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THE INDIAN CO-OPERATIVE REVIEW

Vol. VI

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No. 4

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EDITORIAL NOTES

YEAR-BOOK OF INDIAN CO-OPERATION

Several workers and students in the co-operative field in India have long felt the need for an all-India year-book and directory of co-operation. They have been asking us whether it would not be possible for an All-India Institution to collect and publish in an attractive form all the data that might interest co-operators—even as the Co-operative Wholesale at Manchester and the Horace Plunkett Foundation in London publish the well-known *People's Year Book* and the *Year-Book of Agricultural Co-operation*. We moved the matter at the last joint session of the Standing Committees of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association. We are glad to inform our readers that the proposal has been accepted to publish an year-book and directory for 1941-42 and to issue it in July 1941, when the new co-operative year begins in most Provinces.

The scheme proposed is as follows: The Editor of the *Indian Co-operative Review* will be the General Editor. An Editorial Committee consisting of the General Editor and one Editor for each Province or State will be formed. Every Provincial or State editor will fix up writers in his area to deal with particular subjects on which contributions will be invited. The following co-operative institutions will receive special attention:—Rural Credit Societies, Land Mortgage Banks, Purchase and Sale Societies, Urban Banks and Consumers' Stores, Central Banks and Provincial Banks, Special types of Societies, and Supervision, Audit and Education. The contributions will be concise and informative, not elaborate and argumentative. Co-operative statistics will be collected and presented in tabular statements, with the help of the Registrars of Co-operative Societies and the Provincial and State Co-operative Institutes. Legislation and rules in every Province and State relating to co-operative societies will be summarised and published as in the *Year-Book of Agricultural Co-operation*. Short reviews and notices of books recently published on Co-operation and allied subjects will be attempted. Materials for a "Who is who among Co-opera-



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tors?" are being collected. The undertaking is arduous, but we shall make the attempt. We seek the help of all co-operators in the fulfilment of the task.

THE MADRAS COMMITTEE ON CO-OPERATION

In the last issue we dealt with the recommendations of the Committee in Madras on the outstanding problems of rural credit societies. We desire to draw the attention of readers to some recommendations of the Committee on a few other types of societies. We do not wish to do so at length, as we are publishing special contributions on some specific topics dealt with by the Committee, and we are expecting a few more contributions. The Committee recommend the organisation of more land mortgage banks so as to have at least 200 banks covering the Province within the next five years, special attention being drawn to the dry tracts like Ceded Districts. Loans should be encouraged more and more for permanent improvement of land or the installation of machinery and power for pumping water, crushing sugarcane, etc. Provision is suggested for the automatic redemption of mortgages within 20 years, as in the Punjab. The Central Land Mortgage Bank is advised to float debentures for not only 20 years, but for 7, 10 or 15 years so as to fill the gap now left between land mortgage banks which only lend for 20 years and the central banks which lend only up to 7 years. The need for intermediate credit is at least as real and important as the need for long or short term credit in agriculture. We, therefore, wholeheartedly support the idea of shorter-term debentures. If the Central Land Mortgage Bank does not consider it feasible to do it, the possibilities of the Provincial Co-operative Bank undertaking it may be examined by the authorities concerned. We do not agree with the suggestion that the President of the Central Land Mortgage Bank may be empowered to sanction all loan applications not exceeding Rs. 2,000, such sanction being merely intimated to the Executive Committee at their next meeting. Rupees two thousand seems to us to be a high limit and it will cover the majority of the loans applied for. A lower limit like Rs. 500 may be permitted. We entirely agree with the view 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.

On the subject of central banks which, barring some exceptions, are the back-bone of the co-operative credit structure in the Madras Presidency, a definite lead has been given by the Committee. After a thorough examination of the whole question and a full consideration of the views expressed in the Reserve Bank bulletins in favour of small banking unions, the Committee have held that central banks

should not be split up into small units, known as taluka banking unions, but should continue on the basis of one bank for each revenue district, power being given to smaller banks to amalgamate. The mixed type of central banks with individuals as well as societies as members is, rightly in our view, asked to be terminated by the elimination of individual members. Provision is suggested for the co-option of three expert individuals on the boards of management. Even more correctly from the co-operative point of view, the powerfully backed opinion that depositors in banks must be given representation on the boards of management has been turned down.

On the subject of marketing, the Committee deal briefly at first with the general problems of marketing before taking up those of co-operative sale societies. It is indeed a very interesting and necessary introduction. They recommend the renaming of *loan and sale* societies as *marketing* societies and emphasise the need for their concentration on *marketing* rather than on *lending* on produce. In fact a well developed system of rural credit societies may be entrusted with lending on produce and passing on such produce to sale societies for marketing. The Committee in their anxiety to see the whole country covered with a net work of marketing societies recommend the organisation of such societies in all taluk headquarters with branches in firkas to deal with all crops—though they add, "after a careful study of each crop and area." We doubt whether in the enthusiasm for expansion such a "careful study of each crop and area" has been made before the organisation of marketing societies in the months that have followed the publication of the report. More difficult problems are bound to be raised for financing agencies—the central banks and the Provincial Co-operative Bank—by such expansion than would be solved.

CO-OPERATIVE EDUCATION

On the subject of co-operative education, the Committee on Co-operation in Madras pin their faith more on intensive training of the few who aspire to become leaders or officials in the co-operative field than in spreading the ideals of the co-operative system among the masses and making the whole social and economic system co-operative. It is not that they are oblivious of the importance of transforming the outlook of those who are to be the beneficiaries of the system. Without such a transformation the system will not have bright or enduring prospects and may indeed topple down in any grave crisis, political or economic. But this must be a long-time programme. For the present, the education of members and panchayatdars of village societies is to be continued, though not on any extended scale, by the linguistic co-operative unions with the advice of the Provincial Co-operative Union,

or Federation as it will be. The educational authorities are looked forward to to prescribe some general, non-technical literature on co-operation and rural uplift in high schools and colleges. The Provincial Co-operative Union is to continue to run two training institutes, one in the north and the other in the south, as it has been doing for several years now, in consultation with the linguistic unions.* These institutes will be the main recruiting ground for supervisors, clerks and village guides. The training must be more practical and less academic.

So far we have no quarrel with the recommendations of the Committee. But we feel we must enter a strong protest at the recommendation of the Committee as regards advanced co-operative education. A co-operative college is recommended to be established to offer a specialised, intensive course in co-operative theory and technique, banking, rural economics and sociology with a view to train candidates aspiring for service in the Co-operative Department, higher posts in bigger co-operative banks, stores and marketing societies. Some years ago the Education Committee of the Madras Provincial Co-operative Union had worked out the details of a scheme of co-operative college to be run by the Union itself and it had the approval of the then Registrar. Practically all the suggestions made therein have been adopted by the Committee.

But on one vital point, the management and control of the college, a change has been made. The Provincial Co-operative Union is not considered competent or trustworthy enough to manage the co-operative college, though it is expected to manage the training institutes allright. On the Committee, some of us felt obliged to fight for a college freed from all State interference. We feared that in a Government college, controlled by the Co-operative Department, there would be unrestricted restrictions on the expression of independent views by the teachers of the college. On the subject of finance, the Committee think that it is not a big problem and that the college will become self-supporting in a few years. We certainly believe that the Provincial bank and other prosperous co-operative institutions in the Province will find it easy to meet any deficit. We are not impressed with the argument that the heads of several Government Departments have to co-operate in teaching parts of the comprehensive course and therefore Govern-

*The Government have recently passed orders establishing four permanent training institutes instead of two as recommended by the Committee. These will be located at Tanjore and Coimbatore in the South and Rajahmundry and Anantapur in the North. The Anantapur Institute will be run once in two years and the other three every year. The course of training will be one of nine months duration. The Press Communique issued in this connection is published elsewhere in this issue.

ment management is necessary. Few heads of departments can make good teachers; they will certainly not refuse to deliver some special lectures in a co-operative college, whoever may manage it. The argument that security of service would be imperilled in a co-operatively managed college cannot be sustained; there is no such fear in the minds of employees of the big banks and other institutions managed by co-operators. The tragedy is that some among the co-operative leaders themselves have no faith in fellow-workers, nor even in themselves. The Committee propose the appointment of an Advisory Committee so that "the authority in charge of the college should be well informed of general co-operative opinion and that tendencies to bureaucratic rigidity should be held in check." In this country, the power of the bureaucrat is so great that, whatever the form of Government, advisory committees will gravitate into acquiescing committees. If the War has postponed the establishment of a Government college of co-operation, it is not a matter for regret.

DEVELOPMENT OF COTTAGE INDUSTRIES.

The Madras Committee on Co-operation devote a special chapter to cottage industries, particularly those which furnish subsidiary occupation to the agriculturists. They have referred to several small industries in the Province of Madras which could be not only preserved but improved. The Madras Government called for detailed report from the District Collectors on the question of providing relief to landless rural labour by development of cottage industries, and after reviewing their suggestions, the Government, in consultation with the Director of Industries and Commerce, formulated the following course of action for adoption by the District Collectors:

- (a) That with some local financial assistance, industrial schools providing instruction in particular industries might be started by local bodies, associations and individuals and that such schools would be recognised and aided with grants-in-aid under the provisions of the Code of Regulations for Industrial Schools;
- (b) That some of the workers might be deputed to existing industrial schools for training in particular industries, if new schools could not be started or were not required, and
- (c) That departmental demonstrations would be conducted if interested people arrange for the free supply of raw materials and labour and meet the cost of transport of appliances, etc.

The Government have also asked the Registrar of Co-operative Societies to organise co-operative societies wherever necessary for the purposes mentioned by the Collectors. The Advisers to the Governor have published a bill to amend the State Aid to Industries Act so as to delegate to the Board of Revenue the power to grant loans up to Rs. 500 to aid cottage industries.

The Madras Committee on Co-operation expressed the view that not only production had to be organised but the marketing of the products was even more important. In the Committee's opinion the best method of securing the object in view was to establish a separate Provincial Industrial Co-operative Society similar in constitution and functions to the Madras Provincial Hand-loom Weavers' Co-operative Society, as reorganised in the light of the recommendations of the Committee. This Provincial Industrial Society is expected to organise and administer primary production societies to be established for cottage industries other than the handloom industry which the Collectors may recommend, study the market for each class of product and organise selling agencies of various kinds so as to ensure the disposal of goods. They further recommend that the Central Commercial Museum in Madras and the District Commercial Museums should be expanded into emporiums for stocking and sale of the products of cottage industries. We hope that early action will be taken by the Provincial Government on these recommendations.

BOMBAY SESSION OF THE ALL-INDIA CO-OPERATIVE COMMITTEES.

We publish elsewhere the proceedings of the Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association held at Bombay on the 18th and 19th January 1941, as also some press comments on the proceedings. The Bombay Provincial Co-operative Institute made excellent arrangements for the Joint Session of the Committees and provided all facilities required by the Committees. The thanks of the Associations are particularly due to Rao Bahadur B. V. Jadav, Chairman of the Bombay Provincial Co-operative Institute, Mr. R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank and Mr. Vaikunth L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank for their hearty co-operation in making the Joint Session a success.

Among the resolutions passed by the Joint Session, the one relating to the scheme of the Reserve Bank of India in regard to remittance transfer facilities deserves mention. The Joint Session urged on the Reserve Bank of India that the Provincial Co-operative Banks, their Branches and affiliated Central Banks should be placed at least on the same footing as scheduled banks in the matter of remittance transfer facilities, and that so far as free transfer facilities for *bona-fide* co-operative purposes were concerned, they should be provided by the respective Provincial Governments by agreeing to reimburse the Reserve Bank of India for any loss that might be involved by the continuance of the concession on

a scale not exceeding 1/64th of a rupee per cent. The resolution was duly communicated to the Reserve Bank of India and the Central and Provincial Governments. The Reserve Bank has since published a modified scheme by which it proposes to extend to the Provincial Co-operative Banks some of the facilities which are now enjoyed by the scheduled banks. The scheme is under examination by the various Provincial Co-operative Banks. But the net effect of the scheme does not tend to improve the present position. It throws new responsibilities and financial obligations on the Provincial Co-operative Banks, which *prima facie* do not seem to be commensurate with the facilities proposed to be extended by the Reserve Bank. We on the whole feel that no Provincial Bank will be prepared to accept the new scheme. We are glad to find that the Provincial Government of Central Provinces and Berar have agreed to bear the cost of the continuance of the free remittance transfer facilities to co-operative societies for a period of three years. It remains to be seen what action the other Provincial Governments will take in the matter.

The Joint Session reiterated its resolution passed on a previous occasion on the need to expedite the schemes for the rehabilitation of the Co-operative Movement in Central Provinces & Berar, Bihar and Bengal. In this connection, we are glad to find that the Government of Bihar have published their scheme of rehabilitation and made an allotment of Rs. 49 lakhs for carrying it out. The scheme on the whole follows the recommendations of the Rehabilitation Committee set up by the Congress Party in the Bihar Legislature and the report of the Board of Experts, which was constituted under our chairmanship. In Central Provinces and Berar also we find that preliminaries to the starting of the rehabilitation scheme are being actively pursued.

Another resolution to which we desire to draw attention is the one relating to the action to be taken by the Central Government and the Governments of the Provinces and States to prevent a decline in prices to ruinously low level owing to loss of export to overseas markets of several agricultural commodities. The Joint Session made the following concrete suggestions in regard to this: (a) the price control policies of the Governments should not prevent the rise in prices of agricultural commodities in due course, for a depression in those prices will operate to the serious economic detriment of the producers; and (b) restriction on the export of sugar by sea should be relaxed and the Government of the United Kingdom should buy Indian sugar at reasonable rates so as to ensure a fair return to growers of cane in India. The resolution was duly communicated to the authorities concerned and action on their part is awaited.

We wish to draw attention to only one other resolution of the Joint Session, *viz.*, that dealing with employees in non-official co-operative service, which in our opinion is of considerable importance. The All-India Associations have not so far devoted their attention to this problem. The efficiency of the co-operative institutions will obviously depend upon the conditions of service in regard to pay, promotion and prospects, which in their turn will determine the qualifications and equipment of the personnel which the institutions can attract for their service. We earnestly appeal to all non-official co-operative institutions to give their immediate attention to this matter.

Our presidential speech at the Joint Session, we now find, has been subjected to criticism from varying angles of vision by different critics, specially the portion relating to the future of the Co-operative Movement as at present controlled and directed. The issue is side-tracked by some of the critics by inviting opinions on the question how far "needless interference" by the Co-operative Departments in the working of co-operative institutions is called for. We do not think that there is any single co-operator in this country that would advocate "needless interference." Put that way it is not a controversial question and attempt to elicit opinions for and against is a futile and purposeless task. The real issue is this. What are the limits of legitimate statutory control and the extent of interference which such control involves in the interests of the movement without destroying its popular character and democratic basis? We have, for the last two decades, objected to the extension of statutory control by successive Co-operative Acts and the exercise of such control in a manner not contemplated by the spirit or even the letter of such enactments and calculated to destroy genuine non-official initiative and enterprise. A review of the position in each Province or State from this standpoint is what is required. We do not agree with the view that a large amount of official control is necessary in India because "co-operation did not develop in India as in the West from the bottom but has been super-imposed from above." No doubt it was super-imposed from above nearly four decades ago. Is it not now time to rectify the position so as to make it a truly democratic and popular movement? We reiterate our view that the Co-operative Movement has no genuine future before it and that its contribution to our national life will be little if it has to be carried on within the limits set to it by the Co-operative Societies Acts in force in the various Provinces and States and the daily increasing interference in the name of 'control' of the Departments of Co-operation as at present constituted. We are speaking from an All-India point of view and not referring to any particular Province. The Movement in India as a whole is entirely out of tune with the present day socio-economic currents of our national life.

THE MADRAS REPORT ON CO-OPERATION AND RURAL UPLIFT

By

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The Report of the Committee on Co-operation in Madras has been eagerly awaited by the co-operators not only in that province but also outside. Its publication justifies that expectancy. The Report raises fundamental issues and makes valuable practical suggestions which for some time to come must become the focus of discussion in co-operative circles.

A committee of 21 gives the appearance of unwieldiness. Though the object certainly was to make the body representative, the tempo of its activities was bound to suffer. As the Committee dispensed with sub-committees and threw open the meetings to the Press, it was an instance of a Committee almost thinking aloud. Some of the recommendations of the Committee could, therefore, be anticipated by the interested public. The present writer is not over-fond of this procedure and believes that one of its consequences is bound to be the narrowing of the field for survey and planning and a resulting lack of enthusing key-note ringing through an organic report.

To this obvious criticism must be appended also, the defence on behalf of the Committee that the terms of reference pinned the Committee to certain courses. Yet the speech by the Hon'ble Minister for Industries and Labour indicated that the Congress Government allowed the Committee, if they so wanted, to travel wider than the terms of reference indicated.¹ That the Report has disappointed those who wanted 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" is evident.² Nevertheless, the Madras Report is on the whole a pleasing performance from the co-operative point of view. After a thorough study the Committee find the movement "sound"—a description which some of the other

1. Vide, paras 4, 5, 6 and 11 of Mr. Giri's Speech (Appendix IV to the Report.)

2. For instance, see the article by Mr. S. K. Lahiri in the last issue of the *Review*, the Minute of Dissent by Sri. K. Bhashyam, and the views on the report by Mr. M. S. N. Rao in the *Madras Journal of Co-operation* for December 1940.

provinces would in vain expect after an expert enquiry. The Report again, gives the go-bye to the principle of unlimited liability, and though opinion on the subject is still divided, this will mark the beginning of many new developments and problems in the years ahead. The "elimination" of the individual member is another of its proposals which would be found unacceptable to many, due to its indispensability, in other provinces. It is, however, the undertone of hope and confidence in the Madras Report which is its most striking feature.

As one keenly interested in co-operation as *the* agency for rural uplift, the present writer was interested in sections dealing with that problem. To borrow the Committee's phrase, the efforts at rural uplift have not, in most cases, proceeded from the empirical stage to a systematic one. There is not only the question of co-ordination of governmental agencies but also of non-official agencies. In Bengal, for instance, there is a special officer in charge of rural reconstruction, the Co-operative Department has been busy organising rural reconstruction societies at rapid speed, the Department of Public Health has been busy equipping travelling exhibitions for propagating their scheme of all-round rural uplift, and illogically enough the Education Department has been burdened with the task of adult education. The non-official agencies are many and sometimes overlap. There are all-Bengal and local societies and they are again criss-crossed in their interests and objects, including the narrow object of serving one class, caste or community only. Behind all this looms, very often, the desire to utilise the official and non-official agencies for party-purposes and electioneering. The resulting confusion and wastage of energy can be well imagined. Many other provinces also exhibit similar conditions.

In this context the Committee's recommendations and Prof. Thomas's note deserve careful scrutiny. The recommendation made by the Committee is for the establishment of Provincial and District Standing Committees for "judicious allocation and co-ordination of work." They do not favour the appointment of a Development Commissioner as in the Punjab; nor do they accept the Bombay scheme of placing all such activities under the Registrar of Co-operative Societies. In fact, the Committee want not a one-man co-ordination, but of the "heads of "Development Departments" sitting in conference with a certain number of non-officials, not for the purpose of administration but "charged with the formulation of measures and plans for the rural and economic development of the country." Further, "it will supply points of view and comment on, and impart cohesion and unity of purpose to, the several schemes of rural development proposed by the heads of departments and make them related parts of a comprehensive programme of rural

betterment." The Minister "most closely concerned with rural development" will be its chairman. In the districts, however, the Collector and the officers only of the various departments shall constitute committees. The provincial body thus composed will be almost like the Board of Economic Enquiry in Bengal initiated during Sir John Anderson's regime and will more or less have advisory functions.

The Committee, further, contemplate the employment of village guides to "render advisory services and put the rural population into touch with the specialised services of development departments." These persons are to work jointly for the co-operative societies and village panchayats. The Committee also envisage a development in which elected panchayats displace the village officers as the main organ of administration, and there is closer co-ordination between the rural agencies. The co-operatives are to be reorientated in the shape of multi-purpose societies, with paid secretaries and enlarged jurisdiction.

The above summary makes clear that there will still continue side by side a multiplicity of authorities catering to rural welfare from the top to the bottom. Moreover, when you appoint paid officers—the co-operative society's secretary and guides—why not think of a greater centralisation and also decentralisation, the latter for the purpose of allowing adaptation to local conditions relating to the type of agriculture, the land system, caste-composition, educational progress, etc.?

In fact, it is here that Prof. Thomas's scheme and Sri Bhashyam's comprehensive proposals step in as logical corollaries and developments. Professor Thomas suggests that too many departments mean a duplication of staff, which can be and should be avoided, particularly when, from albeit different angles, the same objective is aimed at. He wants a central directing agency issuing orders percolating to the rural guide at the other end and suggests the Department of Co-operation can be that spearhead of rural uplift. The District Collector, divested of most of the routine duties, should be given the authority over all the Development Departments in the district. But still "the main burden of rural uplift will necessarily fall on rural voluntary organisations (panchayats, co-operative societies, agricultural associations, etc.). The local touch will also become easier.

Both the alternatives suggested, however, indicate a trend towards bureaucratic centralisation and does not appreciate the need for development on autonomous and voluntary lines. The whole structure of our local bodies and co-operative societies in the villages, even in Madras with its traditions of rural autonomy, is tainted with the incubus of red-tape and official interference. But Professor Thomas rightly points to the danger of being satisfied with Boards and Committees at the provin-

cial headquarters, wasting time over generalities. The District Collector tradition in Government also must go now—and moreover there is the danger of Collectors being over-ridden and even obstructed by the provincial chiefs of development departments.³ The Gurgaon experience and the defects of Sir Daniel Hamilton's Gosaba experiment are pointer.

The other development is suggested by Sri Bhashyam and supported by not an insignificant volume of co-operative opinion. An intensification of the movement even to the extent of "conscription to live" is stated to be the objective.

"To make the co-operative movement a success there are only two ways: one 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. Work on both the lines is necessary . . . I do not advocate that failure to join a Society or even the refusal to do so should be made an offence and that the recalcitrant member should be punished by fine or imprisonment. What is required is that the *ryot should be prohibited from borrowing except from a co-operative society and no mortgage of agricultural land should be recognised as valid unless made to or through an agricultural co-operative society.*"

There are obvious attractions for this view. Instead of regimentation through Boards, Departments and officials, a reversion to the basic organisation of the village would be a welcome re-orientation. Both from the political and democratic point of view, this should be welcome. May I urge another consideration? Except in the loosely organised structure in capitalist-democratic countries, under communism, totalitarianism, new deals in several countries and attempts at planning the co-operative system and theory have perforce undergone essential changes. We want co-operation not only to embrace all the aspects of the life of the villager but to be an effective principle of life itself. Co-operation to-day, in our country at least, is just allowed to live until it becomes a nuisance to the profiteer; under a planned system co-operation may well be the only system recognised. Undoubtedly, the time for that is not yet: but already we have so much of "controlled

3. For instance, the scheme of Co-operative Farming in Nadia, noticed in the 'Reviews' section of the last issue of the *Review* was not acceptable to the Co-operative Department of Bengal for registration.

credit" through legislation that it might very soon become necessary to constitute then co-operative society as "Court of Wards" for each individual ryot and also to provide for "legislation to ensure that the decisions of such a society will be binding on non-members also."

To these considerations are closely related the recommendations regarding women's societies and co-operative education. I shall add only a few lines on them. The chapter on women's societies makes almost painful reading, not merely because of the slow progress and poor prospects, but the segregation of such societies and the additional division on a class basis. These may be hard facts, but should not be encouraged through co-operative channels. Women's societies can only succeed as part of a healthy and many-sided co-operative activities all around, and then they cease to be women's societies merely but become an additional front in the fight against the many obstacles to sound life and living in villages.

The recommendations on co-operative education also are halting. While the Committee recognise the necessity of a "scheme planned as a whole," they really strike a compromise which is justified in the following significant language:

"In the present stage of development, it is easier to train workers intensively than to instruct co-operators generally, and easier to instruct co-operators than to make the whole social and economic system co-operative."

They accept, by a majority, the utilitarian idea of an employment-finding government-controlled college, and place the rather comprehensive programme of training co-operators through two linguistic unions. Not only does the Government loom large in the picture, but education in the wider sense is left to the care of the several Development departments, the Co-operative Federation and the training institutes. It goes without saying that in the present chaotic and transitional economy around us, possibly no co-operative education should continue to have this narrow meaning. But in a better organised socio-economic order, education in general related to the basic conditions of the life around shall itself be co-operative in outlook, organisation and instruction.

The Madras Report is excellent in its own way, and would not possibly suggest developments which presuppose radical changes in other spheres of life. But there are welcome glimmerings of a more hopeful regime and it is towards them that the writer of this article has sought to direct attention—for in the distracted world around and the constant iterations of 'obstacles and failures,' the co-operative faith lives through such renewals of loyalty to the goal.

LAND MORTGAGE BANKS IN MADRAS.

RECOMMENDATIONS OF THE COMMITTEE ON CO-OPERATION

By

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Nizambad (H. E. H. Nizam's State).

The Report of the Madras Committee on Co-operation, now made available to the public, contains a frank and detailed treatment of the several phases of the Co-operative Movement. It has devoted considerable attention to the discussion of measures of debt relief and land mortgage banks. And the historical retrospect includes a brief survey of early attempts in the field of long term credit.

It is in the fitness of things that the Committee has recommended a five year plan of expansion of land mortgage banks—200 banks for the Province. But if this is to be carried out, it is necessary that the strength of the present staff should be increased. While the discontinuance of the special staff of Deputy Registrars may be justified on grounds of economy, the need for filling the void is real. It is a pity the Government could not see their way to meet the cost of these officers. But it must be recognised that the peculiar character of the land mortgage banking system demands a special investigating and supervisory staff. If this cannot be continued for reasons of economy, the number of regular Deputy Registrars should be increased and they should be relieved of a portion of their routine work. More Sub-Registrars would be necessary to cope with the increasing volume of work. The Sub-Registrar holds a responsible position; yet it is surprising to see that the present scales of pay are not satisfactory. For the matter of that, the scales of pay of Bank Supervisors and the Central Land Mortgage Bank staff need revision so as to attract more qualified men. At this stage, the Committee could have reviewed the whole policy of official management and recommended proposals which would subserve the best interests of the movement. But the Committee has not given any lead in this matter.

For the year ended 30th June 1940, there were 119 banks registered and working. The organisation of 81 banks more would take little less than a decade, if the present rate of progress is maintained. It is fundamental that this work should proceed on cautious lines.

Till recently, the practice has been to confine land mortgage banks to wet areas. But a beginning has already been made in dry areas as well. The difficulty of organising land mortgage banks in such dry areas was ever present to the early leaders like the late Sir M. Ramachandra Rao. And the policy pursued by the Department was very cautious. The Committee's recommendation that the Central Land Mortgage Bank should get temporary accommodation from the Famine Relief Fund is apt and to the point. This will help forward the improvement of the economic condition of the ryots by providing for adequate irrigation facilities including the sinking of wells, dry farming, and the organisation of industries subsidiary to agriculture. But much depends on the technical advice and help that can be given by the concerned nation-building departments. It is of primary importance that careful supervision over the utilisation of the loans advanced should be insured. And as the incidence of agricultural indebtedness is not so high in these areas, the loans should be used for productive purposes. While the issue of enterprise cannot even then be foreseen, there is every possibility that strict adherence to this fundamental basis would result in a surplus margin.

The Committee has rightly emphasised the need for financing permanent improvements of land. In fact this is the great need of the hour. It is a pity the Committee did not deal with this problem at some length and lay down concrete suggestions. Some members of the Committee were directly connected with the land mortgage bank movement. Their presence and that of the Director of Agriculture and of the Director of Industries could have been utilised to evolve definite suggestions for the guidance of the Mortgage Bank.

The total debt of the Province is said to be in the neighbourhood of Rs. 200 crores. The economic depression that set in towards the close of the year 1929 accentuated the gravity of the situation. And a good many debt-relief measures are now at work: (1) The Madras Debtors' Protection Act, 1935, (2) The Agriculturists Loans (Amendment) Act, 1935, (3) The Madras Debt Conciliation Act, 1936 and (4) The Madras Agriculturists Relief Act, 1938. The first three Acts are based on the principle of voluntary settlement while the last is a radical measure and has legalised the compulsory scaling down of debts. It is gratifying to note that the Committee has advocated the strengthening of the machinery of debt-relief by offering several useful suggestions. And as the Committee said, the land banks and the Debt Conciliation Boards should work in close co-operation.

The Committee, in dealing with agricultural credit societies, has emphasised the need for segregation of overdue debts and their transfer to

land banks. But the proposal deserves more than passing consideration. Firstly, these debts have not been sufficiently scaled down. Secondly, the repaying capacity of those who owe them does not permit of such a transfer in all cases. Thirdly, it is wrong in principle to thus mix up the business of a village society with that of a land bank. As a matter of fact, every case should be treated on its own merits. In view of these difficulties, it is but proper that the village credit society should be left to face facts. Certainly, the other remedies suggested by the Committee may be usefully adopted. The problem of debt relief is of perennial importance. While the adoption of both preventive and curative measures would be helpful, the need for educating the masses in thrift and saving is great.

The Committee has recommended that land mortgage credit should be linked with schemes of insurance. While the object is laudable, it is highly problematic whether the borrowers would be able to bear the additional burden involved in the case of simple insurance or dismortgaging. Unfortunately, the economic condition of many is not encouraging. It is therefore difficult to put these schemes into effect. That is the reason why the borrower, as the Committee said, should not be compelled to take more than one share for each loan. Novel as it may seem, the circumstances demand that such a concession should be extended.

The proposal for dispensing with the assignment of mortgage bonds is likely to give rise to some difference of opinion. And as Mr. Chatterjee says, it may lead to the abolition of one of the most important safeguards for the debenture holders.¹ But the Committee must have been alive to this aspect and have, therefore, recommended suitable legislation.

However, one is not inclined to agree with the recommendation of the Committee empowering the President of the Central Land Mortgage Bank to sanction loans up to Rs. 2,000. For one thing, in view of the fact that the Executive Committee is functioning regularly, as can be seen from the reports, there is no need to divest it of some of its powers. As a matter of fact, the bulk of the loans sanctioned ranges from Rs. 500 to 2000 in amount. For example, for the year 1939-40, out of 2,788 loans disbursed, 2,000 loans were such that their amount ranged from below Rs. 500 to Rs. 2,000.² Thus in case the President is empowered, the Executive Committee would lose three-fourths of its work. There is every

1. *Indian Co-operative Review*, 1940, p. 356.

2. Report of the Central Land Mortgage Bank, 1939-40.

reason to think that such a course would certainly weaken the democratic foundations of the whole structure.

It is but proper that the Committee should stress the need for helping men of small means for whom the Co-operative Movement was launched. While it is desirable to encourage loans smaller than Rs. 500, this may not serve as an index of the extent of help given to men of small means. For the amount of loan that can be disbursed depends upon the results of enquiry into loan cases. The number of borrowers holding land below 5 acres is not high. Nor is the amount of loan advanced below Rs. 500 likely to increase to such an extent as to displace the other categories. What is needed is that bigger loans should be discouraged without sacrificing the interests of deserving cases.

For a bank without a foundation grant, Government help and sympathy should continue till it becomes independent. The Committee has done well in emphasising this point and has referred to some vital factors necessary for making the Central Land Mortgage Bank's financial position independent—building of share capital and reserves, provision for bad and doubtful debts, sinking fund and irredeemability of debentures for a minimum period. The reports reveal that there is an appreciable increase in the owned capital of the Bank. However, the utilisation of sinking fund for buying up the debentures and purchasing subsequent issues of debentures, which it may float for insuring their popularity in the money-market, cannot be treated lightly. The purpose of market intervention through buying and selling is to avoid irrelevant fluctuations of price and yield which disturb bond-holders and carry out change in the Bank's policy and to prepare the market either for new issues or for the redemption of old ones. While the control and regulation of price is an important and legitimate function of the mortgage bank, it is essential that the sinking fund must be preserved from diversion for any purpose other than that for which it was specifically provided.

The problem of mortgage banking is much more complicated than that of the reconstruction of Raiffeisen societies. The need for constant watch and close study is as great as ever. The most precious possession of the farmer—his land—is at stake. The convenience and equity of the farmer are important elements in the rural credit problem. While the security of the farmer is fundamental to the reputation of the mortgage bank, risk to the investor is reduced by virtue of the facilities which the bank has for the expert assessment of land values. There is no doubt that the Bank fills a useful place in the credit system of the Province; its working may be further improved as a result of the recommendations of the Committee.

PLEA FOR DIVISIONAL BOARDS IN CO-OPERATION

By

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Co-operation implies a harmonious co-ordination of official and non-official, paid and honorary activities concerning the amelioration of the condition of the rural and the labour population through co-operative societies. To increase their earning capacity, to improve their efficiency and to inculcate unity and self-help among the agriculturists and the wage earners were the co-operative societies formed and they exist mainly with a view to serve them, these men of limited means as well as the poor. To keep the Departmental officers and the honorary and official workers into close touch with one another and with themselves was the Co-operative Federation founded.

The Co-operative Federation is a registered Society having as its members all central banks and Unions, all limited liability societies, all agricultural societies and stores and in fact every registered society in the province. As soon as a co-operative bank or society is registered under the Act it is called upon to pay a certain fees to the Federation for being enrolled as a member. The present Act has given to the Federation a legal status which it had not before. The Federation was established with the following objects:—

- (i) to ensure a regular and efficient system of supervision, audit and control for all co-operative banks and societies enrolled as members;
- (ii) to promote agricultural, industrial and other special forms of co-operation;
- (iii) to aid in the expansion and improvement of primary education, to promote sanitation, to facilitate medical and famine relief and generally to secure the moral and material progress of its affiliated societies; and
- (iv) to secure unity and uniformity among all co-operators in Bihar and Orissa and to see that all co-operative business is conducted on sound and progressive lines.

Very noble objects these! So comprehensive and wide powers were given to the Federation that in order to run it efficiently the best

that the officials could give had to be combined with all that non-official and honorary workers could spare. If only co-operation could be conducted on the lines which the objects stood for, rural India to-day would have been quite different from what it is. It would be idle to deny that there has not been improvements, but certainly not to that extent as could be expected. No good apportioning blame or criticising either the official or the honorary worker. It is possibly true that at some places honorary workers have been guided by self interest and nepotism and may have even played ducks and drakes with public money. It is equally possible that officials out of pure *zid* or through ignorance of rules and the Act, have committed excesses or spread rumours that affected prejudicially the interests of the movement. More probably both are correct and have in their own way to some extent contributed to give a downward trend to the movement. An officer with pre-conceived notions against the movement is a greater misfit than an untrained or partial honorary worker. So far as the Co-operative Federation is concerned both these are equally undesirable.

Supervision and control the Federation has never exercised over the banks and societies; nor has it the requisite staff to undertake these. Audit it has been doing ever since Mr. Collins—an European I. C. S.—transferred audit to the popular control of the Federation Council, right up to the time when during the tenure of office of Mr. Bakshi—an Indian I. C. S.—audit was taken over again by a Government composed of Congressmen. That is a contrast which offers its own commentary and certainly a strange irony of fate. This disposes of the first of the objects of the Federation.

There was a time when banks and societies did pay special attention to the agricultural and industrial improvement of societies. Improved implements and new forms of cottage industries were regarded as necessary planks of co-operative activities. Irrigation societies were founded only to die out. *Siris* was a failure and so were *Garahni* and *Nokha*. *Sitamarhi* and *Laheriasarai* were enough to damp the enthusiasm of workers, but there was nothing inherent in them that spelled their ruin, which could have been avoided.

The Federation through its various Divisional Federation Boards took up this aspect of improvements. The Ranchi Divisional Board specialised in cloth-weaving and village uplift. Bhagalpur has to its credit the Lalmiti village improvement society. In the Patna Divisional Board, improved seeds and improved implements were freely supplied to members of societies. *Rahat* pump was provided for the use of many societies and two village improvement centres were opened where the education of members' family boys, girls and adults—improvement of

agriculture and introduction of small industries were the special features. In the Tirhut Division anti-epidemic centres were formed in the Gopalganj Sub-division.

The Divisional Boards helped considerably in giving effect to the second and third objects of the Federation. For some time Propaganda Officers and Assistant Propaganda Officers were appointed for each Division and these worked very well. It is gratifying to find that all the four Propaganda Officers are now in Government Service and are reported to be very industrious and useful officers, three in the Cane Growers' Department and one as the head of the Co-operative Training Institute. The abolition of the posts of Assistant Propaganda Officers considerably crippled the good work that the four officers were doing and ultimately the abolition of their posts sounded the death-knell of all propaganda activities of the Federation. True, the English and the Vernacular Journals are still there, reminding by their occasional twinkles that the movement is not extinct, but it would be difficult to assert that these journals are as robust and as inspiring as before.

The Federation Congress then is the formal annual meeting of the affiliated banks and societies and its main item is confirmation of proceedings, passing of accounts and adoption of the budget. Some resolutions do come up at times; but these are more of the nature of recommendations and a number of these find their way into the departmental waste paper pigeon-holes. Being of the nature of annual general meeting of affiliated societies and banks, the Congress needs meeting every year and after some speeches and resolutions disperse for the next session.

But what about securing "Unity and uniformity among all co-operators" and the conducting of all business on "sound and progressive lines", which is object No. 4. ? This can be done through the Divisional Boards alone. These Boards are supposed to meet once a quarter and to deliberate on all matters affecting banks and societies in the division. They are purely non-official bodies of honorary workers, with only the Assistant Registrars as ex-officio members. Here there is an opportunity for the members to discuss their grievances and for the official spokesmen to explain the departmental point of view. By this means the Registrar, and through him the Government, can be kept informed of all that the honorary workers are thinking and feeling and much of the unnecessary misunderstanding against the department could be easily and effectively removed. That is the great utility of the Divisional Boards, which could also be fully utilized for giving effect to the various other objects of the Federation Council and the Congress.

The supervision and control could be more effectively exercised through honorary agency, leaving the departmental officers to step in wherever there is an irregularity or violation of rules or defalcation. These should be seriously dealt with in order that there might be no repetition. The agricultural and industrial improvements, so necessary in order to better the condition of the village society members, could be done by honorary workers with the ready collaboration of the officers of these departments. Similarly an incentive could be given to the officers of the Education department and a check provided to the vagaries of the subordinate staff if co-operative workers were to interest themselves in the educational institutions in the interior. To promote sanitation, medical relief and for the distribution of famine-relief there could be no better agency than the co-operative societies and the honorary workers of the Divisional Boards. These Boards—non-party and non-communal—have thus a future of usefulness and public utility which all those deeply interested in the welfare of the agricultural and industrial masses will do well to realise.

VILLAGE PANCHAYATS IN THE MADRAS PRESIDENCY

By

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India is a country of villages with a great ancient civilisation. Democratic Government was well developed in the ancient village life of India. Village Self Government was the rule in ancient days, nay, upto the advent of the British Raj. Each village was more or less an autonomous, self governing unit in the Moghul as well as the Hindu period. Evidence of village life in these two periods is available to us. Taking the Hindu period, we are able to know much from sources like the Code of Manu, Chanakya's *Artha Sastra* and certain inscriptions like those of Uttaramerur. *Arthasastra* gives a detailed account of the constitution and functions of village assemblies. "The Village Assembly was a popular body consisting of the elders of the village. There was no fixed number of members, and attendance varied according to the nature of business that was to be transacted. The members were not elected but chosen by a sort of natural selection. They were usually men, who by their age, character and attainments acquired the confidence of the villagers and their opinions were supposed to represent the collective wisdom of the village. These village elders not only decided administrative matters but formed a Court of justice for the decision of small civil suits and for the trial of petty criminal cases. They also looked after public property. e.g. that of temples, and the interests of infants, and attended to the question of poor relief". (*Arthasastra* B. II. Ch. 1.) In book III. Ch. 10. of *Artha Sastra*, it is said that "in their corporate capacity villagers constructed and maintained works of public utility and undertook measures tending to the improvement of the villages". Professor Rhys Davids in referring to the account of village administration in Buddhist days says: "Villagers are described as uniting of their own accord to build mote-halls and rest houses and reservoirs, to mend the roads between their own and adjacent villages and even to lay out parks". He draws a very beautiful picture of the simple village life in those days. The following quotation from Dr. S. Krishnaswami Ayyangar's Lectures on "Hindu Administrative Institutions in South India" will give a good account of the village life in Pallava and Chola age of the 8th to 12th centuries A. D.

"We emerge from out of the period of Pallava rule (8th to 9th centuries A.D.) with a more or less fully developed local administration providing for all requirements for the satisfactory government of rural localities. While undoubtedly local administration is seen at its best under Chola rule (10th to 12th centuries A. D.) we seem to find it in an equally fully developed condition under the later Pallavas. From what we see of the organisation for Local Administration under the Pallavas themselves, we may feel clear that these institutions must have had a long anterior vogue reaching back to distant beginnings." Dr. Krishnaswami Iyengar then proceeds to describe the features of these local institutions from the well known inscriptions of the Uttaramerur village of the Chingleput District. His description is worth reproduction as typical of the South Indian, nay of Indian, village autonomy of that period.

"In its best days Uttaramerur was a large village with 12 dependent hamlets divided into 30 wards for purposes of efficient Government: The Government of the village was in the hands of a powerful assembly or Mahasabha, composed of all the male inhabitants of the village including the young and the old. They had the complete control of the administration and did every thing connected with it. In other words, the administrative work in the village had to be done under their direction and on the instructions laid down by them generally. What they had really to administer can be understood by a recital of things that they took notice of. They are indicated as being owners of all unoccupied lands in the village and had power to dispose of these unoccupied and unapportioned lands as they pleased for various purposes that might arise from time to time. It was they that made provision for laying out the land and bringing it under agriculture, dividing it into large plots and smaller fields and providing them with suitable approaches. They provided irrigation channels and had even to manage large irrigation tanks for the whole area comprised within the control of the village. In almost every thing they did they acted independently of any reference to headquarters, either on their own initiative or on their attention being drawn by the subordinate bodies which worked under them. Even where royal officers appeared on the scene actually and the members of the royal family themselves had to make gifts to temples they had to adopt the same procedure of passing through this great assembly for the acquisition of lands and arranging for their gifts.....

"For purposes of administration, this Sabha created a certain number of smaller bodies or committees. These bodies were in charge of the various departments of administration and conducted them under the

direction of the General assembly. Eight or ten such committees are mentioned in the Uttaramerur inscriptions and it can be inferred that the number could be multiplied as the purposes for which the machinery was wanted actually increased. The Committees mentioned are:—

1. The Committee for administration for the year.
2. The Committee that looked after gardens.
3. The Committee that looked after irrigation tanks.
4. The Committee that looked after the cultivable fields.
5. The Accounts Committee.
6. The Committee that looked after sluices.
7. The Committee that looked after roads.
8. The Committee that looked after the cultivation of the village generally.
9. The Committee that looked after the affairs of the village.

"There may be villages and village unions with two or three Committees, while on the contrary there were villages and village unions with a very large number of Committees. These administrative village units, which were called Kurrams, were constituted of a certain number of villages thrown together, forming something like a union in modern times. That seems to have been the general order.

"Young and old—all the inhabitants of the village formed part of the general assembly. They were usually excluded in the constitution of the Committees. The election procedure usually followed is clearly on record. This procedure was not imposed upon the inhabitants of the locality by a fiat of royal authority. When the proposals were received, the general assembly met to discuss the document and it was when they approved it that it became the rule of the locality. These inscriptions show that the procedure for the constitution of the Committees was that the general assembly met and put down on slips of writing material the names of individuals in each ward who were eligible for holding offices as members of the Committee concerned. All these slips were bundled up with a covering docket for each particular ward. The priests were all in attendance. The senior-most priest took charge of the bundle and brought in a pot. He turned it upside down to show that it was empty and having done this he untied the bundle and put into the empty pot all the slips in the bundle in the presence of the assembly, he himself standing in the middle of it to enable everybody to see what he was doing. A young boy was picked up from the gathering and he was asked to pull out one ticket at a time, which the priest received, read out the name and passed on to the Madhyastha who announced the name to the assembly. Thus thirty were elected of whom the number for general management was selected by those who had already been members of the Com-

mittee and has acquired some administrative experience. In regard to the other committees, the choice was made on the basis of the qualifications required for the work. The circular lays down that as a general rule qualifications for a place on the committee were general education and good character and also ownership of a quarter of a *veli* of land. They must be either owners of land or must be learned.

"Revenue administration was entirely in the hands of the assembly. It had comparatively large powers given to it in the ordinary criminal administration, and even in respect of heinous offences. It had to decide as to the guilt although the punishments were awarded according to law by the King. The police work of protection against theft and robbery was also provided for by the assembly by means of a Committee whose function was to look after roads and provide protection.

"Thus we see that with a *Mahasabha* at the head composed of all the male inhabitants of the village, the administration was provided for by means of a number of Committees according to need and the administration was carried out to the minutest detail. Men and women alike, the well-to-do and not the so well-to-do, all of them seem to have borne their responsibility cheerfully and contributed towards the success of the administration."

After the advent of Muhammadan rule, information on village life is scanty. Confusion must have set in. That the Moghuls neglected the village administration admits of no doubt. The same thing happened under the rule of the East India Company. But still the autonomous life of the village continued in some measure for long and disappeared only after the full establishment of the British Raj. Later, Lord Ripon decided to associate the people with the administration of local affairs. But he started from the top. Instead of taking the autonomous village as the foundation, he took the district and the taluk as the units of the local self-government and entrusted to artificial taluk and district bodies functions like communications, medical relief, education and sanitation. The village was neglected. As part of the scheme of Lord Ripon, the Village Courts Act of 1889 was passed, after some difference of opinion between the High Court and the Government, vesting some judicial powers in village Courts. The importance of village life was slowly realised. Informal panchayats for irrigation and forests were constituted. The next stage was the appointment of the Royal Commission on Decentralisation in the year 1909. A special section of the Commission's report was devoted to the question of village panchayats. The report indicated the principles upon which the village panchayats should be constituted. The Commission desired to develop the corporate life of the village according to its own genius and to give to the villagers a live

interest in, and some control over, their own affairs. The Commission's report shows that in spite of the apathy of the Muhammadan rulers and the East India Co., and the policy of Lord Ripon, the villages continued to retain their old traditions and corporate life. The Commission recommended that panchayats should be constituted for villages, that they should be placed under the district authorities, that they should be given civil and criminal jurisdiction in petty cases. As regards the administrative functions, the Commission recommended that they should include education and sanitation. The Commission did not recommend the grant of the power to tax, but recommended that the panchayat should be given a portion of the land-cess, special grants by Government, receipts from village cattle, pounds, markets etc. The Government of India in their order agreed mainly with the recommendations of the Commission, but disagreed with the Commission on two important matters. The Government was for giving powers of voluntary taxation to the panchayat. Secondly the Government was for allowing the panchayat to choose its own president, instead of the village head-man being made the ex-officio president as per the recommendation of the Commission. After the recommendations of the Royal Commission and the enunciation of the policy of the Government of India on those recommendations in the year 1918, various Local Governments took steps to revive village panchayats as units of Local Self Government. The Madras Province passed Act XV of 1920—The Village Panchayat Act constituting optional village panchayats for a revenue village on a universal adult male franchise. To this village panchayat were entrusted duties pertaining mainly to village sanitation, communications and water supply. Schedule V enumerated the various functions on which the panchayat might properly spend its income. The list is rather exhaustive and gave wide scope for the full development of the beneficial aspect of village life. Schedule V to the Act enumerates the following chief functions amongst others. The functions are divided into two classes: necessary and optional.

A. Necessary functions:—

1. Construction and maintenance of all public roads, bridges, culverts, roads dams, and cause-ways on roads within the village limits.
2. Establishment and maintenance of choultries.
3. Lighting.
4. Opening of Libraries.
5. Construction of drains.
6. Cleaning of streets, removal of rubbish, filling in disused wells, insanitary ponds, ditches, pits.
7. Provision of public latrines, burial grounds.
8. Supply of drinking water by digging wells, ponds.
9. Opening and maintenance of public slaughter houses, measures for prevention of epidemic.
10. Public markets.
11. Control of fairs.
12. Physical culture and
13. Parks.

B. Optional Functions:—

1. Planting and preservation of avenues on roads.
2. Opening of public landing places, halting places.
3. Control of threshing floors, topes, porombokes.
4. Control of village buildings and other communal property.
5. Extension of village sites.
6. Registration of births and deaths.
7. Improvement of agriculture and agricultural stock.
8. Encouragement and promotion of cottage industries.
9. Elementary education.
10. Dispensaries.
11. All other measures of public utility calculated to promote the safety, health, comfort and convenience of the inhabitants of the village.

Here is indeed a very wide field for the development of the village genius as on the lines of the ancient autonomous village self-government, more or less on the model of the Uttaramerur system. Nothing more was needed, except a well defined finance at the disposal of the panchayat to carry out these objects. But unfortunately the Act did not provide any stable finance. The Act empowered panchayats to levy a few taxes and a variety of fees. The non-provision of a certain and regular source of revenue was a serious omission. But by a liberal policy pursued by Government between 1924 and 1930 of making grants to panchayats for water supply, communications and libraries, many panchayats were able, during this period, to lay out pucca metal roads and provide wells and tanks for drinking water supply. Many panchayats started village libraries. Many panchayats started elementary schools. The panchayats were also very fortunate in having able Registrar-Generals of Panchayats in Messrs. N. Gopalaswami Iyengar and T. G. Rutherford.

The period between 1920 to 1930 was a proud period in the history of the revival and working of panchayats. The panchayats gave great hopes of the capacity of villagers for self-government. Many panchayats imposed on themselves voluntary taxes and raised monies. Elementary schools worked by panchayats earned a better name than those run by the District Boards. In the words of the then Registrar-General of Panchayats "nearly all panchayats which have opened schools under the scheme have evinced keen interest in their development and many have taken pride in providing accommodation and amenities on a general scale. The first year's experience of these schools has been more than encouraging and furnishes not a little justification for the hope entertained in some quarters that along the lines of the panchayat school scheme may probably lie the correct solution of the problem of proper authority for managing elementary schools in villages and the equitable distribution of the financial burden of elementary education." The panchayats were also lucky in getting the help, guidance and advice of a body of honorary

workers—called honorary organisers. These people were unpaid people. They vied with each other in rendering assistance to Panchayats. In his report, the then Registrar-General of Panchayats wrote about these honorary workers thus. "A considerable number of these, in spite of sacrifice of time and money involved, did their work regularly and systematically. The work of some of these would not suffer in comparison with that of salaried officers. Theirs have been a labour of love; the immense faith they have in the panchayat movement has been their sustenance and they have looked to no other reward than that of enabling their fellow-countrymen in the villages to stand on their own legs and to raise themselves by proper organisation and willing sacrifice for achieving common good." No more eloquent testimony of the work of these people can be had.

One another aspect of the working of the panchayat movement during this period is worth noting. Act XV of 1920 provided for the joining of one or more panchayats for common purposes into a committee. Taking advantage of this section what are called "joint-committees of panchayats" were formed in many places for mutual aid, co-operation and consultation. The joint-committees worked well and contributed, to a large extent, to the good working of the panchayats. To quote again the remarks of the then Registrar-General of Panchayats; "Progress was made in the formation of unions of panchayats in compact areas for purposes of co-ordination and helpful supervision. These unions and associations have served the useful purpose of bringing together periodically the representatives of panchayats, of enabling them to compare notes and of making arrangements for matters of common concern."

In the year 1930 a momentous decision was taken by the Government of Madras to abolish Act XV of 1920 and merge the panchayats in the Local Boards Act and bring them under the District Boards. The result was that the Madras Local Boards Act XV of 1920 was amended in 1930 by Act XI of 1930. Extensive amendments were made. The Madras Government thought "that the inclusion of panchayats in the Local Boards will greatly stimulate the development of self-government in rural areas." The most retrograde step that was taken was to put an end to adult franchise. The Act made provision for better finance to the panchayats in that a small portion of the Local Cess—3 pies in the rupee of Land Revenue—was set apart for the panchayat. This was later raised to 6 pies in the rupee. The functions practically remained the same. The system of honorary organisers was also put an end to. Paid officers for each district, called Panchayat Officers, were appointed. These officers, in spite of their being full-timed, could not rise to the level of honorary workers, whose

sole ambition was to enable their fellow country-men in the villages to live happily. The labour of love and sacrifice cannot be expected from a paid officer, however efficient he may be. A third retrograde step taken was to put an end to joint committees or unions, with the result that the high expectations of the Government proved false. It is agreed on all hands that the inclusion of panchayats in the Local Boards Act was a mistake. The panchayats developed factions and the party politics of the District Boards was carried into villages. The Government also stopped grants. From year to year stagnation increased. The vigour that existed in the years 1920 to 1930 was replaced by lethargy. There was no co-operation between panchayats and its officers. Red-tapism, suspicion and superiority complex seized hold of the officers. The sympathy and help of the Registrars-General of Panchayats was not forthcoming from the Inspectors of Local Boards. Mr. D. N. Strathie, who was appointed Inspector in about 1937 tried to stop the disintegration. He collected statistics as to the amount of monies lying idle in the accounts of panchayats and found it to be a staggering figure. The panchayats could not execute any works of utility owing to lack of co-operation from the officers.

The Congress Ministry assumed office in the year 1938. Much was expected of them. In that hope a Conference of Panchayats was held in January 1938, where more than 3500 panchayats were represented. The Conference passed resolutions. The following two resolutions passed unanimously set out the lines on which legislation was demanded:—

I a. This conference resolves that every village or group of smaller villages should be constituted into a Panchayat. The grouping of villages should be so effected as to secure the smallest unit possible with due regard to local conditions.

b. The election of the members to the Panchayat Board should be on the basis of universal adult franchise. Provision may be made for co-option or reservation of seats to secure due representation to minorities and women.

II a. Village Government should be vested in the village panchayat and its functions should comprehend all spheres of local interest of the village including judicial. All the powers hitherto entrusted to different panchayats or committees and all matters of local concern should hereafter be vested in village panchayats. The distinction made in the Panchayat Act XV of 1920 between obligatory and optional functions should be abolished. Provision may be made for distribution of work among the members of the panchayat and for appointment of sub-committees. A meeting of all the adult residents of the village should be

convened once a year and a report on the work of the Panchayat Board for the year should be presented to it for information and suggestion.

b. This Conference resolves that religious and charitable endowments in the village should be placed under the management of village Panchayats.

c. Village services of artisans and the like are essential to the well being of the residents of the village, and of late there is a tendency on the part of the service holders to alienate the inam grants and to discontinue the services; this conference, therefore, resolves that these services should be placed under the control of the panchayats and that the Government should refuse to recognise alienations of service lands and to enfranchise them in favour of alienees.

d. This Conference is of opinion that the Village Karnam and the Village Munsiff be brought under the control and supervision of the Panchayats.

The Conference passed resolutions urging the abolition of District Boards and transference of their duties to the Panchayats as also transference to Panchayat of the conduct and management of Elementary Education, medical-relief etc.

With reference to finance the Conference demanded that provision should be made to transfer the whole of the Local Cess, education cess and of not less than annas two in the rupee of land Revenue, besides all income from all remunerative undertakings, such as wastelands, avenues, cattle-pounds, fisheries etc. The Conference demanded the vesting of communal sites, and other properties belonging to Government in village panchayats. The revival of joint-committees was also demanded.

The Provincial Union of Panchayat Boards drafted a Bill on these lines and published it and sent it to the Government.

Mr. Prakasam, the then Revenue Minister, was responsible for many public utterances which kindled great hopes in the minds of the Panchayats and augured the advent of a golden age for the revival of panchayats. Mr. Prakasam's ideas were very laudable and noble indeed. He envisaged the village as an autonomous unit looking after all the requirements of the village and providing for all its needs. The duties, in his conception of the Panchayats, included revenue collection, administration of justice, registration of documents, besides those mentioned in Section V of the Act XV of 1920. Of course, education would be the sole concern of the Panchayat. All property in the village vests in the Panchayat. The Panchayat, after collecting the total revenue demanded, takes a major portion of it for its share and hands over the

balance to the Government of the country. Thus a definite and ample finance was contemplated by Mr. Prakasam. Mr. Prakasam's ideology extended to the inclusion of co-operation and all aspects of rural reconstruction within the ambit of panchayat rule. His conception of self-sufficiency of the village includes a system of barter, whereby the villager would get the articles made or grown in the village in exchange for the articles grown or made by himself. All the necessities of a village, food, dress etc., must be found in the village. Only one Panchayat for the whole of the village dealing comprehensively with administrative, judicial and economic life of the villages was his ideal. It is a pity the Congress Ministry resigned which led to the shelving of panchayat reform. Differences of opinion, there are bound to be, with Mr. Prakasam's ideas relating to revenue collection and economical development in the sphere of co-operation. The Committee on Co-operation appointed by the Congress Ministry under the Presidentship of Sir. T. Vijayaraghavacharya devoted a portion of their report to this aspect of reform of panchayat. Para 330 of the Report is worth reproduction here:

"What is the proper organisation to rouse the enthusiasm and mobilise the energies of the villages? Some of our members and some of those who replied to the questionnaire favoured the panchayat with its power of taxation and compulsion. But most of us, while recognising the usefulness of the panchayat for certain purposes, are compelled by the history of the institution in recent years, to stress its limitations. It is apt to arouse faction rather than enthusiasm and to neglect even sanitation, its simplest duty. It is not by its nature adopted to promote agricultural improvement, better marketing or social change. We feel that when a village has progressed in co-operation to the point when mutual assistance comes more readily to their minds than back-biting, there is scope for both the co-operative society and the Panchayat, the former for voluntary activity and the latter for whatever involves the compulsion of a backward minority or the interest of the village as a whole and not co-operators only. If in due course an elected panchayat should take place of the village officers as the Executive of the village and the main organ of the administration—the time is not yet, the possibility and the necessity of combining the efforts of the Panchayat and co-operative society would be greatly increased. At the present we think it wiser to multiply co-operative societies and entrust them with the main burden."

In para 332 the Committee go further and state that "regarding village reconstruction as a three-fold process of which the stages of education, association and better living overlap, we think co-operative societies should undertake the education of the villager in the principles and

practice of co-operation with the aid of departmental officers, promoting literacy by adult schools, reading rooms and other devices, installing the principles of health and of economics...., they should, at the same time promote association in activities and enterprises useful to each, because useful to all, putting into practice what they have learnt about health and economics, cleaning the village, security, maternity care and child welfare and first-aid training, establishing centres of recreation both outdoor and indoor, at the same time as they give credit and collect savings, supply good seed and improved implements, take an interest in the conservation of grazing grounds and planting of trees, encourage the castration of scrub bulls and the control of breeding, experiment in the rotation of crops and increase of fodder acreage...."

This indeed is a reversal of Mr. Prakasam's scheme—the co-operative society taking the place of the Panchayat. One need only compare these items with those mentioned in Sch. V. to Act XV of 1920 and to the Local Boards Act of 1930. The functions assigned to panchayats in that schedule are almost the same as those assigned to the co-operative society by the Committee on Co-operation. One cannot but dissent respectfully with the too wide aspersions cast on the inability of the panchayats to look after the villagers' wants. Obviously the drafters of the report are ignorant of the wonderful activities of panchayats during the decade 1920 to 1930. One would like to ask if there are no factions in co-operative societies and if party politics and communal bickerings are not brought into play in the elections to co-operative societies. After all, who are the persons in the villages who are working the co-operative societies and who are those that are working the panchayats? Why in villages; what about the towns and the City? Leaders in the field of co-operation are the very same leaders in the field of panchayats. The workers in both fields are common.

The Hon'ble Mr. V. Ramadas Pantulu, the veteran all-India co-operator, does not go the whole hog with the Committee. In an article on "Village Republics" Mr. Pantulu writes as follows. "Some vague suggestions were made that the village panchayats in their new role should take over charge of co-operative societies as well. It is obvious that the village panchayat could and should take active interest in the satisfactory working of village co-operative societies and collaborate with them in promoting village industries, improving agriculture, and fostering economic orderliness and efficiency, in the sphere of production and distribution of rural wealth. But here we must draw the line of demarcation between the two institutions and should not confuse or mix up their distinct roles in our new village policy. A co-operative society is essentially an economic institution, while the village Pan-

chayat is primarily an administrative organisation. The former is constituted on a purely voluntary basis and cannot either force its services on or levy the cost of such service from those who are not its members. A statutory panchayat is, so to say, a compulsory organisation, a self governing institution with statutory and compelling jurisdiction over all the residents of a village who should contribute for its upkeep and pay for all the available services.....The two organisations can never be merged, but they can always work side by side in harmony with each other. Just as we attempt to enlarge a village Panchayat so as to make it an all embracing unit of economic service....Simultaneous advance of both these institutions along those lines will bring into existence a new form of village polity wherein the villager will have full scope for expressing himself in all spheres of life—social, economic, administrative, and political." Wisely and with experience Mr. Pantulu has laid out a via-media for the two extreme schools of thought.

Then the question as to how far the old village panchayat with its responsibility for collection of revenue, community ownership etc., should be revived is also one on which there is bound to be divergence of views. Mr. Prakasam is the strong supporter of a full fledged revival of the ancient village autonomous panchayat as described in the Uttaramerur inscriptions. Mr. Ramadas Pantulu is not for reverting to old and middle-age conceptions of panchayats, in view of the great advance in the systems of land revenue administration and land-tenures under British rule. Mr. Pantulu does not want the Panchayat to take up revenue collection. He doubts the existence today of a real living tradition of the old days. In his view, the system of village government that might once have existed has undergone radical changes and the characteristics of self-sufficiency which are attributable to the old village community are certainly no longer features of the present day villages. The idea of replacing the present money economy in sale and purchase of commodities by barter is largely utopian in his opinion. In the old-day panchayats, barring certain exceptions in a few localities, there was ample scope for expression of communal conscience, but there was none for expression of individual conscience. So Mr. Pantulu pleads for the compulsory constitution of Panchayats, adoption of a full fledged democratic scheme of election on the basis of universal adult franchise, the use of the ballot box and decision of questions by a majority vote. If necessary the election may be by single transferable vote to present special interests and minorities.

The question as to how far the village panchayat should be entrusted with judicial powers, civil and criminal, has yet to be considered. Here again, there are two, if not three schools of thought. One school

is against conferring any judicial powers on the panchayat. Another school is in favour of conferring some powers but restricted to petty cases, while a third school is for conferring wide powers. How to constitute the judicial committee of a panchayat is a difficult point. The late Mr. Raman Menon, the Law Minister in the Congress Ministry, adumbrated a scheme whereby the legal profession would be associated with the panchayats in the administration of justice. That scheme was developed by the present writer in an article published in the *Village Panchayat Journal*. A certain number of young lawyers in each district are to form a panel of village justices—each lawyer being assigned a certain area of the District and on certain days in the month he has to tour and dispose of cases sitting with the local panchayat. He is to be the sole judge on questions of Law, whereas, the Panchayat will be the sole judge on questions of fact. Thus a system of trial by jury, as in vogue in England, is to be introduced. Thus judges of fact—the village panchayat—will be able to arrive at the truth more easily and correctly, being residents of the area. The lawyer with his legal equipment and training will be able to guide and help the panchayat. This system will, in the opinion of the writer, dispel many doubts as to the capacity of panchayats to administer justice. The lawyer who is fit to be a District Munsiff, will certainly, sitting with the judges of fact, find it easy to guide the judicial administration in the village.

Very closely connected with the well being of the villager, are the communal village services of the washerman, the barber, the potter, the black-smith, the carpenter and the vettiyan. That these services are very essential for the agriculturists admits of no doubt. The villager whose main occupation is agriculture must have ready at hand the services of the carpenter and the black-smith to mend his plough, sickle etc. In fact the ancient kings endowed these services with grants of land so that these service-holders might stick to the village. These grants have been preserved all along. At the time of the Inam Enquiry these services were decided to be continued. Act III of 1895 was passed prohibiting alienation of these services. In this connection the remarks of an eminent Judge of the High Court, Mr. Wadsworth, may be quoted:

“Turning to the more substantial contention that the right of the plaintiff is not a right in the land which has been alienated, I must observe that the contention, if successful, would strike at the root of the economic structure of the village community. It cannot be denied that in an ordinary South Indian village the organisation is such that practically all the wants of the villagers are supplied from the village itself. Food is grown, implements are made and repaired, the dead are buried, religious observances are conducted, clothes are washed and heads are

shaved. Each of these economic necessities is provided, and paid for in ways which are often complicated, but are well established by custom. The artisans and servants such as the black-smith, the barber, the washerman generally render service to all the ryots according to their customary requirements and that service is endowed by a grant of land, though it is frequently remunerated in additional ways. In return for this remuneration the artisans are required to render the customary and necessary services to the ryots of the village.

“I have no hesitation in holding that the plaintiffs representing the village community have a right and an interest in these lands in so far as they are endowments of the services to which the village community by immemorial custom is entitled. I would add that it would be an intolerable failure on the part of the civil courts to protect essential rights, if it were held that the village servants holding lands as an endowment for rendering services to the community could alienate those lands.....”

These services and the emoluments attached to them must be placed under the control of the village panchayat as representing the village community for the benefit of whom they were intended.

That the villages in India even to-day have still vestiges of the old autonomous village cannot be disputed. How far the elective system of the British democracy should be introduced in the villages and whether it is not worthwhile going back to the system of panchayat elections as it prevailed in olden days—especially in view of the party strife that has become the bane of village life after the introduction of the elective principle are questions of academic interest. We have far advanced in the direction of the pure and simple western democracy. Election with all its disadvantages must be faced. With the conferment of wide powers and duties the evils of election will disappear. As in the days of old, the assembly of the villagers ought to be made the body responsible for the village administration. Full adult franchise as it existed under Act XV of 1930, has to be restored. The President of the Panchayat has to be elected by the village assembly, so that he need not be dependent on a changing and fluctuating majority vote of the members of the panchayat and may have the confidence of the village as a whole. An annual meeting of the village assembly has to be convened and the panchayat has to place before it its annual report and then submit it to the higher authorities. A provision for removal of the president on a majority vote of ‘no-confidence’ of the assembly has to be made in the new constitution.

Ample, definite and certain sources of revenue have to be provided to enable the panchayat to effectively carry on the ameliorative and re-

construction activities. Either a share of the land revenue, as contemplated by Mr. Prakasam or the full local cess, education cess and a portion of the land revenue, besides the existing other sources of Revenue, supplemented by liberal grants by the Local Government has to be provided for.

The Panchayat should have vested in it all communal property such as village sites, communal porombokes, roads, pathways, tanks, ponds etc. The village panchayat, as representing the villagers, who are entitled to the communal services, should be given the control and supervision of the village services.

It is not yet time to give the panchayat the power of revenue collection. Being an elected body, the members will not find it easy to be an effective collection agency and enforce coercive methods as that may lead to unpopularity with lesser chances of re-election. But the panchayat should be given some voice in matters concerning revenue collection. Till now the Karnam and the village Munsiff have been the demi-Gods of the village. The higher revenue authorities look to them, and their recommendations are given finality in all matters of revenue collection, imposition of penalties, etc. The tax-payer has no voice and he is not even allowed his effective say. In all matters the Karnam and the Village head-man should act and be heard only through the village panchayat.

The co-operative society and the village panchayat have to be kept apart as two institutions working in close co-operation with each other and implementing each other. The co-operative society is a banking and financial institution, whereas a panchayat is a spending institution. The interests of both may not be mutually harmonious. While a co-operative society can best look to the economic uplift of the village, the Panchayat will have to look to the physical and moral uplift.

As regards the extent of the powers that should be conferred, Schedule V of Act XV of 1920 may well be taken as a model. That list is fairly exhaustive and no differentiation between necessary and optional subjects need be made. As to the conferring of judicial powers and extent of such powers, in view of the perfect judicial system now prevailing, one has to act with caution. The trial by jury system, the lawyer taking the place of the judge and the panchayat that of the jury, is well worth a trial.

The revival of joint committees and unions of Panchayats of the period of 1920-1930 is very essential. The revival of the Honorary Organisers to implement the paid panchayat officers is also necessary. The training of a class of village guides to be in charge of every village

where finance permits, or a group of villages, is also essential. The Village Rural Guide, well equipped and trained will be the real guide, help and philosopher to the Panchayat. The panchayats as well as co-operative societies require efficient clerks. There are many unemployed graduates and under-graduates suffering for want of employment. These can be given a year's course of training in subjects pertaining to the panchayat and the co-operative society such as book-keeping and accountancy; elementary knowledge of all acts having relation to villages (such as the Panchayats' Act, the Co-operative Societies' Act, the Health Act, Weights and Measures, Prevention of Adulteration of Food stuff) elements of sanitation and hygiene, elements of measurements and preparation of estimates. Equipped with this fundamental knowledge the Rural Guide will be well fitted to advise and help the two institutions, and in reconstructing rural life. The problem of unemployment will also be solved. The 'back to the village' slogan will be achieved.

As to the authority that should be put in charge of panchayats, an independent officer for Panchayats and co-operative societies is indispensable. He may be styled Registrar General of Rural Reconstruction or by some such name. The work of such an officer will be tight. He will be able to devote special care for these two subjects. There is a proposal to place the panchayats under the District Collector and the Board of Revenue. The Collector and the Revenue Board members have enough of other duties. They will not be able to give a personal touch to their work regarding the Panchayats, which is very essential for the successful working of the panchayat. This touch was given by the old Registrars-General of Panchayats with the result that much progress was made.

With full powers and ample finance, with a sympathetic Registrar-General, with the revival of Joint Committees, and election on a wide Franchise the Panchayats will be able to get back the good fame it earned during the decade 1920-30, this time with added glory and usefulness to the villager, whose lot it is the aim of every politician, to whichever school of thought he belongs, to improve.

PROPERTY TAXATION IN THE PUNJAB.

By

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Introduction.—The Punjab Ministry recently introduced an important measure in the Legislative Assembly. It is known as "The Punjab Urban Immovable Property Tax Bill" (Bill No. 16 of 1940). The main purpose of this Bill is fiscal. There is a good deal of misunderstanding about this enactment. Therefore a dispassionate critical examination of the main provisions of the Bill will help in understanding the true significance of this new legislation.

Urban Property Tax Bill.—This Bill was first published in the extraordinary issue of the *Punjab Government Gazette*, dated the 20th November, 1940 for general information under the proviso to rule 83 of the Rules of Procedure of the Punjab Legislative Assembly. It was introduced in the Assembly on Friday, the 29th November, 1940 by the Premier, who moved that it be referred to a Select Committee of the House. The Bill was finally passed by the Assembly on Saturday, the 14th December, 1940. It received the assent of His Excellency the Governor on the 18th January, 1941. It is now known as "The Punjab Urban Immovable Property Tax Act, 1940. (Punjab Act No. XVII of 1940).

A member asked why the Finance Minister was not sponsoring the Bill when it was gazetted under his signature, why he was not taking responsibility for the Bill. The Premier replied that it was their joint responsibility. Another member moved that the Bill may be circulated for eliciting public opinion thereon by January, 1941. After a debate lasting for three days, the Assembly rejected the motion on the 4th December, by 42 votes to 10. The original proposal to refer the Bill to a Select Committee was accepted. The Bill as reported by the Select Committee was taken into consideration on 6th December 1941.

Objects.—According to the 'Statement of Objects and Reasons' the "object of the Bill is fiscal, to raise additional revenue. The levy of a tax on urban immovable property which is proposed will tend to a more equitable adjustment of the burden of taxation over the whole population of the Province."

Levy of Tax.—It was provided in the original Bill that there shall be charged, levied and paid an annual tax on buildings and lands situated within a municipal corporation, a municipal committee, a cantonment board, a small town committee or a notified area committee at such rate not exceeding one per cent of the capital value of such buildings and lands as the Provincial Government may direct.

Ascertainment of Capital Value.—The method of ascertaining the capital value of any building or land was to multiply its annual value by 20.

Legal Objection.—During the course of discussion in the Assembly, a member pointed out that in item number 55 of the Federal Legislative List the right to levy tax on capital value of property of individuals and companies had been reserved for the Federal Legislature. According to Section 100 of the Government of India Act the Provincial Governments had no right to legislate regarding subjects included in the Federal List. Item 42 in the Provincial List of subjects was tax on land, buildings, hearths and windows. This related to taxes like the house tax but not on capital value. As there were some doubts about the legal aspect of the question, the Premier agreed to consider the legal point in the Select Committee.

Basis of Taxation.—The Select Committee changed the basis of taxation from the capital value of buildings and lands to their annual value. It has been provided in clause 3, which is the most important clause in the Bill, that the tax will be charged at such rate not exceeding twenty per cent of the annual value of buildings and lands as the Provincial Government may direct.

Surcharge during War.—A surcharge not exceeding fifty per cent of the rate notified may be levied during the course of the present war and 12 months thereafter. The tax has to be paid by the owner of the buildings and lands. The war surcharge will only be used on matters connected with the present war, in particular to meet the heavy expenditure already incurred in the Province in such matters as extra Police, A. R. P. and Civic Guards and other war expenditure of a provincial nature.

Exemptions.—There are many exemptions from the tax:—

(a) *Government and Municipal Buildings.*—All buildings and lands vesting in His Majesty for the purposes of Central Government, the Provincial Government or owned or administered by a local authority

for public purposes, and not used for profit, are exempted from the levy of the tax.

(b) *Small Buildings.*—The most important exemption relates to the buildings and lands, the annual value of which does not exceed three hundred rupees in Lahore and Simla and two hundred and forty rupees in other areas. These buildings and lands will be free from the tax.

It was originally provided in the Bill that all buildings and lands of the capital value not exceeding six thousand rupees in Lahore and Simla and three thousand rupees in other areas will be exempted from taxation. As, however, the Select Committee changed the basis of taxation from capital value to annual value, a similar change, as given above, was effected in this clause. The Select Committee suggested exemption of buildings and lands in areas other than Lahore and Simla of the annual value not exceeding two hundred rupees. This limit was raised to two hundred and forty rupees by the Assembly.

(c) *Educational Institutions.*—All buildings and lands used for educational purposes including schools, boarding houses, hostels and libraries are also exempt from this taxation.

(d) *Public Parks.*—Public parks and playgrounds open to the public are also free from this tax.

(e) *Religious and Charitable Institutions.*—The tax is not leviable on buildings and lands used exclusively for public worship or public charity. This includes mosques, temples, churches, dharmasalas, gurdwaras, hospitals, dispensaries, orphanages, alms houses, drinking water fountains, infirmaries for the treatment and cure of animals and public burial or burning grounds or other places for the disposal of the dead. However, buildings and lands on which any trade or business is carried on are not deemed to be exclusively used for public worship or charity; also buildings in respect of which rent is derived and not applied for religious purposes.

(f) *Factories.*—Such buildings and lands used for the purposes of factories as may be prescribed are also exempt. Factories were not exempt in the original Bill. The Select Committee made provision for the exemption of prescribed factories.

The Government has the right under this legislation to exempt any person or class of persons or any property from the payment of this tax.

Annual Value: Its Ascertainment.—The method of ascertaining the annual value of any land or building shall be to estimate its gross

annual rent excluding the cost of machinery in the building or land. But an allowance, not exceeding twenty per cent of the gross annual rent will be allowed for furniture. In addition to this an allowance of 10 per cent of the balance of the rent for repairs will also be given.

Valuation Lists.—This valuation list will be made so as to come into force on 1st April or the 1st October. After this new valuation lists will be made after every five years. Corrections and additions in this list will be made from time to time.

Appeal.—Any person who objects to the valuation list may file an objection. He may appeal against an order passed on objection to the Collector within 30 days of the order.

Review.—The Commissioner may of his own motion, or on application made, call for the record of any preceeding or order for satisfying himself as to the legality or propriety of such proceedings or orders and may pass such order as he may think fit.

Payment half-yearly.—The tax shall be payable half-yearly.

Recovery of Tax from Tenant.—If there may be any arrears of tax against an owner of any building or land a notice may be served on the tenant requiring all future payments of rent direct to the prescribed authority until such arrears have been duly paid. This notice shall operate to transfer to the prescribed authority the right to recover, receive, and give a discharge for such rent.

Penalty.—If any person wilfully fails to pay the tax within the specified period, a penalty of a sum not exceeding one-fourth of the tax unpaid may be recovered from him. This will be in addition to the tax. The tax and the penalty shall be recoverable as if they were arrears of land revenue.

Returns.—The assessing authority has the right to ask for returns for the preparation of valuation lists and for other purposes. If the return is not submitted within the prescribed period, the person concerned shall, on conviction, be liable to a fine not exceeding Rs. 500 and to a further penalty not exceeding Rs. 20 for each day during which the default continues after conviction. The minimum penalty for failure to make returns was Rs. 1000 and a further penalty of Rs. 50 for each defaulting day in the original Bill. The amount of penalty, as stated above, was reduced to Rs. 500 and Rs. 20 respectively by the Select Committee.

Exclusion of Jurisdiction of Civil Courts.—No civil court shall have jurisdiction in any matter which the Provincial Government or an assessing authority or any officer or servant is empowered by this Act or the rules made thereunder to dispose of, or take cognizance of the manner in which the Provincial Government or any assessing authority, officer or servant exercises any powers vested in it or him by or under this Act or the rules made thereunder.

Significance of the Measure.—Explaining the measure the Premier said that this enactment imposed a tax on immovable property in order to help the finances of the Province. That was the only means of doing anything for the poor people of the Punjab. It did not entail any unjust burden on the urban people, but was only an effort to equalise the burden of taxation. There was no scope for further taxing the rural people. He said that he knew that urban people paid income-tax, but only those who earned more than Rs. 2,000. On the other hand land revenue was paid by all in rural areas and besides that they paid local rates, *chowkidara* and *hasiyat* or professional tax. There were only a few towns or cities where people paid house tax. In other places they did not pay anything for enjoying all the civil amenities.

The Premier said that it was not their intention to impose any burden on the poorer classes even in urban areas. It was for this reason that exemption had been provided for the poor to a certain limit and religious and charitable buildings had been excluded from the operation of the Bill. The Bill had been drafted after a careful study by the Economic Adviser to the Government. The Government would be able to realise good amount of revenue without imposing any unjust burden. Even after the imposition of the tax the burden of taxation will still be heavier for the rural population.

Estimate of Income.—Provision had been made for a minimum rate of 20 per cent, but in the first year only a nominal rate would be charged. They would, in the first year, be able to carry out a survey and find out how much money they could collect. A member remarked that "no tax is imposed without an estimate of its return." The Premier said that an estimate had been prepared by the district officers, but he was not satisfied with it. He did not wish to impose an arbitrary rate without further investigation. According to this estimate if the tax was imposed at the maximum rate of 20 per cent, the rough expected income for the first year would be Rs. 96 lakhs.

Levy of 10 per cent only in the first year.—The Premier announced in the Assembly that the Government proposed to levy only 10 per cent

of the annual value in the first year, though a maximum of 20 per cent was provided in the Bill. He further stated that if 10 per cent was considered to be excessive, he would be prepared to keep an open mind and, if convinced, would reduce it to 7½ per cent. Moreover, there would be a rebate of 2½ per cent as in the Lahore House Tax. The combined maximum of local rates, like house tax and the property tax, would in no case exceed 25 per cent. He also announced that the tax, in the first instance, would be imposed in big cities and thereafter it would be extended to other towns gradually. The Premier further said that the Government would consider what concessions should be given in the case of bona fide vacancies. Proportionate rebate would be given in such cases.

Relief to the poor land-revenue payer.—Giving the main reason for the tax, the Premier stated that with the revenue realised from the new taxes, the Government would liquidate the undertaking given by them to give relief to the poor land-revenue payer. As the taxes come in, proportionate relief would be given. 3,400,000 persons paid land revenue. Out of these 1,700,000 paid only Rs. 5 or less. The net assets of those people earned less than Rs. 25. If relief was to be given to those poor people, as recommended by the Land Revenue Committee, the Government wanted nearly one crore of rupees.

Objections.—Innumerable objections, relevant and irrelevant, have been raised in connection with this enactment. It may be useful to examine some of the more important objections.

1. *Basis of Taxation: Capital Value.*—The main objection related to the principle of making capital value as the basis of taxation. This objection was to the Bill as originally introduced. The Select Committee, however, changed the basis of taxation from capital value to rental value. This was accepted by the Assembly. This important objection automatically disappeared.

2. (a) *Urban Versus Rural Taxation.*—A good deal of discussion centered round the question of urban rural taxation. While the Government claimed that urban people were lightly taxed, some of the members of the Assembly asserted that taxation was much heavier on the urban residents as against the rural population.

Each side quoted facts and figures to prove its case. A member, who opposed the measure, said that there were only 3,000,000 town-dwellers against 20,000,000 members of the rural population. The question, he said, had been reduced to urban areas versus rural areas, or 13 per cent urban population against 87 per cent rural population. The total contribution to provincial tax by urban areas in 1937-38 was

Rs. 13,080,082 as compared with the contribution of the entire rural population of Rs. 15,015,000. Besides the contribution to the provincial taxation, the urban population also paid central taxes, like income-tax and customs. The urban population, he claimed, paid to the central revenues in 1937-38 Rs. 38,296,492 against Rs. 22,030,135 by the rural population. The total amount paid by the urban population as tax was over Rs. 51,385,574. The incidence of provincial and central taxation for the rural population, according to him, was Rs. 5-3-6 per head as against Rs. 16-12-0 per head for the urban population. If the taxes paid to local bodies were also included, the incidence in case of urban population amounted to Rs. 19-14-6 and for rural population to Rs. 5-8-10 per head.

The Development Minister made an effective reply to the assertions made above. He stated that the figures quoted by the member were not reliable and were taken from an unauthentic propaganda pamphlet prepared by a representative of an urban organisation and in the words of the Premier the figures given in this pamphlet were "absurd". He stated that on the authority of this pamphlet the incidence of taxation per head of the urban and rural population was Rs. 19-14-6 and Rs. 5-8-0 respectively. This, if correct, would mean that an urbanite is paying between three and four times the tax paid by an agriculturist. While it would be no injustice if the proportion indicated by these figures were true (inasmuch as the income per head in urban areas is very likely to be four times the income per head in rural areas and the benefit derived from the State activities by urban people is disproportionately larger than the benefit received by the rural people), the truth is the other way about. He quoted the following figures to prove his case:—

	In Lakhs.
1. Total Population of the Punjab	.. 235
2. Urban Population	.. 30
3. Rural Population	.. 205
4. Number of Land-owners	.. 35

In Lakhs of
rupees.

Provincial taxes

I. (Figures from 1940-41 Budget)	
(a) Total Revenue Receipts	.. 1,173
(b) Land Revenue (gross)	.. 467
(c) Irrigation Receipts (direct)	.. 468
(d) Excise	.. 104
(e) Stamps	.. 75
(f) Remaining Receipts	.. 59

	In Lakhs of rupees.
II. (a) Total of Land Revenue and Irrigation receipts	.. 935
(b) Total of Stamp and Excise Receipts	.. 179
III. Total of Land Revenue, Irrigation, Excise and Stamp Receipts	.. 1,114

The whole of irrigation receipts, 90 per cent of land revenue, 80 per cent of excise and stamps may safely be regarded as proceeding from the pocket of rural classes. The incidence of taxation thus comes to a little over Rs. 5 per head of the rural population on these four principal items. The total income tax paid is Rs. 25 lakhs. If the whole of this is credited to urban classes, it will give an incidence of less than, annas 13 per head of the urban population. Thus, according to this statement, the urban population is extremely lightly taxed as compared with the rural population. On the other hand, if the extent to which the benefit of services provided by the State goes to the urban and rural classes respectively is taken into account, it will be found that urban class have scored all along the line at the expense of the rural classes.

The principle of taxation was not equal distribution per head but according to one's taxable capacity. If one earned Rs. 100, it could not pinch him to pay Rs. 10 as it would if he earned only Rs. 15. Taxes were levied on the basis of ability to pay. It could not merely be on the number of heads, but on how much an individual could pay. The question was of standard of living in rural and urban areas. The facilities available in urban areas were not available in rural areas. In taxation we should not take into account how much one section or another paid. The question to be considered was whether those on whom a tax was being imposed were in a position to pay the tax. In rural areas 85 per cent paid land revenue. In the urban areas those who earned less than Rs. 2,000 paid no tax. There were about 500,000 owners of houses. Those whose annual rental value was Rs. 300 in Lahore and Simla and Rs. 240 in other places were exempted. Roughly about 400,000 would be taxed. Out of this only 10 per cent paid income tax. The main criterion was taxable capacity. The only way to achieve the object of giving relief to the poor people was to tax the richer classes.

2. (b) *Rural Verses Urban*.—A rich urban member, and once a Minister, showed his lip sympathy with the rural masses by stating that if the total taxes in the province were to be reasonably distributed, no urbanite would object to the new tax. They did not want to live on the sufferance of the rural population. If the policy of Government is that the incidence of taxation on rural and urban classes should

be of the same level, there was no one who would object to that proposition. He argued that the rural population in the province was 87 per cent and the urban population 13 per cent. If the urban population, he said, was to be burdened to the same extent as the total burden on 87 per cent of the population, then the 13 per cent would be crushed under the burden. If, however, the urban population was expected to pay according to its percentage, then they should be expected to contribute only Rs. 1·56 crores in the total revenue of Rs. 12 crores. What they were already contributing to the provincial revenues, he said, at the lowest estimate, might be estimated to be about 4 per cent., in that case the contribution outstanding against the urban population would be Rs. 1 crore. Against this, he said, Rs. 1·32 lakhs were paid as income tax. It was on account of this tax and others paid by the urban population that the Punjabi soldiers got Rs. 4 crores as pensions and other charges.

The Premier refuted the argument that the urban population should pay tax according to their percentage in the entire population. The logical method of taxation was to impose the burden according to the capacity to pay. He said that only such burden could be imposed on the urban population as they could bear.

3. (a) *Principle and Policy of the Bill.*—An old Raja, who is a non-agriculturist and resigned his seat in the Assembly as a protest against the agrarian legislation of the Unionist Ministry, divided his objections to this Bill under two heads:—

- (1) The general principle and policy of the Bill.
- (2) The method of assessment.

He generously supported the measure in the beginning and stated that "there would and could be no objection if the proposed tax was levied in selected and important towns as a special War measure, to be continued for a year after the War but to cease thereafter." But as there is a provision in the Bill to levy this tax in all local areas, 272 in number, he withdrew his support to this Bill and repeated the oft-quoted objection of rural versus urban interests and imported irrelevant factors about the Land Alienation Act into this discussion.

(b) *Method of assessment.*—His second objection related to the method of assessment. He suggested that where a local body imposes house-tax, the provincial tax should be half of what it would be in other places. He further argued that the findings under this Act should be allowed to be tested in Civil Courts. These proposals were fortunately not accepted by the Assembly as thereby the utility of the Bill would have been curtailed.

4. *Measure Harsh.*—One of the richest urban members of the Select Committee in his 'Minute of Dissent' described the Bill as "harsh, unjust and unfair to the people residing in urban areas;" and made the following suggestions among others: (1) If such tax has to be levied it should only be confined to the duration of the War. (2) The rate of the tax should be reduced. (3) Where house-tax is levied, the property tax should be one half. (4) Adequate allowance should be made for vacancies and unrealised rents. (5) Residential houses used by the owner should be exempted.

Some of these suggestions were wholly or partially been accepted.

5. *Measure Communal.*—It has been asserted that it is a communal measure and will hit the Hindus hard. No detailed arguments are necessary to refute this allegation. It will suffice to quote a few figures. Out of a total percentage of 300,000 in urban areas, who may be affected by this legislation, there are 11,000 Hindus and 160,000 Muslims. This clearly shows that the burden of this new taxation will fall equally on all communities living in urban areas.

6. *Bill Discriminatory.*—Objections have been raised that the Bill is discriminatory. It was, however, wrong to suggest that this legislation was intended to exploit the urban population. The policy of the Government was to provide equal facilities and opportunities for all, with special solicitude for the backward classes, whether they were urban or rural. No attempt had been made to touch backward and poorer section in urban areas and it was not a discriminatory measure. The Premier stated that those agriculturists who had property in urban areas would also be taxed. It was wrong to say that they would be exempted because they were agriculturists.

7. *Lands: Their Exclusion.*—Objection was taken to the inclusion of land in the Bill for the purpose of taxation. A member pointed out that, with the extension of municipal limits, a lot of agricultural land had been included. For those lands, land revenue was paid and it was not just to impose the property tax on such lands. The Premier pointed out that the tax would be imposed on that land which was liable to field rent. Agricultural lands had been exempted from house tax and he hoped that lands far from built areas and not likely to be developed would also be exempted.

8. *Bona fide Vacancies.*—A member moved an amendment that instead of the tax being levied on annual values, it should be on "annual rent received." In support of the motion he argued that several houses remained unlet and, therefore, necessarily there was no annual rent from them. Similarly there were lands which could not be let, due to no

fault of the owner. It was, therefore, just that the tax should be levied on the actual rent received. The Premier assured the member that they would make concession for bona fide vacant houses. The amendment was lost.

9. *Residential Houses.*—Leave was refused to move an amendment to the effect that residential houses should be exempted from the tax. The Premier, however, assured the members that the Government, in the light of their experience, would see that the Bill was equitable in operation. Some device would be employed to exempt from the tax those widows and orphans who had only one house on which they depended.

10. *Civil Courts.*—Objection was taken to the exclusion of the jurisdiction of civil courts and an amendment was moved that an appeal and review should lie to the District Judge and not the Collector and the Commissioner. The amendment was, however, rejected, as it was pointed out by the Premier that so far as Sub-judges were concerned, there was a suspicion in the mind of a lot of people in the province that they were biased. He thought that most of them were honest, and with the new recruitment they were becoming more and more honest. But the suspicion remained.

Protest Meeting: Their Futility.—A meeting to protest against the Urban Immovable Property Tax was held in Lahore. The main resolution was moved by a big Raja who expressed indignation against the property tax. An urban member, presiding at a protest meeting in Lahore remarked that "the new taxation proposal marked yet another step to create an artificial cleavage between the rural and urban classes." The meeting adopted resolution condemning the taxation proposals and requesting the Governor of the Punjab to withhold assent to the measure. As the urban people are educated and vocal and as the new taxation proposals touch their pocket, they have begun to agitate against this Bill. They are labouring under the erroneous impression that the Government will give up its plan to have this new legislation enforced because of the engineered agitation and propaganda against it. "Vociferous agitation", said the Development Minister, "had been started in a section of the press against the new measure of taxation. Such spurious agitation might have misled or intimidated the British rulers of the Punjab in the past, because they did not know the real state of affairs. The present Ministry, however, fully realised the worth and significance of such agitation." It is apparent that the Government has a duty to safeguard the best interests of the Province and of the dumb millions living in rural areas; it is not going to be cowed by this outburst of frenzy fume on the part of an interested section of the people.

Equitable Measure.—The Premier said that the Bill had been discussed threadbare. He had tried to meet reasonable demands and to mitigate the rigours of the measure in order to make it more palatable. He would see that the rules under the Bill were carefully made and that the tax was realised without undue hardship. He was glad that in the Bill they had broken a new ground of taxation. No section of the population should have grievance that one section was burdened more than the other. In the interests of the province, he said, they should all share the burden willingly and cheerfully. This tax is not without precedent in this country; in the Bombay Presidency, an urban immovable property tax has been levied by the Provincial Government, and is an addition to a property tax (on buildings and lands) already levied generally by Municipalities throughout the Presidency.

The Act is just and equitable and should be welcomed by all the real well-wishers of the Province.

REORGANISATION OF SALE SOCIETIES

Recommendations of the Madras Committee

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Marketing has become the most fashionable of co-operative activities to discuss and promote. The recent (Vijayaraghavacharya) Committee on Co-operation in Madras have devoted a good deal of their attention to the working of what are known as 'loan and sale' societies and their reorganisation. By way of introduction, a brief descriptive and analytical account is given of the prevailing systems of marketing. Pointed attention is drawn to the spread of prices between what the ultimate consumer pays and what the primary producer receives in a number of cases. It would, however, be incorrect to infer from this that the wide margin in some cases is all eaten up by the middlemen. Charges for handling and transport, allowance for dryage and cleaning, interest on investment in bulk purchase and stocking and the costs of distribution and retailing have all to be taken into account in the case of less perishable articles, while in perishables a larger percentage of loss is inevitable. The bewildering variety in methods of finance and the evil effects of most of them, the authorised and unauthorised charges and the arbitrary deductions in the market, the confusion arising from the lack of grading and of standardisation, the devices adopted to pass off produce by damping and adulteration—these are all well summed up in a few pages.

Among the measures recommended for improvement of marketing, the foremost place is given to the extension of regulated markets composed of representatives of growers and traders, more or less of the type prevailing in Berar and Bombay and recently introduced in a few centres in Madras—Tiruppur, Cuddalore and Guntur for finer cotton, groundnut and tobacco respectively. No detailed information is furnished on the working of these markets. But from what has been reported of other centres in India, where they have been working for a longer time, it appears that the theory of market control is far in advance of practice. Even in Madras the market committees, it is stated, have not exercised their power to fix agreed standards and draw up standard contract forms except for cigarette tobacco in Guntur. The Committee on Co-operation invite our attention to the provision contained in the Agri-

cultural Produce (Grading and Marking) Act of 1937 for authorisation to deal in guaranteed grades that could be given to people who undertake to do the grading as per schedules drawn up for important commodities like rice. We have some knowledge of the way in which the Act is worked in an important rice producing centre which has brought the statute into disrepute. Grading is allowed to be done in a haphazard way by an organisation of merchants not over-scrupulous and over whom there is no control. The clerk who is in charge of the actual work has to earn his remuneration by selling labels. The produce is no doubt "sealed, labelled and marked" but not "according to proper specification."

The achievements of loan and sale societies receive faint praise, for they have not been able to sell even half the produce pledged with them, which would itself be only one per cent of the total volume of agricultural production in the province. It is a mere bagatelle compared with the percentage foreign co-operative sale societies are able to sell of their country's produce—which ranges in particular lines from 50 to 95 per cent in countries like Denmark, Finland and Switzerland. All the loan and sale societies in the Province could only sell produce worth Rs. 45 lakhs in a year and even the loans granted amounted only to Rs. 96 lakhs, which is nothing by the side of what the indigenous bankers and the joint stock banks lend on produce.

The causes of the failure of most of the loan and sale societies are just enumerated without any elaboration: high transport charges, tight grip of the middlemen, want of storage facilities, difficulty of pooling and grading, dearth of business talent among the staff and the managing committee, ignorance of outside markets, competition with well-established firms, lack of loyalty on the part of members, and the absence of contact with consuming centres in the country. All these are undoubtedly important causes, and more data could have been collected to find out their relative importance. But the fatal flaw in the working of these loan and sale societies from their inception up-to-date has been the admission of merchants and middlemen as members. This has not been dealt with except in passing, and nothing more is said on it except that the old by-law should be strictly enforced—as though this holds any terrors for those who connive at anything. Merchants and middlemen have seldom been shut out, and they could always claim to be producers in so far as they also own some lands. Not only the professional merchant but the richer land owner often buys up the produce of the smaller fry in the village and sells it later for a better price. The report says that "in paddy, . . . direct sale by the grower of paddy to mills is only 30 per cent and in many areas the better class grower acts as middleman for the

small growers."¹ There is nothing to show that the latter are not exploited by the former. There is every presumption to the contrary. We cannot in the light of this understand how the Committee recommend that "there should be no maximum limits for loans on paddy, and that for other crops Rs. 5,000 should ordinarily be fixed as the maximum subject however to the sanction of the Registrar for any higher limit." There is nothing wrong in, there is indeed much to commend, the admission of bigger landlords as members; for they help to swell the volume of transactions of a society. Homogeneity of status is not wanted, nor expected, in non-credit societies of the limited liability type in other countries. But trouble arises only where the bigger grower buys up the produce of the smaller, whether he calls himself a merchant or not. We wonder whether there are any considerable number of owners of land in the Province with produce of the value of Rs. 1,000. Any amount of insistence on the rule that "only producers should be eligible for a loan upon the produce raised by them on their lands" is likely to be fruitless and will remain a pious ideal, as long as the temptation dangled by the Rs. 5,000 or more limit is there. In the past merchant members have been not only winked at but welcomed by the officials—as well as non-official organisers—primarily with a view to swell the volume of transactions and incidentally get the benefit of business knowledge.² We have come across pucca traders who go the round from one shandy to another and even to threshing floors buying and collecting produce and then pledging the same with the loan and sale society

1. *Report*, p. 246.

2. The following are some of the charges levelled at the actual working of the Loan and Sale Societies in Madras—Vide the Volume of Evidence on the subject submitted to the Committee on Co-operation, pp. 987-997.

- (1) "The middlemen and the well-to-do benefit at the cost of central banks and to the detriment of rural credit societies."
- (2) "Loan and Sale Societies deal not with ryots but with merchants who buy at rock bottom prices and hold up for favourable market. The Department should sincerely insist on this point and societies change their method of work."
- (3) "Societies are not able to withstand the competition of joint stock banks which lend more cheaply and expeditiously."
"Some from the merchant class get into the management."
- (4) "Loans are granted to traders to show more business—Too small a margin."
- (5) "Loan and Sale Societies absorb very little of the agriculturists' produce—nothing by the side of joint stock banks and indigenous bankers."
- (6) "Loan and Sale Societies are helping traders and big landlords."
- (7) "Loan and Sale Societies benefit neither producers nor consumers. Even the Provincial Marketing Society is helping middlemen."

for loans on terms easier than those available from indigenous bankers. It is difficult to refuse admission to any petty exploiters as long as merchants are welcomed on the boards of management or committees. This is in fact an inveterate cancer in the co-operative sale societies of this Province. It can be got rid of only when co-operative leaders and workers learn enough of the mysteries of business without the need or the temptation to practice all the arts of business.

The Committee on Co-operation have recommended the formation of marketing societies at the headquarters of each taluk with branches in firkas for the marketing of all kinds of crops—not particularly commercial crops, for which special single crop marketing societies are recommended with location at well-known commercial centres. We doubt whether even for the sale of crops consumed in internal markets, revenue divisional stations are the best centres. Shandies, for instance, are not located that way. Another recommendation is that all existing loan and sale societies are to be renamed marketing societies, to mark the shifting of the emphasis from loan to sale. They are expected in future to deal directly with wholesale merchants and consuming markets, instead of disposing of the produce to smaller local merchants.

The Committee recommend that the Provincial Government should continue to grant the sale societies the subsidy of 25 per cent (or more in particular cases) of the cost of construction of godowns, even if the Government of India subvention for rural uplift—out of which grants have been so far made—were discontinued, and to advance at an easy rate of interest long term loans to meet the balance of the cost of construction. Subsidies are also recommended towards the expenses of management, grading, packing, etc. Central banks are advised to lend, as hitherto, working capital at lower rates of interest to sale societies than to others. And we learn from the latest administration report of the Registrar that "several central banks, supported by the Provincial Bank and the Department, have decided that the time is ripe for an advance in co-operative marketing. Many new sale societies and some branches of old societies began operations during the year. . . . Too many societies are still loan societies; but all are being encouraged to study the market for local produce and provide the facilities required by both buyers and sellers."³

This optimistic note is in striking contrast to the excessive caution and conservatism displayed by co-operative committees and other authorities in earlier years, as will be seen from below. When the MacLagan Committee reported in 1915, sale societies had not sprung up outside Burma. The Committee welcomed the demand for such societies but

3. *Report for the year 1939-40*, p. 5.

laid down two essential conditions: (1) it "should arise not merely from external suggestion or the hope of effecting some small economy, but from the existence of a real need and from a real comprehension on the part of their originators of all that is implied in the term 'co-operation,'" and (2) a strong and competent staff should be available for the supervision of such societies and for dealing with the complicated economic problems involved.⁴ The Townsend Committee (1928) considered loan and sale societies as offering 'a very promising means of increasing the wealth of cultivators' even if these only enabled them to withhold their crops from market till they could obtain a better price—and recommended assistance in their formation and working, provided certain precautions were taken to see that the security was effective. The Committee thought that the difficulty caused by dearth of godowns was over-emphasised.⁵

The Madras Banking Enquiry Committee (1930) examined the scope for co-operative marketing at some length and reported as follows: "many attempts at co-operative marketing have been made in this Presidency, some successful and some failures. Many cases have been examined and dropped." Cases were cited of members deserting societies at the instigation of interested rivals, of societies coming to grief on account of dishonesty and defalcations, or faulty and inefficient management. It was held to be difficult to convince the ryot of the value of honest dealing and fair measurement. It was stated that the producer lost more on account of the forced sale of produce on the threshing floor to the creditor than from the 'few-annas-a-bag profit' of the wholesaler. The conclusion was drawn that the best service that co-operation could render would be to organise loan and sale societies with godowns, where produce could be pledged and loans obtained to meet pressing demands for payment and the sale effected at higher prices later on.⁶

The Indian Central Banking Enquiry Committee agreed with this view that, in the case of crops intended for internal consumption, societies which could help cultivation by advance of loans to hold up produce for a favourable price would go a great way to help them and recommended more societies of that type.⁷

The Government of Madras appointed a Committee of Enquiry in 1931 to examine the effects of the general Economic Depression and to

4. Report, pp. 6-7.

5. Report, pp. 55-56.

6. Report, pp. 112-13.

7. Report, p. 217.

report how far co-operative marketing could mitigate them. The report of this Committee enunciated in quite orthodox fashion the essential condition of success of co-operative marketing: "production in a fairly compact area, concentration and despatch through a 'bottle neck' to a distant market" while "production spread over a wide area largely for local consumption over an equally diffuse area, a common condition with food grains, will render concentration for co-operative marketing unprofitable." It was definitely laid down that "the prospects of successful marketing of paddy co-operatively on a large scale are exceedingly remote." It was pointed out, however, that loan and sale societies could help the ryots to avoid sale in a glutted market and attract wholesale merchants to buy at fairer prices.⁸

We wonder what the effect on prices would be if a large number of ryots were helped this way; or if from this stage the step to full blown co-operative sale would be long or difficult to take or the risk too great in the case of food grains. At any rate in the case of the rice grown in the deltaic districts and consumed in the interior or at long distance, mere loan and sale societies will not render enough service. Again, it is vain to expect of an ignorant peasantry a clear demand for an organisation. Nor is desperate need an essential condition of success. As Weld says, "it is perhaps going a little too far to say that co-operation must be born of necessity. Better say that some tangible economic saving or some improvement must result in order to make co-operation successful. In other words, "co-operative spirit" is apt to be a result of successful economic endeavour rather than the cause of it."⁹ It is indeed very essential to aim at a striking success in the initial stage and so to make sure of a substantial saving or some impressive improvement to start with.

We may also draw some lessons from the history of co-operation in foreign countries and see how far they are applicable to conditions in India. Marketing has everywhere been the most difficult of co-operative activities to organise and run. Co-operative marketing has flourished in areas of single crop specialisation far more than in areas of mixed farming. It thrives in areas occupied by a large number of farmers with more or less similar economic and social environment and not among a heterogeneous population. It has taken root in tracts producing for an export or a distant market than where the market surrounds the producer, as it does all over England and in most parts of India. It succeeds better in a field untouched by the private trader or inadequately covered by him

8. Report, p. 9.

9. *Marketing of Farm Produce*, p. 408.

or too much exploited by him. It has a better chance among farmers not wedded to custom nor financially dependent on money-lending merchants. It is more needed for the sale of crops of improved variety for which traders are not prepared to pay a premium but pay a flat rate for all crops irrespective of quality. The outstanding achievement of co-operation in new countries like America and New Zealand as well as in Denmark and Holland is the raising and fixing of standards of quality of agricultural produce and of animal products. Co-operative sale of processed products like butter and bacon has had a far earlier and more continuous and widespread success than the sale of raw unprocessed produce like cereals. Wherever production has not been standardized nor the product is easy to grade, as in the case of many cereals and fruits, there is ample scope for wrangling among members as regards quality. Pooling is out of the question when there is no attempt at standardisation and to that extent the bargaining power of co-operatives is reduced.

The Committee on Co-operation state that out of 128 loan and sale societies only 12 had availed themselves of Government aid in building godowns by 1st July 1939. Since then we learn that a dozen more have built godowns. It is distressing to hear examples of "storage accommodation being provided and not being used on account of bad siting."¹⁰ We find in our troubles an echo of what happened a few decades ago in Germany, reputed already for co-operative credit. Dr. Fay tells us that after the wave of depression in 1890, the German Government gave co-operatives what in those days of *laissez faire* should be considered excessive State-aid. Co-operative corn houses were built on too large a scale. Out of 36 corn houses erected, by 1904 it was found that 8 had been re-let after sale of apparatus and 8 stood empty. Corn societies were said to have been imperfectly developed. On account of variations in harvest and presence of foreign supplies corn selling was considered a highly speculative business demanding an expert and loyally supported directorate. Dr. Fay is of the view that "the obligation to sell must be enforced on members if the society is not to lead a precarious existence as seller of occasional remainders."¹¹

The Committee do not seem to lay any stress on the loyalty of members to their marketing society. In Madras binding agreements to deliver produce are not prescribed and the bylaws providing penalties for failure to deliver produce for sale are mild and are seldom enforced.

10. Report, p. 256.

11. Co-operation at Home and Abroad, Vol. I, pp. 184-5.

Even in an advanced country like the United States co-operative societies have not received wholehearted, voluntary support. Elaborate legal provisions have been enacted, after a long period of struggle, to secure the produce of members to the society for a period of three to ten years, or force them to reimburse the losses due to their default. Injunction could be obtained by the society restraining the members from further breach of contract, i.e., further sale outside the Society.¹² Even the English Agricultural Credits Act of 1928 provides penal servitude for three years, if any farmer, who has created an agricultural charge, fails to comply with the obligations imposed. Contrast this with the timorous attitude of our co-operatives which cannot penalise disloyal members of any degree.

Linking producers' sale societies with consumers' stores is a natural and legitimate aspiration expressed in recent years. Unfortunately we do not have a large number of successful store societies even in urban areas. And most of our earlier sale societies were organised for the loan on, and sale of, commercial crops, which are raw materials of industry and not directly consumable goods. The Madras Provincial Co-operative Marketing Society, to which are now affiliated more than 100 sale societies, is not able to attract much custom either to itself or to direct it to store societies. It has ventured to sell such of the goods as it receives and is not able to dispose of to store societies, in what it calls sales depots opened in a few centres in the city. In this it has come into conflict with the T.U.C.S., the biggest co-operative store in the country, which has 30 branches in the city and sells all groceries and a few toilet articles to over 6,000 members. The Provincial Marketing Society has on its rolls some so-called producers, who are really merchants, as members—perhaps to fill the gap when supplies are not received regularly from the affiliated societies and to keep its sales depots going. In spite of this unnecessary irritation the T.U.C.S. is giving an earnest trial to a number of commodities offered for sale by the Provincial Marketing Society. It was in fact the largest single purchaser last year, and is continuing to buy butter daily and certain articles occasionally. The T.U.C.S., has also tried to purchase its requirements from half a dozen primary sale societies in the Province. One of them in the Salem District is giving entire satisfaction by its regular supply of good gingelly seeds, required in large quantities for crushing in the T.U.C.S. oil mills. The T.U.C.S. was prepared at one time to close down its paddy depot and purchase its requirements from a Paddy Sale Society at Nellore. But

12. E. G. Nourse, *The Legal Status of Agricultural Co-operatives*, Ch. VIII and IX.

this had to be given up as the efforts to improve the latter society proved futile with a merchant secretary who had been managing the whole show. The Provincial Marketing Society and the Departmental officials who run it would be doing greater service if they put a stop to this retail selling by the Society and developed the legitimate business of supply to well-established consumers' stores and the wholesale merchants and served as a better information bureau for all marketing societies and stores.

A careful selection of the crop and the area, rigorous exclusion of merchants and middlemen, timely finance of cultivators by the credit society (based on limited liability) to which the produce should be delivered, enforcement of contract to deliver produce, affiliation of a number of credit societies to a sale society, federation of sale societies crop-war in each Province or State, contact with exporting or manufacturing firms and co-ordination instead of competition with consumers' societies wherever they are found working—these appear to us to be the lines on which progress may be made in the organisation and working of sale societies.

REVIEWS

THE CO-OPERATIVE MOVEMENT IN BENGAL—By J. P. Niyogi, (Macmillan, 1940, pp. 255, 10s. 6d).

It is a matter for great satisfaction that a University Professor of the standing of Dr. J. P. Niyogi of Calcutta should have taken up for study and presentation the Co-operative Movement in Bengal, which has unfortunately been showing signs of retrogression in certain spheres. The movement not only in the other Provinces of India but in other parts of the world has been studied and relevant comparisons have been made.

In respect of the number of societies, Bengal is not inferior to any other Province, except the Punjab. It had reached the 20,000 mark by the time the Depression set in; since then there has been a fall, more in numbers than in transactions. Recoveries in rural credit societies have been falling in spite of strenuous efforts made to stem the tide of decline. Organisation of new societies and advance of short term loans have been set afoot by the Local Government recently. Of the old societies only two per cent are really A class. Seventy per cent., Dr. Niyogi says, can be rectified. But 25 per cent are so utterly useless that they deserve to be scrapped. There is no hope, according to our author, for any multipurpose experiments in an environment so depressing as he has depicted.

The faith of the investing public has been rudely shaken and there is no longer a free flow of deposits from them into the central banks, not to speak of rural credit societies. The central banks of Bengal are smaller and weaker than central banks in Madras. No wonder deposits do not flow in. Here is a commentary on the preaching of the ideal of small banking unions by the Reserve Bank of India in its famous Bulletins. This august bank is not prepared to discount even short-term agricultural paper because of "the other long term commitments" of central banks. There was a time when commercial banks, including the Imperial Bank, were prepared to accommodate co-operative banks, but now all have become 'wiser' after the misfortune that has overtaken the co-operative institutions. Land mortgage banks, which have no central institution of their own but are affiliated to the Provincial Co-operative Bank, are yet in their infancy in Bengal. The difficulties in that Province are bound to be greater because of the host of intermediate tenures in land.

Urban banks have succeeded far better than rural societies, from the financial point of view at any rate. Stores are not a success even in towns. Marketing societies have almost all failed, the most disastrous failure being that of jute sale societies. The solitary success is that of milk supply societies, particularly those that supply milk to the Calcutta Union. It has been the inspirer of similar organisations in other parts of India. Weavers' societies have fared poorly, except one or two run by educated young men who have taken to weaving.

Prof. Niyogi wants the central banks to take up supervision also in earnest, and appoint a larger number of supervisors. He would like the Government inspectors to do only inspection and organisation but not supervision. He thinks that in the present situation, Government cannot give up its responsibility for audit. He wants it to be free and efficient and wants a full-fledged audit department, which should be independent of the Registrar of Co-operative Societies. We agree with all this, but we do not see why audit should be free even for those societies which can afford to pay.

The latest piece of legislation affecting co-operative societies in Bengal is condemned by our author for the reason that according to it societies will be "drilled and regimented" and become "soulless institutions without a spark of idealism." We are afraid that the tendency in other Provinces is more or less in the same direction, several fields of activity being dominated by the will of the Registrar. Perhaps workers and leaders have to wait for the re-entry of popular Governments to make themselves heard.

Co-operators not only in Bengal but elsewhere will find in Dr. Niyogi's book an admirable exposition of the several problems of the movement and very acceptable solutions.

DOCK LABOURERS IN BOMBAY.—By Rasiklal P. Cholia, (Longmans, Bombay, Rs. 4|8).

This is an economic survey, the first of its kind, of the dock labourers in Bombay—a much neglected class of workers, though they are engaged in a work very vitally affecting the prosperity of that great city. We get a vivid picture of the life led by these workers in and about the docks as well as a clear account of the variety of work done at the docks. The fund of information collected, which must have cost a great deal of labour, provides good material for statistical analysis. The dock labourers are classified according to the nature of the work into two main divisions, sub-divided into several groups. Under each group, enough facts and figures are presented to show the extent to

which the nature of work affects the income, expenditure and mode of living. The stevedore, the shore and the coal labourers are groups of workers under the main class, the principal dock workers who handle cargo in the docks. They are mostly casual workers and are the real victims of irregular trade. Miss B. Potter (now Mrs. Sidney Webb) made the following statement in a brilliant survey of the dock labourers of London forty years ago: "a large wage one week and none the next, or six months' work and six months' leisure, are not favourable conditions to thrift, temperance and good management. Payment by the hour, with the uncertainty as to whether a job will last two or twenty four hours, and the consequently incalculable nature of even the daily income, encourages the wasteful habits of expenditure which are characteristic of this class. The most they can do in their forlorn helplessness is to make the pawnbroker their banker, and the publican their friend." All this is applicable to the dock labourers of Bombay. Sixty two per cent of them are involved in debt. If the rest are free from it, it is not because they are above want, but because they command no credit! They can offer no security except themselves. The creditor is either the fierce Pathan or the tyrannous Muccadam and not any co-operative credit society.

Co-operative credit is availed of by the second group of workers engaged by the Port Trust, who are permanent workers paid by the month. Even here the first two groups, labourers on water and labourers on shore, as distinguished from the workshop and railway labourers, are worse off. In spite of regular income, 94 per cent of them are involved in debt ranging from Rs. 100 to Rs. 5,000. But the facts collected by Mr. Cholia show that almost all these people have a number of dependents hanging on them and retain connection with agricultural areas. Hence the social needs such as a marriage in the family, sickness etc., and agricultural losses drag them deeper and deeper into debt in spite of their high income and regular work. Thus the lot of most of the dock labourers calls for more sympathy and active work from the co-operators of Bombay.

C. A. RADHA BAI.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

BENGAL.

Extracts from the report of the Registrar of Co-operative Societies, Khan Bahadur Maulvi A. M. Arshadali, for the year ended 30th June, 1939.

Summary of General Progress.—The movement passed through a very severe strain during the year. The natural calamity in a severe form together with the circumstances already existing, such as the operation of the Debt Settlement Boards and the prospect of the Moneylenders Act to be passed, seriously affected the position of rural credit and hampered the progress of the rehabilitation programme of the department, which involved a larger collection of overdue loans, scaling down of the debts of the primary borrowers and improvement of the position of the central banks and societies. The scheme of rehabilitation submitted by the Department was still under consideration of the Government, and though the Department pursued steps more or less on the lines of the scheme to arrest the further deterioration of the Movement, the work received a serious set back; while collections had gone down demand for fresh loans increased considerably. This position attracted the serious attention of the Government and they made the announcement that they fully intended to support the movement and would not allow it to fall into any serious danger. They also assured the much-needed short-term seasonal loans to the cultivators. This announcement gave a real impetus to the movement. 6,251 crop loan societies were organised, and the Provincial Bank advanced Rs. 20 lakhs to the central banks to finance these societies, out of which Rs. 13.5 lakhs was made available by the Government. The Government also proposed, for removing the deadlock in which the central banks and societies were involved on account of their past loans and old liabilities having become frozen, to formulate and give effect to a scheme which would facilitate the repayment to depositors of their principal dues in proportion to the extent that the assets of each bank were considered good and justified such assistance from Government.

Land Mortgage Banks.—The number of these banks continued to be 5. Their working capital at the end of the year was Rs. 5.05 lakhs as against Rs. 4.42 lakhs of the previous year, and consisted mainly of loans from the Provincial Co-operative Bank amounting to Rs. 4.46 lakhs. The membership of these banks rose from 2,049 to 2,217 of which the borrowing members were 1,286. The total loans due from the members amounted to Rs. 5,06,726 as against Rs. 4,62,559. Bulk of the loans issued are for redemption of prior debts. The value of the lands and other properties mortgaged for the loans due from the members was Rs. 18,10,596. Out of the total borrowing members as many as 1,251 were ryots and the number of loans below Rs. 1,000 was 1,174 for an amount of Rs. 4.27 lakhs as against 112 loans over Rs. 1,000 and aggregating to Rs. 1,69,675.

Two of the five banks have become self-supporting. The operation of the Debt Settlement Boards in the Province has interfered with the expansion of business of the land mortgage banks in that while an award made by a Debt Settlement Board carried no interest and is repayable from the surplus income of the debtor in instalments, in the case of land mortgage banks the debtor has to borrow the whole of the awarded or adjusted amount from the society at 8 per cent for

payment to his creditor at a time. The banks however succeeded in liquidating the debts of their members by reducing them to 66 per cent by amicable settlement with the creditors.

These banks are now financed by the Bengal Provincial Co-operative Bank temporarily pending the formation of a Central Land Mortgage Bank. This procedure is considered objectionable as the finances of the Provincial Bank are not meant for long term loaning. The question of Trustee and floatation of debentures with Government guarantee still remain pending approval of the Government.

Short-term Loan Societies.—On account of the starting of the 6,000 and odd crop loan societies referred to in the opening paragraph, the number of short-term loan societies increased from 20,901 to 26,086, with a membership of 5,29,283 as against 4,37,103 of the previous year. The working capital rose from Rs. 5.88 crores to Rs. 5.98 crores; paid up share capital from Rs. 52.14 lakhs to Rs. 52.27 lakhs; reserve fund from Rs. 192.49 lakhs to Rs. 198.23 lakhs. The borrowings from the Provincial and Central Banks also increased from Rs. 309.66 lakhs to Rs. 313.44 lakhs or 52.4 per cent of the total working capital. Loans amounting to Rs. 22.84 lakhs were issued to the members during the year; a sum of Rs. 19.77 lakhs was collected from them, leaving a balance of Rs. 383.05 lakhs. The corresponding figures for the previous year were Rs. 15.83 lakhs, 25.38 lakhs and Rs. 383.12 lakhs. The overdues at the end of the year under review stood at Rs. 342.70 lakhs as against Rs. 343.73 lakhs of the previous year.

Purchase and Purchase and Sale Societies.—The number of these societies rose from 64 to 68 and the membership from 13,114 to 19,355. Their working capital also rose from Rs. 7.29 lakhs to Rs. 7.62 lakhs. Some of these societies are working well, while others indifferently. These societies trade in different kinds of commodities, but most of them deal in paddy.

Irrigation and Drainage Societies.—The number of these societies slightly increased from 979 to 1001 and their membership from 21,645 to 22,213. The irrigable area was 1,44,878 bighas as against 1,43,778 bighas of the previous year. Two of these societies in the District of Howrah are doing good work.

Agricultural Associations.—The number of these Associations remained at 35. These Associations are not generally working well and attempts are being made to reconstruct them. These Associations were started with various objects, and colonisation is the most important of them. The work done by the Badarkhali Colonisation Society deserves mention. It has colonised three blocks and 262 families have settled therein. The Society issued loans amounting to over Rs. 7,000 to the members in these blocks for agricultural operations. During the year, the Society repaid Rs. 20,000 to the Provincial Bank towards its loan, leaving a balance of Rs. 30,000 yet to be paid.

Sugarcane Growers' Societies.—The total number of Cane Growers' Societies at the close of the year was 109 with a membership of 1,827 and working capital of Rs. 25,549. This is the first year of their working, and their progress is fairly satisfactory.

Non-Agricultural Credit Societies.—The number of this class of societies increased slightly from 562 to 593, their membership from 2,46,688 to 2,56,959 and working capital from Rs. 544 lakhs to Rs. 572 lakhs. The paid up share capital also rose from Rs. 109.69 lakhs to Rs. 116.12 lakhs, and the reserve fund from Rs. 32.97 lakhs to Rs. 42.96 lakhs. The other funds created out of profits amounted to Rs. 21.86 lakhs as against Rs. 18.22 lakhs of the previous year. Loans issued to

members amounted to Rs. 341.83 lakhs as against Rs. 329.98 lakhs; recoveries from members rose from Rs. 279.67 lakhs to Rs. 311.47 lakhs. The overdues at the end of the year were Rs. 53.88 lakhs as against Rs. 52.81 lakhs. These societies generally worked well and rendered useful service to small wage earners by providing facility for investment of their savings.

Stores and Supply Societies.—The number of these societies remained at 143. The membership however rose from 4,460 to 5,197 during the year. The value of total sales also increased from Rs. 2.75 lakhs to Rs. 2.84 lakhs; but the profits earned decreased from Rs. 8,153 to Rs. 7,976.

Weavers' Societies.—The number of these societies rose from 321 to 332, their membership from 5,818 to 5,973. The working capital however fell from 5.26 lakhs to Rs. 5.17 lakhs. The societies sold goods to their members of the value of Rs. 42,230 and purchased members' products of the value of Rs. 7,730 as against Rs. 42,880 and Rs. 1,272 respectively of the previous year. These societies have generally been able to increase their output and improve the texture and finish of their products.

Anti-Malarial and Public Health Societies.—The number of societies increased from 1,045 to 1,091 and their membership from 20,135 to 20,558. These societies have generally been able to do useful work by introducing various preventive and curative measures against malaria. It, however, appears that a health society does not persistently maintain the progress of the work and the enthusiasm of the workers abate steadily.

The Central Anti-Malarial Society carried on propaganda at various centres in the Province for creating public opinion for sanitary and hygienic improvement of village life on voluntary basis. The number of primary societies through which the Central Society generally worked increased from 1,083 to 1,114.

Rural Reconstruction Societies.—The number of these societies increased further from 524 to 547 and their membership from 10,924 to 12,123. Some of these societies did excellent work while others could not make headway on account of paucity of funds and want of local enthusiasm.

Milk Societies.—There were four milk unions at the end of the year. The Calcutta Milk Supply Union has 123 societies affiliated to it and a working capital of Rs. 2.05 lakhs. It has a large reserve fund of Rs. 1.38 lakhs. It sold milk and milk products during the year for Rs. 3.01 lakhs as against Rs. 3.11 lakhs of the previous year, and earned a profit of Rs. 11,069. The value of the milk supplied by the societies affiliated to the Union was Rs. 1,90,000 as against Rs. 2,04,020 of the previous year.

Central Banks.—The number of central banks at the end of the year was 118 as against 117 of the previous year. The number of societies affiliated to them increased from 20,056 to 24,255 and their working capital from Rs. 513.34 lakhs to Rs. 529.27 lakhs. The paid up share capital rose from Rs. 51.88 lakhs to Rs. 53.00 lakhs and the statutory reserve fund from Rs. 34.54 lakhs to Rs. 37.04 lakhs. Other funds created out of profits also increased from Rs. 34.90 lakhs to Rs. 38.58 lakhs. Deposits from individuals and others declined from Rs. 260.51 lakhs to Rs. 251.61 lakhs; but the borrowings from the Provincial Bank and other banks increased from Rs. 123.93 lakhs to Rs. 140.24 lakhs. The loans advanced to societies during the year amounted to Rs. 81.58 lakhs as against Rs. 78.77 lakhs, while repayments by societies fell from Rs. 84.74 lakhs to Rs. 72.83 lakhs.

The collection of the dues of the central banks suffered seriously on account of the failure of crops and a large number of them could not work with balanced budget. Towards the close of the year, however, the central banks took up the organisation of crop loan and sale societies and advanced short term loans to these societies as well as to deserving members of old societies. Many of the central banks could not fully meet the demand for withdrawal of deposits.

The Bengal Provincial Co-operative Bank.—The working capital of the Bank rose from Rs. 232.06 lakhs to Rs. 248.10 lakhs; paid up capital from Rs. 16.67 lakhs to Rs. 17.59 lakhs; statutory reserve fund from Rs. 6.46 lakhs to Rs. 6.89 lakhs; and other owned funds rose from Rs. 17.63 lakhs to Rs. 18.58 lakhs. Deposits from members and others rose from Rs. 191.28 lakhs to Rs. 205.02 lakhs. The recovery of loans, including withdrawal of investments, was Rs. 26.76 lakhs as against 25.22 lakhs of the previous year. The Bank earned a profit of Rs. 2.48 lakhs as against 1.34 lakhs of the previous year.

During the year, the Bank issued crop loans to central banks to the extent of Rs. 20 lakhs of which Rs. 13.5 lakhs was advanced by the Government. The Bank received during the year the third instalment of Rs. 2 lakhs of the Government subsidy bringing the total subsidy received till now to Rs. 6 lakhs. The Bank enjoyed the confidence of the investing public and maintained sufficient fluid cover.

The Bengal Co-operative Insurance Society.—The Society made further progress during the year. The number of members rose from 3,465 to 3,941. The policies issued during the year amounted to Rs. 4.75 lakhs as against Rs. 3.6 lakhs of the previous year. The claims paid during the year were for Rs. 3,138.

The Bengal Co-operative Organisation Society.—The number of affiliated societies decreased from 18,967. During the year, the Society received a Government grant of Rs. 49,000 which helped it appreciably to improve its position and working. The Society participated in important co-operative conferences and carried on propaganda on behalf of the movement by publishing leaflets. The Society has not yet been able to create any permanent and steady source of income to enable it to regularly and efficiently carry on its activities.

UNITED PROVINCES.

Extracts from the Report of the Registrar of Co-operative Societies, Mr. S. Hasan, I.C.S., for the period ended 30th June, 1939.

General Statistical Progress.—The statement given on the next page will show the general progress of the Movement.

Credit Societies—Central.—The number of central credit societies inclusive of banking unions decreased from 72 to 70. The working capital of the central banks increased from Rs. 94.87 to 102.19 lakhs and the owned capital from Rs. 39.82 to Rs. 39.98 lakhs. Deposits from individuals rose from Rs. 43.15 to Rs. 49.63 lakhs. Deposits from banks rose from Rs. 3.50 to Rs. 4.06 lakhs and those of societies from Rs. 8.27 to Rs. 8.37 lakhs. This increase clearly shows that all co-operative banks with the exception of four or five enjoyed public confidence and found little difficulty in raising deposits.

The borrowings held at the close of the year increased from Rs. 54.92 to Rs. 62.06 lakhs. The borrowings taken by central banks from other central banks rose from Rs. 6.51 to 9.38 lakhs and lendings from Rs. 8.29 to Rs. 9.69 lakhs. The banks settled the terms between themselves and the Department did not intervene in these operations. In the past these arrangements provided sufficiently smooth machinery for the advancement of the movement. With development of marketing societies requiring huge advances for short period, difficulties are already being

Type of Societies	No. of Societies	No. of members	Working capital		Declared Capital	
			on 30-6-1938	on 30-6-1939	on 30-6-1938	on 30-6-1939
			Rs.	Rs.	Rs.	Rs.
Central Societies—Credit	72	*5,886 +7,526 13,142	94,87,365	102,18,835	39,82,013	39,98,087
		14,031				
Central Societies—Non-Credit	77	*35,489 +1,184 37,373	25,91,412	11,10,535	12,65,943	1,66,860
Primaries—Agricultural	8,439	2,71,520	119,14,461	135,07,333	66,56,327	69,94,728
Primaries—Non-agricultural	547	59,949	62,99,720	72,28,901	30,34,070	34,02,189
Total	9,135	3,82,254	302,92,958	320,65,604	149,38,353	145,61,864

* Individuals.

† Societies.

experienced in the present system, and an automatic machinery for raising funds and balancing them will sooner or later have to be provided. There is no provincial bank in this presidency, which could have acted as the balancing centre for the movement, and that is the only machinery which can provide the necessary link in the chain.

Advances to primaries rose from Rs. 39.25 to Rs. 41.35 lakhs and recoveries from working societies have gone up from Rs. 33.93 to Rs. 35.14 lakhs. The overdues have registered a fall from Rs. 16.72 to 16.38 lakhs. The overdues in relation to outstandings were 36.1 per cent as against 41.5 per cent of the preceding year. The overdue interest decreased from Rs. 3.48 lakhs to Rs. 3.41 lakhs in the working societies and from Rs. 3.77 to 3.67 lakhs in liquidated societies. The scheme of repayments in kind adopted by the Moradabad Central Co-operative Bank received a set back in the year under report owing to natural difficulties of the working of the scheme and owing to the rate of wheat being low at the time when the stock was disposed of. The Bank has resolved now to close the operation of this scheme and to adopt the grain marketing scheme recommended by the Department.

Marketing Societies.—With the help of the Government grant of Rs. 17,000 and in accordance with the scheme submitted by the Department, the United Provinces Co-operative Union started 96 rural development centres comprising 1,486 villages for the marketing of agricultural products. Different methods of marketing were tried in the light of local conditions. In some places outright purchase system was adopted while sale on commission was taken up by a number of societies. The total quantity of grain handled under the scheme was 2.28 lakhs of maunds of the approximate value of Rs. 7 lakhs. The total profit accruing to the societies as a result of this scheme was Rs. 8,000. Various difficulties were met with in working the scheme and in spite of opposition both externally and internally the scheme was worked. Better prices were secured for the cultivator. Under-weighment was checked. Bank recoveries were effected. Though worked only on a limited scale, the potentialities of the scheme have become apparent from the working of the year.

Agricultural Credit Societies—(Unlimited Liability).—There were 7,213 societies working at the end of the year, with a membership of 1.71 lakhs. Their working capital increased from Rs. 110.04 lakhs to 115.30 lakhs, and the owned capital from Rs. 64.72 to 67.20 lakhs. Advances by societies to their members rose to Rs. 38.62 lakhs from Rs. 36.89 lakhs and repayments increased from Rs. 32.28 lakhs to Rs. 33.76 lakhs. The overdues, including postponements, were reduced to 44.4 per cent from 46.8 per cent.

Various schemes for ensuring compulsory thrift are being adopted by the societies; but we are still very far from the ideal of the societies raising their own capital from members' deposits. Those who become members of our unlimited liability societies have little to spare by way of deposits, while those with better means do not join. Among other things, the fear of unlimited liability is undoubtedly responsible for this attitude of mind.

Non-agricultural societies (with Limited Liability).—The number of these societies increased from 162 to 208 and their membership from 46,171 to 52,667. The working capital increased from Rs. 55.23 to Rs. 62.89 lakhs and owned capital from Rs. 26.06 lakhs to Rs. 29.27 lakhs. Advances increased from Rs. 43.88 lakhs to Rs. 49.46 lakhs and repayments from Rs. 38.38 lakhs to Rs. 42.05 lakhs. The overdues decreased from Rs. 1.12 lakhs to Rs. 0.86 lakhs. Though the deposits of members have increased slightly, the position is not yet all that could be desired. The need for thrift and savings has not yet been realised by the members of societies who carry the responsibilities of life.

One hundred and eighty five of the 208 societies referred to above are salary earners' societies as against 145 of the preceding year. Financially these societies are usually a success. Collections are good and could be still improved if automatic deductions from pay sheets of the employees could be obtained on a general scale.

Seed Stores.—Partabgarh has 15 seed stores—7 central and 8 primary. Between them, these stores distributed 6,000 maunds of seeds. The area under improved seeds commanded by these stores is 7,640 acres.

There were 3 central and 1 primary stores in Bareilly, distributing about 1,500 maunds of seeds. Next comes Moradabad with one central and 5 primary stores.

Industrial Stores.—There were five industrial stores at the end of the year and all these were for weavers. The Mason Industrial Federation at Barabanki, with a working capital of Rs. 25,000 made a profit of Rs. 3,000 on the total sale of goods worth about Rs. 5 lakhs. Only about 30 per cent of these goods were sold through the Government Handloom Emporium. This indicates that the goods of the Federation have established a market for themselves.

The Cawnpore Knitting and Weaving Society made goods worth Rs. 23,000 during the year and made a profit of Rs. 2,510. The Society has added a bleaching plant. The goods of the societies command favourable position in the market, and the demand for them continued to be satisfactory.

The Sandila Industrialists' Store introduced further improvements of its goods, samples of which were sent outside India also. Although the total sale of the goods fell from Rs. 26,395 to Rs. 23,914, the amount of profit earned by the Store on a working capital of Rs. 12,721 was Rs. 1,338 as against Rs. 1,132 of the previous year. The average wage paid to each weaver per month was Rs. 17-10-0 this year as against Rs. 12-2-0 of the previous year.

Students' Stores.—There are nine such stores, of which only three deserve mention. There are two in Benares. The Udai Pratap College Store made good business earning a profit of Rs. 612 on the purchase and sale of goods worth about Rs. 46,300. The other Scouting Store also is doing well and earned a profit of Rs. 346. The third society is at Ghazipur with 246 members. It made a profit of Rs. 320 during the year.

Fruit Cultivation.—The Society at Allahabad which marketed vegetables and fruits did little business during the year. It transacted nominal business of Rs. 35 during the year. The Society received a grant of Rs. 3,000 from Government for the purchase of machinery, and attempts are being made to reorganise the Society with a view to effect improvements.

Bansmati Rice Co-operative Society.—This Society has 43 members and operated in five villages. Over 1000 maunds of rice were sold through the Society, giving a profit of Rs. 517. The Society enjoyed the benefit of a grader given to it under the Government of India scheme.

Milk Supply Societies.—There are two central societies for the purpose. The one at Cawnpore exists merely on paper, and the other at Lucknow is functioning properly. Its progress is encouraging. In addition to these central milk societies, there are two dairies, one at Benares and the other at Allahabad. The Lucknow Milk Union has 8 registered and 27 unregistered societies affiliated to it. The Union handled 4.53 lakhs of lbs. of milk as against 1.41 lakhs of lbs. last year, in addition to 1000 lbs. of butter and an equal quantity of ghee. The value of the milk sold amounted to Rs. 25,588, which gave the Society a profit of over Rs. 1,000. A grant of Rs. 10,400 was received by the Union during the year to erect milking sheds and for the purchase of a milk van.

Ghee Societies.—The number of these societies rose from 277 to 392 and membership from 5,791 to 9,301. In addition to these societies there were five central ghee unions in existence. The total quantity of ghee marketed by these societies was 4,870 maunds as against 4,305 maunds of the previous year, resulting in a net profit of Rs. 28,565 in favour of the societies. The bonus paid to members amounted Rs. 5,817.

Cane Supply Societies.—The number of these societies increased to 42 central and 681 primary (as against 28 and 477 of the previous year). The membership stood at 3.71 lakhs. The province is divided into three ranges, western, central and eastern. In the western range 305 lakhs of maunds or 65 per cent of the total quantity of cane crushed were supplied to factories through these societies. In the central range it was 66 lakhs of maunds or 55 per cent and in the eastern range it was 31 per cent or 105 lakhs maunds. Each range is in charge of a development officer with the requisite staff. The total cost of the staff came to Rs. 6.27 lakhs during the year under report.

Women's Societies.—There were 65 societies registered at the close of the year. Besides these, there were 54 unregistered societies. While thrift was given special attention in these societies, the question of supplementing the income of the members through such works as basket-making, carpet work, etc., were also undertaken in some societies. Although the volume of work turned out was not very great, the fact that the members could be persuaded to take up such work speaks well for the future.

Rural Development.—Village uplift work continued to exercise the minds of ordinary co-operative societies, and the number of societies doing welfare work increased from 549 to 1,436. Most of these societies are for better living and better farming.

Consolidation of Holdings.—The number of societies for consolidation of holdings rose from 118 to 147, the major portion of the work being done in Bijnor and Saharanpur. The United Provinces Co-operative Union employed 16 supervisors for this work. The area of land consolidated was 12,075 bighas. The number of plots before the operation started was 12,822 and it was reduced to 1,672. The total area consolidated so far is 67,000 bighas and the number of plots has been reduced from 75,965 to 7,599.

The United Provinces Co-operative Union.—The Union has 18 ex-officio, 83 ordinary and 14 additional members. The ordinary members represented Provincialised banks and societies, while the additional members represented those non-provincialised. The ordinary members as a rule contributed 55 per cent of the cost of the supervisors posted to look after the societies affiliated to the bank concerned. The Government grant to the Union increased from Rs. 73,000 to Rs. 75,000 in addition to Rs. 53,539-13-0 given for special activities like ghee, consolidation of holdings, marketing of agricultural produce, milk and dairy societies, etc. The total amount of grant from the banks amounted to Rs. 1,00,355. "The U.P. Co-operative Journal" was continued to be published under the editorship of Prof. B. Mukerjee of the Lucknow University.

Co-operative Training and Education.—The training of panchayatdars and members of societies passing through its third year of working was continued on a bigger scale during the year. The three years' experience with this scheme has clearly shown the advantages that it can bring to the movement at large. It will be in the interests of the movement to continue the scheme, but the Government of India grant

which was utilised for financing the scheme is expected to be spent this year. The matter will then be brought to the consideration of the Government at the proper time for making provision for the continuance of the scheme in the years to follow.

Under a five year plan, the Department was required to train 200 supervisor candidates every year, 255 candidates were consequently recruited for training, over and above the 86 candidates already selected to fill up the vacancies in the permanent cadre. About 300 of these candidates appeared for the examination at the close of the year and a majority of them will be available for employment in the current year.

Publicity.—A publicity section has been opened in the Co-operative Department since January 1939 and a special inspector placed in charge of it. The three important means of publicity, viz., press, platform and radio were utilised for the purpose. Articles on co-operation and allied subjects were published in Hindustani and English newspapers. Popular notes dealing with co-operative activities were sent to all important papers of the province.

Conclusion.—The idea of cautious expansion continued to rule the policy of the department throughout the year. In the field of thrift and credit, liquidation was avoided and new societies were organised on a limited scale. In the marketing of cane and ghee, experience gained in the past years was utilised to the full and societies dealing with them were more freely established. New ground was covered when societies took up marketing of agricultural products like cereals, etc. Bold experiments were made, and the results achieved promise well for the future.

ORISSA.

Extracts from the report of the Registrar of Co-operative Societies, Mr. S. N. Mozumdar, I.C.S., for the year ended 30th June, 1939.

General Progress of the Movement.—The general progress of the movement as at the close of the year under report in comparison with the previous year is given in the statement on the next page.

Provincial Bank.—The bifurcation of the B. & O. Provincial Co-operative Bank was settled in August 1938 and according to the terms of the settlement the Orissa Government undertook to pay the Bihar Provincial Bank a sum of Rs. 3.75 lakhs in eight equal annual instalments in full settlement of its claims against the banks in North Orissa. The assets of the central banks in North Orissa were transferred to the Orissa Provincial Bank. This settlement was a step forward to the creation of a Provincial Co-operative Bank for Orissa. Though the Provincial Bank was registered in 1936, it did not function. The question has been taken up for re-examination. The Madras Provincial Co-operative Bank continued to be the apex bank for the two central banks in South Orissa, though the finance was restricted to cash credits only.

The Orissa Provincial Co-operative Land Mortgage Bank.—This bank was registered during the year under report. The Government purchased 500 shares of the Bank of the face value of Rs. 50,000, and agreed to bear all the expenses of management till the end of the year 1940-41. The services of an experienced co-operative Sub-Registrar were borrowed from the Government of Madras to train the Government and the Bank staff in land mortgage work. The Bank actually started work at the end of February 1939. 26 applications for a total loan of Rs. 37,000 were received, but no loans could be disbursed during the year.

Type of Societies	No. of Societies		No. of members		Working Capital	
	1937-38	1938-39	1937-38	1938-39	1937-38	1938-39
					Rs.	Rs.
1. Provincial Land Mortgage Bank	nil	13	nil	65	nil	51,500
2. Central Banks	N. O.	13	*2,131	*2,123	46,68,335	45,74,079
	S. O.	2	†630	†623		
			*528	*541	13,28,490	14,88,318
			†127	†127		
3. Agricultural Societies	N. O.	1,994	1997	65,734	65,307	47,04,825
	S. O.	495	509	23,061	24,477	12,74,982
4. Non-Agricultural Societies	N. O.	133	134	4,389	4,408	2,94,094
	S. O.	37	36	7,263	8,155	6,23,937
5. Guarantee Unions & Supervising Unions	N. O.	2	2	—	—	—
	S. O.	10	10	—	—	—
Total	N. O.	2,142	2,147	72,884	72,526	96,67,254
	S. O.	544	557	30,979	33,300	32,27,409
Grand Total		2,686	2,704	1,03,863	1,05,826	128,94,663

* Societies

† Individual

Central Banks.—The number of central banks remained the same as in the previous year, viz. 13 in North Orissa and 2 in South Orissa. The following statement indicates the financial position of the banks:—

	North Orissa		South Orissa	
	1937-38	1938-39	1937-38	1938-39
	(In thousands of rupees)			
Share capital	..	529	527	173
Deposits	..	2,970	2,871	933
Loans and cash credits from Provincial Bank and Imperial Bank	..	680	684	54
Reserve fund	..	279	282	47
Other funds	..	210	210	121
Working capital	..	4,668	4,574	1,328
Cost of Management	..	93	82	21
Net distributable profit	..	..	..	13

The central banks in North Orissa did not advance fresh loans during the year except for a small sum of Rs. 6,044. In South Orissa, the Berhampore Central Bank advanced Rs. 2,84,000 as against Rs. 1,63,000 of the previous year. The Aska Central Bank advanced Rs. 53,000 as against Rs. 6,000 of the previous year. This Bank could not finance many deserving societies for paucity of funds. The collections were extremely poor and the overdues position was as follows:—

	Principal		Interest	
	Total out-standing	Over due	Total out-standing	Over due
	(In thousands of rupees)			
North Orissa	.. 3,620	3,207	1,792	1,675
South Orissa	.. 990	579	33	5

The Report of the Enquiry into the condition of the movement in Orissa was published in the year under review. The Report recommended, among other things, reduction in the rate of interest and remission of overdue interest both in the case of members and societies. The Government orders on the recommendations of the Committee were published only at the close of the year. The members of societies withheld payment pending publication of the Government's decision in the hope of getting the remissions and concessions recommended in the Report. Further, in order to rehabilitate the central banks, it was decided at a meeting of their representatives that the management of the banks should be transferred to the Provincial Co-operative Bank. As a result of this, the honorary workers ceased to take interest, and this coupled with the other causes has led to the stagnation of the movement in North Orissa. South Orissa furnished a refreshing contrast and the two central banks showed some improvement in their working.

Agricultural Societies.—The number of these societies at the end of the year was 2,506—1,997 in North Orissa and 509 in the South as against 1,994 and 495 respectively of the previous year. Except 47 grain golas, 3 groundnut growers, and 9 purchase and sale societies, all the remaining societies are on the basis of unlimited liability. The financial position of these societies is summed up in the following statement:—

	1937-38.		1938-39.	
	N. Orissa	S. Orissa	N. Orissa	S. Orissa
	Rs.	Rs.	Rs.	Rs.
Paid up share capital ..	2,99,243	1,82,645	2,91,583	2,10,982
Deposits by members ..	1,33,786	19,461	1,57,118	10,634
Deposits by non-members.	43,886	43,388	44,120	18,852
Loans from financing banks and other societies ..	32,79,244	8,13,063	31,75,668	9,50,699
Reserve fund ..	8,84,850	1,16,436	5,96,074	1,26,190
Other funds ..	63,736	23,949	94,249	41,930
Working capital ..	47,04,825	12,03,942	46,58,812	13,53,287
Net profit ..	1,19,219	19,766	1,23,332	21,784
Net loss ..	46,472	10,411	31,732	2,311

The societies in North Orissa advanced Rs. 33,000 and those in South Orissa Rs. 3,58,000 is the year under report. Collections were very poor and the overdues at the end of the year amount to Rs. 33.53 lakhs in North Orissa societies and Rs. 6.36 lakhs in South Orissa societies. The bulk of the overdue interest from members in North Orissa will be wiped out as a result of Government orders on the Mudaliar Report. It is hoped that this will induce members to pay back the balance of the dues.

Lands.—The lands purchased by central banks and societies present a real problem. These are difficult to manage and the banks and societies find them an embarrassment. The total area purchased so far is 6,250 acres in North Orissa and 90 acres in South Orissa. 612 acres have been sold so far. Owing to difficulty in title and other causes, actual possession has been taken only of 2,970 acres out of the balance of 5,728 acres. The Balasore and Puri Central Banks sold certain lands in their possession to their depositors, the price being adjusted to deposit accounts of the latter in the central banks. This has now been stopped and it has been decided to give back the lands to the original owners on an equitable hire purchase system.

Urban Banks.—There are five urban banks and all of them are in South Orissa with a membership of 5,392 and paid up share capital of Rs. 84,634. The owned funds amounted to Rs. 90,777 and the working capital to Rs. 6,72,964. The biggest and the oldest of these banks is the Berhampore Urban Bank with a membership of 2,221 and working capital of Rs. 41,600.

Employees' Societies.—The number of employees' societies was 24 with a membership of 3,462 and working capital of Rs. 1,75,820. The share capital and reserve fund amounted to Rs. 79,431 and Rs. 33,429 respectively. The recent amendment to the Civil Procedure Code raising the attachable limit of salaries to Rs. 100 has created some difficulties. Unless instalments are deducted with greater care and punctuality at the source than they are done now, it will be difficult to run these societies successfully.

BIHAR.

Extracts from the Report of the Registrar of Co-operative Societies, Mr. N. Bakshi, I.C.S., for the year ended 31st December, 1939.

General Progress.—The total number of working societies of all kinds, including the Co-operative Federation and the Provincial Co-operative Bank, stood at 7,762 as against 7,246 in the previous year. There was a net increase of 516 societies, which included 469 cane growers' societies. Further organisation of credit societies is not being encouraged pending the consideration of the rehabilitation scheme and formulation of new rules to be followed in order to avoid the pitfalls of earlier organisation.

The B. and O. Provincial Co-operative Bank.—The working capital of the bank decreased from Rs. 96,30,144 to Rs. 91,29,546. The paid up share capital also decreased from Rs. 5,89,400 to Rs. 5,84,400. The statutory reserve fund increased from Rs. 4,54,345 to Rs. 4,55,905, while the reserve for contingencies rose to Rs. 3,60,542 from Rs. 3,57,900. This increase was due to appreciation realised in the sale of Government Securities.

Deposits of all kinds excluding government loans and overdraft with the Imperial Bank decreased from Rs. 64,27,000 to Rs. 53,39,000. There has been heavy with-

drawal of deposits from year to year, and it would have been obviously difficult for the bank to successfully withstand the heavy withdrawals, had it not been for the assistance which the Government of Bihar gave in the form of a loan of Rs. 10 lakhs and the issue of a Government communique declaring the intention of the Government to stand behind the Bank. The bank also closed the overdraft of Rs. 4,01,700 with the Imperial Bank out of the Government loan referred to above. The Bank could not repay anything towards the balance of the previous Government loans amounting to Rs. 13,60,000. A further sum of Rs. 10,000 was also due to Government out of the loan of Rs. 30,000 advanced for financing of canegrowers' societies.

The Bank continued to be handicapped by increasing overdues in the loan account of central banks and unions as the following statement will show:—

Year	Demand	Collection
	Rs.	Rs.
1935	41,89,000	3,18,000
1936	43,52,000	1,82,000
1937	46,06,000	79,000
1938	43,16,000	75,000
1939	43,95,000	78,000

Out of Rs. 8,54,000 due under interest Rs. 58,000 only was realised during the year. The Bank earned a net profit of Rs. 3,000 for the year as against Rs. 30,000 of the previous year.

Dr. Saiyid Ahmad Kt., Barrister-at-Law and Rai Bahadur Shyamnandan Sahay were re-elected Chairman and Managing Director respectively.

Central Banks and Unions.—The number of central banks and unions continued to be 53. Their share capital went down from Rs. 16·22 lakhs to Rs. 16·07 lakhs. The working capital also decreased from Rs. 164·50 lakhs to Rs. 160·73 lakhs on 31-12-1939. The total reserves increased by Rs. 44,000 to Rs. 14·3 lakhs out of which the statutory reserves stood at Rs. 7·45 lakhs. The deposits held by these banks stood at Rs. 78·49 lakhs as against Rs. 82·22 lakhs of the previous year and represented 60·02 per cent of the total borrowed capital, amounting to Rs. 130·36 lakhs at the end of the year. The banks advanced Rs. 1·84 lakhs to their affiliated societies as against Rs. 1·98 lakhs of the previous year. The recoveries under principal amounted to Rs. 4·04 lakhs and represented 5·6 per cent of the demand. The corresponding figures under interest were Rs. 4·61 lakhs and 7·8 per cent respectively. The fluid resources position of the banks was also not satisfactory; as against a total demand of Rs. 55·15 lakhs, the banks maintained fluid resources to the value of Rs. 4·58 lakhs, i.e., 8·3 per cent only. One of the central banks, viz., Bhagalpur Bank held creditors' meeting during the year under review.

Owing to financial stringency the banks could not do much to improve the material and moral condition of their members. Only 26 out of the 53 banks interested themselves to some extent in agricultural improvements in their areas. Advances for improvement of land were also small owing to inadequacy of funds for long term investments. 15 banks and unions have taken steps for improvement of sanitation and for medical relief; 12 banks and unions interested themselves in promoting mass literacy movement. Some of the central banks continued to in-

terest themselves in the work of rural reconstruction. The Bihar Village Welfare Scheme financed by the Government of India grant has been amalgamated with the bigger scheme of rural development under the control of the Chief Organiser, Rural Development Department.

Agricultural Credit Societies (Unlimited Liability).—The number of this class of societies decreased from 6,628 to 6,606, and their membership from 1,52,873 to 1,52,745. The working capital and reserves stood at Rs. 141·24 lakhs and Rs. 26·99 lakhs respectively against Rs. 147 lakhs and Rs. 27·62 lakhs in the preceding year. The total amount of loans advanced to members during the year was Rs. 2·06 lakhs against Rs. 2·51 lakhs of the previous year. About Rs. 97,000 of the loans advanced were for cultivation expenses, purchase of cattle, payment of rent and improvements to land. The D. C. B. statement is given below:—

	Total Demand.	Collection.	Balance.
Principal	95,24,991	5,21,420	90,03,571
Interest	82,50,670	4,92,437	77,58,233

Grain Golas.—The number of grain golas remained at 23. The membership, however, increased from 8,189 to 8,429. Cash and grain to the value of Rs. 5,456 were advanced to the members against Rs. 4,580 of the previous year. The repayments amounted to Rs. 4,835 and the amount outstanding at the end of the year was Rs. 39,514, of which Rs. 11,255 was overdue.

Cane-Growers' Societies.—There was all round improvement in the working of these societies. 826 cane growers' societies and 27 marketing unions, with a membership of 17,924 contracted to supply 45,13,424 maunds of cane to sugar factories during the crushing season, 1939-40. The control over these societies and the scheme of their organisation were transferred to the Cane Commissioner, Bihar, who was vested with the powers of a Joint Registrar.

Employees' Societies.—The number of employees' societies increased from 70 to 72, the membership increasing from 19,682 to 21,335. The share capital, working capital and the reserves amounted to Rs. 15,52,641, Rs. 39,01,767 and Rs. 4,52,880 respectively.

People's and Traders' Banks and Urban Societies.—The number of such societies continued to be 11, but the membership decreased from 2,950 to 2,934. The aggregate working capital, share capital and reserves of these societies were Rs. 7,10,328, Rs. 1,01,294 and Rs. 98,470.

Weavers' Societies.—The number of weavers' societies increased from 8 to 3. The working capital and reserves of these societies amounted to Rs. 52,189 and Rs. 25,399 respectively.

Other types of societies.—There were 24 societies for depressed classes with a working capital of Rs. 40,144; 2 housing societies with a working capital of Rs. 86,343; 6 stores societies with a working capital of Rs. 84,412; 5 thrift societies with a working capital of Rs. 10,480 and 30 better living societies with a working capital of Rs. 3,670.

Bihar Co-operative Federation.—The function of audit was taken by the Government, and the Federation continued to confine its activities to the organisation of annual meeting of co-operators, publication of magazines and securing a uniform standard of working in all the banks, etc. The 21st session of the Bihar Federa-

tion Congress was held at Muzaferpur on the 19th and 20th August 1939 with Dr. Radhakamal Mukerjee in the chair. I suggested to the Congress that the time had come for the Federation to have a non-official elected Governor in the place of the Registrar, who is the ex-officio Governor. But the Congress did not accept the resolution on this point moved by myself.

The Federation continued the publication of the "Bihar Co-operative Journal" in English under the editorship of Prof. B. B. Mukerjee and the Hindi magazine, "Gaori" under the editorship of Babu Dip Narain Sinha.

Rehabilitation of the Movement.—The scheme of enquiry was initiated in 1937 and by the end of 1939 the enquiry has been completed in 21 banks, with 2,437 societies and over 49,000 members. Since then 9 banks were taken up so that by June 1940 the total number of banks dealt with was 30 with 3,455 societies and over 74,000 members. In April 1940 the Government sanctioned additional staff to enable the Department to complete the enquiry as early as possible, and they have also directed that for the purpose of preparing proposals for the reconstruction, the figures as they stood on 1-1-1940 may be taken as the basis.

HYDERABAD.

Review of H. E. H. Nizam's Government of the Report of the Registrar of Co-operative Societies, Mr. S. Fazalulla, H. C. S., for the year 1938-39.

An important change was that the Co-operative Department was transferred during the year from the portfolio of the Finance Member to that of the Revenue Member, in view of the intimate connection between the co-operative movement and rural reconstruction. The Government have always emphasised that the Rural Reconstruction Scheme, which aims at the moral and material progress of the rural population, cannot make much headway unless it is given a co-operative orientation, so that the urge for improving the conditions of living may be the spontaneous outcome of preliminary efforts to tackle the problem of poverty through self-help and thrift. It was in view of this that it was considered essential to the success of the Scheme that revenue officers, who are held responsible for implementing it in co-ordination with the officers of other nation-building departments, should be closely associated with the co-operative movement. A beginning in this direction was made seven years ago when arrangements were made for the training of Second Taluqdars and Tahsildars in the principles and practice of co-operation. It is gratifying that these have proved effective and have so far resulted in the training of 22 Second Taluqdars and 83 Tahsildars.

The movement had to face the disadvantage of an unfavourable season which had its repercussions especially on the working of rural credit societies and district central banks.

279 societies were newly registered and 14 societies were cancelled during the year at the end of which their number stood at 3,638 as against 3,373 in the previous year. Membership recorded a corresponding increase from 1,20,467 to 1,37,948. Similarly the working capital of the movement as a whole improved from Rs. 2,60,98,720 to Rs. 2,74,73,311. The paid-up share capital and the various reserves were larger than last year, and stood at Rs. 60,65,776 and Rs. 56,05,857 respectively their proportion in the aggregate being 46 per cent of the working capital. These figures indicate that the fundamental principles of thrift and self-help are being observed by societies and their members.

The Central Co-operative Union carried on as usual its educative and propaganda work. As in the case of other societies its financial position was adversely affected by the poor seasonal conditions, and the amount raised by it in subscription from societies went down from Rs. 8,808 to Rs. 5,976. It received a Government grant-in-aid of Rs. 15,000.

The Dominion Bank maintained its strong financial position with a paid-up share capital of Rs. 5,09,230, and reserves of Rs. 10,53,816. Its owned capital of Rs. 15,63,046 compared very favourably with the outside liabilities which amounted to Rs. 28,94,514. There was an improvement in its transactions with central banks and societies to whom it advanced Rs. 7,08,435 as against Rs. 3,71,224 of last year. Loans recovered from them amounted to Rs. 4,60,854 principal and Rs. 1,00,622 interest leaving Rs. 20,45,576 principal and Rs. 3,17,827 interest outstanding at the end of the year.

The Government record their grateful appreciation of the interest taken in its working by Dewan Bahadur Aravamudu Iyengar, its President.

The Central Banks, the older among which were still weighed down with the overdues of the earlier years, did not show any improvement on the last year's position evidently on account of the unfavourable season. Their working and owned capitals stood at Rs. 65,09,725, and Rs. 24,64,904 respectively, the latter consisting of Rs. 11,57,394 shares and Rs. 13,07,510 reserves. Loans advanced to societies amounted to Rs. 8,61,566 while recoveries from them in principal and interest totalled Rs. 7,36,481 and Rs. 2,64,322 respectively as compared to Rs. 7,65,526 and Rs. 3,02,198 of the previous year. The outstandings of principal and interest were Rs. 47,77,795 and Rs. 11,38,374 respectively.

The village thrift and credit societies increased in number from 2,693 to 2,909 and their membership rose from 56,561 to 62,359. Their working capital increased from Rs. 83,44,735 to Rs. 86,53,195 and owned capital from Rs. 40,38,085 to Rs. 41,81,828. The latter consisted of Rs. 17,07,242 shares, Rs. 1,80,963 members' deposits and Rs. 22,93,623 reserves. It is satisfactory to note that in spite of an agriculturally poor year their condition did not deteriorate and the owned capital remained steady at 48 per cent. of the working capital. The collection of share-money at the minimum rate of Re. 1 for every Rs. 25 of land revenue paid by each member in societies which have outgrown the early period of ten societies is a move in the right direction, for village societies must be made to realize that they are primarily thrift societies and that their loan transactions are only of secondary importance.

Loans advanced to members were a little higher than last year and amounted to Rs. 7,14,391 as against Rs. 6,46,181, but the recovery of principal and interest showed a slight decrease from Rs. 5,91,775 to Rs. 5,24,596 and from Rs. 3,87,733 to Rs. 3,05,871 respectively. Outstandings at the end of the year were Rs. 58,63,864 principal and Rs. 26,34,532 interest. The proportion of interest to the principal amount outstanding was high, but it was due to the fact that in the case of members of all cancelled and some working societies the amount recovered was first adjusted towards principal leaving the balance of interest to be recovered later.

Although unlimited liability societies form the mainstay of the rural credit movement, the experiment which is being tried by the Department of starting village banks with limited liability will be watched with interest by Government.

It is gratifying that the non-agricultural societies maintained steady progress. Their number and membership rose to 659 and 52,629 from 612 and 43,800 respectively, while the working capital increased from Rs. 51,13,925 to Rs. 53,93,594. Their owned capital which amounted to Rs. 36,42,779 was made up of Rs. 26,91,910

shares and Rs. 9,50,869 reserves. The proportion of the owned to the working capital was 67.5 per cent.

Conspicuous among these societies were those of salary earners. Their number was 280 with a membership of 19,054 and a working capital of Rs. 34,42,214. Their owned capital was Rs. 26,78,350 which was 77.8 per cent of the total capital. Next in order ranked the urban banks, which numbered 124 and held a membership of 15,590. Their working capital was Rs. 12,01,716 out of which the owned capital was Rs. 5,04,114.

Cotton Sale Societies were ten in number with a membership of 791, a working capital of Rs. 46,450 and an owned capital of Rs. 25,272. Loans advanced to members on the deposit of produce amounted to Rs. 3,08,696 as against Rs. 1,75,951 in last year. In addition to these there were eight other sale societies which dealt in agricultural produce other than cotton. Their membership was 1,256 and their working and owned capitals were Rs. 46,618 and Rs. 30,693 respectively.

Among individual societies the Co-operative Insurance Society made good progress. It enrolled 1,008 new members assuring a sum of Rs. 10,39,824. The total number of policy holders at the end of the year was 1,843 and the sum assured was Rs. 19,39,372. It received Rs. 42,962 towards first year's premia and Rs. 31,345 towards renewals, and earned Rs. 4,549 as interest on investments. The net profit was Rs. 2,838 which enabled the Society to declare a dividend of four per cent on paid-up shares. The life assurance fund stood at Rs. 71,455 at the close of the year. The Society has a promising future; and with the grant-in-aid of Rs. 10,000 sanctioned by Government for the purpose, it should be possible for it to educate the rural population in the benefits of co-operative insurance.

With the exception of 106 societies, the accounts of all societies were audited by the departmental staff.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE XXVIII MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE, MYSORE, 7TH OCTOBER, 1940.

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

We have assembled here under the shadow of a double calamity which has befallen the State and the Royal House of Mysore. The loss we have sustained by the untimely demise of Their Highnesses the Maharaja Sri Krishnaraja Wadiyar Bahadur and the Yuvaraja Sri Kantirava Narasimharaja Wadiyar Bahadur is universal. The invaluable services rendered by Their late Highnesses to the State and its people have left an indelible mark on the pages of History. Their names will go down to posterity as the makers of modern Mysore. On this occasion, I most respectfully beg to express our sincere and heartfelt sympathy to His Highness the Maharaja and the members of the Mysore Royal Family.

There is, however, fortunately no cause for any apprehension regarding the future of Mysore and its people. In the midst of the calamity referred to above, it is our singular good fortune that His Highness the Maharaja Sri Jaya Chamaraja Wadiyar Bahadur should have succeeded to the Throne of his ancestors. In him, we have an enlightened Ruler, with University education coupled with an intimate knowledge of men and things acquired by extensive travels in the Far East and the West. He has inherited the traditions of a glorious past. I respectfully beg to express our loyalty and devotion to the Person and Throne of His Highness the Maharaja whose historic broadcast speech on the auspicious occasion of his Pattabhishekam on Sunday the 8th September 1940 is a forerunner of yet greater things in store for Mysore and its people.

The continued economic depression of the last decade, coupled with the European War, has had its repercussions on the economic life of the country and this in its turn has acted adversely on the working of the Co-operative Movement. While the number of new societies registered during the year was only 41, a large number of societies ceased their working. There were at the end of the year 1939-40, 1895 registered societies as against 1899 at the beginning of the year. There was no appreciable change in membership, deposits, turnover and reserve fund.

The operations of the Land Mortgage Bank were extended to five more Taluks and one Sub Taluk, during the year. At the close of the year, 33 Taluks, 4 Sub Taluks and portions of 3 Taluks had been brought under the Land Mortgage scheme. The number of Land Mortgage Societies at the close of the year was 42, with a membership of 5,928 and share capital of Rs. 1,25,700. The Central Land Mortgage Bank had a share capital of Rs. 1,09,900 and debenture capital of Rs. 10,91,700. It has sanctioned so far loans to the extent of Rs. 14,06,325 in 1215 cases and a sum of Rs. 12,61,610 in 1074 cases, has been disbursed. The net profits of the Central Land Mortgage Bank amounted to Rs. 19,327.

The Mysore Provincial Co-operative Apex Bank had to its credit yet another year of useful service to its constituents. It had, at the close of the year, a paid up capital of Rs. 2,49,060 and held deposits of Rs. 23,31,413. Its reserve and other funds amounted to Rs. 3,06,696. The Bank sanctioned during the year Rs. 2,90,940

in respect of 88 applications for loans received from its affiliated societies. The recovery of loans during the year was better than in the previous year owing to the sustained efforts of the officers of the Bank and the Department. The percentage of overdues to the total loans at the end of the year was 77.15 as against 79.12 at the end of the previous year. While the percentage of overdues to the total outstanding went on gradually increasing for the previous ten years, the increase was arrested and brought down during the year. The Government were pleased to make available to the Bank the sum of Rs. 1½ lakhs sanctioned by them for granting advances to House Building Societies. They were also pleased to permit the Bank to draw Rs. 2 lakhs against the cash credit of Rs. 5 lakhs sanctioned by them. The appointment of the Official Secretary was continued during the year, the Government agreeing to bear a moiety of his salary and allowances. The Bank has made a net Profit of Rs. 34,312. (on cash basis). The Bank may be said to have now turned the corner.

Greater attention of the Co-operative Department was given to the organisation and development of Co-operative Marketing of Agricultural produce. The Plantain Growers Society of Hiriur, the Fig Marketing Society of Ganjam in the Seringapatam Taluk, the Fruit Marketing Society of Talur in Belur Taluk, the Bee-Keeper's Society of Saklespur, the Malnad Areca Marketing Society at Shimoga, the Cotton Growers Society of Maradihalli in Hiriur Taluk, and the Central Paddy Growers Society of Mysore have done very good work and have achieved remarkable success in their work. Formation of societies for the supply of Koleroga (areca pest) sprayers and chemicals in the Malnad tracts of Kadur and Shimoga Districts, for the marketing of eggs, Ragi, Paddy, Jaggery, Potatoes and other commercial crops are under contemplation. It is hoped that these societies would grow in number and importance and contribute their due share to the economic regeneration of the agriculturist.

The Mysore Co-operative Institute conducted Co-operative Training Classes both at Bangalore and Mysore. In all 50 students underwent training and 10 were declared successful at the examination held at the end of the training period. Their names have been recommended by the Registrar to various societies in the State for employment. It is hoped that the societies will give sufficient opportunities to these trained young men to serve the movement. The Co-operative Journal continued to be published regularly during the year. In order to make the Institute really useful, it is essential that all societies in the State should get themselves affiliated to it and contribute a portion of their net profits to the funds of the Institute.

It is understood that the question of amending the Mysore Co-operative Societies Act is under the active consideration of the Government. The Co-operative Movement is no doubt essentially a democratic movement. But I cannot help remarking that the development of the Movement on rational lines has been retarded owing to the existence of many evils in its working. Though I ardently wish that we could get on without Government control I must confess that, taking conditions as they exist, such control is necessary to eradicate at least some of the prevailing evils and prevent many of the abuses in the working of a number of societies. I may add that even in an advanced country like Japan, the Movement is under the strict control of the Government. Unless Co-operative Principles and what they stand for are well understood, no great success can be achieved. Defects in the working of rural societies are chiefly due to lack of competent men to manage them. It is obvious that we stand in great need of a band of trained and enthusiastic persons. Co-operative education and propaganda should be carried on with greater intensity.

I take this opportunity of expressing our appreciation of the services of Mr. M. Abdul Hukh, B.A., Registrar of Co-operative Societies who has been rendering yeomen service to the cause of the Movement.

I am very thankful to Rukn-ul-Mulk Mr. S. Abdul Wajid for the honour he has done us in acceding at somewhat short notice to our request to preside over this Conference. He is a distinguished and popular Administrator having held different appointments in the service of the State. As the head of the Revenue Department, he has acquired an intimate knowledge of the rural conditions and the needs of the rural population in the State. The relations between the Revenue and the Co-operative Departments must always be of the closest kind as their objects are identical: viz., that of ameliorating the economic condition of the masses and ensuring their upliftment. I am confident that with his wide experience of men and things and his keen perception and sound judgment he will be of great assistance to us in dealing with the various problems that will engage our attention at this Conference.

Extracts from the Presidential Speech by Rukn-ul-Mulk Mr. S. Abdul Wajid, B.A., Revenue Commissioner.

Co-operation in Mysore.—The Co-operative Movement in Mysore is now thirty-five years old having been sponsored by Government in the year 1905. The Departmental Administration Reports from time to time give us an idea of the various vicissitudes through which it had to pass. There are now 1900 Societies in the State with a membership of 1.4 lakhs, a share capital of Rs. 55 lakhs, deposit of Rs. 128 lakhs, a reserve fund of Rs. 37 lakhs and a total working capital of over Rs. 2.7 crores. The majority of these Societies are Agricultural Societies, credit preponderating. There are a few Consumers' Societies mainly in urban areas. Societies for the supply of agricultural requirements such as seeds, manures, implements, etc., are infinitesimal and co-operative marketing of agricultural products is yet in the embryo stage. Thus the co-operative system, existing as at present, is a lifeless imitation of a part of the great co-operative organisation; it exhausts itself practically in small credit societies without any organisation for all round better business, let alone better living. All that we have been able to do is to give the ryot cheap money and that too not to an extent he wanted but to the extent we could. Co-operation cannot succeed unless it is thorough and the whole organisation of society is shaped and modelled by its inspiring ideal. We have to envisage the problem of the villager as a whole. We have to realise the need for co-operation between the various Departments of Government that are intended ultimately to ameliorate the condition of the peasant. We have to recognise the importance of the co-ordination of activities of various agencies working for village uplift. Education, sanitation, medical relief, prohibition, agricultural improvement, cottage industries, reduction of litigation, co-operative purchase and co-operative marketing, all these have to be interlinked. What a comprehensive scheme of Co-operation can do for an economically low placed and mainly agricultural people like ours has been made abundantly clear in Ireland and Denmark.

The Co-operative Movement in Mysore has so far done no more than scratch the surface in the field of the reduction of agricultural indebtedness, the provision of credit for agricultural pursuits and the application of the co-operative principle to the varied processes of Agriculture from the cultivation of land to the sale of the agricultural produce and the leading of a better life. The Agricultural Societies in Mysore number about 1,450 with a membership of 62,000 and a total working capital of Rs. 59 lakhs. Leaving aside the Land Mort-

gauge Societies which have come into existence during the last ten years and number 42, the majority of the other Societies, leaving a few exceptions, are more or less in a moribund condition with frozen debts for their assets and contumacious defaulters for their members. Such a state of affairs should no longer be allowed to continue and measures have to be devised for lifting the Movement out of the rut in which it finds itself to-day. Government have recently placed two important measures on the statute book viz., the Marketing of Agricultural Produce Act and the Money-lenders Act, which have immense potentialities for the good of the agriculturists, in the matter of the sale of the agricultural produce and the prevention of usury. There is therefore greater scope for the development of Co-operative Credit and Co-operative Marketing.

Form of Liability.—While on this subject I should like to say a few words on the two burning questions of the day. Multipurpose Vs. Single Purpose Societies and limited Vs. unlimited liability. The question of liability and its significance have not so far perturbed the minds of the Co-operators of Mysore as the unlimited contributory liability has not been invariably enforced in liquidation proceedings. Nor was the question of liability an important factor in the grant of credit to Societies by the Central Financing Institutions. Rural Societies have failed or achieved success not so much on account of the liability taken up by their members but on account of their good, bad or indifferent management. While the economic depression of recent years has no doubt been responsible for the partial failure of the Agricultural Societies, it should be admitted that their mismanagement by the members of the Committee has been mainly instrumental for the downfall of the majority of the institutions. Co-operators amongst us have not realized that it is their duty to see that a member does not apply for a larger loan than was absolutely necessary for a productive purpose and their obligation to see that the amount is wisely spent for the purpose for which it was intended, and that the contractual liability is duly discharged. It is only then that these Societies could flourish and be of real service to their members.

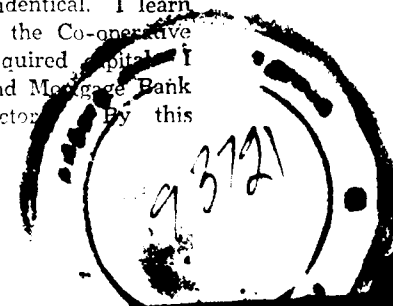
Multipurpose Society.—With regard to the necessity for the formation of Societies embracing all the phases of rural life, eminent authorities among whom can be counted many veteran Co-operators are divided. Some hold that when the villagers are unable to manage efficiently even such simple Societies as credit institutions, it is evident that they have not got the requisite capacity to handle varied activities. On the other side, the failure of the Co-operative Movement to achieve substantial results is attributed to the fact that undue emphasis was laid on the formation of Credit Societies, leaving the village folk to their old way in the matter of the supply of domestic requirements, sale of agricultural produce, etc. That the management of the Multipurpose Society is more complicated and requires greater knowledge is self-evident. One of the pitfalls of a Multipurpose Society in the present stage of education of the masses appears to me to be that the management or control of the Society may fall into the hands of one or two men of capacity of the village who may happen to be the only persons with sufficient knowledge to manage the Society and that there may be no one else to take their place to carry on the work. The remedy lies in the words of our late Yuvaraja who said:—"One of the greatest lessons of the West to us is the efficiency of team work. Our people have to be taught to bind themselves together as Co-operators for common ends, small or big. Co-operative education is, therefore, a paramount necessity. To achieve this, the desired end, it is necessary that people imbued with missionary zeal and patriotic fervour, who have faith in the immense potentialities of the Co-operative Movement for the good of the country should come forward in large

numbers to extend the Movement throughout the towns and villages of Mysore." My own view is that the fear that there may not be men available to carry on the work after it is started should not deter us but that wherever possible Multipurpose Societies embracing all the phases of village life, should be formed and that ordinary Credit Societies may undertake the recovery of their dues in kind, affiliating themselves to the nearest Marketing Society, thus paving the way for the Society gradually taking up other activities.

Relief of Indebtedness and Land Mortgage Banks.—The problem of relieving the agricultural classes from their chronic indebtedness and providing them with funds at reasonable rates of interest for the discharge of the prior debts and for their current agricultural operations had long been engaging the attention of the Government of Mysore. So far back as 1894 a scheme for the establishment of Agricultural Banks in the State was formulated and by 1899 there were 63 Agricultural Banks operating in various parts of the State with loan transactions amounting to about Rs. 14 lakhs the whole which had been advanced by Government at an easy rate of interest. But though these Banks were started with high hopes of success and lofty intentions, they unfortunately failed, due mainly to the want of co-operative spirit on the part of the people and secondly to the lack of proper supervision as to the use made of the loans that were advanced. After the Co-operative Movement came into existence in 1905 the scheme of Agricultural Banks was abandoned. The question of starting Land Mortgage Banks for the grant of long term loans recoverable in equated instalments including both principal and interest, spread over a large number of years, continued to receive the attention of the Mysore Economic Conference and the Government. The Samaldas Committee on Co-operation in Mysore of 1920 made certain proposals in the matter of the establishment of such banks particularly in the Malnad parts of the State which however did not fructify. The Malnad Improvement Committee placed the question of Land Mortgage Banks in the forefront of their recommendations. Subsequently Government appointed another Committee to examine the question and on their recommendations, Government ordered in 1928 that a Land Mortgage Bank be organised at Bangalore with its lending operations confined for the time being to four taluks. Certain special concessions by way of remission of stamp duty etc., in the same way as to Co-operative Societies were also sanctioned along with a promise to invest Rs. 5 lakhs in the debentures of the Bank. On the recommendations of the Royal Commission on Agriculture in India that the Land Mortgage Scheme should be brought within Co-operative Societies' Act, the same was suitably amended in 1929 to facilitate the formation and working of the Scheme and the Scheme was actually brought into operation in 1929 and the Bank was organised. At present there is the Central Land Mortgage Bank at Bangalore and 42 Land Mortgage Societies with their operations extending over 39 Taluks, 4 Sub taluks and portions of three Taluks. Loans to the extent of Rs. 12.6 lakhs have been issued to 1074 agriculturists.

While the area of operations of the Scheme is being gradually extended to other areas and the goal is to cover the entire State with a net work of Land Mortgage Societies dispensing long-term credit to the agriculturists, there is a persistent demand for a more rapid extension of the scheme to all the parts of the State, as the condition of the agriculturists everywhere is identical. I learn that the question of extension depends upon additional staff in the Co-operative Department and upon the ability of the Bank to raise the required capital. I think that both these questions could be solved easily. The Land Mortgage Bank work could be entrusted to the ordinary Co-operative Inspector. By this

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arrangement co-ordination between the Land Mortgage Scheme and the ordinary Co-operative Societies would also be ensured. Side by side with expansion, the question of the punctual recovery of the instalments of loans is assuming importance. Any large use of the powers of distraint of crops should be deprecated. Another question is the procedure to be adopted for recovery of the balance outstanding after the sale of mortgaged properties. The law provides for the Bank or the Society being put in temporary possession of the mortgaged properties. The management of lands in such cases is beset with many practical difficulties.

The utility of Land Mortgage Banks for the liquidation of prior debts, especially by combining their operation with those of Debt Conciliation Boards is receiving attention both in British India and Indian States. The Committee appointed by Government in 1934 to consider measures of relief to the Agriculturists to tide over the economic depression recommended, among other things, that a measure of debt conciliation may, with advantage, be tried so that the standing debts may be brought down within the repaying capacity of the debtors. Accordingly Government sanctioned the introduction of the scheme in 6 Taluks as an experimental measure and the scheme has since been extended to two more Taluks. There is clamour from the Taluks where there are Debt Conciliation Boards and for the establishment of Land Mortgage Banks. This question will be taken up after Government pass orders on the very interesting and valuable report of Mr. Ramakrishnayya, Assistant Secretary who was deputed to examine its working, indicating the defects, and suggesting the lines on which action may be taken to make the scheme of Debt Conciliation more advantageous.

Land Problem in Co-operative Societies.—The Apex Bank, which is the pivot of Co-operative Finance in Mysore, was in a flourishing condition prior to the depression days. The Societies indebted to it have in recent years been compelled to acquire lands, in the course of the coercive proceedings, the management and disposal of which have become a problem, on the practical solution of which depends mainly the future well-being of the entire rural Co-operative Movement in Mysore. Is the policy of taking these lands by the Bank or by its constituent Societies the right policy? How are they to be managed so as to be remunerative and not an additional burden on the already hard hit Society? If not what is the best way to dispose of them when there is no demand for them or when the prices are going down? How to liquefy these frozen debts, prevent the debtors from losing their all and to become owners of their patrimony, without at the same time spelling disaster to their creditor-societies and the Apex Bank? These and other allied problems are of vital importance and require immediate solution. I was very glad to know that under the able guidance and the inspiring lead of my valued friend Mr. Kuppuswamy Iyengar a larger portion of the debts have been collected. I offer on your behalf our deep thanks to him and wish him continued success. The huge funds handled by the Co-operative Movement, have been secured, it should be remembered, mostly by deposits made by pensioners, widows, minors, etc., and let it not be said that the Co-operative Movement, while replete with potentialities for the good of the people, is equally capable of spelling ruin and disaster all round.

Urban Co-operation.—The brightest spot in the Co-operative Movement of Mysore is, I think, the urban portion of it. There are about 400 Co-operative Institutions in the urban areas of the State with a membership of 70,000 and a total working capital of Rs. 1.3 crores. They are with few exceptions financially quite strong. They have, every one of them, gathered sufficient funds of theirs and have all built up substantial reserves and many of them own very decent

buildings. They are fairly well and efficiently managed but I regret they have not developed their business to the required extent and brought within their beneficent aegis many of the town dwellers as is apparent from the fact that the money lenders are still carrying on a trade in the urban areas, lucrative to them and disastrous to their victims. I have wondered while attending the opening of these houses as to whether the purpose of the Society could not have been served by a less costly structures and that money so saved better utilised.

Co-operative Marketing.—For the prosperity of the agriculturists, besides the timely monsoons, the most important factor is an effective marketing system, by which the profits of the series of middlemen, will be saved to the producers themselves. The attempts made in this direction by the Mysore Co-operators are not at all adequate. In recent years attempts appear to have been made to sell areca, fruits, honey etc; but they cannot be said to have passed beyond the experimental stage. The importance of this branch of work to the prosperity of the agriculturist has been stressed by the Royal Agricultural Commission. The Co-operative Societies that take up this work could count upon a lot of help from our Marketing Officers who have done a lot of investigation with regard to the best markets for our agricultural produce.

Consolidation of Holdings.—One of the greatest handicaps of agriculture in Mysore as also in India is the endless fragmentation and subdivision of land. Not only is the total size of the average holding too small but it is also scattered in a number of tiny plots situated at inconvenient distances from one another. The causes of this subdivision into uneconomical plots are the growing pressure of increasing population on the land due to the absence of a corresponding expansion of the industries, the growth of the spirit of individualism responsible for the break up of the joint family system and the operation of the Hindu and Muslim laws of succession.

On the recommendation of the Agricultural Board of the Economic Conference a Committee was constituted in October 1931, "to determine the nature and extent of sub-division and fragmentation of holdings in the State and the practicability of bringing about the consolidation of the same." The Committee went into the matter thoroughly and one of their recommendations was: "Propaganda by the Co-operative Department with a view to familiarising the rural population with the ideas of consolidation and its advantages." Here is an opportunity for the Department to extend their activities for the great benefit of the ryot population.

Women and Co-operation.—The famous French Missionary Abbe Dubois, who passed a life time in India in close and intimate contact with people pays a high compliment to the women of India. He wrote that: "In the management of their domestic business, Indian women in general show a shrewdness, a savingness and an intelligence which would do honour to the best house-wives in Europe." The Abbe speaks in even more flattering terms of the women of the working classes:—"Besides the management of the household and the care of the family which are under their control, the wives and daughters of husbandmen attend and assist their husbands and fathers in the labours of agriculture; many females are shop keepers on their own account, and without a knowledge of the alphabet or of the decimal scale, they keep up by other means their accounts in excellent order, and are considered as still shrewder than the males themselves in their commercial dealings. In short there is no kind of work, no kind of trade in a civilized society in which the Hindu females are not seen actively engaged and occupying a conspicuous place."

It cannot be that those virtues have disappeared from our women in the course of the century that has elapsed since Abbe Dubois wrote. Could not those innate excellences of our women be harnessed to make the benefits of Co-operation more general? I think we can. I have great faith that their advent in the Co-operative sphere will strengthen the Movement and remove many of the defects we notice in its working. The number of Ladies' Societies at the end of 1938-39 in Mysore was 12. They had a membership of 688, a share capital of Rs. 12,785, deposits of Rs. 2,772 and working capital of Rs. 19,112. Their total turnover amounted to Rs. 46,518 and a net profit of Rs. 949 was realised by them. The progress made so far can never be regarded as satisfactory. I hope and trust that greater efforts will be made in future to spread the Co-operative Movement among women.

New Era.—We are on the eve of a new era in Mysore. The Constitutional Reforms will be inaugurated soon. In the words of His late Highness the Maharaja "All constitutional progress relates to the enlightenment of the people and the quickening and utilising of their energies in the business of the State." Co-operators have a special mission in this respect. On their shoulders rest the responsibility for the creation of a greater Mysore. The vision of a better village and better Mysore must be brought home to every man, woman and child throughout the length and breadth of the country. I would appeal to every officer of every Department, every land-holder, every educated citizen in the State to realise that the privileged position which he occupies carries with it a special responsibility and a special obligation to his less fortunate brethren and that he must contribute his quota in the Movement for a greater and happier Mysore, which is the chief object of all reforms and the main plank of Co-operative effort. To quote our late Ruler once again: "Co-operation is another word for Brother-hood and Brother-hood is the index of Character and the basis of Nationhood. There is therefore, one simple way to make Mysore great and that is to let the spirit of Co-operation permeate every activity of its people."

Resolutions passed at the Conference.

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

1. This Conference once again urges upon the Government the necessity and desirability of constituting a Standing Committee of Co-operators elected by this Conference to advise the Registrar of Co-operative Societies and the Government on all matters concerning co-operation.
2. That the Mysore Provincial Co-operative Conference be made the constituency for the election of a representative for Co-operation to the Mysore Representative Assembly.
3. That at least one Inspector for every two Land Mortgage Co-operative Societies be appointed with a view to avoiding delay in disposing of loan applications.
4. That the rate of interest on the loans issued by Land Mortgage Co-operative Societies be reduced from 6 per cent to 5 per cent.
5. That the rejection of loan applications of agriculturists by Land Mortgage Co-operative Societies on the ground that the prior debts for discharge of which the loans are applied have not been contracted for agricultural purposes, is opposed to the Mysore Co-operative Societies Act and the bye-laws of the Bank and also the principles and policy underlying the Co-operative Land Mortgage scheme.

6. That this Conference recommends to the Co-operative Department as well as the institutions concerned that efficient arrangements be made for the growing and marketing of agricultural produce on a co-operative basis and for insisting on urban Consumers Stores Societies obtaining all their supplies from rural production societies.

7. That a coconut marketing co-operative society be formed in the coconut growing area.

(i) That weavers' Co-operative Societies be organised in suitable centres and be supplied with raw materials at mill-rates;

(ii) That cloths manufactured by them be purchased by the Stores Societies and Government;

(iii) That certificates recommending for the exemption from octroi and municipal duties be granted by Patels and Shanbhogues or Chairmen of Village Panchayats of the places where the certifying officers cannot be easily approached;

(iv) That half the existing railway rates be allowed in respect of transmission of goods to and fro;

(v) That mills be forbidden to manufacture cloths of 40 counts and below;

(vi) That a Marketing Officer be appointed to improve the handloom industry, to classify goods according to quality; and to arrange for the marketing of the products.

8. (a) That the Malnad Areca Marketing Co-operative Society, Ltd., Shimoga, be exempted from the operation of Stamps Act in regard to affixing half-anna stamps for vouchers and receipts over Rs. 20;

(b) That the subvention given to the Society be increased from Rs. 3,000 to Rs. 6,000;

(c) That the provisions of the Agricultural Produce Marketing Act and Grading Act be made applicable to Areca trade;

(d) That with a view to encouraging marketing co-operative societies in the State, the existing societies be helped by substantial reduction of goods tariff rates with special reference to areca nut.

9. (a) That raw materials for mat-making, etc., be supplied free of cost for Adikarnataka co-operative societies;

(b) That such societies be exempted from payment of octroi duties;

(c) That the Forest Department be permitted to give them bamboos free of cost.

10. That Government be requested to arrange for the execution of co-operative societies' decrees outside the State.

11. That the Staff Provident Fund of the employee of co-operative societies be exempted from attachment as in the case of other Government commercial concerns.

12. That the recommendation made by the Debt Conciliation Board in Mysore, (*vide*, Mysore Gazette dated 6th June 1940), that the concessions shown to co-operative societies under the Act now in force should be withdrawn is opposed by this Conference as such withdrawal will seriously prejudice the interests of the members of the primary co-operative societies and the Central financing banks.

**THE BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD.,
ANNUAL GENERAL MEETING, 21ST SEPTEMBER, 1940.**

Speech of Mr. R. G. Saraiya, J. P., Chairman of the Bank.

The twelve months that have elapsed since we met last have been one of the most eventful periods in the history of the world. The economic fortunes of India have been very considerably influenced during the last year by the progress of the War. There was a brief interlude during which it appeared that commodity markets would become buoyant, but the upward trend in prices was not maintained for more than a few months. The reaction that set in subsequently brought down prices to low levels, in the case of gul to a level below what prevailed at the outbreak of the War. The following table illustrates the changes that took place in the prices of the principal commodities produced in the areas financed by the Bank :—

	August 1939	Sept. 1939	Decr. 1939	March 1940	June 1940	
Groundnut seed	9 8 0	9 8 0	12 0 0	13 0 0	12 0 0	per palla
Cotton (Khandesh)	70 0 0	80 0 0	130 0 0	95 0 0	72 0 0	per full- pressed bale.
Gul	22 0 0	21 0 0	22 0 0	15 0 0	14 0 0	per palla
Paddy	2 8 0	2 8 0	3 6 0	3 0 0	3 0 0	per maund

(The above figures represent up-country prices taken from our branches)

A study of the figures indicates that the expectations entertained by some businessmen, economic authorities and administrations about the possibility of an appreciable rise in prices enabling agriculturists to improve their financial prospects were unfortunately not realised.

Primarily, the decline in prices has been due to development in the international situation, the entry of Italy into the War, the capitulation of France, and the loss of outlets on markets in Central Europe for a number of primary commodities produced by the cultivators in India like cotton, oil-seeds, jute, wheat, rice, etc. The decline in the return to the producers was accentuated by measures like the increase in Railway freight, exchange restriction regulation of exports to neutral countries, and difficulty of securing steamer freight for export of commodities. Some of these measures like regulation of exports have been due to the supreme necessity of the War, and represent the indirect contribution of the Indian grower to the Empire War-effort. Some of these, like the increase in Railway freight, have been premature and ill-advised, as the rising prices of September last were not sustained and did not stand the stress of the marketing period. Owing to the loss of markets, in the words of the "Economist" of July 13, 'we may witness the unpleasant and socially dangerous sequence of falling prices and rising stocks.' To continue the quotation from the "Economist":

"This problem must be faced; and it must be faced now, before the Nazis have had opportunity to foment discontent in the primary producing countries. So far as the British Empire is concerned, Great Britain has already undertaken to purchase the surplus output of the Empire's principal products, often for the duration of the

War. In addition, Britain is actively encouraging the growth of secondary industries in the Empire, chiefly for the production of munitions."

I am sure that the authorities in India are alive to this problem. Their inauguration of the War-Risk Insurance scheme for raw commodities, among others, bears witness to this. But they must go further; they must see that the assurance of Great Britain, referred to above, is made effectively applicable to the primary products of this country, that the resources of the Reserve Bank are fully utilized through co-operative and other agencies to enable producers to hold their produce whenever it is felt that prices have slumped to an unreasonably low level. In a world crisis like the present, the authorities must rise above and find a way to meet the routine, legalistic or orthodox obstacles which may stand in the way of broadening the base of the financial structure of our country. I make no apology for this apparent digression. Ours is primarily a farmers' bank, our prosperity is linked with their prosperity, and it is our privilege and our duty to put forward their case as our case.

Apart from the fall in prices, in parts of the province, particularly in those parts of Gujarat which are served by the Bank, in certain portions of the West Khandesh and Nasik Districts and in Thana, crop conditions were unsatisfactory. The last named district had a poorer outturn than during the last 20 years, while relief works had to be opened in the Dohad and Viramgam areas.

Turning to the accounts, I may observe that a comparison of this year's balance sheet with last year's will show that the total resources at the disposal of the Bank were nearly the same at the close of the year as at the beginning. The only increase that has taken place is in respect of deposits from societies, the figures of which would, however, have been much larger had it not been for the withdrawals by some of these institutions that occurred in the closing few weeks of the year. As was the case with joint stock banks and the post office savings banks in some parts of the country, co-operative banks in one part of the province, including our own branches on that side, also had to meet withdrawals due to unjustified panic. To meet the withdrawals and to prepare themselves for future contingencies, the banks in these parts, as also a few ones elsewhere, either drew largely upon the Apex Bank or made arrangements to draw funds at short notice. The demand was sudden and short-lived in September-October and more insistent though gradual in May-June. It speaks volumes for the care and vigilance with which the affairs of these banks are administered that they have been able to emerge through the crisis almost unscathed. That demands aggregating to 25 to 30 lakhs were met on both the occasions by the Apex Bank almost as if it was a normal operation, indicates the strength and solidarity of the mutual business relations that have grown up between our Bank and the affiliated banks in various parts of the province. It also exemplifies the soundness of our own liquid position.

The arrangements for securing for ourselves temporary accommodation were supplemented during the year by the credit limit that we have secured from the Reserve Bank of India. This credit is, however, only against Government securities and we have so far found no occasion to draw upon it. Discussions still continue with the Agricultural Credit Department of the Reserve Bank of India about the lines on which accommodation can be obtained by the discounting of co-operative paper under Section 17 (2) (b) of the Reserve Bank of India Act. Certain aspects of the position are, however, under examination by the legal advisers of that Bank. I need hardly stress the necessity of this development, particularly in abnormal times like these through which we are passing.

Another reaction of the War on our finances is referred to in the Directors' Report. With the outbreak of the War, there was a heavy drop in the prices of Government securities. There was a subsequent recovery but again a recession set in after the intensification of hostilities in the middle of May. Prices have improved since the close of the year, but the position is bound to remain uncertain so long as the present abnormal conditions last. The course of action that the Bank should adopt in the circumstances was naturally a matter of much concern to your Board, and, arriving at the conclusion recorded in their Report, they have had the benefit of the advice of the Registrar of Co-operative Societies. Fortunately for us, the bulk of the Bank's holding is in securities which mature before 1954. Owing to the change in the policy decided upon in 1938-39, the major portion of which investments were made at a discount, so that if such securities continue to be held till their redemption, any drop in the market value can be safely ignored. There are however, some securities purchased at a premium and we desire that these securities, when they mature, should stand in the Bank's books at par. To secure this object, it will be necessary to write off the difference between the cost price and the face value, and we propose that for every security of this type an equal allotment should be made out of the annual profits from year to year until the security matures for repayment. On this basis, the aggregate contribution that requires to be made for the year that has ended is Rs. 16,000. I may remind you that when an abnormal drop in prices of securities occurred in 1931-32, a special procedure had to be adopted while drawing up the balance sheet.

It will be seen from the Report that the Directors propose that a dividend should be declared at the rate of $3\frac{1}{2}$ per cent. per annum. This rate is half a per cent. lower than the rate allowed in the past two years. Even then the amount to be carried forward is somewhat lower than in the previous year. The reduced dividend is a reflection of smaller profits due mainly to our conversion of premium securities with a high current yield into discount securities with a lower current yield. Also the Directors felt that in the existing abnormal conditions it would be wise to conserve the Bank's resources especially as the scale of profits was showing a declining tendency owing to the necessity of keeping a liquid position and the difficulty of expanding the Bank's business with co-operative societies and co-operative banks. In view of the reduced rate of dividend, your Directors regret they have not been able to recommend the payment of any bonus to the staff.

Total advances of all types were Rs. 98 lakhs at the close of the year. This figure included purely short term advances aggregating to Rs. 28 lakhs against agricultural produce, Government securities, fixed deposits and other tangible securities. This represents an increase of 7 lakhs over the previous year's figure of such short term advances. This you will agree, is a healthy development. Equally welcome is the decline amounting to Rs. 7 lakhs that has taken place in ordinary, long-term and land improvement loans to societies and in outstandings from societies in liquidation. Fresh advances by way of ordinary loans amounted to Rs. 19,12,166 and repayments to Rs. 23,20,227. Considering the unfavourable conditions of crops in several areas and the heavy drop in the price of gul, the figure of repayments cannot be deemed unsatisfactory. Though there was a reduction in the loans due by societies in liquidation, the fact that over half the total number of societies in liquidation paid little or nothing during the year is disconcerting. The work of liquidation consists of two parts, the issue of liquidation orders and the execution of these orders in accordance with the special procedure prescribed in that behalf. In almost all the districts covered by the Bank's operations, Special Recovery Officers were available in the season for the work of execution, and the absence of recoveries referred to

earlier from this point of view, is particularly disappointing. Your Directors are in correspondence with the Registrar of Co-operative Societies with a view to remedy this situation, as far as possible. Moreover, central financing agencies which are the parties principally concerned in the expeditious disposal of liquidation work have approached Government for their being appointed to take charge of liquidation, and this Bank too, after discussion with the Registrar, has drawn up proposals for its being entrusted with the work of liquidation of societies indebted to it. As orders on the subject were not received from Government before the close of the year, the duties could not, however, be transferred to the Bank during the recovery season. The reduction that has taken place in the outstandings from societies is mainly due to the vigorous policy of compounding debts which was actively pursued in the year, especially in the Deccan canal areas, under the personal direction of the Registrar. The compromises effected or sanctioned by the Registrar, are based principally on insistence on substantial cash payments, thus securing a quick realisation of a part of the frozen loans of societies in return for a partial or, where necessary, entire remission of interest. The release of lands held by societies has been achieved in some instances, and in others recoveries have come in from persons whose debts were looked upon as doubtful if not bad. On the other hand, the substantial remissions in interest that have been granted have reduced the margin for profit available to societies out of which it might have been possible for them to cover the losses by way of bad debts. Taking all these factors into consideration, the Directors had the position in regard to the bad and doubtful debts of the Bank thoroughly re-examined. After this re-examination, they have found it necessary to strengthen the reserve for doubtful debts. It may be that now that debts have been compounded on a liberal scale in some of the most difficult areas, the position will not be adversely affected later when the Bombay Agricultural Debtors' Relief Act comes into operation. It is scarcely possible, however, to estimate in advance the effect of an enactment which has not yet been brought into operation. The best course will be the one we have pursued so far, namely, to review the position annually and to strengthen the reserve for doubtful debts from time to time, should such review necessitate action in the interests of financial safety.

There are two items on the assets side on which I think it necessary to offer some remarks. One is the loan granted to the Bombay Provincial Co-operative Institute on the security of the Sir Vithaldas D. Thackersey Memorial Building. In order to increase its value to the co-operative movement and to ourselves, we shifted to this building at the end of October last, and our business has remained altogether unaffected by the change of site. I should like to take this opportunity of conveying your Directors' thanks to all the customers of the Bank for their kindness to continuing business relations with it in spite of the present premises being situated at some distance from the heart of the banking locality. Discussions have ensued between the Board and the authorities of the Institute about the assignment of the building to the Bank and the payment to it of a sum of Rs. 20,000 from the accumulated funds of the Institute. These arrangements will result in preserving the building as a memorial to the distinguished joint founder of the Bank, Sir Vithaldas D. Thackersey, and will allow to the Institute the use of a portion of the premises on a nominal rent. One floor is occupied by the offices of the Co-operative Department, which pays, by a special arrangement, rent equivalent to the rent for the ground leased by Government to the Institute. It is difficult to discover on what basis the ground-rent was originally fixed, but in the present conditions of the property market it is nearly thrice the market rate in adjoining areas. The payment of the excessive ground-rent, even when set off against the office rent

for the second floor, upsets the basis of the building finance of the Institute, and we have made representations to Government for granting a substantial reduction in the ground-rent.

The other items to which I should like to make a reference is the closing of the Land Mortgage Department of the Bank and the final disposal of the balance of the deficits that have accumulated as a result of the operations of that Department. Unless this deficit is met by Government, "it will have to be met out of the Bank's ordinary income or made good out of its reserve fund," as pointed out in the Directors' Report of the Bank for 1929-30, when land mortgage operations were first undertaken by the Bank. The Bombay Provincial Co-operative Land Mortgage Bank took over some of the loans of the Land Mortgage Department. Of loans amounting to Rs. 1,99,804-13-8 outstanding at the close of the year, that Bank has still to take over additional loans amounting to Rs. 1,04,995-10-7. The balance that remains outstanding thereafter, both by way of principal and interest, will be part of the ordinary operations of this Bank. During the course of the next few weeks, the Directors hope to place before Government a statement of the outstanding loans, the provision for doubtful debts in respect of such loans, the working losses incurred by the Bank on this business and the other claims that may have to be met by reason of the Bank having entered upon this business at the instance of Government. This was indeed pioneering work at that time. Land Mortgage Banking in Madras was generously subsidized by the Government of Madras in the initial stages. Similar assistance was also extended to land mortgage organizations in this province after the experimental pioneering work had been done by this Bank for nearly five years. For this reason and also in view of the discussions which had ensued when the work was entrusted to the Bank, justice demands that Government will recoup the losses in the operations of the Land Mortgage Department of the Bank after they have been finally ascertained and properly assessed.

The energies of the Bank have been so largely absorbed during the year in the consideration of questions relating to the consolidation of our operations that the major part of my address too has been devoted only to these aspects of the task before us. That does not, however, indicate any lack of appreciation on my part of the need for the extension and development of our activities. The Bank has kept itself in touch with the new developments that are contemplated, such as the organization of multi-purpose, better-farming and marketing societies. Our aim is to secure ordered progress in all these directions, and we shall not be disappointed if in the earlier years the pace of progress is somewhat slow. A village co-operative society which seeks to attend to the manifold economic needs of the rural population presents a much more difficult proposition than the ordinary credit society with which we are, so far, familiar. Much will depend on the lines on which the societies conduct their operations during the first few years and the kind of guidance that they receive. The Bank has tried to chalk out the path along which the initial operations may be directed, especially in their financial aspects. Similarly, the Directors have expressed their desire to assist in schemes for the extension of facilities for marketing of the produce of members of agricultural societies. They have already agreed to open a few more sub-branches and branches for this purpose, and to take the work in hand at some existing branches which are not served by separate purchase and sale organizations. It will be unwise, however, to force the pace of development. The exercise of strict financial control, the maintenance of systematic accounts, the observance of caution in trading and proper attention to quality and grade of the product these are some of the essentials of success in marketing. It is indeed fortunate that we have in our midst an association of banks 'the Bombay Co-operative Banks' Association' established last

year, which can formulate well-considered programmes of development that will be acceptable to all central financing agencies and which can make available the fruits of the experience of one of these agencies for the benefit of the others. It is also in the fitness of things that the development of marketing stands in the forefront of the programme of the Association which has opened a training class in marketing for the benefit of the staff of its member banks. These steps on the part of the Association are indicative of the way in which I would wish co-operative banks to face their responsibilities in the future—to consolidate present achievements but not to hesitate to go forward. When they go forward, however, it should be only after careful thought and preparation.

Before concluding, I must refer to an example of co-operation and of sacrifice set by your Managing Director. You will probably remember that he was called upon to serve on the Textile Labour Enquiry Committee. Although able to devote sufficient attention to the affairs of this Bank, he voluntarily gave up half his salary to which he was entitled. Your Directors have placed on record their appreciation of this act of self-sacrifice on the part of Mr. V. L. Mehta, and I am sure that you will endorse this.

I must also express here the appreciation of the Board of the loyal and devoted work of the staff. It is the Board's regret that it has not been possible to propose a bonus for them this year. The Bank has, however, sanctioned a Dear-Food Allowance payment to the lowest paid members of the staff.

THE SIND PROVINCIAL CO-OPERATIVE BANK LTD. ANNUAL GENERAL MEETING, 5TH NOVEMBER, 1940.

Extracts from the speech of R. B. Shivratan G. Mohatta, Chairman of the Bank.

At a time when the poor people are hard hit by the conditions created by war it is incumbent on us to try to uplift them economically as well as socially and my experience of the last three years as Chairman of the Bank proves to me beyond any doubt that this could be best achieved through co-operative institutions which offer great scope for service to the poor and needy. The object of starting co-operative societies was to help the small land holders and haris and it was expected that the wealthy and big zamindars will co-operate and help their poor brothers by themselves joining the societies and guiding their less fortunate brothers.

The recent examination of debts of agricultural co-operative societies by the Valuation Officers however reveals numerous instances, where big land holders, who are mostly chairmen of societies formed in their villages, have themselves taken huge benami loans in the names of their haris and have for several years in the past deliberately avoided to repay these loans. But the blame for default is being thrown on the poor haris in the same way as the blame for murders is being hurled at them at present. Being defaulters themselves in many cases for fairly substantial sums these leading men are loathe to take any steps to put the affairs of their societies on a sound basis. These persons constitute an element that obstructs the process of rehabilitation and reorganisation of the primary societies.

The fullest facilities have been allowed for revision or reduction of interest and the grant of time for repayment on the lines approved by the Registrar, C. S. Sind and the Government. I take this opportunity to request those who have the

capacity to meet their liabilities to avail of the concessions. They should not shove their responsibilities on others. Government were pleased to make the position clear in a communique issued by them in May last that wilful default will not be tolerated and I trust that the well-to-do co-operators will not give occasion for taking any coercive measures against them.

I am glad to inform you that in order to strengthen the machinery for the supervision of the primary societies, a central Provincial Board of Supervision with the Registrar, C. S. Sind, as its Chairman, has been recently set up. This Board will effectively co-ordinate the efforts of different units of the field staff engaged in the work of recovery and the rehabilitation of primary societies. The control of the Provincial Supervision Board came into force on 1st September 1940, and its good working is reflected in the recoveries made during September, which for the first time for several months have exceeded even the recoveries of the peak year 1936-37. The recoveries for the first quarter of 1940-41 show an increase of over 25 per cent over the previous year's figures for the same period. The aggregate recoveries last year (1939-40) were 50 per cent more than the recoveries effected during the previous year 1938-39. This steady improvement in recoveries is a healthy sign and I trust the same will be maintained throughout the year so as to reach the peak year figure.

There is a widespread practice in Sind for the agriculturists to effect advance sale of their produce before it is harvested in order to pay land assessment to Government and to meet other pressing demands. The natural result of such a forced sale is that they get less price for their produce, as money lenders and others take advantage of the helplessness of the producers. In order to help such zamindars and to save their produce from being sold under any pressure, the bank has sanctioned a scheme by which advances will be made to individual zamindars, through Zamindari banks at a low rate of interest on the security of standing crop. These crops, when harvested, will be sold at the discretion of the owner so as to enable him to realise the best possible price. As an experimental measure the scheme was introduced this year in the Tharparkar district where loans have been advanced against standing crops through the Mirpurkhas Zamindari Co-operative Bank. The Bank is prepared to extend the scheme to the remaining districts in Sind through the Zamindari Banks operating in those areas. Sufficient funds will be made available for the purpose, provided satisfactory arrangements are made for the storing of the produce and other conditions laid down in the scheme are carried out by the Zamindari Banks concerned. It is for the Zamindari Banks and their members, for whom the facility is intended, to make the scheme a success.

This bank has been doing all in its power for the rehabilitation and reorganisation of the primary societies in close co-operation with the Government who are anxious to place the movement on a firm footing. The Valuation Committees appointed to examine the debts of individual members of agricultural societies have in consultation with the Registrar, C. S. Sind, recommended remissions in past interest for a large number of deserving members amounting to Rs. 6½ lakhs, and reduction in future rate of interest and/or cancellation of same in case of several other members which would amount to a saving of about Rs. 40,000 annually to the members. The Committees have also recommended instalments against most of indebted members of 508 agricultural societies examined by them and such instalments amount to Rs. 5½ lakhs annually as against net total debt of about 32 lakhs.

With the approval of the Registrar, C. S. Sind, effect is being given to these recommendations subject to the condition that instalments will be punctually paid

by the members concerned. If default is made in the payment of instalments, not only interest concessions would stand forfeited but even the loans will be liable to be recovered at once. The work of examining societies not examined by Valuation Committees is already in hand and members of these societies will also be allowed similar concessions in interest etc., in consultation with the Registrar C. S. Sind, who is very sympathetic in such matters. I may here state that the charge levelled from a certain quarter that poor people are being harassed for re-payment of loans is not correct. Action is being taken only in cases where the borrower has got enough land and ability to repay out of the income of the land but avoids to do so. On the contrary bank is even advancing fresh loans to agriculturists but it is restricted to honest and industrious members who are particular to return the same.

Any programme for the upliftment of rural masses cannot be effectively carried out, unless some sincere and self-less workers from amongst themselves take up the work in right earnest as a matter of service to their people. For the uplift of agricultural masses, effective service could best be rendered through the agency of co-operative institutions. In the future healthy growth of the co-operative societies lies the hope for the economic and social upliftment of agricultural masses. I take this opportunity to suggest that at least one or two self-less and sincere workers from amongst the educated persons in each village and town should join their respective societies and chalk out a programme of economic and social betterment of the members of their respective societies on the following lines:—

1. To educate members to make proper and productive use of the loans raised through societies and to repay the same punctually out of the crop for which the loan is raised.
2. To advise them not to raise loans from usurious moneylenders and others so as to have all their financial dealings with the society.
3. To encourage thrift to provide reserve for rainy days by stopping all unnecessary expenses.
4. To educate them to avoid all expensive customs prevailing in the villages and to be economical on necessary ceremonial occasions.
5. To encourage running of cottage industries during leisure hours in order to supplement their income from agriculture.
6. To inculcate the use of improved seeds, improved implements and right kind of manures in order to improve the quality and increase the quantity of their produce.
7. To explain to them about watering the different crops at the proper time, and to keep portion of their lands fallow to be cultivated by rotation so as to secure better results.
8. To organise joint marketing of the members' produce through a co-operative sale society to avoid middleman's profit.
9. To introduce the use of stud bulls and cattle breeding on scientific lines with a view to improve their stock for better farming and better milk yield.
10. To educate them to settle their disputes by arbitration and avoid litigation.
11. To improve village sanitation by removal of all filth to manure pits and by use of well ventilated open dwellings under healthy surroundings.
12. To educate young and adults to organize at least an elementary knowledge of the 3 R's.

I am sure if selfless educated people instead of merely passing resolutions in conferences undertake the above work through the agencies of co-operative societies, the great problem of rural upliftment would be easily solved. It would then be possible to establish village banks catering to all the economic needs of the village people including agriculturists, the artisans and others as suggested by the Reserve Bank of India in one of its leaflets.

Sind has vast area of agricultural land and plenty of water. In my humble opinion there is no need of repudiating our liability for the Sukkur Barrage debt. If the leaders and well wishers in each district and village of Sind could come forward to help cultivators to bring vast areas of barren lands under cultivation and to increase the crop yield by improved and scientific methods of cultivation, we can easily repay the debt and be able to provide for nation building departments in the Province. What is required is incessant work and labour in the right direction.

Development of cottage industries is very essential, on one hand to supplement income from agriculture and on the other hand to keep the agriculturists busy during their spare time. Besides cottage industries in the rural areas, floatation of large industrial concerns should be encouraged in centres producing the required raw materials. If we want that there should be no crime and if we think that even the idea of repudiation of debt and any other obligation is not a good thing, let us come forward and join our hands as real co-operators and help our brother cultivators, who are the back-bone of our Province.

My speech would be incomplete without reference to the constructive work for the overhauling of the co-operative movement that has been carried out during the days of Mr. G. V. Bedekar, I.C.S., the present Registrar of the Co-operative Societies in Sind. The Valuation Committees referred to above were appointed in his days. The Provincial Board of Supervision has been formed as a result of his efforts. It is during his time that Government have agreed to the Debenture issue of Rs. 25 lakhs for this bank with Government guarantee as to both principal and interest. Pending the issue of debentures Government have agreed to grant cash credit facilities to the bank if necessary. The model bye-laws for agricultural societies have been revised and I understand he has moved the Government for several important amendments to the Co-operative Societies Act and the Rules which when passed will place the Movement on a firm footing. He takes keen and sympathetic interest in the progress of this bank and affiliated agricultural societies. He has given a lead to the Urban Banks in Sind to have their own federations and has suggested certain reforms for their better working. I thank him for all that he has done for the Movement in general and the agricultural societies in particular. My thanks are also due to the Government for appointing an I.C.S., Registrar, and I would request them that if they wish the Co-operative Movement a real success, they should keep an I.C.S. officer as Registrar because he would never be influenced by any of the political parties and would therefore be an impartial officer.

I am glad to inform you that our deposit position has shown considerable improvement during the first quarter of 1940-41. Our total deposits now stand at about Rs. 70 lakhs as against little over Rs. 63 lakhs on 30th June 1940. I beg to extend on your behalf our heart-felt thanks to our depositors for their combined trust and confidence in the Bank which has done and will always do its utmost to protect their interests. In view of the financial backing of the Government and the improvement effected during the last 3 years in the working of this Bank and the affiliated agricultural societies, I am in a position to assure our depositors that any monies kept as deposit in this Bank are safe and that their trust is in no way misplaced.

EXTRACTS

THE WAR AND AGRICULTURAL PRICES IN INDIA *

By

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(a) **Agriculture:**—Following the sharp rise in the prices initiated by the war, high hopes were entertained regarding improvement in the prospects of the Indian agriculturist. It was thought that the cultivator would be able to wipe off his debts and make better profits after a prolonged and trying period of depression. It was hoped that the Co-operative Movement, which had been suffering from the incubus of heavy overdues would be relieved of that burden and would thus receive a welcome stimulus. Actually, the cultivator did not derive a substantial benefit even when prices were high during the first four months of the war as he had already parted with his produce. After the new harvested crops came into the market it was only for a few weeks that commodity prices ruled high enough to confer any tangible benefit on the cultivators who did not wait for still higher prices. The subsequent slump in prices has adversely affected the purchasing power of the agriculturists and led to a deterioration of the economic conditions in the rural areas as shown by the reduced domestic demand for mill cloth. The limited revival of prices, which is in evidence during recent months, is to be greatly welcomed. At the same time the present agricultural situation is causing considerable anxiety owing to the accumulation of stocks of raw materials, like cotton, oilseeds, jute; and Government are being urged to take steps to deal with the problem of surplus stocks and of finding alternative markets for Indian agricultural staples in lieu of those closed during the war.

(b) **Industries:**—The change brought about by the outbreak of war in the economic situation was also conspicuous in the sphere of Indian industry where the depression prevalent at the beginning of the year in such major industries as jute was virtually transformed into prosperity. The contraction of imports, the war orders of the Government and the general rise in prices were expected to stimulate industrialization of India and to ensure high industrial profits. Indeed, for a while, the stage seemed to be set for a widespread industrial boom. This was reflected in the rise of the index number of industrial securities from 98.5 in August 1939 to 130 in the last month of the year. While the war has undoubtedly given a stimulus to the industrial development of India, thanks to the war effort of the newly created war departments like the Supply Department, the earlier hopes were not destined to be fulfilled. The recession of prices, the decrease in the demand in the rural areas for industrial products, the difficulties regarding imports of machinery, essential stores and accessories, the in-

* Extracts from the paper of Mr. S. G. Beri, on "Price Trends during the last decade and their Effects on Indian Economy" submitted to the 24th Indian Economic Conferences, Mysore.

crease in the cost of production (partly due to grant of dearness allowance to workers), the levy of the Excess Profits Tax and the difficulties of exporting manufactured goods from India, are some of the factors which have militated against rapid industrialization. Even the jute mill industry which has considerably benefited from the war demand, is not doing well as shown by the heavy fall in the prices of raw jute and jute manufactures and the curtailment of production. Apart from the loss of some of the important export markets the initial heavy rise in the price of jute manufactures has stimulated the process of resort to substitutes like cotton bags especially in U.S.A. The production in the textile industry was actually less in the year 1939-40 than during the previous year. The plight of the sugar industry is well known. It is suffering from over-production and lack of export markets. The deterioration of the industrial situation is reflected in the decline of the index number of industrial shares from its peak of 130 in December 1939 to 109 in August 1940. In recent months certain amount of industrial recovery has taken place. There has recently been increased consumption of home-grown cotton by the textile industry, which has received fresh Government orders for the Army in the Middle East. The new defence programme is responsible for the upward swing in the production of steel and pig iron. The production of paper has also revealed a welcome increase.

There are indications of returning confidence. The growing war effort of India for her own defence and her importance as the central source of supply for the Empire, as also the assurance given by the Commerce Member that essential industries started during the war would be protected against unfair competition after the war, may be taken as pointers which revive hopes of expansion of industries and of upward trend of industrial prices and profits. This is to some extent indicated by the revival of prices of industrial products like jute and cotton manufactures and the steady undertone in the industrial share markets.

(c) **Cost of living:**—The rise in wholesale prices, especially during the earlier period of the war, has naturally affected retail prices and the cost of living, and this has created a demand for dearness allowances. A large number of industrial disputes occurred in the country on this account and, dearness allowances have already been granted to workers in some industrial centres to neutralise the rise in the cost of living, which is shown by the increase in the Bombay Working Class Cost of Living Index Number (1934=100) from 106 in September 1939 to 114 in January 1940. The Index Number dropped to 110 in April. It rose thereafter to 114 in August, but came down by 2 points in September 1940. The rise in the cost of living has been checked to some extent by the price control measures already mentioned.

(d) **Trade:** (i) **External Trade:**—The outbreak of the war in Europe in September 1939 changed the Indian trade position. The export movement was accelerated, while imports declined owing to greatly enhanced insurance costs and difficulty in obtaining freight. The following table compares the foreign trade for the five months preceding and the seven months following the war with corresponding periods of 1938-39.

In crores of Rupees.

April to August				September to March		
	Imports.	Exports.	Balance of Trade.	Imports.	Exports.	Balance of Trade.
1938-39	59.59	66.17	+ 6.56	92.21	103.06	+ 10.85
1939-40	70.10	77.13	+ 7.03	94.62	136.50	+ 41.88
Percentage change.	17.6	16.6	6.8	2.6	32.4	28.0

The total foreign trade in merchandise during the year 1939-40 increased by 17.6 per cent to Rs. 378.34 crores, while the balance of trade recorded a rise of Rs. 48.90 crores. The total exports rose by 26 per cent, from Rs. 169.35 crores to Rs. 213.62 crores mainly owing to increased demand for Indian produce and rise in prices that followed. The exports of Indian merchandise showed an increase under jute manufactures, raw jute, raw cotton, wool and tea. On the other hand, exports of grain, pulses, flour and oilseeds declined. The improvement in the exports was made up of a rise of about 20 per cent., in the price level and 4 per cent., in quantum. The total value of imports rose by 8.51 per cent to Rs. 164.72 crores. Most of the items showed increases of which oils recorded the largest amount. On the other hand, imports of machinery of all kinds and iron and steel declined. The import prices increased by 6.4 per cent., and the quantum by 2 per cent. Thus the figures showed that the cessation of trade with Germany was more than neutralized by the extension of trade elsewhere.

The figures of the Foreign Trade of India for the five months ending August 1940 show that the total exports of merchandise amounted to Rs. 82.51 crores as against Rs. 73.63 crores in the corresponding months of the previous year. The increase in the value of exports may be attributed partly to the increased offtake of the United Kingdom and partly to the higher level of prices. Total imports of merchandise during the first five months of the financial year 1940-41 amounted to Rs. 65.59 crores as compared with Rs. 70.52 crores in the corresponding period of the previous year. Exports during the five months ending August 1940 showed decreases under most of the items including cotton, tea, and raw jute. The only item to record a substantial increase was jute manufactures. Under imports most of the items showed increases of which oils recorded the largest amount. On the other hand, sugar, machinery, and cotton yarns and manufactures showed decreases. It is noteworthy that while exports of Indian merchandise in August 1940 were higher by Rs. 0.85 crores as compared with the previous month, they showed a decrease of Rs. 1.65 crores as compared with August 1939. Imports into India during August 1940 were Rs. 1.28 crores less than in July 1940 and Rs. 3.77 crores less than in August 1939. This shows the deterioration in the foreign trade position in August 1940 as compared with the corresponding month of the previous year, and illustrates the effects of the loss of the Continental markets.

(ii) **Inland Trade:**—The quantity of Inland Trade increased from 760 million maunds in 1938-39 to 808 million maunds in 1939-40, the highest since 1933-34.

The improvement in the inland trade is also shown by the increase in the total gross earnings of State-owned railways from Rs. 94.38 crores to 97.96 crores, the highest since 1929-30, and in the total number of wagons loaded from 72 lakhs to 75 lakhs, the largest recorded since 1928-29.

(e) **Public Finance**.—The reactions of price fluctuations on Public Finance during the war period may now be briefly indicated. The most obvious effect is the levy of the Excess Profits Tax on war profits accruing from the higher level of commodity and industrial prices and larger demand for certain articles for the prosecution of the war. The second is the increase in railway fares by 1 anna in the Rupee applicable to fares exceeding a rupee and in goods rates by 2 annas in the Rupee as from last March 1940. This was justified by the Government on the ground that there were big uncertainties of expenditure, and revenue, e.g., the railways might be called upon to grant increased wages to their workers owing to rise in the cost of living and pay higher prices for coal and other materials. The rise in the price level and the brisk demand for their services offered them an opportunity of building up a reserve for absorbing the shock of diminished earnings, when the demand fell. The rise in prices also affected the cost of modernisation of the Army in India and generally the military expenditure apart from large direct increases in it. Besides the levy of Excess Profits Tax imposed to balance the Central Budget and the increase in Railway rates, the Central Budget for the year 1940-41 provided for an increase in the excise duty on sugar from Rs. 2 to Rs. 3 per cwt. and in the import duty on motor spirit from annas 10 to annas 12 per gallon. The Supplementary Budget introduced in November 1940, announced a surcharge of 25 per cent on Income-tax rates and increase in Postal rates. Sir Jeremy Raisman, the Finance Member, arguing in favour of additional tax increases during the course of his budget speech in March 1940, referred to the increase in the taxable capacity brought about by the war. The subsequent slump in prices has, however, weakened the force of this argument. Besides additional taxation, Defence loans were recently floated by the Government of India.

(f) **Currency, Exchange and Banking**.—(i) **Currency**.—The fluctuations in prices during the war have affected the currency and exchange position. The active average circulation of notes increased from Rs. 196.14 crores in September 1939 to Rs. 250.47 crores in June 1940, the highest figure on record. It declined to Rs. 228.67 crores at the end of October 1940. The earlier increase was due to increased trade activity in India and rise in prices which followed the outbreak of the war. The subsequent decrease indicates the effects of the slump in prices and the recession of business. The total amount of currency absorbed in 1939-40 amounted to Rs. 59.53 crores as against a contraction of Rs. 9.62 crores in 1938-39. The addition was made up of an absorption of Rs. 10.08 crores of rupee coin and Rs. 49.45 crores notes respectively. This was the largest absorption of currency excepting the year 1918-19 when it amounted to Rs. 94.20 crores. We have already noticed the large withdrawal of rupee coin and its adverse effects on the price level in India.

(ii) **Exchange**.—The rupee-sterling exchange has remained steady owing to the increase in the value of exports and the larger trade balance and this has enabled the Reserve Bank greatly to extend the external assets of currency by large purchases of sterling securities against expansion of currency. On the other hand, measures of exchange control which have been introduced during

the war, have had a certain degree of adverse reaction on exports and commodity prices.

(iii) **Banking**.—Although the immediate reactions of the war on money rates and bank deposits were somewhat adverse, the situation soon afterwards eased, especially after the reduction in the Bank of England rate from 4 per cent to 2 per cent. Money rates have tended to be easy following the expansion of note issue and rupee coin by the Reserve Bank of India against large purchases of sterling and considerable purchases of Treasury Bills. The Reserve Bank of India Rate has remained unchanged at 3 per cent. All this shows, that unlike the last war, the present war has not had adverse effects on the money market. As a result of the war and the higher prices prevailing, the advances of scheduled banks increased from Rs. 109.71 crores in September 1939 to Rs. 153.77 crores in April 1940. They declined to Rs. 103.08 crores at the end of October 1940. The increase in the Clearing House returns from Rs. 2,012 crores in 1938-39 to Rs. 2,308 crores in 1939-40 also illustrates the welcome effect of the war on Indian banking. The monthly Clearing House returns which reached their peak of Rs. 289.59 crores in December 1939 declined to Rs. 140 crores in July 1940 in consequence of the slump in prices and business activity.

Conclusions.—(i) **General**.—The foregoing survey of Indian price level trends during the last decade and their effects on the country's economy may now be brought to a close. In general, it may be said that the whole decade 1929-40 was a period of depressed prices for the agriculturists, barring short intervals, such as 1936-37, or again, the first four months of the present war period. The depressed state of the price level coupled with the disparity between agricultural and industrial prices has adversely affected the economy of an agricultural country like India, and has served to focus attention on some of its vulnerable features, such as her dependence on foreign markets for the sale of her agricultural staples and her predominantly agricultural character. Even before the war India's position as a competitor in the world markets had been seriously weakened. During the present war the loss of some export markets has further intensified the weakness. This clearly shows that sustained efforts should be made to bring about increased consumption of raw materials in the country itself by stimulating industrialization. Pending the realization of these efforts, it is necessary for the Government fully to explore the possibilities of extending India's export trade with the Empire and non-Empire countries by entering into suitable trade agreements. It may also be added that the efforts of the Eastern Group Conference and the Roger Mission should be mainly concentrated on the industrialization of the country so that a lasting benefit will accrue to India even after the war.

The predominantly agricultural character of her economy exposes India to grave risks of fluctuations of prices, especially in times of depression, which greatly affect the fortunes of the Indian agriculturist who lives on the margin. While agriculturists all over the world are in a weak position to resist a fall of prices as compared to industrialists, the Indian agriculturist is peculiarly vulnerable in this respect.

The Government should pursue steadily a policy of improving the earning capacity and of keeping up the purchasing power of the agriculturist. To this end, measures such as the improvement of the machinery for marketing agricultural produce, relief of rural indebtedness, development of subsidiary industries, land improvement etc., may be steadily pursued. The advisability of fixing

minimum harvest prices should also be considered, as these are unduly depressed owing to the heavy selling pressure on the market. It is also necessary for Government to follow an elastic Land Revenue policy under which relief in proportion to fall of agricultural prices is given to the agriculturist. Legislation to ensure similar relief in respect of the rent of land is also necessary.

The discussion of the effects of fall of agricultural prices in India shows how it totally unsettles the entire economic life of the country and indicates a need for maintaining the purchasing power of the agriculturists. While we cannot insulate our economy and render it immune from external price disturbances, we should nevertheless strengthen it in various directions. This indicates the urgent need for a comprehensive scheme of economic planning for India.

It may be suggested that in so far as price fluctuations are inevitable, the Government should adopt a progressive policy of capital expenditure on public works like roads, canals, railways, housing, forest development, etc., during periods of economic depression, taking full advantage of the prevalent low money rates and floating funds in the money market by borrowing for such expenditure, which has a large scope, having regard to the undeveloped condition of the vast rural areas in the country. While such a policy has its financial and other limitations, it may be pointed out that so far it has not been properly explored as compared to other countries. It is also necessary that the Reserve Bank should follow a monetary policy aiming at a suitable price level.

(ii) *Price situation during the war*:—So far as the present situation caused by the slump in prices during the war period is concerned, a few suggestions may be offered. In the first place, the price control policy of the Government should be limited to controlling profiteering and care should be taken to see that it does not check the rise of agricultural prices. In the second place, the Government must speedily devise, in co-operation with the business community, a scheme for tackling the problem of the surplus stocks of agricultural staples which at present are exercising a depressing influence on prices.

It appears that Government is at present considering the problem of agricultural surplus production with special reference to jute, raw cotton, groundnuts, and wheat. It is thought that if the prices of these can be stabilised at a reasonable level, it is possible that other commodities may find their own level without any undue depression of the price. Crop-planning or crop-restriction schemes have been advocated, but it is by no means easy to enforce this remedy in the conditions of Indian agriculture. Voluntary guidance may, however, be to some extent useful.

We may suggest for the consideration of the Government purchases of agricultural staples by them, both on their own behalf as also on behalf of Great Britain, of some of the Indian agricultural staples on the lines of recent purchases of Egyptian cotton made by the British Government or of wool clip in New Zealand and South Africa by the same authority.

The Government should make an effort to stimulate exports by giving, under certain conditions, financial aid to the export trade and may, in that connection, consider a scheme of exports credits organisation as in the United Kingdom.

A vigorous drive for finding alternative markets for Indian agricultural staples is essential, as also the immediate establishment of industries like the vegetable oil industry so as to ensure increased internal consumption of some of the industrial raw materials.

CO-OPERATIVE TRAINING INSTITUTES IN MADRAS PRESIDENCY

Government's Reorganisation Scheme.

With regard to the reorganisation of co-operative training institutes so as to place them on a permanent basis for training candidates for employment as supervisors and clerks in co-operative institutions, the Government have sanctioned the following arrangements:

Three stationary co-operative training institutes will be run annually at Rajahmundry, Tanjore and Coimbatore, and a fourth institute will be run at Anantapur once in two years. Each of the four institutes will be an independent organisation, the local Deputy Registrar being an ex-officio member on the Committee entrusted with the management of the institute. The institutes will provide a nine-month course, including practical training, and in addition will arrange to get local men to give occasional lectures on technical subjects. Short refresher courses for co-operative inspectors, supervisors and office-bearers of village societies are also proposed to be conducted by them. The Madras Provincial Co-operative Union will be the examining body.

The institutes will be normally run with the help of the tuition and examination fees collected from the students and voluntary contributions made by co-operative societies. Government assistance, where necessary, will be given in the form of either the loan to each institute, free of cost, of the services of a Co-operative Sub-Registrar as Superintendent or the grant of a cash subsidy equivalent to his actual cost. The institutes are likely to begin work under the new arrangement by the end of June, 1941.

PRESS COMMENTS

On the Proceedings of the Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association, held at Bombay on 18th and 19th Jan. 1941.

PROSPECTS BEFORE CO-OPERATIVE MOVEMENT

The recent meeting in Bombay of the Committees of the two apex co-operative organizations in the country—the All-India Co-operative Banks' and Institutes' Associations—was rendered notable by reason of the attention it served to focus on the broad questions of policy that face the movement all over India. The Hon. Mr. V. Ramdas Pantulu, who presided on the occasion, very pertinently asked the assembled co-operators to put to themselves the question: What was the contribution that the co-operative movement had made or could make in achieving the true aim of the Swaraj we wish to see established in our country—that aim being in Mahatma Gandhi's words, deliverance of the toiling yet starving millions from the dreadful evil of economic serfdom? In so far as co-operative Department of Government failed to adjust their activities to the requirements of this basic factor in our economic life, and refused to take note of the changes in economic conceptions that were taking place all over the world the co-operative movement would, in Mr. Ramadas Pantulu's view, fail to achieve substantial progress or confer appreciable benefits.

There is reason, as the discussion at the conference amply indicated, for the feeling of depression to which Mr. Ramdas Pantulu gave expression. In several parts of the country, especially those which are governed now by purely bureaucratic administrations, there is a growing divergence between the views of non-official co-operators and those of the permanent officers of the Co-operative Departments. Schemes or programme that were conceived or embarked upon by the popular Ministries are either deferred or abandoned. Nor is the Reserve Bank of India, despite the establishment of its Agricultural Credit Department, more responsive to the needs of the co-operative movement or more helpful in the solution of its problems. The one achievement that it has to its credit so far is the withdrawal of the concession of free transfer of funds through Government treasuries hitherto enjoyed by co-operative societies for their non-commercial operations. The joint session of the two Associations urged Provincial Governments to restore the concession as it would help in promoting rural economic development in all its aspects; it also pleaded for Provincial Co-operative Banks being placed on the same footing as scheduled banks in the matter of remittance facilities. Reference was made by Mr. Ramdas Pantulu in his speech to another aspect of the relationship of Co-operative Banks with Reserve Bank, namely, the provision of financial accommodation under Section 17 of the Reserve Bank of India Act. The provisions of that section, he observes, have been so interpreted as to make it practically impossible for the provincial co-operative banks in need of financial assistance to avail themselves of accommodation for approved purposes. In view of the situation created in rural areas by the slump in prices the joint session of the two Associations appealed to the Reserve Bank of India and the Central Government to secure an immediate modification of such of the pro-

visions of the law as stood in the way of financial assistance being rendered in the event of a major agricultural crisis developing in the country.

Both in Mr. Ramdas Pantulu's Presidential Address and in the Welcome Address of Mr. R. G. Saraiya, co-operators were adjured to study and attend to the larger economic issues which seemed to dominate rural economic life in India to-day. On the outbreak of the war, an attempt was made to control the prices of primary products. And the joint session of the Associations did well to emphasise that the measure for price control undertaken by Provincial Governments should not be such as to check or prevent a rise in commodity prices inasmuch as such a course of action might bring about a depression that would "operate to the serious economic detriment of the producers." As it is the country is faced now with the problems of stocks of various agricultural products accumulating because of the loss of European and certain other markets. It may be necessary, as was resolved at the meeting, to move the Central and Provincial Governments to take action to prevent the prices of staple, agricultural commodities from sinking to uneconomic levels. That is the main issue that confronts rural economy to-day.

—*The Bombay Chronicle*, Jan. 23, 1941.

A DISCREDITED SYSTEM

In his Presidential Address at the joint session of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association, Mr. V. Ramadas Pantulu strikes a despairing note about the future of the Co-operative Movement in India. What Mr. Ramadas does not know about Co-operation is not worth knowing. Not only has he given to the subject a life time of diligent study, he has been personally connected with the administrative working of co-operative societies, holding positions of vast influence and responsibility for very nearly two decades now. His indictment is not that of an opponent. It is the disappointed expression of a concerned friend. The greater therefore is the need for anxious thought over the view to which he has, with characteristic restraint, now given expression.

Officers of the Co-operative Department, complains Mr. Ramadas, have not established real contact with the people, they deal more with files and papers than with men and women. The complaint itself gives an inkling of one of the main deficiencies of the Indian system of Co-operative effort, which lies in the undue preponderance of official authority. In its genesis and conception, Co-operation was a substitute devised for State action, and the officialisation of the movement in India offends against the very spirit of the intention of its original founders. Let it also not be forgotten that the beginnings of Co-operation date back to nineteenth century England, when State Socialism had not yet come to be an accepted possibility, and the objective of social and economic reformers was to extend under unofficial leadership the range of benefits comprised in regular Governmental administration. The Co-operative Movement turned out to be a grand success in Europe because it was backed by a citizenry trained to a high standard of public spirit, but apart from other fundamental weaknesses the factiousness prevailing among a backward and illiterate population has been its undoing in India. No wonder if the greater part of the energies of Indian Co-operative workers has had to be expended in the apparently impossible task of persuading members not to disregard overdues or lapse into apathy over the obligation of repayment in the wake of loans.

The barrenness of Co-operative effort in India follows as an inevitable logical consequence from the low standard of citizenship duties that obtains on account of historical and administrative reasons, but an explanation of failure can bring no solace to a people whose condition suffices in itself to emphasise the need of improvement and redemption, of the kind contemplated by Co-operative activity. The way out lies through State Socialism. Co-operation flourished in Europe when Socialism did not figure on the scene, and since the insurgence of State Socialism, there has been a progressive transfer of functions from Co-operative societies to increasingly Socialised official institutions. The benefit associated with Co-operation can be realized in a backward country only through socialistic State action, and since anyway the movement in India has been declared a failure by its most leading exponent, wisdom seems to lie in the withdrawing of sentimental affection from a discredited system.

—*The Indian Express*, Jan. 21, 1941.

FUTURE OF CO-OPERATION

A depressing note was struck by Mr. V. Ramadas Pantulu in his Presidential Address to the joint session of the Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association at Bombay. "I am oppressed," he said, "by a feeling that the movement has no genuine future before it and that its contribution to our national life will be little if it has to be carried on within the limits set to it by the Co-operative Societies Acts in force in the various provinces and States and the daily increasing control of the Departments of Co-operation as at present constituted." Mr. Ramadas Pantulu did not indicate in his address in what manner the present co-operative statutes militated against the healthy growth of the movement. Where the law is a bar, the remedy is easy. But the charge that official control exercises a baneful influence on the movement and that the less it had of it the better for it is more serious and deserves to be examined. It is true if co-operation had developed in India, as in the West, from the bottom there would have been little occasion for official interference. Unfortunately the movement here has been super-imposed as it were from above and its dependence on official support was there from its inception. It is a lamentable fact that the movement has not so far attracted, barring a few notable exceptions, men of ability and integrity on a scale large enough to impress on it the character of a great popular movement. If the paucity of non-official leadership is admitted, we have to rely on official aid for the expansion of the movement. The Vijayaraghavachari Committee recognised this when they observed in their report that "the work and responsibilities of the co-operative department and of the Registrar have greatly increased in recent years, and will continue to increase in the immediate future." But they were not unaware, however, of the dangers to the movement implicit in excessive bureaucratic control over the societies and so, they pleaded for a decentralization of administration. To allege, therefore, that the present ills of the co-operative movement are due to the excessive control exercised over it by the Department, is to ignore the fact that without official patronage there might have been no movement worth speaking about at all. Unfortunately, moreover, in most instances official intervention has been necessitated by proved inefficiency and corruption. The Reserve Bank, for instance, has been constrained to comment on the inefficient way in which co-operative societies are run.

That does not, however, mean that the movement does not suffer to-day from the circumstances of its origin and growth. Official departments are not seldom slow to receive new ideas or to venture into new fields. The grip of routine forbids initiative. Mr. Ramadas Pantulu may be right when he complains that "officers of the Co-operative Department still hug to their bosom theories and practices of foreign origin some of which have become obsolete even in the countries of their birth." But here again, as in the case of non-official co-operators, there have been officials who have taken a genuine interest in the movement, of whom it cannot be said that "they have not yet established real contacts with the people and deal more with papers and files than with men and women." Mr. Ramadas Pantulu is also probably right when he says that the official reaction to the discovery of any defect in the working of the societies is to seek for more power to control them. It is true of co-operation, more perhaps than of any other field of activity, that you cannot legislate a community into it. And the best way of ridding the Indian movement of the many ills that beset it is to devote ourselves to the task of producing more and more efficient, capable and honest co-operators. That is a task primarily for non-officials. Once the movement is in a position to command the allegiance of a widespread body of co-operators, it would be able to stand up to official encroachments, when they are attempted, because it would then be a movement of self-reliant producers who have come together for the advancement of their common interests. They need not—they cannot in a country like ours afford to—dispense with governmental support in one form or other. But it is up to them to create a situation in which Government interference, as distinct from Government aid can be reduced to a minimum.

—*The Hindu*, Jan. 21, 1941.

CO-OPERATIVE NEWS AND NOTES

The Government of India have appointed a Facts Finding Committee to enquire into the conditions of the Handloom Weaving Industry in India with Prof. P. J. Thomas of the Economics Department of the Madras University as its Chairman. Prof. B. P. Adarkar of the Allahabad University is appointed Secretary of the Committee.

In his report on the *Marketing of Potatoes in India and Burma*, the Agricultural Marketing Adviser to the Government of India observes that the potato is an important money crop, the annual production being worth about Rs. 95,000,000. The acreage under cultivation has been on the increase, and in 1929 was 4,48,700. The yield per acre, however, is very low in India as compared with the rest of the world. In India, till recently, potato has been used only for table purposes and not put to any industrial use as elsewhere; but under the aegis of the Imperial Agricultural Council research on other uses has been considerably stimulated.

To co-ordinate and intensify the rural activities in the Province of Bihar, a Development Advisory Board with Mr. E. R. Cousins, Adviser to His Excellency, the Governor, as its Chairman and the heads of various Development Departments as members has been constituted by the Provincial Government with a view to co-ordinating and intensifying development activities in the Province. In each district small units of eight to ten villages will be selected for carrying on activities of the Board. In the first instance, the scheme will be conducted on an experimental basis in one unit in each district, where the activities of Agricultural, Public Health, Industries and other Development Departments will be concentrated and the results watched. The Rural Development Board will be employed to do mostly spade work in the form of propaganda in select units.

A co-operative organisation for the supply of electric motor pumps for agricultural purposes, has been started in the district of North Arcot of the Madras Presidency. The venture is the first of its kind in this province. Individual or State enterprises have succeeded to a degree in this direction, but this is the first enterprise on co-operative lines.

The Government of the United Provinces have, it is understood, decided to finance industrially-minded individuals and unregistered bodies and co-operative societies in the province for development of cottage industries. The maximum credit limit is Rs. 1,500 in the case of individuals and unregistered bodies and Rs. 5,000 for others. The loans are repayable in seven years and will bear interest at a rate fixed by the Government, subject to a minimum of 3½ per cent. The present move of the Government is intended to whip up more enthusiasm amongst independent-minded young men with technical skill.

The IXth All-Travancore Co-operative Conference and Silver Jubilee of the Co-operative Movement in the State will be celebrated in March 1941 under the auspices of the Travancore Co-operative Institute and the Trivandrum Co-opera-

tive Central Bank. Several conferences are arranged to be held along with the functions. Essay competition, elocution competition, etc., are arranged and winners in the competition will be awarded medals and certificates.

The Board of Economic Enquiry set up by the Government of Bengal is preparing the outlines of a scheme for an enquiry into the average yield and cost of cultivation of the principal crops in Bengal. The actual field work will be timed with the cultivation of *bhadoi* crops.

With a view to stimulating interest among the rural population for village improvement work, the Government of Bombay have decided to grant each year a prize of the value of Rs. 100 to one village in each district. The prize will be allotted to the village which is adjudged to have shown the best results in the various items of village improvement.

"The Government of Bhopal are considering a comprehensive report on Rural Development in the State submitted by a Committee of Experts appointed by the Government, and they are prepared to implement in practice the recommendations of the Committee." This statement was made by the Revenue Member replying on behalf of the Government of Bhopal to the debate on a non-official resolution recommending the formation of an experimental Advisory Board for a period of five years to advise and report to Government on various problems connected with the rural development in the State.

It is understood that the Government of Bihar have decided to undertake the rehabilitation of the Co-operative Movement in the Province on the basis of a scheme, formulated mainly on the recommendations of the Co-operative Rehabilitation Committee and the Board of Experts. It is estimated to cost the Government Rs. 49 lakhs, which will be spread over a period of five years, the allotment for 1941-42 being Rs. 17.7 lakhs. This does not include the net loss of Rs. 18 lakhs of the Provincial Bank which has been separately provided for. The scheme, which it is understood, has been sanctioned by the Government of India, provides a sum of Rs. 12 lakhs as contribution towards the loss of the central banks, Rs. 14 lakhs as revolving fund recoverable after five years for crop loans, Rs. 5 lakhs as subsidy to banks, Rs. 5 lakhs for free audit and Rs. 2 lakhs for special staff for liquidation.

The Government of Madras have, it is understood, decided to renew the grant of loans to Co-operative Building Societies during the next financial year on a restricted scale. Loans to building societies were stopped with effect from October 1939 as a temporary measure of emergency due to the War.

From a Press Note recently issued it is observed that during the 34 months ending with December 1940, the Madras Agriculturists' Relief Act has been in force, 1,53,000 applications under various sections of the Act involving Rs. 578,80,883 have been disposed of and the percentage of reduction to the amount originally due was 47.3.

ACKNOWLEDGMENTS

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

*Held at the premises of the Bombay Co-operative Institute,
Bake House Lane, Fort, Bombay.*

Saturday, 18th January 1941.

A joint session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association was held at Bombay in the premises of the Bombay Provincial Co-operative Institute, 9, Bake-house Lane, Fort, Bombay at 2-30 p.m. on Saturday the 18th January 1941 under the presidency of the Hon'ble Mr. V. Ramadas Pantulu. The session was attended by members from many of the Provinces and Indian States, as well as prominent co-operators of Bombay, official and non-official. The Registrars of Co-operative Societies of Bombay and Bengal and the Joint Registrar of Madras, and the Registrars of the Indian States of Indore, Jammu and Kashmir, Ajmer and Baroda, besides some Assistant Registrars and the Chief Marketing Officer, Bombay Presidency, also attended the session.

WELCOME SPEECH

Rao Bahadur B. V. Jadav, Chairman of the Bombay Provincial Co-operative Institute, and Mr. R. G. Saraiya, J. P., Chairman of the Bombay Provincial Co-operative Bank welcomed the delegates on behalf of the Institute and the Provincial Bank as well as the co-operators of Bombay.

Mr. Jadav said: It is my proud privilege as President of the Bombay Provincial Co-operative Institute to extend to you, Mr. Pantulu, and all the members of the two Committees our heart-felt welcome to this city. The co-operators of Bombay are thankful to you, Sir, for choosing Bombay as the venue of the joint meeting of the two committees. I congratulate you on this step and I trust that places of meetings will change from province to province in future years. It will give the co-

operators of each province an opportunity to meet and come in contact with stalwarts of the movement and to learn from them. This will surely help them to improve their knowledge of co-operation and get hints to improve their ways and methods. It will on the other hand afford opportunities to you to learn first-hand the condition of co-operation in each province and you will be able to judge whether the policy and methods can be improved or adopted in some other province.

The working of the Bombay Co-operative Institute is at present almost at a standstill. The constitution is undergoing a change. When the new constitution is adopted a fresh programme of work will be drafted, and I am confident that the Institute will be able to resume its work of pushing on the movement in many directions.

The humble room in which we meet is the principal part of what we call our Temple of Co-operation which is now placed at your disposal.

The movement is now passing through a critical state. The European war has now thrown its tentacles on Africa and a war has broken out between Thailand and French-Indo-China. Japan is bellicose and U.S.A. has assumed a determined attitude and has almost thrown a hint to Japan to beware to keep its ambitions under check. Currency, Finance, Trade and Commerce are so well managed by Britain that prices of agricultural commodities are not allowed to soar high. The condition of the peasant on account of low prices is not good. It is difficult for him to make both ends meet and the burden of his debt is not lightened. The affairs of some of the primary societies have become frozen and the condition of most of the central banks is not healthy. I trust that your deliberations will be successful in pointing a way out of this morass.

As yours is a business meeting, I fear I have taken more of your valuable time than is permissible. I once again offer you a warm and hearty welcome.

Mr. R. G. Saraiya, who then spoke, said that it was in the fitness of things that this joint session should be held in Bombay, at a time when the world was passing through a major crisis, and the co-operative movement was no exception. He said that the joint session should concentrate on the major issues, and the greatest major issue was the war. He welcomed the resolution proposed in this matter. In the first place the co-operators should express themselves definitely and profoundly against the aggressor-States of Germany and Italy where the so-called new order was the very negation of co-operative principles of free association, democratic government and equity as between man and man.

But the war was raising its own problems in India, and the co-operators should not lose sight of the major problems before the country, like the problem of surplus commodities and low prices caused by the war. Banking alone would not solve the problems of the farmer unless the problems of marketing, production, etc. were not solved. Greater emphasis on these was necessary, e.g., recent increase in railway freight, etc.

Another major problem was the linking of co-operative credit with the Reserve Bank of India. Co-operative paper to-day could not be discounted, and the technical and legal difficulties on the part of the Reserve Bank prevented even their financing of raw commodities, in actual practice, through co-operative banks. A broader spirit of understanding and the desire to actively help the movement in the present crisis is required of the Reserve Bank.

Mr. Saraiya also complained of the withdrawal of free remittance facilities to co-operative organisations and the distinction sought to be kept between Provincial Co-operative Banks and Scheduled Banks, and deplored that there was no co-operative director on the Central Board of the Reserve Bank.

PRESIDENTIAL SPEECH

The Hon'ble Mr. V. Ramadas Pantulu, President, thanked Messrs. Jadav and Saraiya for their kind messages of welcome, and addressed the meeting as follows:—

COMRADES IN CO-OPERATIVE SERVICE :

On an occasion like this, our first thoughts naturally go to those co-operators of the world who have been deprived of their freedom and right to carry on their co-operative activities by forces of brutal aggression; and to them we convey our sympathy. Let us also declare to the world our conviction that Co-operation provides the best basis for ensuring universal peace, freedom, security and social justice.

Since we met in October 1939 at Madras, the clouds that then began to appear on the international as well as the national horizon have become darker and the shadows cast by them have unfortunately become longer and deeper. When war broke out between Germany and England in September 1939 and the Congress Ministries in eight Provinces resigned in the next month, we hoped for the speedy establishment of peace in Europe and the early reinstatement of popular ministries in the Provinces without an unhealthy deterioration in the political situation in this country. But contrary to our expectations, the European

war, the end of which is not yet in sight though its ultimate outcome viz., the defeat of Nazis and Fascists is no longer in doubt, is not only having a prolonged course but is also expanding. Its effects on our rural and urban life are being increasingly felt and the future of the economic position of the agriculturists in particular is gloomy. Equally unfortunate is the rapid worsening of the political situation and the turmoil through which the country is passing, the end of which is also not yet in sight. It is a matter for deep regret to us co-operators that the Government of His Majesty and the Government of India have failed to do what they should have done to resolve the political deadlock in India and to secure the whole-hearted support of this country in this war by making it possible for her to co-operate as a free nation with Britain in the task of preserving democracy and establishing a new world order, based on true ideals of freedom for all nations. We, co-operators, who adhere to the principle of religious and political neutrality in the recruitment to our ranks can claim to collectively speak for all political parties in this country, and I believe that there is no political party in this country, whatever may be its denomination, that does not wish for a genuine and lasting understanding between Great Britain and India as free countries. Let us in the meantime do what we can to promote harmony among the several sections of the people by removing suspicions, bitterness and conflict, wherever we can do so, in order to make a united effort for the achievement of India's independence possible.

EFFECTS OF WAR ON THE CO-OPERATIVE MOVEMENT

At the thirteenth Conference of Registrars of Co-operative Societies held in Delhi in December 1939, it was taken for granted by the official as well as non-official delegates from almost every province that the prices of agricultural products were bound to soar up and that the peasant would suddenly find himself in an opulent position due to windfall of extra income and indulge in extravagance unless a campaign of thrift was promptly started and the surplus of income of the members was tapped by co-operative societies and banks. It was also feared that credit would unduly expand in the wake of rise in prices of land and its products. At the conference I expressed my view that the anticipation about any sudden or great rise in prices was premature. Since then surveys were made by experts of the price level trends and it has been found that the primary producer has not been benefited by what may be called a war boom in regard to prices of agricultural products. In fact, the Indian agriculturist has lost some of his export markets and the general feeling in this country is that the State has not done as much as it should have to explore the possibilities of expanding India's export trade with the Empire and non-Empire countries. It remains to

be seen how far the efforts of the Eastern Groups Conference and the Roger Mission will result in improving the position of the industrialist and primary producer in this country, and to find greater scope for utilisation of our raw materials by industrialists in the country.

We, as co-operators, primarily interested in the welfare of the agricultural community, should impress on our Governments two aspects of the question in regard to price levels. One is that while the price control policy of the Government may well be directed towards preventing profiteering by middlemen, nothing should be done to check the rise of agricultural prices to the detriment of the primary producer; the other is the problem of the surplus stocks of agricultural staples whose accumulation exercises a depressing influence on prices. We are vitally interested in these questions and must watch carefully the price control policies of the Government so as to ensure that the agriculturist in general, and the members of the rural societies in particular, do not suffer by such policies. The rise in prices will result in real economic benefit to the cultivators. I have often said in the past and wish to repeat on this occasion that I do not subscribe to the theory that rise in prices generally tempts the ryot to extravagance or adds to his indebtedness. This may be true of a few, particularly the bigger agriculturists, but not of the small peasant or the bulk of the agriculturists. Poverty is much more the cause of indebtedness than its result. The ryot has been unable for years to raise sufficient produce from his holding to meet even the cost of cultivation. The State in India cannot claim to have done anything to relieve him from the effects of the depression, the end of which we have not yet seen. So, let no artificial impediment be placed on the rise of prices in due course.

PROBLEM OF INDEBTEDNESS AND PROVINCIAL LEGISLATION

Among the many activities of Provincial Governments in the last decade, more particularly since the inauguration of Provincial Autonomy in the Provinces, which deserve special mention is legislation dealing with the problem of indebtedness in general and of agricultural indebtedness in particular. It is well known that the crushing effects of rural indebtedness became evident to the Central and Provincial Governments and those who had the welfare of the agricultural population at heart, when there was a catastrophic fall in prices of agricultural commodities. The inevitable consequence of such a fall was a substantial reduction in the income of agriculturists computed in money while the burden of their obligations to their creditors in terms of money remained undiminished. Along with moneylenders and other creditors of the agriculturists, the co-operative societies and banks also found that the repaying capacity of the members had diminished and that they were un-

able to meet their obligations to their institutions. So, co-operators are naturally interested in assessing the effects of the measures passed for the amelioration of the condition of the indebted agriculturists. We have not so far made any earnest attempt to study these measures in detail critically or to make our own contribution to the shaping of these measures. It is desirable to constitute a legislative Sub-Committee of the All-India Co-operative Institutes' Association to study provincial debt legislation and to formulate the views of the Association on the measures with due regard to local conditions and the needs of each Province. The pages of *the Indian Co-operative Review* will be thrown open for contributions on the subject from each province. Accounts of the working and results of the legislation for debt relief and control and regulation of moneylending and suggestions to further improve or modify such legislation are invited.

The Research Department of the Federation of Indian Chambers of Commerce and Industry has published an excellent monograph on provincial debt legislation in relation to rural credit. The monograph makes a comprehensive survey of the several debt relief measures passed by the various provincial legislatures. The Federation makes its own review of those legislative measures and offers its own comments on them. The treatment of the subject is on the whole sympathetic to the cultivator and friendly to the Co-operative Movement. But we cannot agree with some of the conclusions and opinions expressed. The problem is one with which we must grapple on our own peculiar lines and suggest to the several Provincial Governments and Legislatures the lines on which these measures should be modified or re-enacted.

Coming to our role in the system of rural credit, we as co-operators cannot agree with the following assertion of the Federation of Indian Chambers: "It should be clearly recognised that in spite of vigorous efforts to create a regulated rural credit system, the moneylender will continue to be the main source of credit to our rural population for a long time to come." I believe that the ideal of co-operators undoubtedly is to replace individual moneylending by a regulated machinery—provision for credit dispensed through recognised institutions. I for one do not feel that the replacement of the present system of moneylending by a sound system of rural credit through co-operative organisations, which will form an integral part of our organised banking structure, is beyond the region of practical politics. To an assemblage of co-operators like this, it is needless to point out the relative spheres of service to the community by joint stock banks and co-operative credit organisations. Each has its own distinctive functions to discharge. The joint stock banks, generally speaking, do not handle rural credit which involves cutting up

the resources of a bank into hundreds or thousands of small loans and collecting them in instalments so fixed as to suit the repaying capacity of the borrower and to make due provision for the vicissitudes of the seasons and other risks associated with agricultural industry. It is true that at the marketing end joint stock banks do come in. But even there they cannot adequately or properly serve the requirements of the agriculturists. Linking up marketing of produce, raised by agriculturists through productive effort organised on a co-operative basis, is a better and more rational solution of the problem. In a sound system of rural credit, short and intermediate credit for production and marketing, and long term credit for discharge of prior debts and acquisition and reclamation or improvement of agricultural land and the like should be distinguished, while all parts of the rural credit system should be placed on a correlated co-operative basis.

An apprehension is entertained in some quarters that legislative measures for regulation of moneylending and relief of indebtedness may result in curtailment or shrinkage of credit to agriculturists which may in its turn lead to denial of necessary credit facilities to carry on agricultural operations. But if co-operative credit societies are properly organised there is no reason why they should not be able to supply the short term productive credit of the cultivators. Having regard to the trend of events in many of the provinces, this hope of reorganising the co-operative credit societies so as to cater to as many economic needs of the agriculturists as possible, however, seems yet to be remote. It is for us to put forward concrete measures and strenuous effort to co-operatise as rapidly as possible the rural credit system of the country.

In order, however, to make the co-operative credit system an integral part of the banking system of the country, we need not only the sympathy but suitable action on the part of the Central and Provincial Governments as well as the Central Banking Institution of the country—the Reserve Bank of India. It is a matter for regret that so far the Reserve Bank has not given any practical proof of its sympathy with the Co-operative Movement, except by way of advice to reform the movement through the bulletins of its Agricultural Credit Department. It has so interpreted the provisions of section 17 of the Reserve Bank of India Act as to make it practically impossible for co-operative banks to derive any financial assistance from it for the production, movement or marketing of staple or commercial crops. Its latest deal to the co-operative societies is the withdrawal, with effect from 1st October last, of the remittance transfer facilities which the societies have been enjoying almost since the inception of the movement in 1904. It has not extended to the Provincial Co-operative Banks, their branches and affiliated central

banks even the facilities which are given to the Scheduled banks. Under the revised scheme promulgated by the Reserve Bank we are practically placed in the category of indigenous bankers. Before withdrawing the facilities, the Reserve Bank had not even the courtesy to consult the Provincial Co-operative Banks in India which have a defined place in the scheme of the Reserve Bank Act. I hope the Reserve Bank will give due weight to the resolutions of this meeting and so revise its scheme as to extend to Provincial Co-operative Banks, their branches and affiliated central banks at least the same facilities as are now given to the Scheduled banks.

The Government of India have now agreed to treat co-operative banks as companies for the purpose of levying supertax and not as associations of individuals as hitherto. This has resulted in substantial relief to co-operative banks and societies in regard to payment of supertax from 1940-41. Hereafter we pay a flat rate of one anna in the rupee for incomes over Rs. 25,000. But this relief is given by means of a provision in the Finance Act of 1940 and this provision, to be effective, must be re-enacted every year. We must continue to press for the relief being placed on a satisfactory statutory basis by a suitable amendment to the Incometax Act. The Government of India have further notified that the interest earned by a co-operative society on the deposits made by it in another co-operative society will be exempt from incometax. I hope that interest earned on investment by a co-operative society in the debentures of a co-operative land mortgage bank will be treated as a deposit with another co-operative society for purpose of exemption from incometax. This will afford facilities for investment of long term funds in land mortgage banks to the advantage of agriculturists. We are grateful for the concessions mentioned above.

I must, however, state that what we may gain by the concessions referred to may be lost by the surcharge on incometax announced by the Finance Member when introducing the Supplementary Finance Bill in November last and by the Excess Profits Tax. I hope the Government of India will examine with sympathy the question of exempting Provincial Co-operative Banks from the Excess Profits Tax.

SCHEMES FOR THE REHABILITATION OF THE MOVEMENT

At the joint session of the Standing Committees held in Madras just over an year ago we discussed at some length schemes for the rehabilitation of the movement in Bihar, Berar and Bengal. Much progress does not seem to have been made since then. Investigations still seem to be proceeding in all these provinces, though the respective Provincial Governments are said to have come to some conclusions regarding the lines

on which the Movement should be helped for its reconstruction. It is needless to say that it will become more and more difficult to resuscitate the movement if the process of investigation and the implementing of the Government's decisions are delayed much longer.

Bengal, however, has been more in the public eye of late than the other two provinces mentioned above. Pending the reconstruction of central banks and rural societies, a large number of new societies have been formed there for dispensing what are called crop loans for seasonal operations. This seems to have put some fresh life into the movement in that province. While the rehabilitation programme drawn up by the Registrar is still undergoing examination, there has been keen controversy over the new Bengal Co-operative Societies Bill, 1938 which had a somewhat stormy passage through both houses of the Bengal Legislature in the closing months of 1940. The controversy over the bill has unfortunately assumed an acrimonious character. I have dealt with the measure and the controversy over it in the issue of the *Indian Co-operative Review* just published and which would perhaps have been in your hands before you had left your homes for the meeting. I do not wish to cover the same ground here. I hope the co-operators of Bengal who seem to be sharply divided on this legislative measure, will join hands in making the scheme for the rehabilitation of the movement and resuscitating the central banks and societies a success. No Registrar can administer the movement in his Province merely on the basis of the drastic plenary powers given him under the Co-operative Societies Act. Many of these powers are bound to remain on the Statute Book as harmless weapons in his armoury, whatever may be the reasons for installing them there. It is a Movement which can only be carried on by the people themselves, with such assistance and guidance as the Registrar and his department may be able to give as friends, philosophers and guides of the Movement.

THE MADRAS COMMITTEE ON CO-OPERATION

Some of you must have by this time perused the Report of the Madras Committee on Co-operation recently published. The Report is frankly one which aims at stabilising the existing co-operative structure in the Province and improving it in directions which are likely to enhance the utility of the Movement to the people of the Province. The key to the recommendations of the Report will, in my opinion, be found in the chapter dealing with "Co-operation and Rural Reconstruction." The refrain of the Committee's song may be said to be "Give unto Caesar the things that are Caesar's", the Caesar being the villager. This is not surprising because the bearings of Co-operation on rural life are receiving increasing attention at the hands of all those who are interested in co-ope-

oration and the promotion of prosperity in rural areas. It is generally now realised that unless greater attention is paid to rural problems and something tangible is done to transform rural economy, which is now a deficit economy into a surplus economy, and to redress the balance between the town and the country, we cannot make genuine progress politically, socially and economically. The expressions, "agricultural organisation" and "rural reconstruction" now express more fully the nature and scope of the Co-operative Movement, "the modern conception of which," as the Royal Commission on Agriculture point out, "differs markedly from that at the close of the last century." Wherever agriculture is a predominant industry, Co-operation has come to be regarded as the normal basis of rural economic development. It is particularly true of India. If the Report of the Madras Committee is more valuable for one reason than any other, it is the recognition of this principle and the formulation of proposals intended to carry it out.

So much for the key to the interpretation of the Report of the Committee. The central recommendation of the Committee is that relating to a simultaneous pursuit of a comprehensive plan of revival and reconstruction of societies together with a five, seven or ten year plan of expansion of village credit societies and their organisation on a wider basis, the aim being to bring every village within the area of operation of such a society. The recommendations of the Committee on this matter are not unanimous. The principles on which the new societies envisaged by the Committee are to be constructed are considered to be heterodox by some of the dissenting members, who seem to think that the proposed organisation of village societies on a wider basis with limited liability will do violence to principles of proximity and corporate life which are believed to be the basic principles of the Raiffeisen type of village societies.

All shades of opinion on this important problem as well as on other aspects of the Report are being collected and published in the *Indian Co-operative Review*. I await the considered opinion of co-operators after they examine critically the differing view points. In this connection I may point out that the multi-purpose society of the type originally recommended by the Agricultural Credit Department of the Reserve Bank of India and which received wide publicity has not commended itself to the Committee, which, however, recommended that facilities may be afforded for the formation of that type of society and the results of its working watched. Informed opinion, both of co-operators and economists, is accumulating in favour of the view that the primary credit society would not gain much by being transformed into a multipurpose society of the type suggested by the Reserve Bank of India.

THE FUTURE OF THE MOVEMENT

I am oppressed by a feeling that the Movement has no genuine future before it and that its contribution to our national life will be little if it has to be carried on within the limits set to it by the Co-operative Societies Acts in force in the various Provinces and States and under the daily increasing control of the Departments of Co-operation as at present constituted. The modern conception of Co-operation to which I have already referred and its potentialities as a factor in the reconstruction of the economic life of the people have not so far penetrated the theory and practice of co-operation as understood and administered by the State Departments of Co-operation in India. In the new world order that is contemplated in India as elsewhere stress is laid on a more equitable distribution of wealth and better and equal opportunities of life for the rich and the poor. This is the gospel of Mahatma Gandhi. This is not a mere dream but the immediate objective of Mahatma Gandhi's constructive programme. To express it in his own words as nearly as possible, "Swaraj does not mean mere transference of power; it should mean complete deliverance of toiling yet starving millions from the dreadful evil of economic serfdom." What is the contribution which Co-operation has made for the propagation of this message or for the attainment of this aim? Changes in economic conceptions and adjustments in social order all the world over are taking place with bewildering rapidity and opinions of to-day are heresies of to-morrow. But Co-operation in India takes little or no notice of these new currents of national life in the spheres of production and distribution and in the field of industry, commerce, trade and finance all over the civilised world. Nor does our State-controlled and State-administered Movement take note of the fact that old forms of administrative machinery in all progressive countries are crumbling and are replaced by those which are better suited to the changing conditions of the people's life. Many departments of the State even in India are also being reorganised or remodelled so as to make them serve the people more effectively and in accordance with modern requirements. Nevertheless, the Co-operative Departments in the Provinces and States still remain steeped in old and out of date traditions, and their activities have not kept pace with the developing needs of the people. Officers of the Co-operative Department still hug to their bosom theories and practices of foreign origin, some of which have become obsolete even in the countries of their birth. They have not yet established real contacts with the people and deal more with files and papers than with men and women. They rely more on their statutory powers of control than on the efficacy of their ministrant services.

A perusal of the annual administration reports published by Registrars makes very painful reading. They invariably unfold a tale of woe

and attribute the failure of the Movement to want of character and capacity in our rural and urban folk from whom we draw our members and who look for guidance and help to the officers of the departments. It is neither a fair nor a true picture in my opinion. The one patent remedy of the Department for co-operative ills is the broadening, deepening and lengthening of those powers of statutory control. Such tightening up of the law has nowhere led to an improvement in the Movement. The Movement is indeed faring better in areas where official control is lighter.

I have many friends among the Registrars, past and present. Some of them have genuine sympathy for the people and are men with vision and some have a flair for work among the people. But they are merely the instruments of a wooden and anti-deluvian system which allows them little scope for exercise of their talents and faculties to render real and effective service to the people in accordance with the present day trends of national life. I feel that unless and until we build anew the whole structure of the Co-operative Movement and transform the Registrars into real "friends, philosophers and guides" of the people we shall not be able to achieve the aims and objects with which the Movement was started. Nor will the Movement show any more progress or confer any larger benefits on the people than it has done in these four decades.

DISCUSSION OF ITEMS ON THE AGENDA

The President said that before the House proceeded with the items on the agenda, it was their duty to express and record their sense of sorrow and sincere regret at the demise of three eminent co-operators—Mr. V. Venkatasubbaiya, Sir Daniel Hamilton and Mr. H. J. May—since the Committees last met at Madras. Mr. Venkatasubbaiya was well known all over the country as the Senior Member of the Servants of India Society in charge of the Madras Branch. He was connected with the Co-operative Movement in the Madras Presidency from its very inception to the last day of his life. He was one of the Joint Secretaries of the Madras Provincial Co-operative Union for a long time and Editor of the *Madras Journal of Co-operation* for a number of years. He evinced great interest in the work of rural reconstruction, and was an enthusiast in the cause of co-operative education, which he rightly held was the sphere of non-official bodies like the Madras Provincial Co-operative Union. He never sought the lime-light, fought shy of honours and devoted the whole of his life in the service of his fellow men. He was indeed an ideal Servant of India.

Sir Daniel Hamilton, in whose death not only Bengal but the whole of India lost a leader of unexcelled eminence, came out to India when he

was barely twenty. He was connected with the Movement ever since its inception in this country. Indeed, he served as one of the members of the Committee on Co-operation whose deliberations led to the passing of the Indian Co-operative Societies Act of 1904. The smiling co-operative land settlement at Gosaba was a standing monument to the earnest endeavour and the constructive ability of the august and generous leader. It was Sir Daniel's faith that if Co-operation was the best hope of Rural India, so was it also the best hope of Industrial India. Indian Co-operators owed to Sir Daniel Hamilton as great a debt as to Sir Frederick Nicholson.

The President then referred to the demise of Mr. H. J. May, the distinguished General Secretary of the International Co-operative Alliance. He first came into contact with Mr. May in August 1934, when he attended the International Co-operative Congress in London in September 1934, as an Indian delegate. He treasured in his mind the help and guidance which the energetic Secretary gave him not only during the sittings of the Congress but also outside in connection with his co-operative tours in the British Isles and in the Continent.

Mr. May entered the service of the Alliance in 1913 and was indeed the soul of the Alliance, having been not a little responsible for building up one activity after another in the quarter of a century which he served as its Secretary. He converted and enlarged the *International Co-operative Bulletin* in 1928 into the famous *Review of International Co-operation* which he actively edited till almost the day of his death. For brevity, clarity and strength, it would be hard to beat the contributions of Mr. May in the shape of articles and 'Notes and Comments' in the *International Review*.

Mr. May championed strenuously the cause of Universal Peace, pleaded earnestly with co-operators to exert all their influence with their national governments in favour of just and peaceful methods in settling international conflicts. He was among the first to organise relief for the refugees fleeing from the Fascist aggression and to secure for the co-operators among them an opportunity to begin life anew in co-operative circles of other countries. He was 72 when he passed away. He wanted to die in harness, and so he did.

The President then moved the following resolution, which was carried, the House standing:—

Resolution No. 1. *This meeting expresses its sense of sorrow and loss at the death of Mr. V. Venkatasubbaiya, Sir Daniel Hamilton and Mr. H. J. May and places on record its high appreciation of the eminent services rendered by them to the Co-operative Movement.*

The President then requested Khan Mohammad Bashir Ahmed Khan, Secretary of the All-India Co-operative Institutes' Association, to move the two resolutions relating to the present War and the international situation, which formed items 19 and 20 of the agenda.

Khan Mohammad Bashir Ahmed Khan moved the following two resolutions, which were duly seconded and carried unanimously.

Resolution No. 2. *This assembly of co-operators expresses its profound sympathy with all those co-operators who have been deprived of their freedom and right to carry on their co-operative activities, and whose countries to-day are suffering from the domination of forces of aggression which occupy their territories; declares its conviction that the co-operative system provides the best basis for a world settlement calculated to ensure Freedom, Security, Social Justice and Universal Peace; and calls upon all co-operative organisations and co-operators to exert their forces and influence to secure the restoration of full human rights and the inauguration of a new era of Peace based upon the co-operative principles of Free Association, Democratic Government and Equitable Distribution of the Resources of the world.*

Resolution No. 3. *The All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association should make all possible endeavours to impress upon the minds of the people of India and of the world, with the help of similar organisations in other countries, that all the devastating and monstrous wars which the world witnesseth are due to want of genuine spirit of co-operation among the people of all climes and countries and that co-operative organisations all over the world should consider it their primary duty not only to develop genuine spirit of co-operation among their own members but also among those who are still outside the fold of the Co-operative Movement, with the object of killing all spirit of antagonism, which is the root cause of all ruinous wars.*

REMITTANCE FACILITIES AND CO-OPERATIVE SOCIETIES.

Item No. 3 of the agenda, viz.

To consider the question of withdrawal of free remittance facilities enjoyed by co-operative banks and societies since their inception by the Reserve Bank of India from 1st October 1940,

was taken up for consideration. The President requested Mr. Vaikunth L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank, to address the house on the subject.

Mr. V. L. Mehta said: As desired by the President I beg to place my views for the consideration of this joint session of the Standing Committees of the All-India Co-operative Associations, on the subject of free remittance facilities to co-operative institutions. This is a subject which has been before us for the last 12 or 13 years. We used to have very prolonged, and sometimes acrimonious, controversies with the Imperial Bank of India and sometimes with Provincial Governments and the Government of India as well. But that was due to the fact that we were asking for a privilege which probably could not be extended to institutions which were doing general banking business. For the last ten years we have accepted the position that a distinction is to be drawn between remittance facilities required for what are deemed co-operative purposes and general banking operations. Hitherto, co-operative institutions all over India enjoyed the facility of free transfer of funds through Government treasuries and through branches of the Imperial Bank, where they were in charge of Government Treasuries, provided the remittances were intended for purely co-operative purposes. This was the position examined and reported by the various Provincial Banking Enquiry Committees. A demand was made that free remittance facilities should be allowed to co-operative societies even for ordinary banking operations. But that demand was definitely turned down by the Indian Central Banking Enquiry Committee; and that Committee said that while remittance facilities should be free of charge only for co-operative purposes, if transfers of funds were required for purposes other than co-operative, such transfers should be paid for on the same basis as joint stock banks. That was the position in 1930 and it continued until very recently.

In Bombay, at any rate, whenever the extension of free remittance facility was asked for for new centres, the stock reply that came from the Reserve Bank was that this question was under examination. Similarly, when the Provincial Banks' and Institutes' Associations put forward demands that with regard to transfer of funds intended to facilitate ordinary banking operations co-operative banks might be put on par with scheduled banks, the same reply was vouchsafed from the authorities of the Reserve Bank of India. Very curiously enough, during this whole process of consideration, at no stage was any attempt made by the Reserve Bank to get into touch with the Provincial Co-operative Banks and Central Co-operative Banks or with the Provincial Registrars of Co-operative Societies either.

With the introduction of Provincial Autonomy under the new Constitution and the arrangements made by the new Provincial Governments and the Central Government, it was the duty of the Provincial Governments and not of the Government of India to enforce the continuance of the facility. If the free remittance facility was to be continued, it could be done only if the Provincial Governments fed the wheel, and the Reserve Bank of India declined to bear the cost. The Provincial Co-operative Banks were never asked to meet round a table either here or elsewhere and all of a sudden in September last, the authorities of the Reserve Bank seemed to have made up their minds that the privilege of free transfer of funds, whatever may be the purpose, was to be withdrawn from a particular date. The Reserve Bank has issued a brochure entitled, "Remittance Facilities in India and Burma" from which it is found that so far as co-operative institutions are concerned, no fresh facilities were extended to them, but on the other hand the then existing facility of free remittances for co-operative purposes was withdrawn. Co-operative institutions of all types have been placed, very curiously enough, on the same category as approved indigenous bankers. There is only one distinction, viz. that the minimum charge for transfers below Rs. 5,000 is lower for co-operative institutions than it is for indigenous bankers. The Reserve Bank has thus rejected our demand that in respect of transfer of funds for co-operative purposes we should enjoy the facility of free remittance transfer receipts and that in regard to transfer of funds for other purposes, Provincial Co-operative Banks should be placed on the same footing as Scheduled banks.

I suppose in other provinces protests have been raised and representations made to the Reserve Bank of India and the Provincial Governments. In Bombay, representation was first made to the Reserve Bank and then to the Provincial Government, which is still under consideration. I may mention here that prominent co-operators, representing the Co-operative Banks' Association, had an interview with the Adviser to His Excellency the Governor some time back; and the Government have not yet passed their final orders on the subject.

It is with regard to the other aspect of the matter, viz., placing of co-operative banks on the same footing as scheduled banks in respect of remittance facilities that the Reserve Bank is having some discussions with the Provincial Bank in Bombay. In reply to the representation made by us, the Reserve Bank observed that Provincial Banks had already been given "more or less the same facilities as the scheduled banks for all practical purposes." The only facilities which scheduled banks enjoyed and the Provincial Banks did not were: (a) facilities for free remittance of funds of Rs. 10,000 or multiple thereof between accounts maintained with offices or branches of the Reserve Bank, (b)

facilities for free remittance of funds of Rs. 5000 or multiple thereof once a week to their principal accounts from places at which there was an agency of the Reserve Bank, and (c) a concessional rate of 1/64 per cent for other remittances to their principal accounts.

It was pointed out by the Reserve Bank that facility (a) could not be availed of by Provincial Banks because they rarely kept their accounts at more than one place. With regard to concessions (b) and (c) it was observed that they had been given to scheduled banks primarily for the purpose of enabling them to maintain statutory balances with the Reserve Bank of India. Since Provincial Banks did not maintain such balances the question of extending these facilities to them did not arise. It was added that when Provincial Banks did, however, maintain balance as was necessary in case they desired to borrow from the Reserve Bank, they would be entitled to concessions (b) and (c).

The matter was further pursued with the authorities of the Reserve Bank in order to clarify the position and see whether it would be worthwhile for the Provincial Banks to maintain a minimum balance with the Reserve Bank equal to 2½ per cent of their demand liabilities and 1 per cent of their time liabilities on the Reserve Bank agreeing to place the Provincial Banks on the same footing as scheduled banks in respect of remittance facilities. As a result of these discussions the following points are placed for the consideration of the Provincial Banks:

(i) The concession referred to in (a) will not be available either for remittances between two Provincial Banks or for transfers between accounts maintained by Provincial Banks at more centres than one. It is not the practice for an office of the Reserve Bank to open an account for a Scheduled or Provincial Bank at a place where the latter has not got an office or branch. If inter-provincial relations develop through some All-India organisation, the question may be re-examined later.

(ii) Concessions (a) and (b) can be availed of by branches of the Provincial Banks remitting funds to their central office having an account with the Reserve Bank and also by affiliated central co-operative banks having accounts with the Provincial Co-operative Bank and treating such Provincial Co-operative Bank as their sole balancing centre. Though transfers may be permitted for all purposes between these agencies, the Reserve Bank may consider the question of restricting the use of the concession only for approved co-operative purposes if it is found that the concession is being availed of for what may be deemed commercial banking operations. The main intention in allowing the facility is to enable central banks to pass on their surplus balances to the apex bank and draw from the apex bank for their loan or deposit requirements.

(iii) Concession (c) is available for transfers to the provincial centre from places served by offices, branches or agencies of the Reserve

Bank of India. It cannot be availed of for transfers from sub-treasuries and treasuries, inasmuch as such sub-treasuries and treasuries are not expected to keep accounts of Co-operative Central or Provincial Banks.

(iv) The maintenance of balances on the scale referred to above will be insisted on from week to week, and if balances are short such shortage will be charged at the rate of 5 per cent during the first week and at 8 per cent thereafter. In case there is persistent default, the name of the defaulting institution will be removed from the list of Provincial Banks to which the concessional terms are made available. In that event, the Provincial Bank concerned will have to maintain the minimum balance prescribed for admission to the clearing house. Otherwise no separate balances will have to be maintained for clearing house purposes.

(v) The arrangement is to be in operation for five years only, after which it will be subject to modification in the light of experience gained of its working. The arrangement will be introduced by the Reserve Bank only if all or a very large majority of the Provincial Banks agree to the conditions that will be prescribed.

The President requested Mr. V. L. Mehta to draft and move a resolution on the subject, and called upon some of the other members in the meanwhile to offer their views on the matter.

R. B. S. K. Chatterjee (Bengal) : After the announcement was made by the Reserve Bank with regard to the withdrawal of free remittance facilities, we made strong representations and protested against the withdrawal. Our Registrar also addressed the Madras Registrar to make common cause so far as this matter was concerned. We cannot pay such heavy charges on remittances. It will increase the cost to the borrower; and no lowering of the rate will be possible. Even as it is our members are unable to meet the cost of cultivation. It means therefore that the bigger institutions must suffer. Our Registrar has approached the Local Government to make at least a subsidy, in case the Reserve Bank did not move in the matter. The Government have advanced Rs. 55 lakhs for help to crop sale societies. The subsidy requested will only be small—Rs. 5,000 to Rs. 10,000. I think the Provincial Government should help the Movement, if the Reserve Bank did not do it.

Sir M. G. Deshpande (C.P.) : The previous speakers have explained the difficulty in which the Provincial and Central Banks will be placed if this concession is denied to them by the Reserve Bank. The Reserve Bank apparently do not want to give any concession as they think that we are doing business which commercial banks should do. If this is

taken away I do not know whether our movement will successfully function. The condition laid down by the Reserve Bank for deposit, free of interest, of a portion of the demand and time liabilities of each Provincial Bank is such that the Provincial Bank of C.P. will suffer greatly. Thirty two laks of rupees are locked up in central banks, and we are not getting anything in return. We in C.P. are in a peculiar position and will suffer very much if we are to agree to the deposit condition laid down by the Reserve Bank. We have made representations to our Local Government.

Mr. Mulraj Bhai (Punjab) : Mr. Nanavati visited the Punjab some time ago, and we pressed on him that concession (b), (c) and (d) should be made available to us. He did not make any definite promise. In the Punjab there are 120 central banks, including banking unions, half of which are situated at places where there are only treasuries. The concession will be of no use to us. The real benefit to the Punjab Provincial Bank and to the Movement as a whole can be had only if we are to have free remittance facilities as before.

The President summing up the discussion said : After the separation of the Provincial and Central Revenues, relief to co-operative societies, in any form, will have to be provided by the Provincial Governments. The only possible course, under the circumstances, open to co-operative institutions is to approach their Provincial Governments to compensate the Reserve Bank for the loss which that Bank may sustain by these free remittance facilities. So far as Madras is concerned, I had a long discussion with the Adviser to His Excellency the Governor. The Madras Government does not seem to be sympathetic.

Secondly, how many of the Provincial Co-operative Banks are prepared to keep free balances with the Reserve Bank of India, as is insisted upon by that Bank ? We in Madras have been keeping such balances.

Thirdly, with regard to affiliated central banks looking upon their Provincial Bank as the sole financing agency and balancing centre, I do not know whether all central banks look upon their Provincial Bank as such and keep all their surpluses with it. If central banks want to enjoy the concession, they must look upon the Provincial Bank as their balancing centre as suggested by the Reserve Bank.

Mr. V. L. Mehta then moved the following resolution, which was duly seconded and carried unanimously :—

Resolution No. 4. (a) *This joint session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All India Co-operative Institutes' Association reaffirms its view that the con-*

tinuance of free transfer of funds for approved co-operative purposes is extremely valuable for the further development of the Co-operative Movement in its various aspects and requests the Provincial Governments to reimburse the Reserve Bank of India for any loss that may be involved by the continuance of the concession on a scale not exceeding 1/64 of a rupee per cent.

(b) This joint session urges on the Reserve Bank of India that the Provincial Co-operative Banks should be placed on the same footing as scheduled banks in the matter of remittance facilities, and this meeting recommends:

(i) That Provincial Co-operative Banks may agree to keep minimum balances with the Reserve Bank of India at the rate of 2½ per cent of their demand liabilities and 1 per cent of their time liabilities; and

(ii) That the affiliated central banks may agree to deal exclusively with their Provincial Co-operative Banks as balancing centres for their funds;

Provided the following facilities are made available to Provincial Co-operative Banks and their affiliated central banks.

(i) Transfer free of charge of sums of Rs. 10,000 or multiple thereof between Provincial Co-operative Banks in places served by branches, offices or agencies of the Reserve Bank;

(ii) Transfer free of charge once a week of sums of Rs. 5,000 or multiple thereof to the principal account of a Provincial Co-operative Bank by branches of the Provincial Bank or its affiliated central banks through the agencies of the Reserve Bank of India;

(iii) Other transfers to the principal account by branches of the Provincial Bank or its affiliated central banks at 1/64 per cent, subject to a minimum of Re. 1.

RESERVE BANK OF INDIA AND CO-OPERATIVE FINANCE.

Items Nos. 15 and 23 on the agenda, viz.

15. To consider in what ways the Reserve Bank of India ought to help and finance Rural Credit in different provinces, and

23. Amendment of the Reserve Bank of India Act to permit business with Provincial Banks against co-operative paper,

were then taken up.

The President said that section 17 of the Reserve Bank of India Act provided for agricultural finance against promissory notes of Provincial Co-operative Banks supported by documents of title to goods. The term, "document of title to goods" has been so interpreted as to mean

that the original borrower should have been out of possession of the goods and held only a delivery order which could be endorsed as security for advances. This involves construing section 17 (4) (d) as requiring that documents of title to goods should have been transferred, assigned or pledged to the Provincial Co-operative Banks and not the goods themselves by a document conferring title to possession which certainly constitutes a "document of title to goods."

Again, it is said that the section contemplates usance bills with fixed maturity, and that therefore purchase or discount of promissory notes payable on demand could not be done by the Reserve Bank. Any argument that demand promissory notes are much better security than usance bills would not convince the authorities of the Reserve Bank. Consequent on this attitude taken up by the Reserve Bank, the financial assistance which that Bank can render to co-operative banks is very negligible. The Reserve Bank was approached in Madras for accommodation on the security of the debentures of the Central Land Mortgage Bank, the principal and interest whereof have been guaranteed by the Local Government. First of all, we were told, surprisingly enough, that they were not trustee securities. We drew the attention of the Reserve Bank to the provisions of the Indian Trust Act. The Reserve Bank then stated that the question of advance against these debentures was under consideration. The correspondence began in 1939 and nothing definite has turned out till now.

Mr. R. G. Saraiya (Bombay) endorsed the views expressed by the President and suggested that the Standing Committees might recommend to the Provincial Co-operative Banks and Institutes to bring into existence warehousing or godown societies, which would issue receipts evidencing title to goods, and at the same time urge upon the Reserve Bank to waive this condition about insistence of document of title to goods from an independent body for some time at least.

Lt. Khan Ghulam Hassan Khan (Punjab) said that only a change of heart on the part of the authorities of the Reserve Bank was required. The lacuna in the law should be brought to the notice of the Legislature and suitable amendments made to the Reserve Bank Act in order to enable co-operative banks to derive the maximum benefit from the Central Bank of the Country.

The President then moved the following resolution and it was carried unanimously:—

Resolution No. 5. (a) This meeting of the Standing Committees of the All India Co-operative Institutes' Association and the Indian Pro-

vincial Co-operative Banks' Association is of opinion that the interpretation placed on section 17 of the Reserve Bank of India Act by the Reserve Bank practically makes it impossible for the co-operative banks to derive any financial assistance from it, and in view of the situation created by the slump in prices of commodities requests the Reserve Bank of India to advise the Government of India about the need to suitably amend the provisions of the Act to meet the situation and the Government of India to take speedy action on such recommendation.

(b) This meeting further requests the Reserve Bank of India to provide the Provincial Co-operative Banks short term credit for purposes of developing sale and supply (marketing) societies, on the security of the promissory notes bearing the signatures of the Provincial Co-operative Banks supported by documents of title to goods or pledge of goods.

(c) This meeting also resolves to urge on the Reserve Bank of India to invest in and lend on the security of debentures issued by the Provincial Co-operative Banks and Central Land Mortgage Banks where the principal and interest thereof have been guaranteed by the Provincial Governments.

At this stage, the meeting rose for the day. The guests were entertained at Tea by Mr. R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank Ltd.

Sunday, 19th January, 1941

The joint session reassembled at 11 A.M. on Sunday, the 19th January 1941 with the Hon'ble Mr. V. Ramadas Pantulu in the chair. The President said that in order to facilitate discussion and quick disposal of the undisposed items on the agenda, he had framed about a dozen resolutions for consideration by the House and adoption with such modifications or additions that might be necessary in the light of the discussion that might ensue.

SCHEMES FOR THE REHABILITATION OF THE MOVEMENT

The President then moved draft resolutions Nos. 1 and 2 regarding rehabilitation of the Movement in the Provinces and invited the representatives from Central Provinces and Berar, Bengal and Bihar to give an account of the situation in those Provinces.

Draft Resolution No. 1. This meeting of the Joint Committees regrets to note that the schemes for the Rehabilitation of the Co-operative Movement in Bihar, Berar and Bengal are still under examination and urges on the respective Provincial Governments to expedite their action, for any more delay in carrying out the schemes for the resuscitation of the central banks and societies will lead to further rapid deterioration of the Movement so as to make its reconstruction impossible.

Draft Resolution No. 2. This meeting urges on the Provincial and State Governments that in formulating and implementing their decisions for the reconstruction of the Movement, the following considerations should be borne in mind :—

(a) The debts of the members of the primary societies should be scaled down to their repaying capacity and the Reserve Fund and undistributable profits of the society should be used to such an extent as may be found necessary and desirable. The necessary machinery may be set up to make such scaling down legal and binding on the creditors of the Banks and Societies.

(b) The rate of interest on the debt after it is scaled down should be as low as possible, not exceeding $6\frac{1}{4}$ to $7\frac{1}{2}$ per cent. Future loans must be for short term for productive purposes and on the basis of controlled credit, that is to say, credit for production should, as far as possible, be linked with marketing.

(c) The debt so fixed should be realised by spreading the instalments over an adequately long period, having regard to circumstances of each case.

(d) The Provincial and State Governments concerned should provide or create facilities for raising long term capital at as low a rate as possible and in such manner as they may consider suitable, besides making grants (subsidies) to meet a portion of the losses caused by scaling down of debts and cost of future management of the Provincial and Central Banks.

Sir M. G. Deshpande (C.P.): You all know that the Government of the Central Provinces appointed a Committee known as the Gole Committee to examine the position of the Central Banks in Berar. After the publication of the Report of that Committee, the Government issued a communique on the 9th September 1939 summarising the conclusions of the Government on the recommendations of the Committee and its proposals for dealing with the problem of the Movement in Berar. When the communique was issued, some further suggestions for dealing with the problem were received by the Government from important quart-

ers, and these were carefully examined by the Government. In the meanwhile, war broke out, and consequently prices of cotton rose and land values also went up. The Government could not give effect to all the recommendations of the Gole Committee, as they thought that it would be a burden on the tax-payers and the majority of members, because the Gole Committee had recommended that the Government should help the Movement with a sum of Rs. 15 lakhs. It was thought unfair to burden the tax-payers for the benefit of depositors and members in the Co-operative Movement, constituting about one per cent of the population.

The Government communique contained proposals (1) to determine the repaying capacity of each member of the societies in Berar and scale down his debts accordingly, (2) to fix the period of repayment of the scaled down debts at 25 years, (3) to ask the members to surrender their lands mortgaged to the societies and other lands in their possession and to return to them the same lands after clearing off the debts on a small value, and (4) to take coercive action against those members who may be unwilling to part with the lands. If it was found that by conciliating the debts there would be a loss to the creditors, the amount was to be written down and preference shares of an equal value in the bank concerned were to be issued to them. Debentures were also proposed to be issued to the creditors repayable in 30 years at 3 per cent interest, the Government guaranteeing the interest only. If creditors to whom 60 per cent of the debts are due agree to the scheme it will be binding on the rest of the creditors. The debts due to commercial banks, provident fund of employees and arrears of land revenue are not to be conciliated. After conciliation is effected and the scheme accepted by the creditors, payment will be made out of liquid assets firstly towards interest and then principal pro rata. The management of the banks will be entrusted to a committee consisting of representatives of all the interests concerned, viz., the creditors, the Provincial Bank, affiliated societies and shareholders as well as the Registrar or a suitable nominee.

After consulting eminent co-operators and co-operative banking experts and after a full examination of the position, the Provincial Government came to the conclusion that the principles embodied in the communique dated the 9th September 1939 with some modifications, rendered necessary by the altered circumstances, were sufficient. The period of repayment of the scaled down debts was reduced from 25 to 20 years. The subsidy to banks was raised from Rs. 50,000 to Rs. 1,00,000. No debentures were to be issued except preference shares. The scheme was accepted by some banks, while others wanted to have their own scheme. In the meanwhile the situation became worse—there were civil

suits, etc. The Government wanted to prevent it and enacted section 42 B. of the Co-operative Act. They have also appointed a staff of officers for enquiry, and I expect that the enquiry will be completed in about four to six months. Until it is completed it is difficult to say what the loss to the depositors and the Provincial Bank would be. The Provincial Bank has agreed to bear the loss to the extent of about Rs. 10 lakhs; but unless the depositors are paid in full, it is very difficult for the Movement to continue. They have lost confidence in the Movement. The Provincial Government must help the Movement out of this crisis.

Rao Bahadur R. M. Khare (Berar): Before I commence let me thank you for the time and energy you devoted last year when we met at Madras to prepare a scheme for the assistance that could be rendered to the Berar banks. The Hon'ble Mr. Pantulu devoted about three days of his time and a long scheme was prepared which was approved by the Joint Session of the Standing Committees last year. I regret very much that the scheme was not accepted by the Government, and after about eight months, the Government passed an amendment to the Act. That amendment did not go very far. The Government are not ready to spend anything from the public purse to assist the Movement. After much hesitation they have now agreed to meet the deficit in expenditure to the extent of Rs. 1 lakh. We hope and trust that even with this small assistance, our own efforts and the increase in the price of cotton, we shall be able to tide over the difficulties. The Government said that if the creditors of the 12 banks in Berar came to an agreement regarding the repayment of the deposits and loans, then the scheme would be sanctioned by the Registrar, and when once the scheme was sanctioned it would be binding on all. Only two banks have accepted the scheme in its entirety. Other banks are still considering it. If after enquiry it is found that the total assets of a central bank are about 75 per cent of the liabilities or less, the liabilities will be reduced to 75 per cent of the original figure by creditors' meetings, and this reduced amount will be paid to the creditors in a period of 20 years. The Government enquiry, which is in progress now, is expected to be completed by about the end of April next, and then we shall be able to know the total loss to the central banks in Berar. I hope and trust that when we meet next, I shall be able to give a brighter picture of things in Berar.

Mr. V. M. Thakore (Bihar): In the beginning of 1938 we started an exhaustive enquiry into the repaying capacity of members of societies with a view to rehabilitate the Co-operative Movement. By the Co-operative Movement, I mean the credit side of the movement as this is the most important part of the Movement in Bihar. Most of the central

banks by that time had held creditors' meetings under section 24 (a) of the Bihar Co-operative Societies Act, under which if a majority of the creditors agreed to take repayment of their deposits or loans by instalments spread over 15 years, the decision was binding on all the creditors who could not proceed through civil courts for the realisation of their dues and thus wind up the central banks. The provision of section 24 (a) is a special one in the Bihar Act necessitated by the inability of most of the central banks to repay their deposits due to various reasons. The main trouble started in Bihar in 1934 when it was found that most of the central banks were giving long term loans with short kists and out of short term deposits. Deposits were taken by central banks for periods of 2 to 3 years and loans for the redemption of old debts and purchase of fresh lands were given for much longer periods, with the result that most of the societies could not repay their loans to the central banks according to the kists fixed, and consequently most of the central banks had to suspend payments to their depositors. This course was found to be necessary in some banks in the beginning, but many of the other central banks also followed suit. It was not then considered necessary to hold any enquiry to rehabilitate the Movement. But when the Congress Party came into power, they thought that the Movement should be rehabilitated and therefore an exhaustive enquiry into the repaying capacity of the members of societies was initiated.

By the end of the year 1940 the enquiry was completed in about 40 central banks. It was also found in 1940 that the detailed information we had collected in 1938 no longer held good, as the family budgets and the miscellaneous income of the members had undergone a change. We therefore started revision of the figures of enquiry held in 1938 in a few banks. By the end of 1940 we had completed revision in about four banks. As I already said, the enquiry is a very exhaustive one. With regard to each member we find out the immovable assets from records, value them according to schedule, ascertain the annual income of the member from such assets according to schedule, find out the member's family budget as well as his miscellaneous sources of income and then arrive at the normal surplus, if any, on the basis of which we fix the repaying capacity of each, and from this the repaying capacity of the societies is ascertained.

When this enquiry was proceeding, the Bihar Government invited the opinion of several committees on the results then available with a view to ascertain how the rehabilitation proposals should be given effect to. Several experts from outside were also invited to advise the Government in regard to the rehabilitation proposals. The last Committee of Experts was presided over by our Chairman, Mr. Pantulu,

and Mr. V. L. Mehta was also a member of the Committee. That Committee recommended to the Government the grant of a subsidy of Rs. 11 lakhs and a loan of Rs. 15 lakhs to Central Banks, in order to enable them to meet the claims of depositors and creditors (excluding the Provincial Bank) at least partly. The Committee also recommended a guaranteed cash credit of Rs. 20 to 30 lakhs to the Provincial Co-operative Bank for future finance so as to afford minimum amount of productive credit to the good and new members of old societies and members of the newly formed societies. A further recommendation was made that the Provincial Bank be permitted to convert the loan of Rs. 24 lakhs given to it by Government into a guarantee fund to meet the losses arising from bad and doubtful debts as and when they were ascertained. It would not be treated as a loan from the Government in future but as a fund guaranteed by Government to meet losses. The Government was also requested to help the central banks towards their cost of management and provide free audit till such time as the banks and societies cannot pay for such service. These recommendations of the Committee are at present receiving the earnest and sympathetic consideration of the Government, and their decision may be expected soon.

Rai Bahadur S. K. Chatterjee (Bengal) : So far as Bengal is concerned, it took the lead earlier in the matter of rehabilitation than any other province. As a matter of fact our Registrar formulated a scheme and started the enquiry in 1938. An exhaustive enquiry was made regarding the repaying capacity of every member of the village societies. The enquiry revealed that the members' position was not sound. The Registrar immediately put before the Government proposals for rehabilitation of the Movement. We proposed that the whole scheme should be taken up and the necessary finance provided in the form of debentures floated by the Provincial Bank with Government guarantee of principal and interest. These debentures were to carry interest at 3 per cent and the existing loans to members should carry interest at 7½ per cent, after they are scaled down. The difficulty was how to make the scheme legal and binding on all the creditors. We have therefore set up Debt Settlement Boards to deal with the question of scaling down of debts. These Boards could by scaling down debts bring them not only within the repaying capacity of the members but make their decision legally binding on all. Our scheme contemplated the issue of debentures with Government guarantee for repayment to depositors and creditors including the Provincial Bank as one of the creditors. It was considered that this proposal might or might not be acceptable, and so an alternative proposal has been placed for consideration. The mat-

ter has been examined by a small committee of the Legislative Assembly and they have also put down certain proposals. Government will under this fresh proposal pay in cash a certain sum of money and they will pay to the creditors as well as to the Provincial Bank a certain portion in cash, whether 33 per cent or 40 per cent as determined by the Government, that is to say, a part of the dues will be paid in cash and a part in debentures. This has been approved by some members of the Legislature, but it is awaiting final decision by Government.

Khan Sahib W. Zaman (Bengal): The rehabilitation scheme, just now explained by my friend, Mr. Chatterjee, was submitted to Government by the Registrar of Co-operative Societies in 1938, and it is still pending consideration of the Government. I now understand that the Government have approved of the scheme, but referred it to the Reserve Bank of India for further opinion. In the meantime, a second scheme was submitted to the Government, under which the Government was requested to advance a sum of Rs. 20 lakhs every year to pay the creditors of the central banks, including the Provincial Co-operative Bank. This scheme is also pending before the Government. The Provincial Co-operative Bank, however, adopted in the meanwhile a policy of realising one year's interest on old loans and 1/20th of the frozen loans every year. We have also adopted another policy of organising crop loan societies, in order to prevent stagnation. I am glad to say that so far over 6,000 societies have been started. In 1938-39 the Government advanced a sum of Rs. 13.5 lakhs for financing these crop loan societies at 3¼ per cent; in 1939-40 a sum of Rs. 55 lakhs was advanced and in 1940-41 a sum of Rs. 60 lakhs has been advanced so far at the same rate. The Government is thus not too unsympathetic towards the Movement, but the delay in considering the debenture scheme is causing great difficulty in Bengal. The creditors are pressing hard for their money, and the repercussions of this demand are felt in the Provincial Bank also. If the debenture scheme or some other suitable measure is not given effect to in the near future, the position of the movement will be worsened.

The Registrars' Conference, which met in Delhi in December 1939, and the joint session of our Committees which met in Madras in October 1939 passed resolutions requesting the Government to give effect to this scheme as early as possible. Our President, Mr. Pantulu, when he presided over the Bengal Provincial Co-operative Conference in March 1940, also pointed out that unless some scheme was given effect to, the position would be worsened. If the Government wants to do any-

thing, it should be done immediately for any more delay would make reconstruction very difficult, if not impossible.

Mr. T. M. Desai (Registrar of C. S. Baroda): For no merits of our own I am in a happy position for not having to complain of difficulties in our attempt at reconstruction of the Movement in Baroda. Circumstances have combined to help us, and we have succeeded even beyond our hopes. Firstly, compared to the Provinces or even the bigger Indian States, our problem is very limited. We have about 700 to 800 societies, about 30 per cent of which had to be reconstructed. Secondly, our societies had not deteriorated so much as I find from some of the accounts we have heard just now. Our central banks, apart from writing off a good deal of the interest, did not have to write off any portion of the capital. The reserve funds of our societies were adequate and from such funds we could write off a good deal of the doubtful and bad debts. Thirdly, the depositors of central banks did not have to meet a refusal from their banks for repayment of deposits. Our central banks were enjoying a cash credit of Rs. 11 lakhs from the Government for purposes of repayment of deposits. Only Rs. 10,000 out of this amount was utilised. This clearly shows that only a backing was necessary and not actual money.

We have already reconstructed about 180 societies. The scheme of enquiry into the repaying capacity of the members in our State was the same as in the Provinces. By the end of 1938 we had very nearly finished our enquiry. In greater part of the State seasons were favourable; the revised instalments fixed regularly came in with the exception of very few individual cases. We have also made it compulsory for any member who wants a loan to join a sale society and sell his produce through that society. By thus linking credit with marketing we have been able to achieve very good results.

Draft resolutions 1 and 2 moved from the Chair were then adopted as resolutions Nos. 6 and 7 of the joint session.

PROVINCIAL CO-OPERATIVE BANK FOR U. P.

K. S. Mohammad Hamid Chisti (United Provinces) then moved:

Draft resolution No. 3. *This meeting urges on the Government of the United Provinces the necessity to form as soon as possible a Provincial Co-operative Bank for that province to serve as financing agency and balancing centre for the central banks, as the societies and their*

members cannot realise the full benefit of co-operative credit without an apex organisation of the kind.

I come from the United Provinces, which probably is one of the few unfortunate Provinces which have not got the benefit of a Provincial Co-operative Bank. It is no use to dilate on the pressing necessity for a Provincial Co-operative Bank for U.P. where the Movement is making rapid strides in several directions, specially marketing and production societies. On account of the absence of a Provincial Bank, many of these societies and the central banks are starving for want of finance.

* * * * We have been striving hard for the establishment of a Provincial Bank, but the Government informally told us that if the banks and others substantially contributed to the share capital, they would organise a Provincial Bank. You can realise our keenness for a Provincial Bank by the fact that in one meeting we complied with the requisition of the Government, and subscribed for the prescribed shares. But soon after the war broke out and the Congress Government also went out of office. The scheme is still pending before the Government. It is needless for me to mention that the Movement will receive a set back, unless a Provincial Bank comes into existence very soon, and I hope and trust that the Standing Committees will support the proposal.

The draft resolution was then carried without discussion as Resolution No. 8 of the Joint Session.

NON-OFFICIAL SERVICES IN CO-OPERATIVE INSTITUTIONS

The President then moved :

Draft resolution No. 4. *This meeting urges on the Provincial Co-operative Banks, Institutes and Provincial Governments, the necessity of placing non-official services in co-operative institutions on a more satisfactory footing than at present by ensuring for employees security of tenure and reasonable conditions of service in regard to pay, promotion and prospects ; and with a view to achieve these aims this meeting suggests the following measures :*

(a) *Minimum educational and technical qualifications required of employees in different classes of societies and grades of employees should be prescribed.*

(b) *Rules should be made to fix the scales of pay of different grades of employees and to regulate the procedure for promotion from one grade to another,*

(c) *Provincial Banks, Central Banks and larger urban banks should as far as their financial resources permit institute schemes of contributory provident fund for their employees.*

(d) *Provision should be made for the grant of casual, privilege and medical leave.*

(e) *Procedure should be laid down in regard to taking disciplinary action somewhat on the lines of the procedure laid down in respect of Government Servants.*

(f) *An up to date record of services and conduct sheets of every employee should be maintained as in the case of government servants.*

I have heard complaints from non-official employees that generally there are no rules to regulate conditions of service in co-operative institutions and in some cases there is no security of tenure, etc. Unless the services are put on a more satisfactory basis, the working of our institutions will not improve. We must have a contented, qualified and efficient service. Provincialisation may not be possible as conditions are not the same all over a province. So, we shall start with a measure of reform which will ensure contented and loyal service to our institutions. I commend the resolution for your acceptance.

Lt. Khan Gulam Hassan Khan (The Punjab) said that the resolution might lead to some misconception. The question of official interference was discussed and condemned. The reference to Provincial Governments in the resolution might amount to a request to those governments to pass a rule or amend the Act to lay down the various points mentioned in the resolution.

Some of the other members, who took part in the discussion also desired the deletion of the words, "Provincial Government" in the resolution.

Mr. V. L. Mehta (Bombay) suggested the following amendment to the first part of the resolution :

This meeting urges on the Provincial Co-operative Banks, Institutes and other Federal Institutions, with the assistance, where necessary, of Provincial and State Governments concerned, the necessity of placing non-official services in co-operative institutions on a more satisfactory footing than at present by ensuring for employees security of tenure and reasonable conditions of service in regard to pay, promotion and prospects ; and with a view to achieve these aims this meeting suggests the following measures :

Prof. V. G. Kale (Bombay): I sympathise with the amendment that has been proposed. If I understand the mind of the people connected with the central banks and the Provincial Banks, they are all opposed to any interference on the part of the Government in the affairs of these institutions. Why then is it necessary to bring in Government at all? We are placing before the co-operative institutions a certain ideal as to how the services of the employees should be constituted and how the tenure of their services should be ensured. As conditions vary from province to province it is difficult to lay down any general rule. It is only a recommendation which goes from this house to co-operative institutions for adoption. It is open to the Registrars to lay down rules and force them on our institutions. We do not derive any financial assistance from Government in regard to this matter. If financial assistance from Government is to be purchased at such a high price we do not want that assistance at all. We have had bitter experience and it is very dangerous for a resolution of this sort to be passed by this body. I therefore feel that the reference to Provincial Government should be omitted in the resolution.

Mr. Aziz Ahmed (Registrar of C. S. Bengal): At least so far as Bengal is concerned, I feel that it will be impossible to carry out the recommendations contained in the resolution without financial assistance from outside. The resolution that has been moved is only a half-way house. We should aim at provincialisation of the services.

K. S. Mohammad Hamid Chisti (U.P.): We have provincialised the cadre of Supervisors in U.P. and have given option to the central banks to come within the common fold. The Government have given a grant of Rs. 1 lakh for the training of employees and working the scheme. This has tempted even more banks, who were hesitating in the beginning, to join the scheme.

Mr. S. M. Ikram (Registrar of C. S., Bombay): In Bombay we have been considering the future of Supervision. The Bombay Co-operative Banks' Association suggested some changes in the existing system. No satisfactory service is obtained from the Supervisors, as their service condition is not good. The Association therefore suggested that some change in the existing system was called for. They have also asked for the enhancement of the Government grant. I thought that my hands would be strengthened if the resolution was passed as moved from the Chair. With regard to appointment of clerks, managers or other indoor staff, I agree there should be no interference.

The President: With regard to the Supervisors, the problem is quite different. The field staff do the same work in the societies, and provincialisation in their case is quite possible. They are mostly men with the same qualifications and on similar grades. With regard to the indoor staff, there is such a variation in the financial position of banks, grades of pay and other conditions of service. It appears to me therefore that provincialisation in the case of indoor staff, however good on principle it may be, will not work. My idea of Government agency was to provide a common agency to make rules which will be binding on all co-operative institutions.

In this connection, I invite the views of the Provincial Co-operative Banks and Institutes for publication in the *Indian Co-operative Review*.

After some discussion, the draft resolution No. 4 moved from the Chair, as amended by Mr. V. L. Mehta, was carried as resolution No. 9 of the joint session.

CO-OPERATIVE SOCIETIES AND LEVY OF INCOME & EXCESS PROFITS TAXES

Draft resolution No. 5 viz.

This meeting, while recording its grateful thanks to the Central Government for the relief given to co-operative societies in respect of supertax and incometax requests the Government to exempt co-operative societies from the operation of Excess Profits Tax, for the levy of such tax will considerably reduce the ability of the banks which are working on low margins to serve the interests of the agriculturists by keeping the rates of interest charged by rural societies to the members at the present level

was moved from the Chair and adopted as resolution No. 10 of the joint session, without discussion.

CO-OPERATIVE SOCIETIES AND PROVINCIAL DEBT LEGISLATION

The President then moved:

Draft resolution No. 6. (a) *This meeting resolves to appoint a Legislative Sub-Committee of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association consisting of the following members, with power to co-opt:*

* * * * *

to study and report how far the co-operative movement is affected by the legislation in regard to debt relief and regulation and control of

moneylending in the different Provinces and States and whether co-operative societies should be brought within the purview of that legislation, and if so to what extent and in what respects. The Sub-Committee may also make suggestions for the modification of those measures, particularly with reference to co-operative credit and system of moneylending ;

(b) The Sub-Committee is also requested to investigate the question of the debt bondage from which agricultural field labourers, particularly Harijans, suffer and to prepare a memorandum for submission to the several Provincial and State Governments for speedy action being taken. This meeting is of opinion that no improvement in the situation is possible until the existing commitments of this class of people are completely wiped out and future commitments are severely restricted both in regard to their terms as well as duration somewhat on the lines of the Madras Debt Bondage Abolition Act, 1940.

The Federation of Indian Chambers of Commerce has published a monograph on provincial debt legislation in relation to rural credit. The monograph makes a comprehensive survey of the several debt relief measures and makes its own review of those legislative measures and offers its own comments on them. The treatment of the subject is on the whole sympathetic to the cultivator and friendly to the Co-operative Movement. But we co-operators cannot be and may not be in agreement with some of the conclusions and opinions expressed by the Federation on certain matters. The problem is one with which we must grapple on our own peculiar lines and suggest to the several Provincial and State Governments and Legislatures the lines on which these measures should be modified or re-enacted. And for this purpose, we must constitute a Legislative Sub-Committee of the two All-India Associations, which will go into the matter and prepare a memorandum for submission to the various governments concerned.

Again, with regard to part (b) of the resolution moved, I would like to refer to the peculiar disabilities under which what are called Scheduled classes, of whom the Harijans constitute the bulk, suffer under systems of debt bondage. Several committees have dealt with their peculiar hardships and special legislation has been suggested for the amelioration of their condition. The Provincial Debt Relief Acts have not really touched their special problem. They are not merely debtors but practically the slaves of the creditors. The Madras Government recently passed a measure of far-reaching importance. The Madras Debt Bondage Abolition Act of 1940 while abolishing the system of compulsory or enforced service of the backward classes in the agency tracts, wipes out all their commitments up to the date

of the passing of the Act and restricts the period of the currency of future obligations to a period of one year. Nothing short of a drastic peace of legislation of the sort will meet the situation. The Sub-Committee referred to in part (a) of the resolution may go into this question also and prepare a memorandum for submission to the several Provincial Governments for speedy action being taken.

The Draft Resolution was then carried as Resolution No. 11 of the joint session, and the following members were nominated to the Sub-Committee :

1. The Hon'ble Mr. V. Ramadas Pantulu ..	President
2. Prof. D. R. Gadgil ..	Bombay
3. Mr. K. G. Sivaswami ..	Madras
4. Rai Bahadur Syamnandan Sahay ..	Bihar
5. Mr. S. Srinivas ..	Mysore
6. Mr. V. L. Mehta ..	Bombay
7. Khan Sahib W. Zaman ..	Bengal
8. Mr. T. M. Desai, Registrar of Co-operative Societies ..	Baroda
9. Khan Sahib Munshi Mohammad Hamid Chisti. ..	United Provinces
10. Pritam Chandra Rao, Registrar, Co-operative Societies ..	Jammu and Kashmir
11. Lt. Khan Sahib Ghulam Hassan Khan ..	Punjab
12. Khan Mohammad Bashir Ahmed Khan	} Secretaries.
13. Mr. V. M. Thakore ..	

RE-ORIENTATION OF THE CO-OPERATIVE MOVEMENT

The President then moved :

Draft Resolution No. 7. (a).—*This meeting is of opinion that the time has now come to give a new orientation to the Co-operative Movement by the Provincial Co-operative Organisations and the Provincial and State Governments by launching a comprehensive plan for the simultaneous pursuit of a scheme of the revival or resuscitation of existing societies and the expansion of the Movement both intensively and extensively, with the following aims :—*

(i) *to replace as far as possible individual moneylending by credit dispensed by co-operative societies whose scope and utility should be widened so as to be able to effectively assist the agriculturists for pro-*

duction, movement and marketing of crops and other allied activities ;

(ii) to bring every village as soon as possible within the sphere of operations of a primary co-operative society ; and

(iii) to enlist as rapidly as possible all residents of a village as members of their society.

(b) This meeting suggests the following measures in order to bring about a widespread diffusion of co-operative activities in the countryside :—

(i) The amalgamation of such existing societies as are unable to work individually and can be conveniently grouped into larger units ; and

(ii) The formation of new societies comprising groups of compact adjacent villages with such form of liability as local co-operative opinion and conditions may favour.

Note : Societies reorganised and expanded on these lines will have sufficient income to enable them to build up reserves and appoint paid staff. They will then be able to achieve the triple objects of "Better Farming, Better Business and Better Living."

The President said that at the present moment and to an assemblage of co-operators no special pleading from him was necessary for adopting a resolution on the lines proposed. The resolution itself was self-explanatory.

The above draft resolution was adopted as Resolution No. 12 of the joint session without discussion.

AGRICULTURAL COMMODITIES AND GOVERNMENTAL POLICIES OF PRICE CONTROL.

Draft resolution No. 8, viz. :

This meeting urges on the Provincial Governments that their price control policies should not prevent the rise in prices of agricultural commodities in due course, for a depression in those prices will operate to the serious economic detriment of the producers,

was moved by Mr. R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank.

Mr. Saraiya further moved that the following draft resolution viz. :—

This meeting urges on the Central and Provincial Governments and Indian States the necessity of taking steps to prevent a decline

in prices to ruinously low levels owing to the loss of export to overseas markets in case of agricultural commodities like wheat, cotton, oilseeds, jute, etc.,

be adopted as clause (a) and that the one already moved be adopted as clause (b). This was agreed to.

Mr. V. M. Thakore, Secretary, Indian Provincial Co-operative Banks' Association suggested that a further clause be added to the resolution requesting the Government of India to relax the restriction on the export of sugar and the Government of the United Kingdom to buy Indian sugar at a rate which will ensure a fair return to the cane-growers in India.

The following was added as clause (c) and all the three clauses were carried as resolution No. 13 (a), (b) and (c) of the joint session :

(c) *This meeting further urges upon the Government of India the necessity of relaxing the restriction on the export of sugar and of urging upon the Government of United Kingdom the desirability of buying Indian sugar at reasonable rates so as to ensure a fair return to the grower of cane in India.*

CO-OPERATIVE SOCIETIES AND DEPRECIATION IN GOVERNMENT SECURITIES.

Prof. V. G. Kale (Bombay), moved :

Draft resolution No. 9. *This meeting recommends to the Provincial Banks and Provincial and State Governments for adoption the scheme formulated in Bombay in regard to provision for depreciation in the value of Government Securities held by co-operative societies, viz. ;*

(a) *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.*

(b) *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.*

(c) *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'.)

(d) 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'.)

(e) 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.

On account of the out-break of the war, a peculiar situation has arisen in the case of the Provincial and central banks with regard to their holdings in Government Securities. The prices of securities have gone down considerably and they have remained at lower levels than they were before the war began, resulting in very large depreciation in the value of the securities. The problem which the co-operative banks have had to face was how to meet such large depreciation, caused by the abnormal conditions of war, when drawing up their balance sheets and profit and loss accounts. If the entire depreciation was to be written off, many of the banks have to show themselves as 'loss' banks. It should be borne in mind that co-operative banks generally hold these securities not for sale or speculation but for investment. Most of the banks do not go in for irredeemable securities. The prices of these securities may again go up after the war, or even during the currency of the war—there may be fluctuations in the prices. It is not considered advisable to take into account the loss due to depreciation, resulting from an unforeseen cause, in one year. If necessary, such depreciation may be provided for in the course of a few years. If entire depreciation is provided in one year and there is not enough profit to declare a dividend to the shareholders, the confidence of the public in these banks will be shaken. The scheme of provision for depreciation in the value of government securities outlined in the resolution moved by me has been adopted in Bombay; and I commend it for your acceptance.

The Draft Resolution No. 9 was carried as Resolution No. 14 of the joint session.

THE INDIAN CO-OPERATIVE REVIEW.

Mr. R. G. Saraiya (Bombay), then moved:

Draft resolution No. 10. Resolved to continue the publication of "The Indian Co-operative Review" at Madras during the year 1941

under the Editorship of the Hon'ble Mr. V. Ramadas Pantulu and the usual annual grant of Rs. 1,000 from the Indian Provincial Co-operative Banks' Association be made for the year 1941.

It was carried as Resolution No. 15 of the joint session.

YEAR-BOOK AND DIRECTORY OF INDIAN CO-OPERATION.

The President then moved:

Draft resolution No. 11. (a) Resolved to publish an Year Book and Directory of Indian Co-operation for the year 1941-42. The scheme drafted by the President in this connection is approved.

(b) Resolved to request the Provincial Institutes and Banks to afford necessary facilities and financial assistance to make the publication a success. The Provincial Registrars are also requested to help the Editorial Committee by furnishing them with such statistical and other information as the Committee may require.

The President said that the scheme* which has been circulated to the House would give an idea of the publication proposed to be taken up. It would be the first of its kind in India. It was his desire to model the publication somewhat on the lines of the Year Book of Agricultural Co-operation of the Horace Plunkett Foundation. The scheme could only be a success, if there was co-operation from the Provinces and States. The constitution of an Editorial Committee has therefore been proposed, which would help in the collection of material for the publication. He commended the scheme for acceptance.

The joint session accepted the scheme and adopted the draft resolution moved by the President as Resolution No. 16. An Editorial Committee, consisting of the following members, with power to the General Editor (The Hon'ble Mr. V. Ramadas Pantulu) to nominate Provincial Editors for the unrepresented Provinces and States, was constituted:—

- | | | |
|----------------------------------|----|-------------------|
| 1. Mr. R. M. Talpade | .. | Bombay |
| 2. Khan Sahib W. Zaman | .. | Bengal |
| 3. Rao Bahadur R. M. Khare | .. | C. P. and Berar |
| 4. Khan Mohammad Bashir | | |
| Ahmed Khan | .. | Punjab |
| 5. Rai Bahadur Shyamnandan Sahay | .. | Bihar |
| 6. Prof. Jamatmal Lakha Singh | .. | Sind |
| 7. Mr. D. N. Saraf | .. | Jammu and Kashmir |
| 8. Prof. Iyer | .. | Indore |

* Vide Appendix A.

9. Mr. B. J. Patel	..	Baroda
10. Mr. S. Srinivas	..	Mysore
11. Mr. Bhanwar Lal, Registrar of Co-operative Societies	..	Ajmer
12. Prof. V. G. Kale	..	Gwalior

ACCOUNTS.

Resolution No. 17 (a).—*The accounts of the Indian Provincial Co-operative Banks' Association for the years 1938, 1939 and 1940 are passed. The objection raised by the auditor on the accounts of the year 1938 with regard to payment of Rs. 2-8-0 per diem to the Stenographer of the President as halting allowance was considered, and it was resolved that it may be sanctioned. The meeting thanks the Auditor for auditing the accounts of the Association free of charge.*

(b) *The accounts of the All-India Co-operative Institutes' Association for the period from 16th June 1937 to 30th June 1940 are also passed.*

CONSOLIDATION OF LAND HOLDINGS.

Mrs. Kantaben Khandewala of the Gujarati Stri Mandal and Member of the Executive Committee of the Bombay Provincial Co-operative Institute moved, with the permission of the House, the following resolution:—

Resolution No. 18.—*This meeting while recommending the formation and working of societies for consolidation of land holding societies, requests the Governments of Provinces and States to enact legislation to prevent fragmentation of land by not allowing the land to be divided into small uneconomic parcels. If the personal law stands in the way of such a provision, Government may request the Committee appointed by them to overhaul the law in the matter.*

Mrs. Kandewala said that already the Indian cultivator possessed very small acreage of land, and according to the law of the country, if the head of the family died, the land was fragmented according to the number of heirs claiming possession. This process had been going on so that the holdings of an agriculturist hardly yielded sufficient income. Something should therefore be done to keep the lands in tact. It was in the fitness of things that the Standing Committees should make a request to the Government to consider this question seriously and enact legislation to prevent fragmentation of land.

Sir M. G. Deshpande (C. P.), seconded the preposition, and it was carried unanimously.

Mrs. Kantaben Khandewala then moved:

"The co-operative credit societies should be prevented from forfeiting the land of defaulters or selling it, but they should take mortgage in possession for life and give it over to the defaulters to cultivate it."

The President said that it was too a large line of reform to be attempted. He however, suggested that this question might also be examined by the Legislative Sub-Committee, constituted earlier in the day. This was agreed to.

VOTE OF THANKS.

Rao Bahadur B. V. Jadav in proposing a Vote of Thanks, paid glowing tribute to the Chairman, the Hon'ble Mr. V. Ramadas Pantulu, for the able way in which he had conducted the proceedings. The agenda was very long with 48 items; they had finished only three or four items the previous day. Mr. Pantulu had boiled down the other items into 11 resolutions acceptable to the House, and one could easily realise how much time and energy he must have devoted in doing this. But for this the agenda could not have been finished. Mr. Pantulu is the soul and right hand of the Movement. He has ceased to be a Madras Co-operator. He is an All-India Co-operator, and they should all feel grateful to him for guiding the Movement on right lines. May God give him many more years of useful life!

Mr. R. G. Saraiya, joined Mr. Jadav in the sentiments expressed by him. He expressed that it was a pleasure to work with Mr. Pantulu, and supported the proposition moved by Mr. Jadav.

The Hon'ble Mr. V. Ramadas Pantulu thanked Messrs. Jadav and Saraiya for the kind sentiments expressed. He also thanked the other members for their kind co-operation in getting through the proceedings to a successful end.

Khan Mohammad Bashir Ahmad Khan, Secretary. On behalf of the standing Committees, I consider it my duty to convey our thanks to the co-operators of Bombay, particularly, Messrs. B. V. Jadav, R. G. Saraiya, V. L. Mehta and Prof. Kale, for having arranged for our meeting here. We are also very much encouraged by the presence of Mrs. Kandewala. Co-operation among women has not made much progress in our country, and it is therefore a happy augury that she

should have attended our meeting and taken part in the proceedings. I am glad to learn that she is on the Executive of the Bombay Provincial Co-operative Institute. I have visited the Gujarat Stri Mandal conducted by Mrs. Kandewala and I have no hesitation to say that no institution could be managed more efficiently and successfully.

Our thanks are also due to the various Registrars of Provinces and States for having attended our meeting and for the interest they have evinced in our deliberations.

I also desire to express our thanks to the staff of the Bombay Provincial Co-operative Institute and the Bombay Provincial Co-operative Bank for the assistance they have rendered in making this meeting a success.

APPENDIX A

YEAR BOOK AND DIRECTORY OF INDIAN CO-OPERATION, 1941-42.

General Editor :—The Hon'ble V. Ramadas Pantulu.

Provincial Editors :—One for each Province or State (to fix up writers in the Province or State on the several subjects indicated below, collate the contributions received and forward the same to the General Editor; and to generally assist in the obtaining of information from the Provinces or States re: working of the movement).

Contributions to deal with the following problems :—1. Rural Credit Societies; 2. Land Mortgage Banks; 3. Purchase and Sale Societies; 4. Urban Credit Societies and Stores; 5. Co-operative Finance—Central Banks and Provincial Banks; 6. Supervision, Education and Audit; and 7. Special types of societies, if any; and to be invited from specialists in the field to be chosen by the General Editors in consultation with the Provincial Editors. Contributions not to exceed 5 typewritten pages at the most on each topic, so that each Province or State may get 35 pages for dealing with the Movement as a whole. Contributions to be informative rather than argumentative.

Provincial Banks and Institutes :—A page to be allotted for each Provincial Bank and Institute for publication of chief activities, important office bearers and other details.

Reviews of Books on Co-operation and allied topics published in the previous year.

Summary of Legislation in each Province or State with rules (only chief features and important issues to be dealt with). Provincial Institutes or the Registrars may be requested to furnish the summary in respect of each Province or State.

Note :—In subsequent years; the summary may be supplemented by any additions or amendments made (as is done by the Horace Plunkett Foundation in the Year Book of Agricultural Co-operation).

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- II. **The Law of Co-operative Societies in India and Burma** : by Rao Bahadur K V. Brahma B.A., LL.B., M.B.E., C.I.E., President, Berar Co-operative Institute, Amraoti Foreword by Sir Lallubhai Samaldas, Kt., C.I.E., 1932, Price Rs. 5.
- III. **The Co-operative Movement in India** : by Dr. Miss E. M. Hough, M.A., Ph.D. Foreword by Professor H. L. Kaji, M.A., B.Sc., I.E.S., J.P., and Introduction by Sir Horace Plunkett. Published by Messrs. P. S. King & Son, Greatsmith Street, London, 1932. Price Rs. 9.
- IV. **The Indian Rustic** : by Mr. J. L. Raina, B.A., M.R.A.S. (London), Assistant Registrar, Co-operative Societies, Kashmir State. Foreword by Professor H. L. Kaji, M.A., B.Sc., I.E.S., J.P., Vice-President, All-India Co-operative Institutes' Association, 1935. Price Re. 1.
- V. **The Co-operative Movement in India (1935)** : by Khan Mohammad Bashir Ahmad Khan, M.A., LL.B., M.R.A.S., (London), Honorary Secretary, All-India Co-operative Institutes' Association, Lahore. Foreword by Dr. C. R. Fay, President, Horace Plunkett Foundation, London. Published by Messrs. P. S. King & Son, Ltd., Greatsmith Street, London. Gratis.
- VI. **The Co-operative Movement in the Punjab (1937)** : by Sheikh Ata Ullah, M.A., Professor, Muslim University Aligarh. Foreword by Dr. C. R. Fay, President, Horace Plunkett Foundation, London. Published by Messrs. George Allen & Unwin Ltd., London, Price 16s. net (Rs. 11).
- VII. **Better Living Societies** : by Khan Mohammad Bashir Ahmad Khan, M.A., LL.B., M.R.A.S. (London), Honorary Secretary, All-India Co-operative Institutes' Association. Gratis.
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Statutory and other Reserves	.. 7,08,000
Investment in Government and Trust Securities	.. 36,14,000

WORKING CAPITAL EXCEEDS Rs. 1,10,00,000.

The Local Government have authorised the investment in this Bank the Provident Funds of the Employees of District and Local Boards and Municipalities. Statements of the financial position of the Bank are quarterly published by the Local Government in the Gazette.

Fixed, Current and Savings deposits accepted.

Bills collected and drafts issued on all important towns in Bihar and Orissa.

Rules on application to the Secretary.

**THE MADRAS CO-OPERATIVE CENTRAL
LAND MORTGAGE BANK, LTD.**

KHALEELI MANSIONS

MOUNT ROAD,

MADRAS.

3½ PER CENT DEBENTURES

Guaranteed by the Government of Madras.

20-year debentures issued at par bearing interest at 3½% per annum are available for investment.

The principal of and the interest on these debentures are guaranteed by the Government of Madras.

The DEBENTURES ARE TRUSTEE SECURITIES and are also approved Securities under the Insurance Act, 1938. The DEBENTURES are IRREDEEMABLE for the first 10 years from the date of issue and a REDEMPTION FUND (SINKING FUND) will be constituted to pay off the debentures at maturity.

Brokerage at 2 annas per cent will be paid to approved brokers.

Other particulars and application forms can be had from the
SECRETARY of the Bank, Mount Road, Madras.