank is cancelled.

To prevent alienation of properties by members, no member of a society ordered to be liquidated should be free to alienate his property to the prejudice of the claim of the society during the pendency of the appeal to the Government and within fifteen days thereafter.

Properties of members should be made liable for immediate attachment by a specific application by the liquidator in that behalf.

Systematic steps should be taken for the early recovery of assets of liquidated societies and contribution orders, wherever necessary, should be passed without any undue delay.

No contribution order or execution proceedings for debts due to a liquidated society should be deemed valid six years after the society had been finally ordered to be liquidated.

Central banks should be permitted to recover a sum not exceeding 7½ per cent of the collections in liquidated societies for expenditure incurred by them in connection with liquidation proceedings.

The lands bought in by liquidators should be disposed of by granting, if necessary, favourable terms to original owners or their next-of-kin.

Following the practice in some British Indian Provinces, the Madras Co-operative Societies Act should be suitably amended to provide for the winding up of the affairs of a society before its registration is cancelled.

GOVERNMENT AND NON-OFFICIAL STAFF.

The Province should be split up into four or five divisions and each division should be placed in charge of a Divisional Registrar, starting with the immediate appointment of two Divisional Registrars on a regional basis.

Rules regarding service conditions of non-official employees should be embodied in the rules framed under the Act.

Provincialization of the services of employees of urban banks and central banks is not recommended.

CONCLUSION.

Publication of the Report of the Committee in the main languages of the Province is recommended.

THE SIND PROVINCIAL CO-OPERATIVE BANK, LTD.

Government Press Communique No. P-262 dated 2nd September 1940.

In the Press Communique which was issued on 5th April 1938 in connection with the affairs of the Sind Provincial Co-operative Bank it was announced that if it became necessary to issue debentures with a view to supply long term credit to the Bank, Government would guarantee such an issue, on terms to be settled with the Bank. Pending the floating of debentures, Government undertook to supply the Bank with such financial assistance as might be necessary. These declarations were reaffirmed by the Honourable Premier in his budget speech for 1939-40 when it was announced that Government were committed to guarantee a debenture issue of Rs. 25 lacs both as to principal and interest. Owing to the condition of the money market caused by the war, the debenture scheme has been held in abeyance, as mentioned in the budget speech for 1940-41, and Government now wish to announce that pending the issue of debentures, arrangements have been made for the grant of cash credit facilities to the Bank.

2. Government's promise of continued financial assistance to the Bank, coupled with the able administration of the Bank's affairs by the Committee of Management, which is composed of men commanding wide public respect, has helped to restore confidence in the Bank. This is reflected in the maintenance of deposits with the Bank at a satisfactory level. The Bank repaid in March 1939 the advance of Rs. 8 lacs made to it by Government, and has since maintained its fluid resources at a satisfactory level. There has also been some improvement in the recovery of the Bank's dues from Agricultural Societies as a result of the rise in prices and the more vigorous efforts at collection. Though probably many agriculturists could not reap the full benefit of increased prices last year, recoveries during the year ended 30th June 1940 were 50% above those for the preceding years. In accordance with the recommendations of Mr. V. L. Mehta, a thorough examination of the loans of the Bank with agricultural societies has been carried out by Valuation Officers whose services were lent to the Bank by Government, and this examination has revealed that the position of the Bank is somewhat stronger than was expected in April 1938. Steps have been taken to give effect to the other recommendations of Mr. Mehta such as the provision of new rules for financing societies and individuals, retrenchment in establishment and other expenses of the Bank and revision of the bye-laws relating to the Board of Directors. The term of the Committee of Management, which was nominated by Government in April 1938 for a period of two years, has also been extended upto September 1941.

3. At the same time, Government desire to emphasise that their policy with regard to recoveries from living as well as liquidated societies will be strictly followed in future. This policy was enunciated in the Press Note issued on 15th May 1940 thus:—

"It has been brought to the notice of Government that, in many cases, members of Co-operative Societies, especially of the Zamindari Class who can afford to repay the amounts due from them are withholding payment under the impression that such default will be treated lightly by Government and the Revenue authorities and that the loans will be eventually written off. Government wish to state that there is no justification whatsoever for this belief. Government have every regard for the welfare of agriculturists but this does not mean that wilful default by persons who can afford to repay their loans will be tolerated, and orders have already been issued that contumacious defaulters should be severely dealt with. The increase in the price of agricultural commodities since the war should, in the majority of cases, make it possible, for members to repay their loans. An enquiry into the debts of agricultural societies, with a view to introducing a system of recovering the frozen debts of the Sind Provincial Co-operative Bank by instalments upto a maximum of ten, and granting other concessions on the merits of each case, has been completed and under this scheme lands which have passed into the possession of a society or a liquidator will be returned to the original owners, whenever possible, on repayment of the original loan."

4. The Sind Provincial Co-operative Bank being the apex Bank of the Co-operative Movement and the main agency for financing agricultural credit societies occupies an important place in the agricultural economy of the province and Government trust that in view of the progress made and the steps taken by the Bank since the crisis of 1937, the Bank will continue to retain the confidence of the depositors and the investing public.

—*Sind Government Gazette*, Part I, dated 5th Sep. 1940.

THE RESERVE BANK OF INDIA

REMITTANCE FACILITIES IN INDIA AND BURMA.

The following are the Schedules of rates of Commission charged by the Reserve Bank of India to Scheduled Banks and Co-operative Banks and Societies from 1-10-1940:—

RATES FOR TELEGRAPHIC TRANSFERS, DRAFTS AND MAIL TRANSFERS

(A) For Scheduled Banks.

1. *Telegraphic Transfers and Mail Transfers.*—A scheduled bank is entitled to remit money by mail or Telegraphic Transfers between the accounts kept by its offices, branches, sub-offices and pay offices at an office, branch or agency of the Reserve Bank in British India and Burma as follows:—

(a) An amount of Rs. 10,000, or multiple thereof, between its accounts at the offices and branches of the Reserve Bank, free of charge;

(b) Once a week an amount of Rs. 5,000, or a multiple thereof, to the principal account which it maintains with the Reserve Bank from any place at which it has an office, branch, sub-office, or pay office, and at which there is an agency of the Reserve Bank, free of charge;

(c) Other remittances to its principal account subject to a charge of 1/64 per cent, and also subject to a minimum charge of Re. 1; and

(d) Other remittances between accounts maintained at the Reserve Bank or its agencies:

Up to Rs. 5,000.	1/16% (Minimum Re. 1).
Rs. 5,000 and over	1/32% (Minimum Rs. 3/2).

Actual telegram charges are charged in addition.

(e) *Telegraphic Transfers and Drafts.*—In favour of third parties:

1. Up to Rs. 5,000.	1/16% (Minimum Re. 1).
Over Rs. 5,000.	1/32% (Minimum Rs. 3/2).

Actual telegram charges to be chaged in addition.

2. Offices and branches of the Imperial Bank will have discretion to sell at lower rates to the public but Treasury Agencies will invariably charge full rates.

(B) For Indigenous Bankers, Co-operative Banks and Societies.

1. Up to Rs. 5,000.	1/16% (Minimum Re. 1).
Over Rs. 5,000.	1/32% (Minimum Rs. 3/2).

Actual telegram charges to be charged in addition.

For co-operative banks and societies the minimum exchange on drafts and Mail Transfers for amounts up to Rs. 5,000 will be Annas 4 only.

2. Offices and Branches of the Imperial Bank will have discretion to sell at lower rates to the public but Treasury Agencies will invariably charge full rates.

3. These concession rates will be granted only to:

A. *Indigenous bankers.*—The Reserve Bank will request Provincial Governments to submit their recommendations regarding the names of the Banks and firms in each province to be included in an approved list of Indigenous Bankers. The Bank will consider these recommendations and will thereafter draw up a list, which will be circulated to all Offices of the Reserve Bank, all offices and Branches of the Imperial Bank and all Treasury Agencies for guidance.

B. *Co-operative Banks and Societies.*—Formed and functioning under the Co-operative Societies Act (Act II of 1912).

REPRESENTATIONS MADE BY CO-OPERATIVE INSTITUTIONS.

By the Madras Provincial Co-operative Bank, Ltd.

The Reserve Bank authorities mentioned in their statutory report (under section 55(1) of the Reserve Bank Act dated 26th August, 1937 and circulated to the public in June 1938) that "the facilities for remittance of funds for bona-fide co-operative purposes through Remittance Transfer Receipts at par has been continued by the Reserve Bank for the present. The separation of Provincial Revenues has, however, introduced complications as the cost of remittance now ultimately falls on the Central Government through the Reserve Bank and the whole question is being examined by us in the light of the new conditions, and we hope to be able to formulate our views in the near future". They have now followed it up with the present scheme.

The new scheme of remittance facilities introduced by the Reserve Bank from 1st October 1940 affects adversely the co-operative movement only, while it offers better facilities to all other interests.

The contrast in provisions relating to the remittance facilities made available from 1st October 1940 would be revealed by the terms of remittance facilities open to the scheduled banks as under:

Telegraphic Transfers and Mail Transfers.—A scheduled bank is entitled to remit money by mail or Telegraphic transfers between the accounts kept by its offices, branches, sub-offices and pay offices at an office, branch or agency of the Reserve Bank in British India and Burma as follows:

(a) An amount of Rs. 10,000 or a multiple thereof between its accounts at the offices and branches of the Reserve Bank free of charge:

(b) Once a week an amount of Rs. 5,000 or a multiple thereof to the principal account which it maintains with the Reserve Bank from any place at which it has an office, branch, sub-office or pay office and at which there is an agency of the Reserve Bank, free of charge:

(c) Other remittances to its principal account subject to a charge of 1/64 per cent. and also subject to a minimum charge of Re. 1 and

(d) other remittances between accounts maintained at the Reserve Bank or its agencies:—

Up to Rs. 5,000	..	1/16 per cent	(Minimum Re. 1.).
Rs. 5,000 and over	..	1/32 „	(Minimum Rs. 3-2.)

Actual telegram charges are charged in addition.

(e) Telegraphic Transfers and Drafts.

in favour of third parties

Up to Rs. 5,000	..	1/16 per cent	(Minimum Re. 1.).
Over Rs. 5,000	..	1/32 „	(Minimum Rs. 3-2.)

Actual telegram charges to be charged in addition.

The Co-operative Banks which are bracketed surprisingly with indigenous bankers are allowed only the facilities under (d) while the other sections of the public will have to pay twice the rates under (d).

Regarding scheduled Banks it has to be stated that there has been no change except for the extension under clause (e) and they have been enjoying the facilities from the starting of the Reserve Bank. As a matter of fact, before the inauguration of the Reserve Bank, what are now called the Scheduled Banks did not enjoy these facilities from the Imperial Bank.

Regarding Co-operative Banks, they enjoyed free remittance facilities by means of R.T.Rs. under orders of the Central Government since the starting of the co-operative movement in 1904 under the auspices of the Government. This concession granted by Government was incorporated in the Civil Accounts Code under Article 170 and in article No. 326 Madras Financial and Account Code, so far as the Madras Province was concerned.

The Maclagan Committee which reported in 1915 dealing with free remittance facilities observed that the grant of reasonable facilities to co-operative societies and banks under these heads was justifiable and necessary concession. They even drew the attention of all the provincial administrations to the concessions granted by the Bombay Government permitting the Registrar to refund 75 per cent of the M. O. commission paid by societies and recommended their adoption all over India (Vide Para 182).

So far as Madras is concerned, the next report about the working of Co-operative Societies was made by the Townsend Committee in 1928, and it recommended that the Co-operative Societies should in addition to the R. T. R. facilities granted by Government be granted an exemption from payment of M. O. Commission of monies transmitted by Post Office, by the Madras Government also as was being done in the Punjab and Bombay (Vide Para 31 of the Report).

The Committee on Co-operation which was appointed by the Madras Government in 1938 reported in 1940 and they also while discussing the proposal of the Reserve Bank to charge commission on co-operative remittances have unanimously recommended that in view of the general reduction in the lending rates of co-operative organisations and low margins on which they are working, the existing concession of free remittance of funds for bona fide co-operative transactions should be continued by Government and that non-co-operative transactions may be charged at the same rates as those charged to scheduled banks. (Vide para 268).

In the statutory report, the Reserve Bank mentions that consequent on the inauguration of the Provincial Autonomy and the separation of provincial revenues, the cost of remittances of co-operative societies fall on the Central Government and that therefore the question was being examined. According to the report of the Madras Committee, the Reserve Bank is stated to object to these concessions on principle mainly for the reason that they date from a time before the institution of the Imperial Bank and the existence of cheap remittance facilities.

The Governments, Central or Provincial, have never till now expressed themselves, at any rate openly, against the continuance of the facilities. No Co-operative Central Bank can afford to pay the commission at the rates now imposed. In Madras which is considered as one of the provinces in which co-operative banking has weathered the storms of depression, Central Banks are having slender margins and make very little working profit. Many pay less than the statutory maximum dividends of 5 per cent. It is therefore the nature of small scale business done in the rural parts that accounts for their inability to do business at high margins and the Governments only in recognition of this aspect, granted the concession. The simple fact that there is no dividend hunting and that co-operative societies wherever functioning, are under Government control and seek to reduce the cost of money to the agriculturists should be a sufficient justification for the continuance of the facilities as recommended by all the committees which have examined the problem.

The concessions granted by the Government and incorporated in the Civil Account Code did not impose any condition for the eligibility of R. T. Rs. at par. The suspicion that outside business was being carried on through the facilities of free remittance transfer receipts led to Government adding a note to the provision in M.F.A.C., in 1928, that the issue of R.T. Rs. should be restricted to bona-fide co-operative purpose. Since then all co-operative institutions have to affix a certificate to each application for Remittance Transfer Receipts that they are intended for bona-fide co-operative purposes.

The Indian Central Banking Enquiry Committee which examined the position of all banks just before the starting of Central Reserve Bank for India recommended that co-operative societies should continue to enjoy the facility of free remittances. Accordingly, the legislature also defined Provincial Co-operative Banks (section 2 (c)) and the relationship of Provincial Co-operative Banks with central banking authorities is governed by section 44, just as scheduled banks are governed by section 42. Instead of a special treatment, the Reserve Bank's proposal will handicap the operations of all co-operative societies. To crown it, the co-operative societies, which happen to be the most suitable organisation for distribution of credit to the villages (which no joint-stock bank can attempt to do) are clubbed together with indigenous bankers.

In Bombay, the Provincial Bank operates through its branches in certain places and also through Central Banks where branches are not functioning. Co-operative societies and Central Banks cannot take advantage of the facilities, a, b, and c open to scheduled banks, as they may not be regarded as branches of Provincial Banks The co-operative structure is federal and the flow of funds from the Provincial Bank to Central Banks and societies should come under the same category as that of the Head Office of a Joint Stock Bank and its branches.

The statistics of last three years regarding the R.T.Rs. applied for by the Provincial and Central Banks are given below:—

Year.		R. T. Rs. and transfers applied for by the Provincial Bank on behalf of Central Banks, etc.	Amount of commission payable @ 1/32 per cent.	R. T. Rs. & Tranfers made by Central Banks, etc.	Amount of commission payable at 1/32 per cent.
		Rs.	Rs.	Rs.	Rs.
1937-38	..	88,79,410	2,775	69,92,670	2,185
1938-39	..	102,96,418	3,218	127,96,373	3,999
1939-40	..	126,79,849	3,963	179,39,841	5,607
	..	318,55,677	9,956	377,28,884	11,791
Average:—	..	106,13,559	3,319	125,76,295	3,931

The entire commission which for simplicity is worked at 1/32 per cent will have to be borne by a few Central Banks, as they form the distributing medium of the funds mobilised at the apex institution. The Central Banks cannot lend direct between themselves and the surplus of one will have to pass through the apex bank to another and so double commission would have to be paid before the surplus available gets itself distributed. The Reserve Bank authorities seem to have overlooked the peculiarity of the co-operative structure. It is not possible to envisage a date by which primary societies will be able to bear even a low rate of commission, as they have little or no margin for working expenses and operate in very small units, which are essential conditions of their co-operative constitution, and pending the restoration of the free remittance facilities at least for their benefit, the concessions, a, b, c, and e open to scheduled banks should be made available to the Provincial Co-operative Bank and Central Banks. Otherwise, there will be a set back in their working. Even such a concession will make them bear commission at 1/32 per cent for drawing funds from the apex bank in the harvest season. The *Indian Finance*, dated 14th September 1940 refers to the lacuna in the Reserve Bank's proposals in this respect.

The Reserve Bank authorities might argue that the scheduled banks are compelled to maintain free balances with the Reserve Bank of India, based on the time and demand liabilities, and as there is no corresponding obligation on behalf of the Provincial Co-operative Banks to maintain such balances they cannot expect the same concessions.

In the circular of the Reserve Bank of India, dated 14th May 1938 addressed to Co-operative Banks, the Reserve Bank of India, suggested that the Provincial Co-operative Banks who require financial accommodation from Reserve Bank should maintain free balances with the Reserve Bank at certain percentages of the time and demand liabilities. The Madras Provincial Co-operative Bank in reply to the Memorandum represented that it is maintaining voluntarily such balances throughout the year as dictated by its own needs without any statutory obligation in that behalf. Further, the Madras Provincial Bank had also need to take advances from the Reserve Bank during the year 1939 and willingly accepted that it would abide by the conditions imposed regarding maintenance of free balances, by the Central

Office, Bombay, on its own responsibility without prejudice to its general application or otherwise to all the Provincial Banks in India. Viewed in this light, the Reserve Bank should have, at least in consideration of the obligations voluntarily accepted by the Madras Provincial Co-operative Bank though there was no statutory requirement, provided such Provincial Co-operative Banks as comply with the conditions imposed, would be treated in its relations with the Central Banks as a scheduled bank and its branches.

In these circumstances and in view of the Reserve Bank's objection to the continuance of the concession as a matter of principle, the Provincial Bank and Central Banks should urge that they should at least be treated on a par with scheduled banks for remittance facilities with the modification that the word "Central Banks" should take the place of branches of scheduled banks in making the concessions, a, b, c and e applicable to them.*

By the Bombay Provincial Co-operative Bank Ltd.

I find that the rates for remittances which will be charged to co-operative societies and banks will be the same as those for approved indigenous bankers. Although the rates are the same as those fixed for scheduled banks, the latter have been allowed certain special facilities for remittances through offices, branches or agencies of the Reserve Bank of India. My Board wish to point out that while the Bank, along with other co-operative societies, will be deprived of the free remittance facility it will not be entitled to the same facilities as scheduled banks. It is difficult to understand why a co-operative bank should be treated differently from a scheduled bank in this matter. I am desired by the Board of Directors of my Bank to invite your attention to the fact that in the Reserve Bank of India Act special position is accorded to a Provincial Co-operative Bank under section 2 (c). Although Provincial Co-operative Banks or other co-operative banks are not included among scheduled banks, this is due to special reasons which led the legislature and the Government of India to create a special machinery for linking up Provincial Co-operative Banks with the Reserve Bank of India under certain specific provisions. These specific provisions, if anything, entitle co-operative banks to better treatment than scheduled banks. It is not necessary, for the present purpose, to refer to these provisions in detail. But my Board wish me to make mention of the fact in order to emphasise the special relationship that exists between that Bank and Provincial Co-operative Banks. It is because of their appreciation of the special relationship that should subsist between co-operative banks and the Reserve Bank of India that the Indian Central Banking Enquiry Committee recommended that in the matter of remittance facilities co-operative banks should be placed on the same footing as scheduled banks. That Committee recommended, in addition, that all co-operative societies should continue to enjoy the facility of free transfer of funds for *bona-fide* co-operative purposes. The withdrawal of the latter facility affects all co-operative institutions and may be considered separately on receipt of representations from their duly constituted organisations. The Board of Directors of the Bank have associated themselves with those representations. Apart from this, however, the Board wish me to invite the attention of the authorities of the Reserve Bank of India to the need for immediately putting the Provincial Co-operative Banks on the same footing as scheduled banks, as recommended by the Indian Central Banking Enquiry Committee, pending their consideration of the question of restoring free remittance facilities to all co-operative banks and societies. The former object can be secured, the Board desire me to point out, by making applicable to Provincial Co-operative Banks the special rates for certain types of remittances intended for the benefit of scheduled banks which are contained in Appendix II of the booklet. I am further desired by the Board to add that if these terms are made applicable to Provincial Co-operative Banks, this Bank will be able to take advantage of the facilities referred to in items (a), (b) and (c) of paragraph 1. I beg to request that this proposal of the Bank to be placed in the matter of remittance facilities on the same footing as scheduled banks, may kindly be submitted to the authorities of the Reserve Bank of India at an early date.

*We understand that similar representation has been made by the B. & O. Provincial Co-operative Bank Ltd.—Ed.

By the Bombay Co-operative Banks' Association.

The Executive Committee of the Banks' Association has observed with much regret that the concession of free transfer of funds through Treasuries and Sub-Treasuries of Government which was enjoyed hitherto by co-operative societies of all types has been withdrawn by the Reserve Bank of India. In the opinion of the Committee the withdrawal of this facility will give a setback to the development of co-operative credit in those parts of the Province of Bombay—and these parts are very extensive—which have not yet been reached by other banking organizations. The Committee does not propose to dilate on the extent to which banking facilities in this Province have been provided and developed by co-operative credit institutions of all types. It is obvious that the continuance and extension of such banking services is dependent very largely on the institutions enjoying the advantages of free or cheap transfer of funds. This was the view held by the Indian Central Banking Inquiry Committee in its Majority Report. I am directed to add that this recommendation of the Banking Committee has been endorsed by the All-India Conference of Registrars of Co-operative Societies and again very lately by the Madras Co-operative Inquiry Committee. All the authorities who have studied the matter attach the highest value to the concession.

Although free transfers of funds were allowed only for co-operative purposes such as the transfer of funds representating the repayment of loans and receipt of deposits, or amount required for disbursement of loans and repayment of deposits, the grant of this concession reduced the burden of charges payable for remittances even in institutions which conducted other banking business. Moreover, institutions which did not embark upon such banking business had to incur no expenses for remittance of funds. It is the continuance of this concession, therefore, that has enabled large amounts of deposits to be attracted in small towns and trading centres and has also rendered it possible for banking services to be extended to rural areas by the opening of branches of co-operative banks and the organization of small urban co-operative banks. The Executive Committee would, therefore, urge that the withdrawal of the facility of free transfer of funds referred to on page 5 of the booklet will involve all types of societies in an increase of expenditure and will also give a setback to the ordered progress which is being achieved in the field of co-operative banking in this Province.

The Committee would further like to emphasise the difficulties likely to be experienced by co-operative societies in meeting the additional charges that they will now have to pay. Owing to the agricultural depression, co-operative societies in rural and semi-rural areas have been called upon to scale down their claims against their debtors and to grant partial or full remissions of interest. They have also been called upon to reduce their rates of interest on their fresh loan transactions. In the opinion of the Committee, the continuance of the concession, with the assistance of the Government of India, is necessary until societies are able to readjust their finances in view of the situation created by the tremendous fall in prices that has crippled the resources of the rural population.

OPINIONS EXPRESSED BY CONTEMPORARY JOURNALS.

The Madras Journal of Co-operation.

The Reserve Bank wholly withdraws the concession of free transfer of funds even for bona fide co-operative transactions through treasuries and sub-treasuries of Government hitherto enjoyed by co-operative societies. In regard to remittances for inland exchange or banking business other than bona fide co-operative purposes, co-operative banks were quoted terms on the same scale as those prescribed for the general public. In the scale of rates now published by the Reserve Bank, the rates for remittances by co-operative banks are the same as those prescribed for scheduled banks and approved indigenous bankers. The minimum charge fixed for transfer of funds for co-operative banks is Rs. 0-4-0 while for scheduled banks it is Re. 1 for sums up to Rs. 5,000 and Rs. 3-2-0 over that figure. But there is one important respect in which co-operative banks have been differentiated from the scheduled banks. It is in regard to transfers of funds free of charge or special concession rates from the accounts of the scheduled banks with the offices, branches or agencies of the Reserve Bank from one account to another account of the same bank. Co-operative banks, where they have branches, can avail themselves of these facilities if they are extended to them. These are important concessions, and there is no reason why in respect of such facilities co-operative banks should be classed with indigenous bankers and not with scheduled banks. The memorandum of the Madras Provincial Co-operative Bank sets out in detail the provisions of the new scheme of the Reserve Bank and show how the co-operative banks suffer under the new scheme.

It is surprising that the Reserve Bank should have brought into force its revised scheme from 1st October 1940 without even consulting the Provincial and Central Co-operative Banks in India, which are seriously affected by the change. The Agricultural Credit Department of the Reserve Bank has so far shown no inclination to come into contact with either the co-operative institutions or co-operators in several provinces for evolving any constructive scheme of agricultural credit. The Department has been content with issuing bulletins criticising the movement and propounding theories which have little relation to the realities of the situation, the peculiar feature of rural credit or the differing conditions of the various provinces in regard to co-operative credit.

In regard to free remittance facilities to co-operative societies, the Maclagan Committee, the Townsend Committee on Co-operation, Madras, the Indian Central Banking Enquiry Committee and the recent Madras Committee on Co-operation were unanimous in recommending the continuance of such facilities in the interest of rural economy as a whole. The co-operative credit societies and their financing banks work with very low margins. The rates of interest charged to the members of co-operative societies do not bear any substantial increase without real detriment to the pursuit of agricultural industry. We therefore hope that the Reserve Bank, the Central Government and the Provincial Governments will reconsider the whole question in the light of the strong re-

presentations made to them by co-operative interests. If the Reserve Bank and the Central Government cannot see their way to continue such facilities, we hope at least the Provincial Government in each province will, according to the circumstances of the province, do the needful to help the co-operative movement by bearing the cost of free remittances for bona-fide co-operative transactions such as transfer of funds required for disbursement and repayment of loans and receipt and return of deposits. It must be remembered in this connection that the co-operative societies do business on a very small scale in rural parts, which makes it impossible for them to have large margins. Again, there is no question of dividend hunting and many societies pay less than the statutory maximum of dividend now allowed, viz., 5 per cent. There is Government control and audit over these societies and the chances of misusing the concession of free remittances for other than co-operative purposes have been practically eliminated now. We urge that the aim and object of the co-operative organisations to reduce the cost of credit to agriculturists should itself form sufficient justification for the continuance of facilities as recommended by the various authoritative committees referred to above.

The memorandum of the Madras Provincial Co-operative Bank puts in an alternative plea for at least extending to co-operative banks the same facilities as those extended to the scheduled banks such as (a) transfer free of charge of an amount of Rs. 10,000 or multiple thereof between their accounts at the office or branches of the Reserve Bank, (b) transfer free of charge once a week of a sum of Rs. 5,000 or multiple thereof to the principal account which they maintain with the Reserve Bank from any place at which they have an office, branch, sub-office or pay office and at which there is an agency of the Reserve Bank, and (c) other remittances to the principal account subject to a charge of 1/64 per cent. In this connection it must be stated that the extension of such facilities to the Provincial Bank along with the scheduled banks will not prove effective unless the Provincial Bank and its affiliated central banks and the credit societies affiliated to the central banks are treated as integral parts of the same co-operative credit system which is built up on a federal structure. *The Bombay Co-operative Quarterly*, as will be seen from the extract published, also puts in an alternative plea to the effect that if the decision to withdraw free transfer facilities is final, the distinction between transfer of funds for requirements of co-operative purposes and other purposes will naturally disappear, and the present restrictions on banking business which are imposed on co-operative banks may therefore be removed altogether. In other words, the *Bombay Co-operative Quarterly* says that co-operative banks may deem themselves free to conduct banking operations subject only to usual banking safeguards and observance of sound business methods. We, however, doubt whether this is a correct position to take up. The restrictions on banking business to be so done by co-operative banks were imposed not on account of certain facilities enjoyed by them in regard to free remittances but on account of the essential difference between co-operative banking which is mainly concerned with agricultural credit and joint stock banking which deals with other forms of credit such as, credit for trade, commerce and industry. So, we are unable to agree with the view that co-operative banks should be converted into commercial banks, simply because free remittance facilities for transference of funds are now withdrawn.

The Bombay Co-operative Quarterly.

It is to be hoped that there will be vigorous protests all over the country against the decision of the Reserve Bank of India to withdraw the facility of free transfer of funds which has been enjoyed by the co-operative banks so far. It is true that this facility was curtailed some ten years back on the ground that when co-operative banks conducted banking operations such as the issuing of demand drafts and the collection or discounting of demand bills of exchange, they could not expect to be permitted to finance these operations with the help of funds transferred to or from the district or provincial headquarters free of charge. Government then decided that free transfers of funds would be allowed only when needed for *bona-fide* co-operative purposes. For financing inland exchange operations co-operative banks would get transfer of funds on payment of stipulated charges. To this curtailment of the concession no reasonable exception could be taken. But as the Indian Central Banking Inquiry Committee pointed out the free remittance of funds for co-operative purposes is of utmost importance to the co-operative movement—and one may add to the organisation of agricultural credit in general—and no attempts should be made to curtail this privilege.

* * * *

There is another aspect of the Reserve Bank's scheme of remittance facilities which, it may be acknowledged, is not equally unsatisfactory. During the last fifteen to twenty years co-operative banks, both central and urban, in the province of Bombay have interested themselves in the development of modern banking facilities in the smaller towns and trading centres. Joint stock banks in the province are confined to the bigger towns and they have about 150 offices of which the large majority are located in the principal towns and cities. The number of co-operative banks and branches, as noted by Prof. V. G. Kale in the last issue of this journal, is 216 and as he records there are 98 towns in the province which are served exclusively by co-operative banks. No less than 90 of these towns have a population smaller than 20,000 which goes to show the extent of the service that co-operative institutions have to their credit in developing the banking habit in the province. Although in other provinces co-operative banks may not have played the same part in the development of banking in the countryside there has been a tendency everywhere to extend the scope of the operations of co-operative banks. In the recently published report of the Madras Co-operative Inquiry Committee there is a definite recommendation that this tendency should be encouraged.

The importance of such extension of the scope of the operations of co-operative banks will be further evident from the fact that in the whole of India there are over three hundred co-operative banks with shares and reserves in excess of one lakh of rupees and these serve some 250 different places. In addition, there are a number of small local institutions which can and often do conduct banking business. Of the 1,695 towns and cities in India only 730 are served by joint stock banks and their offices and branches and over half the number of towns in India are not served by any banking institution except a co-operative bank. It is for this reason that co-operators have urged that when co-operative banks ask for arrangements for the transfer of funds for banking business, as distinguished from what may be termed co-operative business, they should be entitled to the same privileges as joint stock banks. This demand of theirs was strongly supported by the Indian Central Banking Inquiry Committee.

* * * *

If the decision of the withdrawal of the privilege of free transfer of funds for co-operative purposes hitherto enjoyed by co-operative societies is to be treated as irrevocable the need for maintaining any distinction between the requirements of co-operative societies and banks for co-operative purposes and other banking

purposes disappears. Insistance on the maintenance of this distinction has hampered the growth of the banking operations of co-operative institutions to a certain extent. With the withdrawal of the privilege of free transfers—to prevent the absence of which distinction was introduced—the restrictions on banking business which were imposed may well be relaxed if not removed altogether. Co-operative banks may deem themselves free to conduct banking operations subject only to the usual banking safe-guards and to the observance of strict business methods. If the provincial Governments cannot agree to or secure through the Government of India the continuance of the system of free transfer of funds for co-operative societies, the least they can do is to permit the extension and development of the banking operations of co-operative institutions by removing the present restrictions which were imposed to prevent any misuse of the privilege of free transfer of funds.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE 6TH HOLKAR STATE CO-OPERATIVE CONFERENCE, INDORE 27TH APRIL 1940.

Extracts from the Inaugural Address of Rai Bahadur Col. Dinanath, Prime Minister, Indore.

It is a great pleasure to me to be associated with you to-day, and give public expression to my profound belief in the Co-operative Movement and to the high value I place on the works of those who are engaged in its development.

We all know how deep and abiding is the interest taken by our gracious Ruler in the welfare and betterment of the agricultural population of the State. Let me recall to you the words of His Highness in opening the third Co-operative Conference in this very hall eight years ago. "I and my Government have of late been giving considerable attention to rural needs; and nothing would give me greater satisfaction than to be able to alleviate the lot of the agriculturist." Of the several enactments passed by His Highness for introducing reforms in the land administration of the State, I need only refer to the Land Revenue and Tenancy Act, the Land Acquisition Act, The Panchayats Act, and the Co-operative Societies Amendment Act. The idea underlying the last of these measures is that the people should take the management of their affairs into their own hands for bettering their economic condition and not be dependent on outside help either for finance or for management.

The Co-operative movement has been in existence in the State for nearly a quarter of a century. Unfortunately, however, the credit side has received exclusive consideration so far, both in rural and urban areas, and the development of other aspects has been neglected. The time has come to break fresh ground in the larger economic interests of the agricultural population. Co-operation, rightly understood, means not merely redemption from debt; it means thrift, "better business, better farming and better living."

His Highness's Government have been actively helping the movement by every means in their power. The success of the movement in rural parts depends largely upon the education of the Panchas, who are responsible for the management of the societies. And this, in turn, depends upon the active support of honorary workers for purposes of education and propaganda. The harvest is great, but the labourers are few, and I appeal to those who have the welfare of the masses at heart to spread the gospel of Co-operation in every part of the State.

The movement has been passing through a critical period in the Holkar State as in other parts of India. The unsettled condition of prices has hit all classes alike. The fall in the yield from land has affected the repaying capacity and the credit of agriculturists. If there is one thing which the past history of the movement emphasises, it is the importance of strict adherence of good, sound rules, evolved by experience in the light of accepted principles. It is gratifying to find that the Department, which has now a whole-time Registrar at its head, is putting forth positive constructive efforts for the amelioration of the rural classes by pursuing a policy of

steady expansion and development, along with reorganization and consolidation of existing societies.

His Highness's Government are tackling the problem of Rural Uplift in right earnest. A great impetus has been given to this movement by the munificent donation of a lakh of rupees every year from the Privy Purse of His Highness. Under the command of His Highness, adequate resources will be placed at the disposal of the nation-building departments of the State. The creation of a Rural Uplift Board is but the first step in bringing about a co-ordination of the different nation-building departments and creating a team-spirit in them and I feel confident that if officials and non-officials alike work in a spirit of co-operation, it will result in the abiding prosperity and contentment of the masses.

It only remains for me, Ladies and Gentlemen, to declare this Conference open and to express my heartiest good wishes for a successful session.

Extracts from the Presidential Address of Dewan Bahadur C. M. Gandhi, B.A., LL.B.

Leadership.—Now the first observation that I would like to make with regard to the working of the Co-operative Movement, and perhaps with regard to all public movements in this country, is the paucity of honest, intelligent and devoted workers in a public cause. So recently as 6th August 1938, Mr. C. G. Matkar, Joint Revenue Minister and Divisional Commisioner, Malwa Division, while inaugurating the Conference of Urban Co-operative Societies in Indore referred to the good work done by the urban co-operative Societies and pointed out at the time, that while before 1920 there were only 2 urban Societies with a membership of 700 individuals and a working capital of Rs. 74,000, as against 203 rural societies with a membership of 4000 individuals and a working capital of Rs. 11,06,000, in August 1938 there were 36 urban societies with a membership of 12100 persons and a working capital of Rs. 26,29,000, whereas the membership of 686 rural societies was 13000 and their working capital was Rs. 31,90,000, and he drew our pointed attention to the lesson to be drawn from these facts that the urban co-operative movement had prospered so much better because of an educated and intelligent class to work the movement. He deplored that rural co-operation had remained stagnant owing to lack of education amongst its members and proper guidance. We get similar experience everywhere in the Co-operative movement.

The Primier Bank.—In my opinion, it will be proper and more businesslike if the Indore Premier Co-operative Bank were to work as the only banking institution in the State with branches under its control at Maheshwar, Sanawad, Kannod, Petlawad and Susari, instead of allowing independent Central Banks to work in those places. The cost of running a branch under the supervision and guidance of competent men at the apex bank will be cheaper and the work will be more efficient. With a small clientele of about 50 societies at the most, a central bank with its necessary staff and other paraphernalia is not likely to make any profit, and the knowledge of finance and banking which makes a banking institution successful will be lacking in the personnel of the people working in the central banks away from the capital town.

Central Banks.—The question as to whether a central bank should lend money to societies and that too on short term credit and should have nothing to do with lending money to individuals or long term credit, is not one free from divergent views. The Surat District Co-operative Bank had at one time a large clientele of individual members. When it was started, it was started for the benefit of both inviduals and societies and it catered to the wants of both. Later on, with change in the policy of Government, its loan to individuals was reduced gradually and now it lends money with just a few exceptions to societies only but there is a very well and efficiently managed Co-operative People's Bank in Surat and, therefore the needs of small traders and artisans are satisfied by the finance which they get from the People's Bank. Personally I am against having two co-operative banking institutions in one place for undesirable competition creeps in into the working of the two banks and thus true co-operative spirit is not maintained. It is common knowledge that small artisans and traders who borrow short term loans for 3 or 4 months, can easily afford to pay interest at 9% which the agricultural society or its members cannot afford to do. It, therefore, happens that people's banks in a city are easily tempted to attract deposits at a higher rate of interest than the District Co-operative Central Bank. There is nothing inherently wrong in one institution catering to the wants of both the individuals and the societies, if it has got sufficient funds to do so.

Long Term Credit.—As to whether a central bank shall or shall not deal in long-term credit, the orthodox opinion of many co-operators is in favour of keeping the land mortgage bank dealing in long-term credit separate from a Central Bank which in their opinion should only deal in short term credit. One principal ground advanced against the combination of one central bank doing both short-term credit and long-term credit business is that the long term finance is of a peculiarly complex character and cannot be properly handled by a central bank, and secondly the central bank having no long-term deposits cannot with safety be trusted to do the long-term business. I agree that the long-term finance is of a different type from the short term credit business, which has only to deal with the seasonal wants of an agriculturist or a trader. I also agree that no central bank shall be allowed to do long-term business unless it has got long-term deposits to do so. There is no doubt that its capital and its reserve fund and other funds which form part of its owned capital can be regarded as money from which long-term finance can be met; and it is equally possible for a central bank to go in for long-term deposits if it were allowed to do long-term business. The whole question is as to whether it is wise to burden the movement with overhead charges of two institutions when one can do it successfully with a little addition of staff. It is possible to have one board of directors to deal with long-term finance and another to do short-term business; and two different boards of directors can safely be trusted to do the two kinds of credit business in one building with one staff slightly augmented if necessary and probably they will do better work because the staff of that bank will be able to place at the disposal of the boards, experience which they have got of individuals with whom they have been dealing in short-term or long-term credit as the case may be. I know I am advancing the opinion which has not upto now found favour with any co-operator of known reputation, but with all that handicap I am prepared to venture that opinion, for I do not find in my part of the country that the boards of directors of primary land-mortgage banks which have been now set up are in any way stronger either in experience or in knowledge or status than the boards of the ordinary central banks. Being quite new to their business and without any experience of the men with whom they are called upon to deal, they often run into errors which men with larger experience in the co-operative movement up to now will easily avoid. Even in District towns, there is the difficulty of finding good and devoted public workers in an honorary

capacity even for one institution. The same people are drafted for a number of public institutions with the result that the public work they attend to is delayed and gets not only delayed but divided attention. It is not, therefore, wise to create two institutions when one can do.

Honorarium or Fees.—Another allied matter which I want to emphasise is that there should be no honorarium or fees paid to the members serving on the Board of Directors. At one time acting on theoretical considerations the Surat District Co-operative Bank thought that it would be better to remunerate the services of the board of directors by paying to them all a small honorarium. They thought that such an honorarium would secure better attendance. It was then objected by one of the members of the board that if honorarium or fee was to be paid, it must be on a fairly substantial scale, so as to induce men of position and standing to care for and contest the seat at the election. If the honorarium was poor or small, it will only tempt smaller men to canvass for the seats with the result that they would get in at the expense of the movement, other people caring not to do so. Our experience of a couple of years showed that the elections which were in previous years carried on smoothly and with dignity degenerated into unseemly strife with contesting candidates. We then resolved to go back to the old system and I am happy to inform you that our old system of no honorarium of any kind is found to be for the good of the movement.

Rates of Interest.—The second point which strikes one as important and deserving our special consideration is the rates of interest which the banks in Holkar State pay for their total working capital as compared to those which the Surat District Co-operative Bank and its branches pay for their working capital. Of the total working capital of Rs. 25,07,866 a greater part consists of Government loan at 6%. Their savings banks deposits carry interest at 2½ and 3½ per cent, while this pays 3½ to 5 per cent on their fixed deposits. The Surat District Co-operative Bank's working capital for the last year 1938—39 consisted of the folowing and it paid interest thereon at the rates mentioned against them.

Nature of Deposits.		Amount of Deposits. Rs.	Rate of interest.
Fixed	..	5,69,911	1½% to 2%
Savings Bank	..	27,21,017	1½%
Current	..	8,92,434	½%
		41,83,362	

The average borrowing rate was only 1·4 per cent and the average lending rate is 4·3 per cent. Monies are advanced at 4 per cent on security of agricultural produce with a right of rebate on regular payment. Under the circumstances, the Indore banks cannot thrive as they should with the incubus of heavy interest. Efforts must be made to get your deposits much cheaper than you now get, having regard to the world conditions of the money market. But there should not be any very great difficulties in getting your money cheaper than what you do now from the State. His Highness is a keen co-operator and has robust faith in it. You should be able to easily persuade him to part with G. P. notes of the same value as the amount of cash loan His Highness' government has advanced to you at 6 per cent with power to overdraw money on the security thereof. I dare say large sums of surplus monies are invested by the State in British Government Promissory notes. The advantages of such a change in the method of helping you are obvious. The State will continue to draw on the G. P. notes the interest which it had been used to draw and you will get up to 90 per cent of the face value of the G. P. notes at the bank rate i.e. 3 or 3½ per cent. At any rate to rehabilitate the bank's position it is necessary that it should get the major portion of its finance at less than 3½ per cent. I do not think that there is any possibility of your rehabilitating the movement unless and until you are able to advance monies to primaries at not more than 6 per cent, they in their turn lend at 8 or 9 per cent allowing a rebate of 1 per cent to those of their members who repay their loans regularly. The financial position of the central banks is simply alarming. Recoveries are so poor. In case of two of the banks they do not get enough to recover interest due. Such a state of affairs canot be allowed to go on any longer. The financial position of your primaries is equally alarming.

Recovery of Arrears.—How are you to recover overdues and rehabilitate the financial position of the movement? The overdues in your primaries of Rs. 32,54,299 with a working capital of Rs. 91,42,517 cannot be treated lightly. These overdues are generally the result of indiscriminate over-financing, or spending of the loan borrowed for unproductive purposes. By over-financing, I mean financing beyond the repaying capacity of the borrower, though he may be quite solvent otherwise. The repaying capacity of the borrower depends on the size of his holding which in many cases is uneconomic. Out of his income for the year, he has first to pay the land revenue assesed on the land and secondly to defray the current expenses of his household for the year. He can pay interest on the loan borrowed for his agricultural operations for the year, or pay interest and the principal if there be any surplus left. He can pay the old debt only if after paying the amount of the year's loan with interest there be any balance left, or his indebtedness goes on increasing. In order to prevent that, it is very necessary that a thorough and searching economic inquiry should be held of particular villages to ascertain the repaying capacity of the members of the village society. But that apart, now that the overdues have grown to such dangerous proportions, drastic measures will have to be applied to eradicate the evil. Each case will have to be tackled on its own merits on some such lines as were adopted in Madras. In Bombay too we have been following similar lines. I cannot do better than repeat here in extenso what Mr. V. Ramadas Pantulu said about these remedies in his presidential address on 26th November 1935 at the Central India, Rajputana and Gwalior Co-operative Conference: He said, "The two main lines of action adopted by us there, are (a) a careful examination of the individual loans in the primary societies in order to secure unsecured and inadequately secured debts and to give extensions in suitable cases to members where adequate security is forthcoming, (b) extending to members of societies various concessions in order to reduce the size of their debt. The nature of concessions granted to our members is detailed below.—(1) If a borrower paid his debt before a specified debt, all accumulated final interest was waived. (2) In some cases societies were permitted to collect as much as was necessary to pay the outside debt and to write off the balance. (3) The rate of interest on new loans was lowered. (4) Central banks were advised to collect interest at not more than 6½ per cent for 1933-34 against all loans outstanding against societies provided the interest due was paid on or before 30-6-1934. (5) Primary societies were advised to collect interest at not more than 7½ per cent on all loans outstanding provided the entire

interest due was paid on or before 30-6-34. (6) As the conditions of the agriculturists had not improved, the concessions stated above were extended to the end of 1934-35 also. (7) Central banks have been advised to reduce further the rate of interest on new loans; to charge the reduced rate of interest during the current year, on all outstanding loans including those that have been decreed, and also those that have not fallen due; and not to charge compound interest on interest not paid. (8) Primary societies have been advised to abolish penal interest altogether, and also to collect on all outstanding loans from the date of last payment only the reduced rate of interest. The rate of interest on loans to members in primary cases had been reduced to 6½ per cent and in some to 6 per cent."

Fresh Finance.—Such are some of the palliatives adopted to afford relief to agriculturists and to induce them to pay up their dues. But it will never be wise or expedient to stop fresh finance altogether. Finance necessary for seasonal wants must be supplied. Fresh-finance however should be supplied as far as possible in kind, and in such minimum amount in cash as may be found absolutely necessary to enable him to carry on his agricultural operations. The whole finance will thus be used for productive purposes; and it should be made on condition that the borrower should sell his harvested crop through the agency of the bank or his credit society. He may thus be enabled to pay the new debt and a part of the old debt but with such a heavy load of overdues, it is not possible for him to pay any substantial part of it, and if you really mean to save him you will have to convert his debt into a long term debt payable by easy instalments. Therein comes the utility of a land mortgage bank, with debenture loan and other long term deposits. But I am afraid you can never save the agriculturist by starting an arrears bank or a land-mortgage bank or any other bank with a similar purpose unless and until you are to get your loan or long term deposits at a rate of interest not exceeding 4 per cent and at this nick of time a benevolent Government ought promptly to come to the help of the Co-operative Movement. Its enlightened self-interest dictates it as the only prudent course to follow. It is better to voluntarily make a small sacrifice at once rather than wait and lose the whole.

Debt Relief.—Personally I am not satisfied with mere palliatives adopted to afford relief to agriculturists viz. by concession in interest and by spreading repayment of the loan by a certain number of instalments. I am definitely of opinion that if after reducing the rate of agriculturist debt to 4 per cent and if after making the amount of that debt payable by instalments according to the repaying capacity, of the borrower, if he is not able to wipe off the whole of his debt even by 20 annual instalments, then the State should legislate that his debt would be automatically wiped out at the end of 20 years. Even in cases of Talukdars whose estates are encumbered, the scheme of debt liquidation provides a clause of this character, and I cannot understand why a smaller agriculturist should not have the same right to begin a fresh life again without any load of indebtedness on his head.

At such a juncture it is necessary to appoint Special Recovery Officers to effect recoveries, acting under the orders of the Registrar of the Co-operative Department. These men should not be from amongst the men whose duty it is to collect land revenue. In their case they understand that their first duty is to collect land revenue; and till that is done, they do not care to recover overdues of the Co-operative Department. Besides they bring the Co-operative Departments into disfavour with the people by unjustly criticising the latter in favour of the Revenue Department.

Subsidiary Industries.—In order to supplement the meagre income of the agriculturist, the resort to cottage or home industries by the side of his principal industry is advocated. We more glibly advocate them rather than try to follow up our advocacy and see the difficulties in our way. It is not easy to convert an agriculturist into a weaver or a bricklayer, though cases may be found where an agriculturist also works as a bricklayer during the off-season. But that is not easy unless there are traditions of that character behind. To my mind, it would be more profitable to endeavour to transform an agriculturist into a better farmer by helping him to more intensive or more varied forms of agriculture, horticulture, dairying, poultry farming, bee-keeping etc. You can help him to do better and more profitable farming by supplying him with better strain of seed, and better implements of agriculture. You can help him to a rotation of crops, to irrigate crops by providing water facilities for him by sinking a well for him or otherwise, and what is more important than all these is to give him knowledge of the elementary principles of scientific agriculture, so that he may learn to know the reason why for many things which he has been now doing mechanically as a result of his practical experience, of all the important items of rural uplift or rural reconstruction, better farming occupies the most prominent position, and demands our earliest attention. For desire to live a better life, a more colourful life, a more comfortable life will automatically follow as soon as he has means wherewithal to lead such a life.

The Example of Surat Sale Societies.—The Cotton Sale Societies of the Surat District afford an illuminating example of what can be done by the agriculturists themselves to get better returns for their crops if they only know how to co-operate and sell their produce jointly. There are 17 Cotton Sale Societies in the Surat District and they handle a little over 10 per cent of the total cotton bales brought for disposal in the market and year in and year out, they have always been able to realise better return for their commodity than agriculturists who have not yet joined the Co-operative Movement and sell their goods separately. The advantages of selling their cotton jointly have been so very obvious that every year more and more agriculturists are joining the movement. They have thus been spared the necessity and worry of taking their goods from their village to the market town and are able to get better returns because, the Federation of Cotton Sale Societies with its head office in the District town is able to watch the market more effectively and sell the goods at opportune time. There is no fraud in weighment, there is no deception in the market price, there is no waiting; for the moment the agriculturist brings his cotton to the Co-operative Cotton Ginning Factory and unloads, he gets 60 or 70 per cent of the value of his goods at once and returns home merrily. It is further necessary to link up credit with marketing. Monies can be advanced to societies and the members thereof who agree to sell their goods through the co-operative Society which in its turn agrees to pay the money to the financing agency. So repayment is secured, so, better prices are secured for the agriculturists and repayment is secured to the financing agency. One striking result of the agriculturist joining in cotton sale societies and then setting up their cotton ginning factories and even cotton presses to bale the cotton, has been the wonderful transformation of an ordinary agriculturist into a businessman. Till that was done, the agriculturist always felt that he was good for nothing else but turn clods of earth and grow crops. All our ginning factories and cotton presses are manned by persons from the agriculturist communities. And they have begun to fell and feel confidently that they are as good as any other men who are engaged in the cotton trade if not better and that they can stand their own against them. A moral transformation of the agriculturist of this sort cannot be over-estimated.

The Surat District has now organised a Sale and Purchase Union. The principal functions of that union are to sell the agriculturists' staple crops other than cotton, and to purchase for them and sell to them the principal commodities which they require. The result of this is that the agricultural credit society or the Financing society in its turn does not supply finance in cash but finances him in kind so that the chances of his spending the money in unproductive purposes are diminished. This creates such a beautiful network of co-operative societies for sale and purchase and for sale and credit so that agriculturists have begun to feel that they belong to one common brotherhood and have produced amongst them a fairly good number of men who are prepared to devote their time and energy for the betterment of their class. That is a moral gain and I submit with all the emphasis at my command, that if rural reconstruction is to proceed apace and that it is to improve the economic and social aspects of the village life, then it should be undertaken in all its aspects simultaneously. We must try to create leaders of men from amongst the people of the rural area.

Urban Societies.—I have noted with pleasure the fact that your urban movement is doing good work full of encouragement and hope. I find that there is diversity too in your urban movement. You have started an Insurance Society and Dairy and a Press. I have not much useful criticism to offer on that side of your activities. I have failed to understand how your Insurance Society is co-operative in any sense of the term. But I want to warn you that an Insurance Society cannot be a success unless it has been spread over a very large area and over persons of different grades of society and different conditions of life. Then only the chances of abnormal losses will be minimised and you will be able to meet the overhead charge of running it. As you are aware in this branch of your activity, we have to deal with big joint stock insurance companies with vast resources, and they are able to afford such heavy commissions to their canvassers that a small co-operative insurance society cannot have any very great chances of success unless loyalty to the movement is developed to a remarkable extent among its policy-holders and they try to push it forward. But that is not to be found so easily. And you must, therefore, proceed cautiously with regard to this branch of your activity. Dairy is likely to succeed provided the loyalty of the members is maintained and I dare say that if you are careful to see that the milk and milk products supplied are duly tested before they are distributed. You are likely to succeed. You have burnt your fingers with a co-operative press so have I; and my humble request to you all earnest and enthusiastic co-operators is that in all your matters of new activities please proceed slowly and cautiously after carefully examining the causes of success or failure of all similar movements elsewhere. Please do not proceed on theoretical considerations. In all such matters experience is a better teacher than mere theory.

Audit.—I note that a proposal is mooted here to form a Union of Urban Credit Societies for the purpose of auditing. Fascinating that idea may seem to some as leading to the formation of another type of a co-operative society, I for one shall always continue to vote in favour of the auditing of the Co-operative Societies being conducted by State Agency. Without meaning any reflection on private agency of the character you propose now to set up or of the body of certified accountants or auditors, I believe that Government auditing will for a long time to come continue to command a much greater confidence than audit by any other agency. It has another advantage, namely the State will have always ready at hand machinery by which to know exactly how the movement stands and so long as the Co-operative movement of a State continues to be in need of any sympathy or aid from Government, it is neither wise nor expedient to prefer any other kind of audit to the Government audit.

Arbitration.—The power to decide disputes in respect of all the business of a Society between a member or a past member and as regards claims through any one, who is or has been a member of such and such a society, or its committee or any of its officers, is to be decided by the Arbitrator under Rule 19 of Co-operative Societies Rules of 1915. With the amount of work growing from day to day, it is not possible that the Registrar should find time to decide all such disputes. The number of cases now awaiting decision is 895, and unless such cases are promptly decided and the defaulting party brought to book by prompt execution of the awards against him, the morale of the person engaged in the movement is likely to deteriorate, and people will be tempted to raise up false disputes in order that they may get time. It is, therefore, very necessary that the Registrar shall have authority to delegate his powers to his nominees or Assistant or Deputy Registrars may be appointed to help him in that work. This sort of work at the hands of honorary arbitrators has not been as satisfactory as it should be so far as promptness in decision is concerned, I am, therefore, of opinion that it would be much better to appoint a paid officer in the first instance solely entrusted with the duty of deciding these disputes and passing awards. Once awards are made they must be executed, and promptly executed against dishonest defaulters. Rule 19 of the Co-operative Rules therefore requires to be amended.

Legal Difficulties.—Some legal difficulties have been raised in the interpretation of Rule No. 20 of the Co-operative Societies Rules of 1915, as it now stands after its amendments in the year 1927. The proviso state that in the absence of proper or good buyers the land may be handed over to the society on such terms and conditions as may be agreed upon between the Amin and the said society. Therefore, this handing over to society cannot rightly be questioned on the ground that it is a sale to the society and is invalid because it is not to a bonafide agriculturist. But the rule is also challenged as ultra vires of Land Revenue Act as under the act a tenant is not allowed to sublet. But it is not right to regard the society to whom the property is handed over as a mere tenant or a Pattedar tenant. He succeeds to the property as owner. However, in order to set at rest any future quarrel or quibbling over it, the proviso may be further amplified by adding the following words at the end thereof viz., who shall have all the rights over the property as the last holder had therein.

The other legal difficulty as regards jurisdiction of Registrar over sureties, who are non-members hitherto, may be easily got over by asking the sureties to be members, and getting old bonds renewed as fresh transactions by both the borrower and the surety. It is unlikely that they will refuse to become members and precipitate civil actions against them by their refusal. If there are any such immediate civil suits may be filed against them.

Co-operative Training.—Do not start any new co-operative activity till at least some one amongst you has so thoroughly studied it as to give you a correct lead and till he has trained up a sufficient number of willing workers to follow up his lead. A training school for training the staff and the field workers in the movement is in the theory and practice of co-operation absolutely essential. Wherever the movement has failed, or not succeeded as it should, it is due to lack of adequate training—any money spent on it is money well invested. I therefore earnestly appeal to the State authorities concerned to endow and equip such a school at the earliest opportunity.

I cannot conclude without expressing my sincere thanks to the President and Members of the Indore Co-operative Central Association for having given me this opportunity of meeting you all and learning at first hand what the co-operative movement has been doing for the Holkar State. I am glad to state that the movement, although it has some alarming aspects about it, has a hopeful future before it, if properly handled, and I have no doubt that the band of zealous co-operative workers which you have amongst you will not fail to do all that is humanly possible to lead the movement on a better and a more prosperous issue. God Bless the Movement.

Resolutions passed at the Conference.

I. RURAL UPLIFT SECTION

1. (a) This Conference is of opinion that the Co-operative movement should be used to the fullest possible extent compatible with the principles for extending the rural re-construction movement having regard to the fact that it provides the best form of organization for the economic re-construction of rural areas.

(b) This Conference is of opinion that the development of subsidiary occupations in the rural areas ought to be one of the most important items in the programme of Co-operative work as to increase the earning capacity of the Agriculturists.

2. This Conference is of opinion that Co-ordination of economic activities in villages is necessary for raising the economic standard of the villages and recognises that to that end multipurpose societies possess distinct advantages and have proved beneficial in certain areas, the Conference, therefore recommends that they should be tried as an experiment in suitable areas.

This Conference exhorts the agriculturists to organize better living societies in their villages for their economic and social betterment.

3. With a view to create habits of thrift amongst the peasants and make them self-reliant, this conference recommends that the Co-operative Department with the collaboration of the Revenue Department should establish grain seed stores (Beej Bhandar) in every village. It is further recommended that the Co-operative Department should in due course explore the possibility of converting these stores into grain banks.

4. Having regard to the urgent financial requirements of the movement, it is in the opinion of this Conference quite necessary to tap all the sources of obtaining financial assistance to further the cause of rural re-construction and as such the charities available in villages should be pooled by the village panchayats and the co-operative societies.

5. In the opinion of this Conference the production of Milk and Ghee is a subsidiary occupation which the agriculturist can easily and conveniently undertake. This occupation would increase the earnings and also enable them to have good manure. This Conference further requests the Government and the Departments concerned to extend all necessary facilities and to render financial assistance in the

beginning. This Conference, therefore, recommends that Milk supply and Ghee societies be organised and encouraged in the villages, wherever possible.

6. In the opinion of this Conference a campaign for developing Cottage and village Industries among the agriculturists is necessary for the successful development of the movements of rural up-lift and Co-operation.

7. This Conference reiterates that insurance of members of the co-operative societies specially agriculturists, artisans and labourers will prove beneficial both to the members and the societies and recommends that means be found out for propagating the benefits of Insurance among them.

II. RURAL CO-OPERATIVE SECTION.

1. (a) This Conference recommends that the following steps be taken as early as possible to relieve the heavily indebted members of the Primary Agricultural Credit Societies in respect of overdues against them.

(i) That individual cases of indebted members be immediately investigated in respect of their immoveable assets and existing, secured, out-side debts and their capacity to repay the overdues in convenient instalments.

(ii) That those members, whose repaying capacities are not sufficient to meet their liabilities even by convenient instalments, be weeded out at once.

(iii) That after ascertaining the repaying capacities, the dues against them be so scaled down as to enable them to repay, in convenient instalments spread over 20 or 25 years, free of interest. The rest to be written off, at the end of the stated period if the instalments agreed upon are duly paid.

(iv) That annual remissions be made in cases of all members paying the instalments in full.

(b) (i) That the Government be requested to render such help as may be needed to carry out such an investigation successfully and in a satisfactory manner and render financial assistance to the extent of Rs. 2500 in the first instance for the said purpose.

(ii) That in order to relieve the Premier Co-operative Bank and the Primary of the Indore and Nemawar District of their frozen assets and enable them to expand their own spheres of activities and to facilitate the recovery of old dues by long term finance, the Government be pleased to render financial aid already prayed for in the scheme of the Agricultural relief Bank submitted, viz 5,65,000 for a period of 25 years without interest.

(iii) This Conference is of opinion that in order to rehabilitate the Co-operative movement in the state in general and to ameliorate the condition of the heavily indebted members in particular and early grant of the loan asked for is the only remedy under the existing local conditions and therefore resolves that the Government be pleased to render the financial aid as prayed for.

(iv) In order to ensure recoveries of instalments of overdues from members of agricultural credit societies and to satisfy the current agricultural needs, it is desirable to extend short-term credit on condition that, subject to the first charge of Government, crops raised by such advances with the help of Central Banks are collected and brought by the Society concerned to the agency appointed by the Central Bank for the purpose of selling such produce which will be authorised to deduct from the proceeds of sale the amount of fresh advances with interest and the instalments fixed.

(v) That in order to carry out the scheme formulated it is necessary to have Special Recovery Officers appointed by Government. This Conference therefore requests the Government to appoint Special Recovery Officers as early as possible.

2. In view of the fact that Branch Banking may, in view of the local circumstances, be found more suitable than independent District Central Banks, the amalgamation of District Central Banks with the Indore Premier Co-operative Bank may be carried out wherever desirable and attempts be made to create banking unions, wherever possible.

3. This Conference is of the opinion that in the absence of bidders or of adequate bids at the auction sale of the lands of defaulting members in execution of awards against them, it is necessary that the provision of rule 20 of the Co-operative Societies rules of 1915 be carried out and lands be handed over to the society for management.

It further proposes that, despite whatever may have been said to the contrary in the Land Revenue Tenancy Act or any other provision of any other Law in this State, the society may be allowed to bid at all auction sales by Government, and it may be empowered to lease and even to sell the land, at the end of a stated period, say five or ten years—if the society has not been able to recover its dues in full during the period.

4. This Conference is of opinion that for securing to a certain extent a fair and reasonable price for the agricultural produce and for increasing the repaying capacity of the members, Co-operative Marketing societies and Adat shops be organized. This Conference is further of opinion that for the proper and successful working of these marketing societies initial capital expenditure for building of godowns and recurring expenditure for export and efficient management is a prime necessity. This Conference therefore requests the Government to arrange for the lending of long term money on concessional terms to central organisation for the construction of Godowns on its account.

III. URBAN CO-OPERATIVE SECTION.

1. This Conference feels that the legal position of decisions given by the Registrar against non-members sureties and of execution proceedings under-Cooperative Societies Act, 1914 has been questioned by Civil Courts. This Conference, therefore, earnestly requests Government to take immediate necessary action in the matter. In the opinion of this Conference some such provision as has been embodied in section 48 and 57 of the Bihar and Orissa Co-operative Societies Act 1935 is necessary in order to protect the decision of the Registrar from interference by Civil Courts.

This Conference further requests the Government that immediate steps be kindly taken to validate the decisions so far given.

2. In order to secure sound working and efficient management of Urban Societies, this Conference reiterates the resolution passed in the last Urban Co-operative Societies Conference regarding ineligibility of defaulting members for being elected in their societies as honorary workers and strongly recommends that the bye-laws be immediately amended incorporating the above suggestion.

3. This Conference is of opinion that looking to the local conditions the need of House-building Co-operative Societies is very badly felt in the city. It therefore recommends that a beginning should be made by starting one society in Indore city for the middle class in the next year.

To be successful these societies require suitable and cheap plots of land and long term finance. This conference therefore strongly urges upon the Government and the Municipality to help such societies by making available to them suitable large plots of land at concessional rates and also provide long term loan at a very low rate of interest for financing housing society.

4. As the limit prescribed by the amendments of Section 60 of Civil Procedure Code for attachment of salaries above Rs. 60 is found to affect adversely the interest of Urban Co-operative societies which are primarily composed of persons of limited means. This Conference requests the Government that the section may be so amended as to make salaries of Rs. 25 and above attachable for Co-operative dues.

5. This Conference feels that it is now high time to take steps to organize consumers societies on Co-operative basis with a view to bring together the producer and the consumer and thus help to secure better price for his produce to the producer and at the same time to secure for the consumer his daily articles of consumption of good quality and at cheaper rates than at present.

IV. GENERAL SECTION

1. In order that the Indore Co-operative Central Association may perform its present functions of Co-operative Education and Propaganda as the centre of the Co-operative movement in the dominions of His Highness the Maharaja Holkar and may in due course of time in progressive realization of its aim attain the position of being the central non-official organization to guide the Co-operative Movement in all its aspects in the said dominions, it is desirable and expedient that its constitution be so modified as to facilitate the affiliation of all societies both Urban and Rural thereto and to secure its attainment of the said objects at an early date.

This Conference therefore appoints a committee of nine persons named below to frame the constitution on such lines.

Committee :—

1. Mr. N. G. Khasgiwale (*Convener*).
2. Mr. D. R. Pinge
3. Mr. N. G. Kothari,
4. Mr. S. M. Samvarsar
5. Mr. M. R. Rudra,
6. Mr. S. W. Fadnis,
7. Prof. W. G. Urdhwareshe
8. Prof. A. G. Karnik
9. Major K. M. Gadale.

Proposer :—Prof. A. G. Karnik.

Seconder :—Mr. D. P. Avadhoot.

2. In view of the importance of Education of members of Co-operative Societies as fittingly pointed out by the Hon'ble the Prime Minister in his inaugural address, this Conference requests His Highness' Government to extend an additional annual grant of Rs. 3000 for Co-operative education and Propaganda and Rs. 2500 for meeting the expenses of intensive all sided Co-operative efforts as per approved programme of rural reconstruction to the Indore Co-operative Central Association.

The Government is further requested to adopt the policy of extending grants to the Indore Co-operative Central Association, as recommended by the Indore Co-operative Inquiry Committee from the year 1941-42 for carrying out its work properly.

3. This Conference expresses its profound sympathy with its fellow-workers in the Co-operative Movement in the Country of Denmark in their hour of distress and expresses its abhorrence of Hitlerism which has so wantonly and wickedly disturbed the peace and tranquility of peace-loving countries of Europe like Denmark, Finland and others and pray GOD that the Allies armies may soon be able to stamp it out.

ANNUAL CONFERENCE OF RURAL ANTIMALARIA SOCIETIES IN BENGAL.

Calcutta, 23rd March 1940.

Babu Kanai Lal Goswami of Serampore, the popular and able Chairman of the Serampore Municipality and Serampore Local Board and Vice-Chairman of the Hooghly District Board was elected president of the Conference.

Welcome Address.

Rai Bahadur Dr. G. C. Chatterjee, Hony: Secretary of the Central Co-operative Antimalaria Society, welcomed representatives of the rural antimalaria societies coming from long distances under great difficulties in order to exchange their ideas and experiences and further the cause of the antimalaria movement in the rural areas of Bengal. In introducing the president to them he said that although he is a big zamindar, he takes a keen interest in the welfare of the poor villagers of Bengal, particularly for amelioration of their public health and agricultural problems. Recently he has been taking good deal of trouble for improvement of the health and agriculture of the people of more than 150 villages around the Dankuni Beel near Serampore, Hooghly.

He then said that although the task of prevention of malaria has been vested under the law upon the District Boards, Local Boards, Union Boards and the Municipalities, the people when they become members of these local bodies, pay more attention to construction of roads, establishment of charitable dispensaries and schools and practically very little attention is given to prevention of malaria. If the people paid sufficient attention to the problem of prevention of malaria there would be no necessity for creating so many antimalaria and public health societies on co-operative basis in the rural areas of Bengal. It is a happy sign that the authorities of these local bodies and all the Government high officials are now paying more attention and improvement of public health and agriculture of the rural areas of Bengal and are helping the antimalaria projects, as far as their funds permit.

Presidential Address.

Mr. Kanailal Goswami in his presidential address said that he loved the villages. Those who undertake such philanthropic work in the villages know the multifarious nature of obstructions in such work, the greatest of which is ignorance which cannot be fought in any way. Moreover the income of the villagers is very limited and there is no mutual agreement among the largest section of the villagers. In many places if the villagers could make a little sacrifice of their interests, great good can be achieved. The villagers do not realise that for trifling self interest the whole country suffers. Every house has got some dobas in its vicinity where the malaria carrying mosquitoes breed and destroy the village but when some one tries to improve the dobas they kick up a row. It is a very happy sign that the antimalaria societies have not been depressed in their mission in spite of tremendous obstructions in the villages, against such philanthropic work and through their persistent efforts, a knowledge of public health has been spread among the villages. If such efforts and societies spread in each and every village then many small problems of the village can be solved and it is desirable that the Government should try to help these small organisations. Great benefit accrues out of conferences of societies like these because the resolutions that have been put forward and passed here to-day will be forwarded to the respective authorities and the Central Society tries persistently to draw the attention of the authorities to these grievances of the rural areas from time to time with a view to redress them. People have also realised the beneficial effects of such conferences. One can easily have an idea of the terrible situation of the country due to obstructions of the rivers, khals, beels etc., from the resolutions passed at the conference to-day and all such channels ought to be maintained in a flowing condition throughout the year in the interest of the people. If the people continue to agitate it is sure to be effective some day, as the Members of the Assembly and Minister have got to depend on the votes of the people. It is no good running such a Government which cannot redress the grievances of the people. The Government have discontinued to give the grant to the District Boards which was meant for the rural Anti-malaria Societies but every District Board ought to try to keep such societies alive by grants from their own funds. He assured the representatives of the societies that in the coming budget of Hooghly District Board, he will try to make some provision for the Antimalaria Societies out of the funds of the Board.

Dr. Chatterjee requested the delegates to move resolutions which have been formulated by their respective societies regarding resuscitation of the channels, beels etc., of their respective localities which have been tending to raise the malaria index of those localities. He cited the example of Frederick the Great who gave an address to his soldiers when they were standing in front of their enemies, and the societies have got to fight out the malaria carrying mosquitoes in order that they may be successful in controlling malaria. As the anopheles mosquitoes breed in stagnant waters and do not usually travel for more than ¼ mile, the malaria-mosquito problem is an entirely local one and it is for the people of a locality to take effective measures for controlling the disease there. Consequently each society should do away with all breeding grounds of mosquitoes and the place where they take shelter within their village and if this could be done, malaria can surely be controlled there. To attain these objects each villager must do his bit to prevent breeding of anopheles in his own holding and should join the society as active member. The societies should try to enlist as many of their villagers as members for their efficient working and try to organise societies on their own model, in the villages in their neighbourhood.

Resolutions

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

1. As on account of divergence of principles among the various political bodies of the Provincial Assembly, the work of the antimalaria societies is suffering in a large number of places on account of distribution of antimalaria grant through the District Boards and Municipalities, this conference requests the authorities to arrange for distribution of grants to rural societies through the Central Co-operative Antimalaria Society Ltd.

2. Resolved that requests be made to Government through the Central Co-operative Antimalaria Society for giving some grants to those anti-malaria societies where the District Boards have not made any provision for giving such grants.

3. Resolved that the Irrigation Department, the District Magistrate and the District Board be informed that it is high time now to commence the necessary works of silt clearance, removal of obstructions etc., from the Khardah Khal, which has almost silted up all through.

4. The small tanks and dobas within the village are cleaned by the local society but the big tanks (area 4-7 acres) having been overgrown with jungles are causing serious damage to the health of the people and clearance of these big tanks is beyond the resources of the local society. Resolved that the Government and the District Board be pleased to make some grants to the society for keeping the tanks clean.

5. The Central Co-operative Anti-malaria Society has been trying to eradicate malaria, Kala-Azar, Cholera and other preventible diseases and to improve the public health of rural areas with the co-operation of the local people for the last 20 years but as it has now become very difficult for the society to carry on this huge task with the small grant from the Government and meagre subscriptions and donations from the public, this conference proposes that the Bengal Government be pleased to make an annual grant of Rs. 50,000 to the Central Co-operative Antimalaria Society for carrying on this work.

6. In view of the rapid decay of the villages in the districts of Burdwan, Hooghly and Howrah, this conference urges upon the Government of Bengal not to delay any further in taking up the Damodar-Hooghly Flushing Scheme and to be serious about providing necessary funds for giving effect to the same as early as possible.

7. Whereas the Government of Bengal, on the plea of financing big antimalaria schemes in the different districts of Bengal, have stopped the grants to rural antimalaria societies which were and are doing good antimalaria operations in the interior villages, this conference urges upon the District Boards, Union Boards and Municipalities to provide sufficient funds in their budgests for giving regular financial aid to these rural antimalaria societies and to actually disburse such amounts in course of the financial year.

8. The antimalaria grant to the societies from the District Boards having been stopped for the last few years, antimalaria work is not being done properly at the present moment. Resolved that the District Boards be requested to give grants to the antimalaria societies from this year from their own funds in order to enable the societies to carry on the work properly.

CO-OPERATIVE CONFERENCE, BENGAL.

Held at Calcutta on 13th July 1940 to consider the provisions of the Bengal Co-operative Societies Bill.

Extracts from the address of Mr. R. R. Roy Choudhury, Chairman of the Reception Committee.

The Bengal Co-operative Societies Bill which is now before the Assembly foreshadows a clear danger to the entire co-operative movement in the near future and intends a further fillip to the inactivities of the Department in its present moribund state. Since the introduction of the Reforms, the co-operative work has become a Provincial subject and the Bill is the first fruit of the autonomous Government intended for the nourishment of co-operative work in this vast Province. The main object of the Bill is said to be to checmate the deterioration of Societies and consequential provision have been made for tightening of control to replace the free scope which has hitherto marked and has been the life-blood of the movement, which has helped the functioning of Societies and accounts for the progress of the co-operative movement at its present high level. From our experience we have much to regret that no notice has been taken of the lapses and laxities of the Department and of the Auditors who are appointed under the direct orders of the Registrar and discharge their duties and function under his pleasure. If the mysteries could be unearthed a different story would be there which would reveal the extent to which the latches of the Auditors have marked the failure and deterioration of the working of the Societies. The provisions which are being included to strengthen their grip and to make them the arbiters of business principles and interpreters of law and procedure also are against all established canons. It is also unsound that in a movement like the co-operative movement which intends to be guided by the principle "Each for all and all for Each" anything in the nature of a personal liability in respect of non-officials only should be so unhesitatingly provided and that the question of bringing to book the various controlling and supervising agencies who by pulling the string and also by their omissions and commissions may precipitate ruin and discredit to many a good society should be scrupulously overlooked. The Bill as it is, so provides as to make the Registrar the dictator of the Co-operative structure, the arbiter of registrations, rules, regulations, control, supervision and audit—the only superman in the entire movement. Nay, he is vested with powers still to enunciate the principles, interpret the laws—he is to be the prosecutor, the Judge and the Appellate authority and the entire jurisdiction of any Court, Civil and Revenue, is ousted in his favour and a special immunity is included through a tissue remedy in Section 126 as proposed The Penal Code notwithstanding penal clauses and schedules which the pioneers of the movement never dreamt of are brought in. There are also provisions to usher in class representation. The right and proper adjustment of all these would turn the entire show into a paradox. These smack so undemocratic and look so subversive as to foreshadow in no distant time the entire collapse of the huge co-operative structure which has been built up through non-official efforts and the millions of non-official workers have strained themselves to nurse and foster.

There are roughly about 85 thousand villages in Bengal and the Co-operative activities cannot claim anything more than 12 thousand villages with a membership of 8 lakhs or so. The movement, during these 36 years of its existence, has reached only a fraction of the population and touched only one-seventh of the population. It has not yet reached even a fringe of the countless and vast labour population. This task can never be accomplished by any agency that is not inspired by the highest ideals of service and patriotism. It is very doubtful whether the necessary developments are possible so long as attempts are not made to release the movement gradually from the strings of official control to expert outside guidance

The general impression among people in a position to speak with authority, I am here quoting from the words of Sir P. C. Roy, is that "the sympathies of the Department appear to be more for men who represent powerful and influential interests than the poor for whose benefit the Department exists."

One of the greatest difficulties confronting Societies of our type is that not only we are in a state of isolation in regard to ourselves but that we are in a state of isolation in regard to the rest of the movement. As to our isolation with reference to one another, already we are faced with a real danger. I have always held that while co-operative autonomy is to be aimed at, co-operative isolation is a distinct danger. We do not get any support from Central Banks and the Provincial Bank shows no disposition to assist us. The Reserve Bank of India when first schemed was intended to render financial credit to the co-operative movement. Its functions are limited to agricultural credit now. In this respect we are in a more unfavourable position than in Bombay where the Provincial Bank, unlike here, finances the Urban Banks to a large extent. To my mind there is scope for an amount of better understanding between societies of our type and these financing agencies.

An investigation is also overdue as it is desirable to co-ordinate the spheres of our activities. There can be no doubt that our present position of isolation from the rest of the movement is undesirable. Further as I have observed our isolation with reference to one another is a distinct disadvantage. If we do not find adequate assistance from the Provincial Banks or other sources it appears to be ultimately necessary to form a Federation of our own to perfrom the same function which the Reserve Bank and the Provincial Bank discharge in regard to agricultural credit. We may as well begin by forming a Federation of our own which will watch our special interests, assist us in equalising surplus, in removing deficiencies in respect of our funds and in taking counsel together and help us generally.

As in the case of other Co-operative Banks our Societies in order that they may be able to fulfil efficiently and properly their functions must have a trained paid staff. For the development of real banking, no matter whether such banking is run on co-operative lines or not, we cannot depend on amateurs nor can we leave ourselves open to the standards that may be thrust upon us. The achievements of some of the non-official colleges and institutions in the field of education as compared with the very costly and unwieldy machinery of Government colleges prompt me to venture this suggestion with an emphasis and an assertion. While it is extremely necessary that we should have a free hand in choosing our employees it is no less important that we should have uniformity and standard of efficiency. Our staff also would require to be placed on broad basis of security and normal standard. All these are questions that may well form the aims and objects of a Central Federation of our group of societies—a Federation with a liberal constitution of its own, consisting of elected representatives of all classes of societies in our group. Such a Federation when formed should receive support from the contributions that will be permissible under the rules from individual societies besides the usual membership fees and other sources. I do not believe in leaving all these matters to be decided by the Registrar. I am precluded from being quite outspoken in such matters but I can easily foresee when pressure might be possible to bear on the Registrar in order to prevent him from doing the right thing. The elected representatives of Societies who have a direct interest in the promotion of the movement in their own sphere, would be easily able to resist that pressure.

I take this occasion to refute the comments of the Registrar in one of the Annual Reports when he ascribes party faction and management by coteries as some of the vices prevalent in societies of our type. Party spirit is a natural corollary to any form of democratic constitution. It is the vital strength in the democratic forge as well. It is in this anvil that real strength emerges and progressive achievements are realisable. It is far better than the sway of political surge which mars the workings of some of the high officials of the Co-operative Department of which so lately we felt a bitter experience to our regret. Government in our present form is naturally expected to be swayed by political considerations and however much the rules may provide, a Government Department or its officials can never rise above the altar of such phases of the times. That is all the more the reason that we need to be above the phase of Registrar's control in this matter and should have entire freedom in our sphere. I view with alarm the tendency in certain quarters to deprecate our attempts to make the Co-operative movement more dependant on the wishes of the people concerned than on the department itself.

While on the subject of the tightening of official control, more stringent and rigorous, than was undreamt of before, as is forecast in the Bengal Co-operative Bill, I cannot resist the temptation of quoting from the dissertations of a well-known veteran co-operator of Bengal, Mr. G. S. Dutt, I.C.S.: "In every country whether it be in Ireland or Belgium, Holland, Switzerland, Denmark, Italy or America, wherever co-operation has flourished and the people have flourished through it, it was not primarily through state action but through the unselfish efforts of a band of enthusiastic voluntary workers. In Finland it was the students of the University In Western America it was the Mormon priests. In Belgium and Switzerland, Spain and Italy, it was through bands of people organised through voluntary Associations. In Ireland it was a band of educated and earnest people who formed themselves into the Irish Organisation Society and worked night and day for the economic uplift of Ireland."

I repeat these expressions on behalf of those band of self-less workers who have helped to shape the progress of our institutions from their mythic infancy of old into the full stature of Banking manhood to-day. It is not legislative agency which has commanded credit and confidence there. If the self-less work of the pioneers, the various public and Government Banking institutions notwithstanding have kept up the flow of liquid capital at every hour of need in proportion to our demand I may with confidence assert that this credit will continue its usual flow so long as we work united in the true co-operative spirit engrafted on every limb and artery of the sphere to which we belong.

The Bengal Co-operative Bill stresses the official side of the verdict. The sentence against us is about to pass through the legislative anvil and once it is recorded in the present form there can be no appeal not even in the future except through the narrow gateways of the legislature which can only be moved by our united deeds which might command their respect and inspire them once more to feel that we are just as human as the officials. Bearing our cross manfully we too should have the courage of our convictions and faith in the eternal and all-pervading Co-operative principle of Truth, Right and Justice. Our pioneers have instilled into us one great lesson and that is to let our sneerers sneer, and our critics be as hostile as they like but that we should smile on having faith in ourselves in this great Co-operative Alliance. I may also repeat in the words of the poet, 'the evil that the pioneers did lived after them, the good is interned with their bones.'

Short space at my disposal does not permit me to be exhaustive but even confining myself within the narrow limits of generalities, I can safely assert that the functioning of the Department under the present Act has been possible through the grace of the non-official workers in the field. Their narrow outlook, lack of judgement and clear foresight have meant for the honorary workers a heavy cost. Cases are not rare where the machinery of the Department is out canvassing for a favoured auditor of its coterie. Mockery of a protracted arbitration procedure dragging on for years at their pleasure have meant many a bad debtor to go out of reach and jeopardised realisations. Considerable rule-making power was already vesting on the Department under the Act II of 1912. You all know how few of these rules have been framed and in the intricacies of the language and sense of some of

these how the meaning has been enshrouded to baffle any practical benefit. Instances are not wanting where an order based upon no logic nor any principle had been thrust upon an institution of status, the immediate effect of which could have no other force than to engender discredit and result in forthwith collapse of the financial structure. In the name of law and order and sitting in their high altitudes, the officials have not cared to bring themselves down to the level of realities and have in their holiday humour supported acts of violence. In their vaunted wisdom and the dictatorial authority, misconstruction of the procedure and rules of work is also not an uncommon feature and you will not wonder if I go a bit further and say that expansion of business in an organisation where deductions are available through pay bills and are subject to audit by the Local Audit Department of the Government of Bengal, has been tried to be cut short by a sweep of the pen. The Appellate provisions under the existing Act have meant no more than the brushing of ends from one to the other shoulder. These are only a few instances of what the Department could do under the existing Act. And as for what they could not do I ask you to have little introspection and feel whether it has been possible for the officials, minded as they are, in their present form, to so guide the working of Societies and so regulate the machineries as to save them from rotting on, whether it has ever been possible to avail of services of the Department in all promptness where expedition was called for and whether in cases of necessity the Department has proved a philosopher and a real friend. Instances of order for order's sake and abuse of privilege is not so uncommon under the present regime and in all earnestness I would call upon all earnest co-operators to ponder a little and say whether failures and deterioration of Societies where these have occurred is not due in a good degree to the inaction of the officials on whom devolved the serious duty of healthy guidance.

In the midst of these diversities and travesty of functions time was ripe for an enquiry into the working of the Department to unravel the mysteries behind the failures of Societies and deterioration where it has occurred to let those who want to know the secret hand behind the string and all would feel too glad if the Department could stand the test of public opinion of experts on the issues I have with your suffrance raised. You will not allow yourselves to be misled by the well-worded resolutions of the mutual-felicitation and got-up Conferences organised, nurtured and fostered by the Department under its patronage. Nor would you allow yourselves to be misguided by the guarded caution which marks the tone of the few lines in the dry as dust reports compiled, issued and published by the Department.

I, therefore, appeal to you, fellow co-operators, to record your emphatic protest against the reactionary clauses of this Black Bill and rise to the height of the occasion and let our representatives to sum up the situaion in proper perspective and effect such modifications in the Black Bill as may be warranted after an enquiry into the workings of the Department

Extracts from the Presidential Address of Mr. Santosh Kumar Basu, M.A., B.L., M.L.A., Ex-Mayor of Calcutta.

The organisers are doing a service to the people of the province in general and the co-operators in particular, by organising a conference to voice the independent non-official opinion regarding the Bengal Co-operative Societies Bill, 1939, which will be taken up for consideration by the Assembly on and from the 17th instant and which, if passed, will sound a deathknell to the growth of a real co-operative movement in the province.

The Congress Party as well as other parties and groups in opposition in line with public opinion consistenly opposed the idea of a co-operative movement being dominated by a statutory official autocrat in the person of the Registrar, and in conformity with their demand for de-officialisation urged the appointment of an expert and impartial non-official committee to go into the whole question of revitalising and reconstructing the co-operative movement. The result was only a solemn assurance by the Chief Minister of an enquiry which, however, never took place. There was the possibility of consulting experts at the Select Committee stage but this was, it appears, not done by the Committee as it ought to have, although this was pressed by the congress representatives on the Select Committee

We want the Co-operative Movement to be placed on an absolutely sound and autonomous foundation, we demand the aegean stables of the Department to be cleansed and the plague spots of the movement removed. The officially sponsored movement guided by bureaucratic traditions has completely failed. Let that failure be recognised and future policy be framed on that recognition. Nothing could be more preposterous than the provision for further fetters for the societies in the Bill, when the co-operative principles and practices all the world over which constitute the bed-rock of co-operation, and the experience gained in our country from their neglect, demand the removal of such artificial fetters. The surest basis of the success of co-operation is more of true co-operation which is possible only through co-operative education accompanied by democratic practice. That is the co-operator's faith and creed. The Bill was and even now is fundamentally against the consummation of such a goal. "It has been so framed as to make the Registrar and not the Society the centre of the picture on the assumption that a tightening of the official control by clothing the Registrar with very wide powers over the movement and subjecting the co-operative institutions to tutelage and spoon-feeding in a larger measure will improve the movement in this province, forgetting that the essential character of the co-operative movement viz., that it is a peoples' movement will thereby be lost, that self-respecting and independent persons will fight shy of the movement, non-official initiative and enterprise will be discouraged and a true sense of responsibility will be destroyed among those to whose care the institutions should be normally committed." *The Modern Review* editorially in its current issue says: "There is nothing in the Bill excepting the term 'Co-operative" appended to its title to indicate that it deals with and proposes to further co-operative principles. It is more like a disciplinary police measure with which to chastise and punish non-official co-operative workers than one for the promotion of Co-operative Movement. By the introduction of the extremely retrogade provisions regarding powers of rule-making, by investing the Registrar with dictatorial powers, by attempting to exclude many co-operative matters from the jurisdiction of courts, by introducing penal clauses of stringent character, by not defining precisely what constitutes co-operation, by extending official control to the fullest extent and divesting co-operative societies of their autonomous character and by introducing many other provisions of the strongest character, the Bill has been completely divested of the co-operative character". Even the Floud Commission, in spite of its peculiar composition, has strongly criticised in its Report certain aspects of this reactionary legislative measure.

One of the ostensible reasons put forward in favour of the new provisions regarding the Registrar is said to be his lack of power to intervene effectively in preventing and remedying alleged abuses in the Sociteies. This is a complete misrepresentation of the existing state of things and travesty of actual facts. Does not Mr. (now Sir) H. Calvert, C.S.I., C.I.E., I.C.S., himself formerly a Registrar in the Punjab and the most distinguished official commentator on the movement

observe that "The Registrar", in terms of the Act II of 1912, "is constituted the very foundation of the movement", and then adds with reference to the powers enjoyed by him that these are "extensive powers and in some quarters there is an inclination to object to them being centred in a government official". He gives a list of these powers in his work, *Law and Principles of Co-operation.*

"It is left entirely to his discretion to register or to refuse to register a society (cf. Section 9), and the Bye-Laws and every amendment of them require his approval (cf. section 9 and 11). Thus on him rests the responsibility of seeing that a Society starts under conditions as favourable as he can make them. In order to ensure that wise rules are carefully observed he is given unlimited power of inspection and audit (cf. section 17 and 35). He controls the power of a Society to make loans to and receive deposits from, a non-member (cf. sections 29(i)d and 30) has a voice in the investment and disposal of its funds (vide sections 32(i)d and 34). Finally, he has full discretion, subject to the right of appeal to the local Government or such Revenue Authority as it may nominate, to order the dissolution of a society (cf. section 39) and to appoint a liquidator to wind it up."

With regard to the position in Bengal, I shall content myself by referring to the opinion of Sir Rajendranath Mookerjee, who as Chairman of the Bengal Provincial Co-operative Bank—the financial nerve-centre of the movement—in his annual address in 1931 referring to the degree of control exercised by the Registrar over the Provincial Co-operative Bank describes the Directorate as "theoretically independent" and shows the "very limited degree of control which the Board of Directors can exercise over the Bank's affairs in contrast to the rigid control and ample powers which the Registrar wields in respect of the Bank's daily routine" and puts the whole matter in a nutshell by saying that "the co-operative movement here, therefore, rotates and revolves round one individual—the Registrar. His position is unique. He not merely fulfils formal requirements of the law but guides and controls the entire movement and directs policies".

Even a tyro in co-operative theory and practice in India knows that one of the most obnoxious features of the movement has been that it has never been allowed to become a movement but has been always a part of Government's policy.: That is the language in which Sir Horace Plunkett, an acknowledged authority on Co-operation characterised the movement in the memorandum that he placed before the Royal Agricultural Commission. It is against this official incubus that co-operative experts including officials like Mr. Strickland, formerly Registrar of Co-operative Societies in the Punjab, non-official bodies like the All-India Co-operative Institutes Association, etc., have been continuously protesting and advocating de-officialisation of the co-operative movement in India. And to-day in Bengal we are presented with a Bill which is the most reactionary ever sought to be placed on the Statute-Book in any province in India. The co-operative movement was run under the most reactionary provincial Act in Bihar and Orissa and this Act has been naturally the model for many of the provisions of the Bengal Bill. But I may remind the Bengal Ministry that after the enactment of this reactionary piece of legislation the co-operative movement degenerated there to a larger extent than before and as a result thereof a Committee was appointed by the Congress Government to enquire into the conditions of the movement there, one of whose recommendations is the substitution of that most reactionary piece of legislation by a new one which will be progressive and will meet with the exigencies of the situation. Shall we repeat what Bihar has found to her cost to be a collosal mistake?

Almost all the provinces have been the victims of trouble similar to those facing the movement in Bengal for sometime. There has been systematic investigation by experts in some of them and steps are being taken to remove some of the un-co-operative and officialising features of their Acts as the first step to rehabilitation. But here in Bengal no expert Committee went into the causes of the unsuccessful working of the department and of the consequent deplorable state of the movement in the province, even though at the time of the introduction of the Bill a statement was issued over the signatures of Sir P. C. Roy, Sj. Ramananda Chatterji and some members of the Legislature and others making an appeal for an enquiry and the formulation of the provisions of the Bill after such enquiry. Even now we voice that self-same demand from this Conference. Why should the Government fight shy of such an enquiry? Why do the Ministry along with the co-operative Department allow the discontent that is smouldering and the doubts that are enveloping to grow into mighty proportions every day?

May I also refer to another aspect of the question? Co-operative Societies are business concerns run on certain acknowledged principles. Business can hardly be run efficiently under official tutelage. If Government takes the sole responsibility of running the societies, well and good. But it is an intolerable situation which the Bill will create if passed into law—while the department would lord it over the societies, the responsibility for the results of the working of the societies under official intervention and control shall fall on the non-official office-bearers.

The object of the Bill, as has been set out in the Preamble, is to promote thrift, self-help and mutual aid among persons of moderate means with a view to promoting better living, better farming and better business etc., etc.,—high sounding words these, but nowhere in the body of the Bill, are to be found provisions for implementing them—they contain only provisions for legislation, audit, arbitration, inspection and liquidation of societies and define the extent and nature of the several form of official control over them partly by express provision in the statute and partly by the rule-making power to be exercised by the Provincial Government. The extent of these powers can be understood when it is remembered that out of 134 clauses of the Bill about 60 clauses give powers to the Registrar by express provisions, and by the rules he is given powers under about 90 different heads. The framers of the Bill, however, forget that just as "good banks are made not by good banking laws but by good bankers so also a good co-operative movement will be dependent for its success more upon the soundness of the personnel in charge of the movement than upon the law under which it is administered". So said Sir Edward Benthall, but the sponsors of the Bill prefer to go the wrong way and include such provisions in the Bill as to make it hardly possible for self-respecting and independent persons to associate themselves with the movement.

May I submit that the proposed Bill suffers from another very glaring defect to which very little, if any, attention has been given so far? I mean the uniformity of powers given to the Registrar with regard to all classes of societies. Whether it be an apex bank, a central bank, a primary society, an urban bank, a marketing society, a consumers' store, a land-mortgage bank, a consolidation society, a co-operative propaganda and education society, a better living society, a rural reconstruction society etc.—the powers of the Registrar are the same. I am, however, definitely of opinion that the powers of the Registrar, so far as they relate to urban banks should be as far as possible, done away with and these societies should be given utmost freedom to regulate their activities in accordance with their bye-laws, I lay special emphasis to this aspect of the problem because this Conference consists mainly of representatives from the urban banks which are catering to the needs of poorer classes of people and are rendering them yeoman's service when they are faced with grave economic stringency. Let me not be misunderstood when I make special pleading for the urban banks, I do so because I feel they stand on an entirely peculiar footing and I do not mean thereby that over other co-operative societies the Registrar should have such wide powers of control as is given him.

It will not be possible for me to dwell at length on the various objectionable clauses of the Bill. I would only content myself by referring to the masterly note of dissent which my esteemed colleague in the Assembly Sj. Satyapriya Banerjee had submitted as a Member of the Select Committee on the Bill representing the Congress party in the Assembly. As one who has made a special study of the co-operative movement, Sj. Satyapriya Banerjee speaks with authority when in his ably written note he deals with the question of limited and unlimited liability, the qualifications of the Registrar, audit, placing of the officials of the Department and the non-official office-bearers on the same footing, dissolution and reconstruction of the Managing Committee and last, but not the least, the setting up of a properly constituted Advisory Committee. I am decidedly of opinion that if the Bill be amended on the lines indicated in this note of dissent some of the gravest defects of the Bill will be removed, thereby enabling the true non-official co-operators to organise and develop a clean, healthy and successful movement in this province.

Lastly, I would appeal to my fellow-legislators to study the Bill and the note of dissent referred to above dispassionately and with an open mind so that the Bill might emerge from the Legislature in a form that will do credit to them and place the Co-operative Movement on a sound footing.

Resolutions

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

1. This Conference is of opinion that, in line with other provinces, the Government of Bengal should have instituted an enquiry into the working of the Co-operative movement in Bengal by an impartial independent non-official Committee including Co-operative experts before the introduction of the Bill in the Bengal Legislative Assembly and urges upon the Government to retrace its steps and withdraw the Bill with a view to institute the enquiry referred to above.

2. This Conference is of opinion that the Bill, as it has emerged from the Select Committee, should be referred back to it with a view to reconsidering the whole matter afresh in the light of the public criticism that has appeared from time to time in the press and on the platform.

3. This Conference is of opinion that the Bill should be amended at least on the lines indicated in the note of dissent submitted by Mr. Satyapriya Banerjee as a member of the Select Committee appointed by the Legislative Assembly to consider the Bill.

4. This Conference is of opinion that the Bengal Co-operative Alliance is a non-official Benamdar and appendage of the Co-operative Department and therefore urges upon the co-operators and the Co-operative Societies all over the province not to have anything to do with it so long as it continues to be such and calls upon the members of the Alliance to resign forthwith.

5. This Conference is of opinion that an organisation representing the independent non-official view in the co-operative movement be immediately formed; and appoints a Committee consisting of one member from each Society as its representative with Mr. R. R. Roy Choudhury as convener, with power to co-opt. to consider the matter in all its aspects and in all its details.

THE CENTRAL CO-OPERATIVE ANTIMALARIA SOCIETY

Twentieth Annual General Meeting, Calcutta, 23rd March 1940.

Sir Malcolm Watson took the Chair.

The following resolution was moved by Mr. Amarendra Nath Mukherjee, Zamindar of Uttarpara and Member of the District Board, Hooghly:—

"This Conference urges the Government of Bengal, in view of the rapid decay of the villages in the districts of Burdwan, Hooghly and Howrah, not to delay any further in taking up the Damodar-Hooghly Flushing Scheme and to be serious about providing funds for giving effect to the same as early as possible."

Dr. G. C. Ramsay, Deputy Director of the Ross Institute (Indian Branch) said that through the activities of the Institute by intensive progaganda work, antimalarial operations have been initiated in right earnest in many of the tea estates and other industrial concerns in India as a result of which they have been able to control the disease considerably with the result that the cost of production in many of the estates has been greatly minimised and the labour population have been able to improve their pecuniary condition as they were fit to work for more days to earn their livelihood and work for the concerns. He said that malaria was a very complicated problem and though the life histories and bionomics of most of the mosquitoes have not been definitely ascertained as yet, still by adopting certain methods against some definite species of carrier mosquitoes in certain localities they have been able to reduce the incidence of malaria. He moreover said that the Ross Institute has trained a large number of men for assisting the estates and business concerns in adopting antimalaria measures.

Mr. C. K. Nicholl said that antimalaria operations, if properly and effectively applied, are sure to reduce the incidence of malaria in a locality and bring back health and prosperity to the people. In one tea estate the authorities built a big hospital for the malaria cases at great expense to the company and considerable amount of loss for want of healthy and active labourers in sufficient number during the tea season. After adoption of antimalarial measures the incidence of malaria has been so reduced that the garden has been running in a flourishing condition and the number of sick days among the coolies has been reduced by 100,000 per year and the hospital has been totally empty ever since, which the company has converted into a godown. On the other hand the coolies being fit all those days and more capable of doing work in the gardens have been able to improve their pecuniary condition. The garden authorities were able to manage the work smoothly with their own permanent coolies and had not to indent labour at an exorbitant high cost during the tea season, which practically coincides with the malaria season.

Dr. G. B. Grant, Director of the All-India Institute of Hygiene, Calcutta, also praised the work done by the societies in different parts of Bengal and volunteered to render all possible help to them in their laudable work. He appreciated very much the value of field work and it was his sincere desire that the sanitarians, particularly those who come up for training at the All India Hygiene Institute, should be thoroughly acquainted with the work that is being done in the rural areas by such voluntary organisations and for this the D. P. H. Course is now being modified. He said that as he has been placed in Bengal he would try his best to serve the people of Bengal if they would need his assistance. He thanked Dr. G. C. Chatterjee for his enthusiasm in the arduous task in rousing the sanitary consciousness of the people of Bengal in matters of public health and utilising local enthusiasm for controlling epidemic diseases in the rural areas of Bengal.

Lt. Col. A. C. Chatterjee, I.M.S., the Director of Public Health, Bengal in his speech said that on account of malaria, Bengal's pecuniary condition is going from bad to worse year after year and it is high time that some constructive plan must be adopted by the people and the Government to eradicate the disease from Bengal as otherwise Bengalees are doomed to be ruined totally in the near future. On account of malaria alone, the Bengalees are getting unfit to carry on agriculture and industries of their own province for which a large number of people of other provinces are constantly emigrating and they are taking back huge sums of money from Bengal every year. On account of their physical incapacity they are unable to do hard physical labour such as in the Military and Police Departments and they are incapable even to work as a durwan. He was glad that some of the societies had been doing very useful work in combating malaria in their villages but he requested the societies to enlist the active co-operation of a larger number of their co-villagers and to spread the movement to as many villages of Bengal as possible.

Mr. G. S. Dutt, I.C.S., Secretary, Local Self Government and Public Health Department, Bengal addressed the gathering in Bengali with the permission of the President. He said that malaria problem of Bengal could only be solved by the young men of the province. If the young men of Bengal work together sincerely they will surely be able to drive out malaria from Bengal. But before they can do so they must try to improve their own health and build their moral character so that they can be able to fight out such a formidable enemy. He gave them the ideals of the Bratachary movement which would not only give them physical and mental strength but at the same time prompt them to work together for their common good and for improving the deplorable condition of Bengal. He was glad to see the activities of the antimalarial societies in resuscitating the dead and dying rivers of Bengal which are so vital for maintaining the health and prosperity of the province. He advised them to keep in view the fact that in order to resuscitate their rivers they must try to prevent the people of other provinces causing any damage to the rivers which flow through several provinces and ultimately ramify in Bengal villages before they empty into the Bay of Bengal. He thanked Dr. Chatterjee for his keen and sincere interest in the matter of eradication of malaria and improvement of public health of Bengal and he said that he has been closely associated with Dr. Chatterjee in his laudable efforts for many years past. Mr. Dutt said that the Government, the District, Local and the Union Boards and the Railway Companies ought to be responsible for prevention of malaria as they have caused the diseases by obstructing the natural drainage channels of the country by constructing roads and railway lines. The people want roads everywhere. The Bengal Government have recently appointed a Malaria Engineer under the Public Health Department for resuscitating the rivers and khals in the province. The India Government is also responsible to some extent for deterioration of the rivers of Bengal as due to deforestation of the mountains and upland areas at the heads of the great rivers of India those rivers are being silted up quickly and with that the small rivers of Bengal are also deteriorating. For want of sufficient flow in the river, the beds are being choked with water hyacinth and unless the rivers are improved all hopes for improving Bangal will be lost and the country is sure to be devastated within 100 years. On account of our ignorance we are suffering so much from malaria, besides there is no proper education among us. The leaders of Italy and Germany have worked with the people with Kodali in their hands for bringing back health and prosperity of the country by improving agriculture. The Central Antimalaria Society has been trying to spread knowledge about public health among the people during the last 20 years and have organised antimalaria works in different areas by rousing the sanitary conciousness of the people. Gopal Babu is also trying to spread knowledge about improved methods of agriculture, dairying and cattle breeding among the people of Bengal by propaganda and demonstration. It is true that if the Bengalees can get sufficient quantity of rice and milk they will acquire strength and immunity by which they can surely resist attacks of malaria. Unless we work with our hands sincerely, nothing can be achieved by mere lecturing and the malaria carrying mosquitoes cannot be driven out from our country. Along with physical culture we want education and we must look at malaria through our scientific knowledge from an economic point of view. It is due to malaria that a large quantity of money is going out of Bengal every year. If the Bengalees want to live they must acquire knowledge, they must be prepared to do manual labour and there must be unity among them. At one time Bengal showed the way to other provinces of India and was practically the brain of India. If Bengal dies, India will also die. We must try to bring back the old order of things. We all praise the antimalaria societies because they are trying to bring back unity among the villagers, in order to resuscitate the rivers of Bengal. We must try to induce the India Government to move in this matter as by the efforts of Bengal Government alone Deltaic Bengal cannot be saved. The Irrigation Minister is trying to improve the Brahmaputra river and it is a noble attempt indeed.

Presidential Address.

Sir Malcolm Watson, in the course of his Presidential Address said:

Probably it would be interesting to the representatives of the societies to know that the illuminating address which they presented to the late Sir Ronald Ross, when he came to Bengal in 1927 for the last time, was an honour which is now placed at the great London School of Hygiene and Tropical Medicine. He and Sir Ronald Ross spoke about the Antimalarial Societies very often. It was a special pleasure for him to meet all the workers of the Anti-malaria Societies and Dr. G. C. Chatterjee in particular. He was very glad to see him well and taking such an active interest in creating and organising these Anti-malaria Societies. Dr. Chatterjee is the man whom he greatly admired. He is a man of vision, he sees so clearly the needs of Bengal. But at the same time while he is a man of vision he is no visionary. He is a practical man as well as a scientific man and a man of imagination and he was pleased to find in him these qualities which are not often combined. His knowledge of Pathology enabled him to realise that malaria is the real disease of Bengal. His scientific training enabled him to detect the mosquitoes breeding in the tanks. His practical common sense showed him that it was possible to eliminate the mosquitoes by cleaning the tanks and stopping their breeding in them by oiling. The societies probably realise that it is necessary for the villagers to improve their land by putting into it as much of the waste refuge as possible so as to enable them to get as much produce from the land as they could and during his short visit to Calcutta, he has seen this thing in Dr. Chatterjee's own farm at Sukchar. There Dr. Chatterjee had a still wider vision. He saw that malaria was the chief enemy among the diseases which were pulling down the health of the pepole of Bengal. To organise these societies and to advise the people about the water supply of rural areas and about cleaning of the villages and initiating productive agriculture there was a great task for him.

He next spoke about Dr. Bentley, one of the greatest Directors of Public Health of Bengal, the man who loved Bengal and was loved by the people of Bengal. In his opinion he was the first man who realised the need of resuscitating the dead rivers of Bengal by flood waters of the Ganges, the Damodar and other rivers. If he was not the first he was one who pushed the idea with all the power at his command. He also found the value of Dr. Chatterjee's societies and gave him all support for organising the rural societies and initiated and guided the Anti-malaria Societies of Bengal and such was the success of his great endeavour that there are over 3000 societies to-day and he was sure that Dr. Chatterjee, when he first started the work, never believed that he will be able to organise so many societies. A great tree has indeed grown, since it was planted at Panihaty in 1917 and he said he might be permitted to speak for the movement.

He believed that the societies would be encouraged to learn that they were doing the right thing, if he told them of some work done in other parts of the world, some of which he had seen with his own eyes far away in South America. He saw in the estates of Sampulan a great deal of anti-malarial work being done. Again in the town of Rio where the biggest problem is Yellow Fever and where there is a great organisation for control of yellow fever, there also anti-malarial work is still going on, in Panama Canal Zone and the United States. Turning to Europe, anti-malarial work for the control of mosquitoes is something very important and in his opinion there were few of the societies who had not heard about the work done by Signor Mussolini in reclaiming Roman Campagna. That area had been swept by malaria for 2000 years but at last by striking at the mosquito that area has been reclaimed from this curse and he had seen with his own eyes beautiful farm houses which are flourishing in the area which was once a marshy land. In Albania which he also visited and in Greece, he had seen a great fight against malaria and on the same line. As the societies know, the down fall of Greece might well have been due to the introduction of malaria than by armies of the East. In Zugoslovakia he had visited the various mining areas where malaria had cropped up. When he came to Africa he knew friends who were for many years working against the diseases and more and more coming to tackle the problem by means of attacking the mosquito rather than by any other means. At the other end of Africa he had the pleasure of visiting the most malarial areas as a guest of the Union of South Africa and since his visit in 1930 intensive anti-malarial work had followed. He had been the advisor to the greater copper mines of North Rhodesia, great result has been achieved there too. The death rate of Africa enormously decreased and now the best interest is being paid for that to the African Union, the people have been housed in comfortable screened homes after they began to clean their houses and to decorate them; that is a matter of great interest. In South Rhodesia a great campaign had now been started. He had just come from that country where he had been advising the Government as to how to organise a campaign for a country 3 times the size of Great Britain. In Tanganyka he was also putting their house in order. A year or two ago he visited that country and there where the Germans had given an extensive trial to control malaria by quinine there was still so much malaria that in 1933 they had to treat 82% of the patients for big spleen. He had to request his Excellency the Governor that he had to report under advice for a plan to control the diseases. He gave the plan his support and Tanganyka got £21,000 from the Colonial Development Fund. In Tanganyka and in Kenya he had the pleasure of seeing many of the mines where daring anti-malarial work is now being pushed on.

The societies must have heard about the great malaria epidemic of Ceylon which has been controlled by an organisation last year and the Ross Institute had a great share in checking these outbreaks. If Dr. Chatterjee had travelled with him he would have been enormously surprised to see people tackling malaria question on the same lines as they were controlling mosquito in Bengal.

Coming to India he saw what was being done primarily on the tea estates by the Ross Institute. He had the opportunity of visiting Deccan 11 years back and advise on certain measures for the control of malaria. When their problem was investigated properly it showed that malaria was coming from wells in Bombay, and the same mosquito Anopheles stephensii was breeding more or less in 6000 wells in the whole city and it was proposed to close many of the old wells and provide water supply to the people. At first malaria did not come down as the wells were still in use but now they have brought down the figure from 55% to ·5%. That was a great achievement and they have since brought down death rate from 16,000 a year to round about 100 and sometimes even less than that. So, if sanitation is carried out by sanitary means by practical men determined to get rid of the disease, the people will get rid of any disease just as they are getting rid of malaria.

In Southern India as a result of researches carried out on the same lines as that of Sir Ronald Ross it has been discovered that there was in many cases only one anopheles mosquito that was the carrier of malaria and in other cases 2 mosquitoes. In Assam Dr. Ramsay and his staff have found out that out of 23 species, only one mosquito was carrying malaria. Now regarding the value of research work for the tea industries and the people engaged in it, he said that the industries are now making more profits and giving better wages to their labourers who now draw more money at the end of the month because instead of being sick for about 10 days out of 30 days, they worked throughout the month and drew more pay than before. It is unthinkable that the tea estates will ever go back to the old days of malaria. He was sure that during the last two years the labourers have been benefitted by more than a million days pay, more than what they had before when malaria was rampant there. This was in the European estates and now they have introduced this work among the Indian estates in South India and he was sure this work will spread among the Indian estates as well. To his surprise he heard from the Manager of an Indian estate which joined recently the scheme of control organised by the Ross Institute that the estate would have undoubtedly closed down, had it not joined the scheme of the Ross Institute. Such help and co-operation would be of great value to all and if something of this nature could be done he promised that he would use all the influence he had so that they could drive out the great danger of malaria and he looked forward to the day when the crushing disease could be lifted from the people of Bengal.

Mr. K. L. Goswami offered a sincere vote of thanks to Sir M. Watson on behalf of the Anti-malaria Societies and the people of Bengal for his great achievement in controlling malaria successfully in different parts of the world and for his voluntary and sincere offer to help the people of Bengal to eradicate this pest.

THE CENTRAL PROVINCES BERAR CO-OPERATIVE FEDERATION CONGRESS.

Bilasapur, 7th and 8th April 1940.

The annual session of the Central Provinces and Berar Co-operative Federation Congress met at Bilaspur on 7th and 8th April 1940, with, Rai Sahib U. S. Bisen, Governor of the Federation in the chair. After welcoming the delegates, the Governor placed before the House the annual report and statement of accounts of the

Federation for 1939-40 and budget estimates for 1939-40 and 1940-41 which were adopted.

Co-operative Movement in Berar.

On the motion of Mr. Kashi Prasad Pande, Sihora and with the permission of the house, the Registrar of co-operative societies, who attended the session of the Congress placed before the house the following proposition re: rehabilitation of the Co-operative Credit Movement in Berar.

> To consider the proposals of the Government of C. P. and Berar regarding rehabilitation of the Co-operative credit movement in Berar as contained in their Communique issued on the Gole Committee's report.

The Registrar said:—The subject on the agenda is to consider the proposals of the Government of C.P. and Berar regarding the rehabilitation of the co-operative movement in Berar as contained in their communique on the Gole Committee's report. As the members are already aware, the communique issued on the 9th September, 1939 on the Gole Committee's report has now become out of date. For some reason or another, the scheme outlined in the communique did not find favour with the banks concerned with the result that Government did not proceed with implementing it. In the meanwhile, war broke out and it was considered necessary to review the whole question after consulting the various interests concerned. Government also consulted Sir Malcolm Darling, a well-known authority on Co-operation, the Reserve Bank of India, the Government of India and many others and has now prepared another scheme which is contained in their communique dated the 26th March, 1940 to deal with the Berar problem. Immediate action was necessary because of the fact that civil suits against 5 out of the 9 banks which had stopped payment of deposits had already been filed. As the civil suits were coming for hearing by the end of March, it was necessary to pass legislation to stop them. It was also considered desirable that the banks should be given some respite to put their houses in order. With that end in view, Government passed legislation for amending the Co-operative Societies Act and issued the communique dated the 26th March, 1940. I take it that it has been read by the members present here. The action taken by Government closely follows the communique which was issued by the Congress Ministry with certain changes on account of the outbreak of war and other considerations. The press reports on the scheme have been mostly favourable and state that it is the best possible scheme under the circumstances and this is also the opinion of the Berar Co-operators. At the same time, I must say that some depositors have expressed that this scheme is not at all in the interests of the depositors and that liquidation would be preferable from their point of view. I, therefore, proceed to point out the good features of the scheme which will enable you to judge for yourself whether the scheme is preferable to liquidation or not.

(i) First of all, if the banks are liquidated, interest will stop at once, while under the scheme interest will be paid at stipulated rate upto the date of suspension and afterwards at 3% or at stipulated rate whichever is lower, with Government guarantee of interest on the conciliated debts. A period of three years will be allowed to prepare a final scheme. Meetings of depositors will be called at each bank in June to consult them on the tentative arrangement proposed by the Registrar.

(ii) Another advantage is that Government has agreed to give one lac of rupees for three years in the first instance to make up the working deficit of the

Berar banks. This of course they will not get if the banks are put under liquidation. Out of 9 banks, 5 banks are deficit banks and their total working deficit would be about 1 lakh. They will eat away their assets if their budgets are not balanced. So this is a great concession in order to conserve the assets in the interests of the depositors.

(iii) Government has agreed to give one lac of rupees for fresh financing and the Provincial Bank has agreed to advance three lacs of rupees to the Brear banks for financing new crop loān societies if these societies are affiliated to the Provincial Bank. These 3 lacs will go to finance new crop loan societies but I also think that unless we finance the present working societies, we cannot stimulate recoveries. A scheme for fresh financing of these societies will be evolved by the Provincial Bank and Government. The Provincial Bank is thinking of starting its own branch in Berar and this question will be discussed between Government and the Provincial Bank. This advantage will be lost if banks are put under liquidation.

(iv) Again, Government has promised in the communique that as the main difficulty of the Berar banks is the management of lands, the area acquired being about 70,000 acres, a senior Revenue officer will be lent with a view to help the banks in the management of lands in the best possible manner. Government has also sanctioned four posts of Auditors with a view to have one Auditor for each bank. Under liquidation, no extra staff will be given but on the other hand, the pay of the liquidator and his staff will be met out of the Banks' funds.

(v) Another great advantage of this scheme is that it is not a cut and dry scheme. It is a tentative scheme which is liable to be modified by the depositors in any manner they like. The arrangement or compromise arrived at by 51 per cent of the depositors in value will be binding on others. Also their right of liquidation is not taken away. Supposing that after three years or even before that another meeting is called and the depositors reject the arrangement, they can ask for liquidation. Ordinarily liquidation of societies takes about 10 years. Liquidation of banks would not be a small matter, and will certainly take a considerable time. Government scheme gives to the depositors all the advantages that will be available under liquidation, as all the liquid assets together with the reserve funds of societies, even of working societies upto the extent of the loan due to the central bank, will be distributed pro rata to the depositors and in addition it gives other advantages mentioned above and will rehabilitate the movement in Berar whereas liquidation will kill it. I, therefore, hope that the Federation Congress will endorse the Government scheme and give support to it. If any of you wants to ask any questions, I shall be prepared to reply to him.

Mr. A. K. Ghatpande (Chhindwara):—I want to ascertain whether the Government is going to give one lac of rupees as grant every year.

Registrar:—Government will give upto one lakh of rupees each year for a period of 3 years, to start with, to meet the working deficits.

Mr. A. K. Ghatpande (Chhindwara):—Would the creditors be required to write off their claim which is in excess of the conciliated debts and lands?

Registrar:—They may write down so that they may benefit by increase in land value.

Mr. K. P. Pande (Sihora):—What would be done if a member refuses to surrender all his land? What about the appointment of the Revenue Officer?

Registrar:—The members will have to surrender all their lands which will be returned to them on hire purchase system. As regards the Revenue Officer, he will be a Senior E.A.C. who will look after management of the lands owned by the banks, but the appointment will be made only if wanted by the Banks.

Governor:—The Registrar has put the Government view before the House. I now call upon the House to discuss this question.

Rao Bahadur R. M. Khare (Amraoti):—You all know that for the last three years, we are engrossed with this problem. We consulted eminent co-operators all over India but we could not find a solution for this problem of paying off the depositors. We wanted Government to give a loan of 13 lacs and our idea was to pay 6 annas in a rupee to the depositors. From the latest Government Communique, we understand that the Government is not willing to give any money to return the deposits. As a last resort, we urged for a grant of 1½ lac of rupees each year for a period of 5 years to meet the deficit in the working of the Banks but even this request of ours was not conceded. Government has, however, agreed to give one lac of rupees every year for a period of three years, which is quite insufficient and inadequate for our purpose. It seems Government has not realized the difficulties with which we are confronted in Berar. The Berar Banks possess nearly eighty thousand acres of land on which we have to pay a very large amount as Land Revenue. The lease money recovered falls short of the land revenue to be paid and we are afraid we may have to lose some of our lands for default in the payment of Land Revenue. We wanted State aid in respect of the management of lands and the recovery of lease money. Thus you will see that we wanted the whole loaf whereas we got only a quarter of it; but in spite of the several defects in the scheme proposed by Government it is to be preferred to whole sale liquidation. In liquidation proceedings, all the members would be sold up as the liquidator will be anxious to close the proceedings as early as possible. But under the scheme of the Government, the members will get sufficient time (20 years) to enable them to repay their debts. It is hoped that with the improvement in crops and prices, there is every chance that the members will repay their debts in 10 years. There is further advantage of the reduction of interest on deposits which will mean a substantial relief. It is now for us to convince the depositors of these facts. I may further add that the scheme has not ignored the fact that among the depositors, there are widows and minors and institutions, I therefore request you to accept the scheme.

Mr. Bhargava (Seoni):—I want to know if Government is contemplating any such scheme for the C. P. Banks.

Mr. K. P. Pande (Sihora):—If the delegates from Berar accept the scheme, we have nothing to say, but I personally do not approve of certain points of the Government scheme e.g. the appointment of a Senior E. A. C. for the management of lands. Generally there is a prejudice against these revenue officers who may be found to be apathetic towards the movement; I propose that we should increase the staff of the Co-operative Department to do the work of leasing lands and recovering of lease money and to do other things connected with the management of lands. There should be a permanent agency for this work. It may be Government or Provincial Bank agency.

(2) The period of twenty years for repaying debts is no doubt good but in case prices rise, and crops are better, the tendency of the people in our province

will be to pay only the fixed instalments and nothing more, though in fact they may be able to pay off their debts in a much shorter period. I, therefore, propose that the period may be reduced to 10 years.

(3) Economic conditions change after every war. There is a war in progress in Europe at present and we will have to take into account the possibility of such a change after this war.

(4) We should ask the Government to give one lac of rupees every year for a period of 5 years instead of for 3 years. This will inspire confidence in the depositors.

Registrar:—I am just rising to reply to Rao Bahadur Khare and Mr. Pande. Government has clearly stated in the communique that it has got no legal or moral responsibility for paying the depositors and that it is not in a position to pay Rs. 10 or 15 lacs. Government has to take into consideration the interests of the general tax payer. I do not think it would be proper for any Government to spend 10 or 15 lacs at the cost of the general tax-payer for helping the depositors. Government is unable to give any direct financial assistance and it has done its best to give indirect financial assistance with a view to enable the banks to stand on their own legs. The Berar Co-operators have passed a resolution recently at Akola that if Government is not going to pay anything, it should declare a moratorium for three years and meet the working deficit which would enable them to stand on their own legs. About increase in staff, we are going to appoint four more Auditors and we might appoint another Assistant Registrar also. Though 20 instalments can be given, people should pay in the present boom period more than one or two instalments in a year to safeguard against depression which is sure to follow. When there is a fall in prices, they will find it difficult to pay the instalments. Twenty years is the maximum period which is considered sufficient. If depositors say that the period should be shortened it will be reduced accordingly. It will depend on the will of the depositors. It is no pleasure to us to cause loss to the depositors. One point more and I shall have done. The working deficit is bound to be progressively low when the lands are sold. The working deficit will be less after the next three years when the lands are sold. Our view is to dispose of the Bank lands in cash and if we cannot do that we shall give them on hire purchase system.

This session of the Central Provinces and Berar Co-operative Federation has examined the proposals of the Provincial Government regarding the rehabilitation of the Co-operative Credit Movement in Berar as contained in their communique dated the 26th March 1940. After hearing the speeches of the Registrar, Rao Bahadur R. M. Khare and Mr. K. P. Pande, the Federation is convinced and unanimously resolves that the scheme outlined in the communique is calculated to rehabilitate the co-operative movement in Berar to some extent and is preferable to liquidation. The Federation therefore earnestly recommends it to the acceptance of depositors.

Present Position of Central Banks in C. P.

Mr. Kashi Prasad Pande opened discussion on the following proposition given notice of by the Hoshangabad Central Bank:—

The Federation requests the Provincial Government to take early steps to look into the state of affairs of the Co-operative Banks in C. P. with a view to grant such timely help, financial and otherwise, which will, if given in time, save not only the movement but the Banks.

Mr. Pande.—This subject bears resemblance to that of the Berar Banks which the House has just discussed. We all know that the failure of one bank will mean the failure of all the remaining banks. The question of the repercussions of the failure of Berar Banks was discussed by me with the Registrar some time ago. It is true that the Banks in Chhattisgarh have not been in any way affected but as regards other banks in C. P. my prediction has come true as most of the banks are finding it difficult to manage their affairs and out of them four banks viz. Hoshangabad, Murwara, Jubbulpore and Piparia banks are unable to meet the calls of the depositors and are on the verge of bankruptcy.

The signs of imminent danger are evident everywhere. It would be advisable if Government take timely action so as to avoid a stalemate by appointing a committee to examine the position of the C. P. Banks. In Berar the number of depositors is small but it is different in the case of C.P. Banks. Again, this is not a question of saving of handful of depositors; the vital question of rural finance is involved in it. The problem should be tackled as early as possible; the disease should be localised and should not be allowed to spread to other banks. It is hoped that with a little help and with good recoveries expected this year, C. P. Banks would be able to set their houses in order. If Government is not ready to give financial aid, I request the Provincial Bank to come to our rescue. My friend Mr. Kochar desires a moratorium but in case we get some help either from the Provincial Bank or from the Government, I am of opinion that no moratorium will be needed. The good moral effect produced by the Berar scheme will be helpful to us in solving our problems.

Registrar.—I would request Mr. Pande to put up a definite scheme for the C .P. Banks.

Mr. Pande.—The Berar scheme may be applied to the C. P. Banks with suitable modifications.

Mr. Choudha (Saugor).—I entirely agree with what Mr. Pande has said. He referred only to four Banks which stand in urgent need of help but we should take up the question of the banks in the Central Provinces as a whole. The failure of Berar Banks is due to the slump in cotton prices and land values and the same is the case in the Northern districts where the fall in wheat prices and land values has greatly affected the working of the banks. I want to emphasize that it was due to the Berar crisis that the rot has set in the movement in Central Provinces and now the danger is on our door-steps. We have to consider what would be the repercussions of the failure of the four banks in Central Provinces. I request both the Government and Provincial Bank to give us immediately all help necessary in this hour of crisis.

Mr. Bhargava (Seoni).—This is a very serious problem which must be fully considered. We must find out the real causes of the failure of the movement both in Berar and in C. P. We should carefully examine the Berar scheme. We should not try to have any haphazard scheme in a hurry to solve our difficulties but I agree with Mr. Pande that all help should be rendered to the C. P. banks without delay.

Mr. P. S. Tiwari (Piparia).—I expected the co-operators assembled here would put forward some concrete proposals for the improvement of the movement, but

I am sorry to say that I was disappointed. As regards the Berar Banks, only Mr. Khare spoke and he seemed to be satisfied with the Berar scheme. Since the Government has already decided the matter, it is useless to express any opinion about it. But what I want to know is whether the Berar Scheme is going to save the members of societies in Berar.

The Governor.—The house has already expressed its opinion regarding the Berar Scheme. I would, therefore, request you not to open this question again.

P. S. Tiwary.—Thank you, Sir, I support the view expressed by Mr. Pande with the exception that a moratorium is required in C. P. Government has accepted the principle of helping the Berar Banks and I want that Government should extend similar help to the C. P. banks also. Mr. Pande is, I understand, moving a resolution regarding the C. P. Banks and I reserve my observations till then.

Mr. Petkar (Bhandara).—The veteran co-operators have already spoken and have expressed their opinions but I crave your indulgence for making a few observations. We all know that the banks in Berar have failed and 4 banks in C. P. are following suit. Instead of dealing with this problem piece-meal I think that we should hold a searching enquiry into the causes that led to the present impasse. I am personally of opinion that there is something inherently wrong with the co-operative movement in this province. The difficulties in C. P. are aggravated by the fact that C. P. banks have hardly any assets (e.g. lands) as compared to the Berar banks. At least we must examine this question exhaustively and should not content ourselves by merely having a make-shift arrangement for the four C. P. Banks. Before expressing our opinion on the Berar scheme, I think we should seriously consider all the aspects of this problem and if other remedies are necessary to rehabilitate the movement, we must adopt them.

Mr. Kelkar (Akola).—My friend from Bhandara has made valuable suggestions. As for myself, I do not find anything in the Government scheme for Berar for which one should go into raptures though it may be preferable to liquidation. It is not calculated to rehabilitate the movement in Berar. I know the fate of the Berar movement is sealed. I, however, feel that it was the failure to tackle the Berar problem properly and in time that has led to the deadlock in the four banks in C. P. Payment of debts, management of lands and such other things which figure prominently in the Government scheme, do not mean rehabilitation of the movement but it is liquidation in another form. If the depositors once suffer loss they would be very chary of making deposits in Co-operative Banks again and the movement will languish for want of funds. Granting one lac of rupees to make up the deficit in the working of the Berar Banks is also not rehabilitation but a device to tide over the present crisis. The proper time to tackle this problem was when one bank showed signs of impending failure but the opportune moment was lost. If you wish to run this movement with the people's money, you must revive and maintain the confidence of the depositors. It is for the Government to adopt a bolder scheme. I wonder how a civilized Government in 1940 can disclaim all moral or legal responsibility for the co-operative movement whose object and concern is the economic welfare of the ryot.

People say that the movement has not even reached 4 per cent of the population and consequently the question of saving the ryots does not arise. But I would hold the Government responsible for slow progress of the movement,

I am of opinion that the Berar scheme or any imitation of it would not save the movement in C. P. for which a bolder policy is required on the part of the Government. I would request the house to consider seriously whether the Government scheme aims at rehabilitation of the movement in Berar. I again repeat that a few lacs of rupees would not help to restore credit.

Mr. Lake.—The question before us is a very difficult and complicated one. Before approaching the Government for financial help, we should critically examine our position, find out the defects and try to remedy them. After doing all that we ourselves can do in the matter, we should apply for the assistance of the Government. Our aim in the past was to strengthen the position of Banks. We neglected the societies and their members; we must now inquire into the condition of the societies and members and try to find out how much can be recovered from them. In brief, we must take up earnestly the reorganisation of societies, and let rehabilitation take care of itself. In Berar the banks possess thousands of acres of land which can be converted into cash but we have no such assets in C. P. It is very necessary for each bank to prepare its own scheme of debts and such other things and we should then approach the Government to make up the deficit, if there be any.

Mr. Bhargava (Jubbulpore).—I support Mr. Pande's resolution. I think it is Government which is to some extent responsible for the present unfortunate position. The debt conciliation boards have worked to the great detriment of the movement. They have given 20 instalments and stopped interest on substantial amounts. The Government ought to have considered the effect of these things on the co-operative Banks; it should have excluded the co-operative debts from the operation of the Boards. The Provincial Bank also did not give help readily to the Jubbulpore Central Bank. It was only after we had mortgaged the Bank building that we got help from it. In my opinion, Government should take all these points into consideration and frame suitable scheme for the C. P. Banks.

Sir Madhao Rao Deshpande.—Messrs Pande and Bhargava complain that the Provincial Bank does not give help but I may remind them that the Provincial Bank has also to meet the calls of its own depositors. It has paid off about 10 lacs of rupees recently. If Provincial Bank were to give credit in a facile manner, it would find itself in very difficult position.

It is argued that the Banks would not get fresh deposits due to the present crisis but in that case the movement would be run with the help of the Apex Bank which will in its turn be helped by the Government.

I do not think that the movement will fail even if the Central Banks are not there. It is no use blaming the rural societies. What about the Housing Societies in urban areas? Why should there be overdues, awards and liquidation in such societies? After every thing is said and done, we have to admit that the failure is due to mismanagement of those who were in charge of the Banks. In Bilaspur, Brahmapuri and other banks, deposits are pouring in even to-day. Instead of aproaching the Provincial Bank I would request you to ask for Government help.

Registrar.—The Northern Institute's Conference held in April, 1939 passed a resolution for the appointment of a committee to go into the question of the C. P. Banks. This recommendation was not accepted by Government because they thought that in view of war and improvement in the economic conditions the banks might be able to rehabilitate themselves. Mr. Pande has proposed that a committee may be appointed to go into the question. My experience of the committees is not very hopeful. I do not think that it is very desirable to have a committee to go into the question of C. P. Banks. The C. P. problem is more or less the same as that which is facing the Berar Banks. Let us now come to the C. P. Banks. As you are aware there are 23 central banks in the Central Provinces out of which four have suspended payment viz. Hoshangabad, Piparia, Jubbulpore and Murwara and as far as I can see a few more may follow suit in the near future. The causes which have led to this condition are firstly bad crops and low prices of agricultural produce for a successive number of years, secondly inefficient management in some of the banks and thirdly the Berar crisis. Some one has said that Government is responsible for the present condition of the movement because of the operation of the Debt Conciliation Boards. Well, I would not be able to go so far with him. Debt Conciliation Boards may have spread the assets of the banks over 15 or 20 years, but it must be realised that most of the bad and doubtful debts have been made good by the Boards and this is a distinct advantage from the operation of the Debt Conciliation Boards. I must say that the question of the C. P. Banks is a little more difficult than the Berar question though the amount involved in C. P. Banks is small. In Berar the banks have some assets in the shape of lands while in the C. P. Banks there are no such assets. I consulted some of the prominent co-operators and they think that the business of these banks should be transferred to the local land morgage banks e.g. Jubbulpore central bank's business to the Sihora land mortgage bank and so on and give debentures to the depositors issued by the Provincial Bank, interest on which is guaranteed by Government. It is not a good scheme as it will mean liquidation of banks but our aim is to save the banks as far as possible. Secondly, the indebted members will not be willing to mortgage their lands and thirdly many of the members may not have sufficient security to qualify for a loan from the land mortgage banks. So I do not think that this is a very happy suggestion. Another obvious remedy is to amend the Tenancy Act but as this Act has been very recently amended, I do not think it is possible to amend the Act again so soon. The only solution of the problem is the one which Government has enunciated for the Berar Banks. As the Debt Conciliation Boards have spread their assets over 20 years and as under the present scheme the depositors can be paid within 20 years, there is no objection to apply the scheme to the C. P. banks also. Government has decided not to give direct financial help to the co-operative banks. Mr. Kelkar says that it is the duty of a civilised Government to give help as has been done in other provinces, but I say that other provinces may have got sufficient revenues to do so and there may be other reasons also for doing so. Our Government feels that if we begin to give money for repayment of deposits, there would be no end to it. I do not want to go into unpleasant things that have happened in the movement in the past. The Gole Committee has given several causes for the present condition of the movement in its report. Government in my opinion is not responsible for the present state of affairs. We know that the co-operative movement is the only credit agency suitable for rural India. I think that if the scheme is accepted the confidence of the depositors will be restored at least after a few years. The germs of rehabilitation are there. Government will give one lac of rupees and the Provincial Bank will give 3 lacs of rupees. We will discuss the scheme with the depositors and find out other names to rehabilitate the movement. During the past three or four years, financing was negligible. There is no difficulty in applying the scheme but the difficulty arises in the case of guaranteeing interest. In Berar the banks have assets while in C. P. there being no

assets, I am very doubtful if interest will be guaranteed. These banks can prepare a scheme and submit it to Government. Government is prepared to help the C. P. banks as it has helped the Berar banks. I have just said we are making arrangements for future financing which shows that we are going to take action to rehabilitate the movement. I wish we had some more workers in the province like Mr. Lakhe and Rai Sahib Bisen in which case the crisis would have been averted. I do not mean thereby to decry the good work done by other workers. The situation was bad in Raipur district but Mr. Lakhe visited the members and by conciliation brought the amount within their paying capacity and to-day the Raipur Bank is one of the best in the Province. The societies are the foundation of the co-operative movement and not the central banks. If re-organisation of societies had been done energetically, matters would not have come to this stage. We are there always at your beck and call to help you. We cannot do wonders but whatever is possible under the circumstances Government is prepared to do. The banks should avail of the good times due to war and try to push up recoveries as far as possible.

Mr. Pande.—It seems to me that the Government is not prepared to give help. We have just listened to Mr. Lakhe and Mr. Kelkar who hold diametrically opposite views. I am a moderate and all that I want is a little help to get over the present difficulties. We want breathing time. We must first of all try to save the banks and then think of the welfare of the members of societies. The Registrar wants us to concentrate our efforts on recoveries but if they fall short of our requirements some help should be given either by the Provincial Bank or by Government. We are in the movement for the last 15 years and would not like to see our work in building up banks destroyed in this way. In Sihora, one-third of the debt was conciliated by the Bank, one-third by Debt Conciliation Board and one-third remains to be conciliated. The policy of the Government with regard to Debt Conciliation Boards is not clear. In my bank, interest on 2 lacs of rupees has been stopped by the Debt Conciliation Board. The problem becomes still more actute when amounts are written off by the Boards. In those banks where debts have been conciliated with the consent of the Registrar, no remedy was suggested by the department for solving their difficulties; whence are we to pay the depositors as the conciliated debts will be recovered in instalments extending over a large number of years? We did not get any guidance from the Department. Government has created these difficulties for us and it is Government's responsibility to remove them. It should formulate a scheme for doing so. Rehabilitation is a very vague term. Mr. Lake told us that they had reorganized the Chhattisgarh banks but I submit that when they did this work, there was no depression and times were not abnormal as they are to-day; it is easy to say that bad debts should be written off but wherefrom are they to be written off? Reorganization is good but it is very difficult in the present circumstances without some help from Government.

We have not been facing the situation boldly as we should have done. In the past if any bank wanted its balance sheet to show loss because the bank was in fact working at a loss, the Government advised in good faith not to create a scare in that way. Again, the honorary workers are blamed for not being able to devote sufficient time to the movement, but the Registrar who is the friend, philosopher and guide also cannot devote all his time to this department because of his multifarious duties. Let us not thus find fault with each other. All of us should concentrate our energies in overcoming the difficulties before us. We want help for a period of six months. We ask Government to give us help but Government wants the Provincial bank to give help. I think we should request the Registrar to give us help from whatever source possible. The responsibility of the officials and non-officials for the movement is joint and several. Registrars change too often and that adds to our difficulties. I think a Registrar should not be changed at least for a period of 5 years.

Registrar.—You want temporary accommodation for six months. You will get it provided you are able to tide over the crisis. I shall be able to give that amount from the reserve fund which will have to be recouped within one or two years. I am not sure whether you will be able to tide over the crisis. In case you fail to tide over the crisis the result will be that the reserve fund will disappear and still you will not be able to pay the depositors. You must guarantee that you will tide over the crisis if Government gives help.

Governor.—We have been discussing this subject for a sufficiently long time but I am sorry to find that no body has come forward with concrete proposals. I have drafted a resolution on the subject which I place before you for your approval.

Mr. Lakhe suggested at this stage that Central Banks should send some concrete proposals for help.

Mr. Bhargava (Seoni).—Banks may individually send their proposals. But this house has a right to express its opinion on the subject.

The Governor then put the following resolution which was passed unanimously by the House after some informal discussion:—

The Federation notes with regret that four central banks in the Central Provinces have suspended payment of deposits. The Federation advises these banks to prepare a scheme immediately to meet the crisis and take advantage of recent amendments to the Co-operative Act for this purpose. It further urges on the Government to give immediate financial assistance to these banks.

THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY LTD., MADRAS ANNUAL GENERAL MEETING, 28TH JULY 1940.

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

I have the pleasure to place before you the eighth annual administration report of your Directors on the working of the Society for the period of six months commencing from 1st July and ending with 31st December 1939, along with the revenue account, audit certificate and other statements prescribed by the Co-operative Societies Act as well as the returns due to the Government of India in accordance with the provisions of the Indian Insurance Act, 1938. You will notice from this report and the documents appended that in the half year under report, the Society maintained the pace of progress which it was able to show in the previous years. The half year under report has witnessed the completion of a crore of paid up business by the Society in a period of less than eight years from the commencement of its business.

The life of the previous Board of Management terminated towards the end of the half year under report and fresh elections were held. As the representation to the policyholders was raised from 3 to 4 before the fresh elections were held in

November, Dr. Thomas, University Professor of Economics, was elected for the fourth place. Much as Dr. Thomas was anxious to serve on the Board and much as the Society wished to have his valuable services, it is a matter for regret that the University authorities have not permitted him to serve on the Board. So, after some time he had to vacate his seat. In his place, Mr. Krishnaswamy Vandayar, an influential policyholder and mirazidar of Tanjore was co-opted, specially with the view of giving representation to the Central districts of the Tamil Nadu, as we already have on the Board representatives from the West Coast and the southern districts.

In my address to you at the last annual general meeting, I dealt in some detail with the changes that were made in the constitution of the Society, notably the elimination of all shareholding. I also dealt with the revision of the terms and conditions of policies and the modifications made in the prospectus so as not only to bring our activities into confirmity with the provisions of the New Insurance Act but also to place the position of the policyholders on a sound and secure basis, and to ensure for them more efficient service by the Society. Your Directors were able to carry out these measures without touching the pockets of the policyholders to any larger extent than before.

On this occasion, I wish to deal with the new situation that has been created by the war and its effects on our rural and urban economy. It is now the experience of almost all insurance companies in India that the sections of public from whom we have been so long drawing our clientele have become uncomfortably nervous about investing their savings in purchasing new insurance policies to anything like the extent that they were hitherto accustomed to do. I do not see why there should be such nervousness among the insuring public. Insurance companies must spare no pains to impress upon their past and future clientele the fact that the best way of stabilising the existing insurance concerns is to secure a steady and continuous inflow of fresh business. If those who have insured with us already wish to adequately safeguard their interests and those who wish to come in newly desire to see that their interests will be as fully secured as those who insured with us in the past, they must both help us to secure more and more new business in their own interests. This is the surest way of strengthening the foundations of their own concerns. It is hardly necessary to elaborate this position or to adduce reasons in support of it. If we are to maintain our indoor and field staffs to efficiently administer our affairs and effectively organise our business, to prevent the rise in our cost ratio and to maintain our gross earnings and our net surpluses at the present level, we must be assured of adequate annual premium income from fresh business. I have heard it said that some people are nervous about patronising the insurance companies for the reason that most of the insurance companies are required by law to invest, and as a matter of fact invest, the bulk of their assets in stock, whose worth will depend upon the maintenance of the present structure of the State and the Society in our country unimpaired. I feel that any nervousness on this account is wholly unjustified. I do not think there are any people in this country who seriously doubt the ultimate success of Britain in this war or of the capacity of the British fiscal and economic system to maintain the value of the rupee or sterling gilt-edged securities, or to redeem them at par on their maturity. The strength of the assets represented by these securities lies in the confidence which the public themselves place in them. Their main source of weakness arises from want of confidence on the part of the public. Therefore such panic or nervousness is obviously detrimental to the interests of the policyholders themselves. The attitude of some of the existing policyholders who apply for paid up values or surrender their policies for cash, not on account of real inability to pay the premium but on account of war nerves is even more regrettable. They stand to lose the benefit which they accumulated by their hard earned savings, for no valid cause. I hope they will cease to persist in such a suicidal course of action. I therefore hope that the policyholders of every insurance company will carry on as much propaganda as they possibly can in order to infuse fresh faith and increased confidence in their respective institutions.

But the war economy and the stringent provisions of the New Insurance Act have taught us some lessons which we must try to profit by and reform the whole of our business practice and methods. The days of securing competitive business by lavish expenditure on the agency employed to tap new business and by tempting offers to would-be policy-holders of declarations of large bonuses are, in my opinion, now gone. If the old business methods are persisted in, I am sure, many insurance companies will come to grief sooner or later. They simply cannot afford to compete with each other on the present uneconomic and unbusinesslike lines by spending disproportionately large amounts on the procuration of new business, without undermining the stability of the institutions concerned to the inevitable detriment of the policyholders. Again, the problem of bonuses versus reserves is one which is bound to become very acute under the impact of war conditions. It is therefore for the policyholders to avail themselves of occasions like these when they are brought together, to suggest and carry out a more active policy of Reserves at the expense of reversionary and other classes of bonuses. We must also realise that our assets represented by our investments of our life funds are required by law and are in practice largely invested in what are called approved securities. Though the ultimate safety of these securities cannot be doubted, as I have already said, their liability to heavy depreciation from market fluctuations is a factor which we have to provide against. So, we must make a conscious effort to reduce our scale of expenditure both on administration and on procuring of new business to meet the new situation created by war economy. Proposals for retrenchment, in such directions as are possible, are now engaging the attention of your Board.

In this connection, I would like to suggest the desirability of the Insurance companies approaching the Government of India and to urge on them, if not the need for re-examining the question of the proportions of the assets to be invested in gilt-edged and other approved securities, at least the necessity to make some concessions in regard to providing for depreciation in their value during the period of the War. In the case of well-managed concerns which have built up adequate life funds, the need to actually sell these securities in order to meet their liabilities will rarely arise. They are virtually long-lying funds and during long periods of market fluctuations, their appreciation will balance their depreciation. So, I feel the stability of the concerns or the interests of the policyholders will in no way suffer by making some temporary concessions during the period of war.

In so far as our Society is concerned, you will find from the balance sheet that we had to provide for a sum of Rs. 18,586-11-0 for depreciation in the market value of our holdings in Government securities. In the last two years, that is, in the two years preceding the period under report, we carried to what is called an 'Investment Fluctuation Fund' some sums, which should really go to the Life Fund. But this year, the Registrar, has rightly pointed out, while issuing the audit certificate, that there is no provision in the bye-laws for such adjustment. He has also informed us that the method of creating a reserve to cover the depreciation on investments was under his consideration. We have also a provision in our bylaws for creating such a fund but allocations to it can only be made from the surpluses disclosed at the periodical actuarial valuations. But as the valuation of assets and preparation of certificate provided for by the Insurance Act is an annual obligation, some suitable provision must be made for the intervaluation period, apart from the question of building up growing reserves for the purpose.

In this connection, it may be useful to point out how this technical difficulty has arisen. Normally all surplus of annual revenue over annual expenditure, after making a reasonable provision for working fund is carried to life fund. So far as I know no insurance company in India, commercial, mutual or co-operative, has rigidly provided by its constitution for carrying specific percentage of its first year premium income to life fund, though in practice many good companies work on rules of business or conventions in this behalf. Very few companies have such rigid constitutional provision even in regard to renewal premiums. So, the elasticity of the constitution helps them by not involving them in a technical difficulty when the rule or convention has to be overlooked under special circumstances. But our constitution is inelastic in this matter. Under the bylaws of our Society, 10 per cent of the first and first year premiums and 75 per cent of the renewal premiums have to be carried to the life fund. This is a salutary rule and, in my opinion, should not be changed. It is my earnest desire that we should increase the proportion of renewal premium income to be carried to life fund from 75 per cent to at least 80 per cent, if not 85 per cent. In that way alone we can effectively protect and preserve the interests of our policyholders. While we maintain our bye-law as it is, we must provide for another statutory obligation which rests on us, and which is now imperative under the new Insurance Act. Regulation No. 7 in Part I of the 1st Schedule to the Insurance Act lays down that the persons who are required to sign the balance sheet must sign and append a certificate that the assets set forth in the balance sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the several headings. So, our assets cannot be put at a higher figure than their realisable or market value. If there is any fall in their realisable or market value it has got to be provided for. If you do not provide for it, your life fund whether you debit to it the depreciation or not will automatically stand reduced by that amount, for the assets as represented by the investments in life fund cannot be worth more than the market value. It is obvious that we cannot provide for it as an item of expenditure in the budget. The assets have to be valued as on the last day of the year of account. There may or may not be depreciation—nay there may be appreciation. It is in order to harmonise both these legal obligations, one under our constitution and another under the Insurance Act that an appropriate amendment to the bylaws is framed and circulated to you, and will shortly be placed before you for acceptance. This is a patent defect in the bye-laws due obviously to an oversight on the part of those who originally framed the bye-laws. It is high time we rectify the defect.

I wish to say a word about our present organisation and its future. At present our business organisation is mainly confined to the province of Madras. In Tamil Nadu and West Coast districts there are two Inspectors and six organisers working. In the Andhra Districts there are one Inspector and two organisers. We have a chief agent for two districts working on commission basis. Outside Madras, we have recently appointed an organiser in an Indian State; we have a chief agent working at Delhi and the Punjab on commission basis, and we have two organisers in the United Provinces. All the 11 Organisers work on a guarantee basis. The rest of our field staff consists of agents who are remunerated by commission on the business secured by them according to prescribed scales. The lines on which our business organisation should be extended in future call for careful examination and the matter will soon engage the attention of your Board. If I may throw out a suggestion for your consideration as well as that of the Board, it seems to me that without losing the valuable services of our present inspectors and organisers who are all tried men, zealous in their devotion to the interest of the Society, we may in future try to organise new areas by merely employing agents who will be remunerated on a more liberal scale, of course within the statutory limits laid down by the Indian Insurance Act, without diverting any portion of such remuneration to payment of over-riding commission for organisers or other paid members of the Society's field staff. The existing inspectors and paid organisers may be asked to look after some of those areas and help the agents to secure new business to the Society. This is only a general observation, for the actual details of organisation must depend upon the area to be tapped and various other local conditions. In the present difficult conditions, it is perhaps not practicable to explore new areas, for such exploration will invariably involve an amount of initial expenditure which will obviously not be commensurate with the income derived from actual business secured in the beginning. Such experiment should be postponed to such time as conditions improve, except of course where exceptional opportunities or reasonable chances of securing business present themselves to us.

With the growth of our membership new and difficult problems are arising Our membership has now reached a figure of over 12,000 and with the passing of each year, the number will be rising by three to four thousand even on the present pace of progress. In a co-operative institution, there must be facilities and opportunities for as many members as possible to participate in the deliberations which affect their interest vitally. One such matter is the election of the policyholder-directors to the Board of Management. As matters now stand, the people assembled in the City of Madras decide the composition of the Board of Management for the large number of policyholders. This, to my mind, seems to be unsatisfactory. What step we should exactly take to rectify this defect, it is not possible for me now to formulate. A meeting of the policyholders of the Andhra Desa recently held at Bezwada suggested to the Government the necessity of providing for election of policy-holder-directors by postal voting. Another remedy that will suggest itself is the grouping of the electoral area into regions and allocating one seat for each region and holding the meeting for the election of the policyholder-directors in a central place in the region. Still another expedient that obtains in the commercial and mutual concerns is voting by proxy. Such of the policyholders as may not be able to attend the meeting can exercise their votes through a proxy appointed by them. It is no doubt true that in co-operative institutions the system of proxy does not prevail. But in institutions with large individual membership, specially in the case of a co-operative insurance concern, whose membership consists of policyholders and where an ever-growing number of policyholders come into existence, some exception can be claimed by the policyholders in their interests. Our Society in no way differs in this respect from a mutual company where the proxy system obtains.

There are other matters besides the election of policyholder-directors in the decisions of which also policyholders should have an effective voice—for instance, a change in the constitution of the Society itself. When the members of the public insured themselves with this Society they had done so on the basis of the nature of the constitution as disclosed by the bye-laws. They must have been satisfied

about the representative character, co-operative nature and other features of the composition of the Board. Any attempt to radically change the constitution by a few people assembled in the principal office of the Society without an opportunity to the numerous policyholders to safeguard their interests by ensuring that no changes in the constitution would be made which will impair its soundness and workability is utterly opposed to all notions of co-operation. I feel that in the matter of change of constitution, there must be some means whereby the views of the members who have put their trust and faith in the society on the basis of an existing constitution should be devised. One way of doing it is by taking a plebecite by postal voting in regard to any vital changes in the constitution. I hope that the policyholders of this Society will give their thought to these and allied aspects of the matter and formulate their views in due course, so that we may take them up with the authorities concerned.

Before I conclude I desire to express our grateful thanks to the Registrar, Mr. S. A. Venkataraman, I.C.S., the Joint Registrar, Mr. M. Giriappa, the Deputy Registrars and other departmental staff for the encouragement and assistance they have given to the Society and the interest they have evinced in its working and progress. I also desire to express our sincere thanks to the various co-operative institutions in the Province for their support and patronage.

THE BOMBAY CO-OPERATIVE INSURANCE SOCIETY, LTD.
TENTH ANNUAL GENERAL MEETING, 6TH APRIL 1940.

Speech by Diwan Bahadur Gandhi, B.A., LL.B., President.

It is once more my pleasant duty to welcome you on the occasion of our Annual General Meeting. The Report of the Board of Directors and the Audited Accounts of the Society for the period ended 31st December, 1939 have been in your hands for sometime and I propose, with your permission, to follow our usual custom and take them as read. Before proposing their adoption I would like briefly to review the operations and results.

It will be seen that the Report and Accounts refer to a period of six months only and the Society has for the first time closed its financial year on the 31st December instead of on the 30th June as formerly. The change has been necessitated by the Insurance Act, 1938 which requires all Insurance Companies to prepare their Accounts and Balance Sheet for the calendar year.

I need hardly say that the comparisons of the working and results of a six months' period with those of a full year of twelve months would be misleading. As will be seen from the following comparative statement the steady progress of the Society has been satisfactorily maintained. New Business worth Rs. 13,07,500 was written during the period of six months and if we take into consideration the business written during the preceding full year of 12 months from 1st January to 31st December, 1939, the new business written would amount to Rs. 32,20,100. The membership has increased to 7915. The aggregate income of the Society amounted to Rs. 2,29,801-11-11 and after providing for claims, business procuration costs, management expenses and provision for depreciation in our investments in gilt-edged securities, has enabled the Society to add Rs. 81,730-3-0, to the Life Fund which now stands at Rs. 6,08,463-6-0.

STATEMENT OF BUSINESS

Period.		New Members.	Business Completed.	Average Policy.	Premium Income.	Life Fund.
		No.	Rs.	Rs.	Rs.	Rs.
1930-31 (7 months)	...	117	42.500	363	1,647	1,297
1931-32	...	275	2,07,200	753	11,154	5,399
1932-33	...	366	3,20,600	876	24,616	14,638
1933-34	...	811	6,09,650	751	54,132	27,871
1934-35 (15 months)	...	1402	10,27,500	782	1,05,134	71,623
1935-36	...	1831	13.19,050	720	1,57,743	1,31,633
1936-37	...	1175	9,81,500	835	1,95,149	2,46,327
1937-38	...	1757	20,20,350	1149	2,68,721	3,66,432
1938-39	...	2261	27,53,000	1217	3,59,563	5,26,733
1939 (6 months)	...	1144	13,07,500	1143	2,09,408	6,08,463

The Lapse Ratio has a very important bearing on the working and growth of a Life Office. A portion of the business transacted by every Life Insurance Office lapses every year due to non-payment of premium. Though this tendency is more marked in the case of younger Offices I am glad to be able to inform you that our Society continues to experience a very favourable ratio, it being only about 5% during the period under review.

On expiry of the option available to our Society under Section 95 of the Insuarance Act, 1938 which came into force on 1st July last, our Society shall have to comply with its various requirements from 1st July 1940. Under Section 42 (1) of the Act licensing of Insurance Agents has been restricted to "individuals" only and the various Co-operative Societies who acted so far as our Agents will be disabled from obtaining the licenses and to contribute to the business of the Society as they have hitherto done. Representations were made to the proper authorities both by the Directors of your Society as well as by the Registrar, Co-operative Societies and Director of Rural Development, Bombay Province, to enable co-operative societies to obtain licenses under the Act. I regret to inform you, however, that they have so far not met with any success. The Insurance Act which had the unique distinction of being amended before it came into force has been recently amended with a view to remove certain flaws and administrative difficulties which have been brought to light in the first six months during which the Act has been in operation. A bill further to amend the Act in several matters of importance is likely to be introduced during the September Session of the Central Assembly when the opportunity will be availed of to see if we can get back the Co-operative Societies to work for us. These Societies had proved to be the ideal agencies for propagating the idea of Life Assurance amongst and making available to their members the benefits of Life Assurance by co-ordinating credit and insurance activities. The exit of these useful bodies, over 200 in number, from our active organisation has greatly to be regretted. Our Society will, however, continue to cater to the insurance requirements of members of the co-operative societies at cheaper rates by allowing direct rebate off the published rates of premia in the

Prospectus and it is expected that members of various co-operative societies who will thus be directly benefited shall avail themselves in a large measure of this concession.

With the breakdown of the Joint Family System and the discontinuance of the habit of individual hoarding in the shape of gold and silver ornaments the necessity for Life Insurance, which inculcates the habits of thrift and systematic compulsory savings, is all the more vital specially to the man with limited means both in the urban and rural areas as the safest form of savings. Your Society continues to look after the insurance requirements of this class of people by issuing policies for smaller amounts without medical examination. During the period under review the Society issued 1191 such policies which is about half the number of the total policies issued by the Society.

CO-OPERATIVE NEWS AND NOTES

The Government of Bengal, it is understood, are considering the advisability of fixing a minimum price for sugarcane grown in the province during the ensuing season on the lines of the action taken in this regard by the Governments of Bihar and United Provinces. The Bengal Government's proposal has been referred to the Bengal Industrial Survey Committee for investigation and report.

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A Board, known as the Bengal Board of Agriculture and Animal Husbandry and consisting of 18 members with Minister-in-charge of Agriculture and Industries as Chairman has, it is learnt, been constituted by the Government of Bengal to advise them on all matters relating to the advancement of agriculture and animal husbandry in the province. The function of the Board will be to put before the Government suggestions for the solution of problems relating to animal husbandry, production, supply and distribution of seeds, irrigation, soil conservation and fertility, crop development and controlling, prevention and treatment of diseases.

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The establishment of a State Bank in H.E.H. Nizam's Dominions for manitaining the purchasing power of the *Hali* rupee and for regulating its supply and demand by quick movement of money, for promoting the success of Government loans and for financing agriculture and marketing of crops by giving loans to co-operative banks is indicated in the current year's budget statement. The proposed bank will take over the management of currency from Government and carry on the business of banking in accordance with provisions to be made. Details are being worked out by a banking expert, whose services have been temporarily borrowed from British India. It has also been decided to establish a Land Mortgage Bank to function as an adjunct to the State Bank for the payment of the conciliated debts of agriculturists. In order to expand the facilities for long term borrowing, the management of the Industrial Trust Fund is also proposed to be entrusted to the State Bank.

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The question of how the position of the handloom industry in the country may be safeguarded and how the conflicting claims of the handloom and mill industries may be adjusted to the satisfaction of both the parties is now under the consideration of the Government of India. They have extended the period of subvention for the development of the handloom weaving industry till 31st March, 1942.

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The U. P. Industrial Finance Corporation which was started during the regime of the Congress Government to finance small industries is, it is understood, likely to be converted into an apex bank of the Co-operative Movement in the province. The proposal is pending before the Government which, it is expected, may take an early decision. There will be no change in the fundamental object of the Corporation even after its conversion into an Apex Bank for the Co-operative Movement, as it is one of the objects of the Movement to develop small industries through co-operative effort.

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A Co-operative Research and Information Office has been established at Washington by the Co-operative League of U.S.A. The main function of the new office will be to maintain close contact with the legislative and administrative bodies in order to promote the interests of the Movement, and to make full use of the facilities for the collection of information in close collaboration with the different Government Research Offices.

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It is gratifying to note that the Registrar of C. S., Bombay, has circularised co-operative societies, particularly agricultural societies and central financing agencies, that they should wherever possible use village products and purchase hand-made paper. The Registrar has recommended to these institutions to make their purchases from the Harijan Office, Poona, which stocks and sells hand-made paper and articles of stationery made therefrom, with the primary object of assisting in the marketing of a useful product of village industry.

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The Government of Madras have published a draft of the amendment to the rules under the Madras Co-operative Societies Act disqualifying near relations of paid employees of co-operative societies from becoming directors thereof. The opinions expressed by various co-operative institutions and co-operators will be considered by Government and the draft confirmed or modified shortly.

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The All India Co-operators Day was celebrated on the 2nd November 1940 throughout the country, and the various accounts of the celebrations received by us will be published in our next issue.

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The XXVIIth session of the Mysore Provincial Co-operative Conference was held at Mysore on the 7th October 1940 under the presidency of Rukn-ul-mulk S. Abdul Wajid, Revenue Commissioner in Mysore. Mr. C. S. Kuppuswami Iyengar, President of the Mysore Co-operative Institute welcomed the delegates. The proceedings of the Conference will appear in our next issue.

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A joint session of the Standing Committees of the Indian Provincial Co-operative Banks Association and the All India Co-operative Institutes' Association will be held at Bombay in the premises of the Bombay Provincial Co-operative Institute on the 18th and 19th January 1941. The Hon'ble Mr. V. Ramadas Pantulu, President of the Associations, will preside. The session will discuss, among other matters, the Reserve Bank's Scheme of Remittance Facilities, Provision for Depreciation in Government Securities held by Co-operative Banks, Schemes of Rehabilitation and Reconstruction of Central Banks and Societies in the Provinces, etc.

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The Cochin Co-operative Land Mortgage Bank completed its fifth year of working by the end of 1115 M.E. (15th Aug. 1940). The membership of the Bank increased from 1,828 to 2,154, and the paid up capital from Rs. 75,690 to Rs. 78,940. The loans granted during the year amounted to Rs. 3,83,865 as against Rs. 3,71,924 in the previous year. No debentures were floated during the year, as the Government overdraft of Rs. 5 lakhs left sufficient balance for business transactions in the year. The Bank earned a net profit of Rs. 9,826 while the figure for the preceding year was Rs. 5,511.

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