282

Madras Journal of Co-operation

Vol 34. No. 7.

Jan 1943.

To sum up: to the present writer the word failure as applied even to rural co-operative credit in India is inappropriate. Studded all over the country there are numerous isolated units which, in the face of the most disheartening conditions, have emerged successfully so far from all the tests to which they have been subjected. Their affairs have been managed honestly and conscientiously by a succession of office-bearers. They have met their liabilities punctually and they have realised their outstanding claims without resort to civil litigation or to arbitration. They dispense credit regularly on well-ordered but somewhat conservative lines. They have occasionally redeemed outside debts, and have often obviated the need for resort to money-lenders. They provide credit at rates cheaper than are available locally and have thus helped in bringing down local rates of interest. They have built up substantial reserves out of profits and have accumulated—though somewhat rarely—their own share and deposit capital. They have thrown up good workers who are helpful in the management of the higher grades of institutions such as supervising or banking unions, banks, educational institutes and marketing or supply societies. Above all, they have stimulated a desire for economic development of diverse types on the basis of thrift, self-help and mutual aid and, at the same time, themselves function as an alternative regulated credit agency which has broken the unwholesome monopoly of the money-lender. There is still much that remains undone much, moreover, that is defective and deficient in the system of co-operative credit. But when rural co-operation is described by responsible economists as having been found unsuitable for India and as having failed it is necessary to emphasise the features of rural economy making for weakness, to stress the factors responsible for lack of success, to draw attention to the achievements recorded by the Movement in the sphere of rural credit and to indicate the comprehensive aims of the Movement, the pursuit of which is now the principal task before co-operative workers.

Land Colonisation:

We are sorry to learn that the Government have decided not to start any new land colonisation schemes for the present. The reason given for this decision is that it is not possible to carry out a suggestion made to promote co-operative and collective farming in view of the conservative outlook and lack of education of the ryots. We beg leave to say that this by itself is not a convincing reason to abandon the extension of the scheme as this circumstance was present even at the time the scheme was inaugurated. Moreover, it is a fashion to attribute conservative outlook to the Indian ryot. But neither lack of education nor conservative outlook has stood in the way of development of agriculture in India and if these causes operate to the

detriment of development of agriculture, we are entitled to ask why no serious effort has been made to alter them. Indirectly the work of various Departments of Agriculture in the country stands automatically condemned as fruitless. We believe the best way of overcoming such difficulties as are experienced in the development of colonisation scheme is to examine the real causes, especially lack of finance to develope the lands assigned to the colonists and remove them. We had occasion more than once to draw attention to some defects even at the risk of incurring the displeasure of officers connected with the working of the scheme. We make bold to mention them again. The extent of land assigned should be an economic holding to enable the colonist to devote his whole attention to the development of his holding instead of looking to other sources to augment his income. Maximum borrowing power fixed at Rs. 50 should be increased to enable him to secure from the co-operative society all the capital required for the development of his holding and he should be provided the required share capital to entitle him to secure the necessary finance. The Government should guarantee to financing banks repayment of all monies advanced to the societies. Unless these alterations in the scheme are carried out, the favourable conditions under which the scheme has to work will be absent and the Government will not be justified in throwing the blame on the colonists for the failure of their venture. Neither conservative outlook nor lack of education will be the real cause of such failures.

The Government announce that they would watch the working of the scheme and any developments or improvements which are considered necessary will be incorporated in *new* schemes as and when they are taken up. We earnestly plead developments or improvements considered necessary should be incorporated even in the *existing* schemes so that their success may be assured.

Rationing:

We are gratified to learn that at last the Government of India have begun to realise the seriousness of the food situation in the country and are devising various measures not only to conserve the existing and prospective stocks of food grains but also arrange for equitable distribution through methods such as rationing. We only wish they move much more quickly and do away with red-tapism, the curse of bureaucratic administration. It is understood as a preliminary to the introduction of rationing in urban and industrial areas, statistics are being collected and in the City itself a Committee is being set up to consider suitable rations, and the procedure to be followed. We have no doubt the Government will be pleased to recognise co-operative organisations as main distributive agencies and accord them facilities to serve the community.

A great Loss:

In the sudden and unexpected death of Dewan Bahadur K. Deivasikhamani Mudaliar the province loses one of the outstanding figures in the Co-operative Movement. It is no exaggeration to say the Movement owes a great deal to his untiring efforts to place it on a sound basis. He joined it as a humble official in the early days and rose to the position of the Registrar. The successive Registrars, Sir P. Rajagopala Chari, R. Ramachandra Rao, Swamikannu Pillai, to mention only a few but who are unfortunately not with us, found in him a safe guide owing to his unrivalled knowledge of rural conditions. The meticulous care he bestowed on the details of administration without losing sight of the ideals for which the Movement stands and the human touch he gave to various aspects of the Movement are characteristics which were always in evidence and recognised by all. If the archives of the Secretariat and the office of the Registrar are ransacked, one will find his valuable notes on many a problem which faces the Movement today. He anticipated most of the questions which are now burning topics of the day and laboured hard to solve them. His keen appreciation of the facts of the situation and his sound commonsense have saved many a co-operative institution from a crisis. Times were not often propitious to produce quick results; but his faith in the Movement never faltered and he was willing to work and wait for results. He was undaunted by failures. Failures proved in his case more as stepping stones to success. His services were in demand in other provinces to assist in the rehabilitation of the Movement and he ungrudgingly placed them at their disposal. He was a pioneer in regard to Co-operative Milk Supply in the City. The success of the City Milk Supply Union is entirely due to his untiring efforts and it has been a splendid example to unions which have come into existence in the moffusil in large numbers. We mourn his death and feel the loss deeply. May the fact that the Co-operators all over the province share the sorrow, which has befallen them, be some solace to the members of the bereaved family.

Change of Address:

Our readers will please note that on and from February 1, 1943, the office of the Union will be shifted to the Madras Provincial Co-operative Bank Buildings, George Town, Madras. All communications to the Union and the *Journal* may kindly be sent to this new address.

Co-operative Movement : Agricultural Societies.

SUGGESTIONS FOR THEIR REHABILITATION.

By G. Srinivasa Raghavachariar.

The Kooturavu, the Tamil fortnightly Co-operative Journal of Coimbatore, in its issue of the 15th September, has published a circular of the Coimbatore District Urban Bank, which has brought out the fact that, out of 640 credit societies and 101 non-credit societies affiliated to the Bank, only 555 credit societies and 35 non-credit societies have had dealings with the Bank, and that, of these, 28 have not borrowed for the last one year, 20 for two years, 31 for three years and 76 for more than three years, while 19 have not borrowed at all, and that this indicates want of interest on the part of the panchayatdars and Supervisors concerned towards catering to the needs of the people in their jurisdiction, who should certainly be borrowing elsewhere. The Bank has, at the same time, warned that, unless panchayatdars and Supervisors take urgent effective steps to increase the loan transactions in societies, there might be a fall in the income of the Bank and that it might necessitate the levy again of supervision fees from societies.

2. If a similar analysis should be made by other financing banks in the Presidency, the same state of things will be found to exist in many of them. It is, therefore, high time that some urgent and effective steps should be taken to remedy it, beyond merely administering a warning to panchayatdars and the Supervisors, who cannot after all do much in the matter.

3. As an Assistant Registrar of Co-operative Societies, and some time President of the Madura-Ramnad Co-operative Central Bank and Secretary of the District Federation, I had opportunities of examining the working of many agricultural societies, including dormant ones and I am of opinion that the causes for co-operative societies not being availed of by people to the extent possible lie largely elsewhere, though the indifference of panchayatdars and Supervisors may be one of them. I give below those causes with suggestions to remedy them :—

(*a*) *The difficulty of getting loans by members from societies*:

This is largely due to delays on the part of panchayatdars in preparing and submitting loan applications and of Supervising Unions in forwarding them. Panchayatdars are not generally anxious to prepare loan applications when they themselves or their relations or friends do not want or cannot get loans. As a rule, loans, if recommended and sanctioned at all, do not reach the hands of members in time with the result they are generally misapplied or applied for non-productive purposes. This delay may be avoided by the members being required to give in advance a forecast of the loans needed by them and by the loan applications being sent to the Bank direct instead of through Unions which, after all, are not generally able to exercise any useful check and which, on the other hand, cause unnecessary delays and make vexatious references. If in any case, the opinion of the Supervising Union is considered necessary, the Bank may call for it by means of a special reference. So long as unlimited liability exists and the history and past conduct of a society are good and the society is otherwise eligible to get a loan applied for, there is no need to scrutinise the loans of every individual member. If necessary, separate loan applications may be required to be sent, one for new members and others not in arrears and another for members having arrears requiring closer scrutiny and further references.

(b) Low borrowing power of the individual and the society:

The individual borrowing power is, as a rule, too low to satisfy the requirements of many a villager. The result is that the more solvent amongst them, who require loans without delay or undue publicity resort to private money-lenders or Joint Stock Banks which are able to accommodate them more quickly and on equally, if not more, favourable terms on mere pronotes or pledge of jewels or produce and without any money or time limit. Only people who have exhausted all credit in the village and the neighbourhood and whose margin of income is nil or very little care to join or continue to be members of a co-operative society, a fact which is borne out by the ever increasing members' overdues to societies both under the head of principal and interest and by the general fall in loan transactions. With a view to attract more solvent people, both the individual borrowing power and the maximum borrowing power of the society should be raised with reference to the repaying capacity of the generality of the villagers, which should be ascertained by careful investigation. One, perhaps the most important, reason for fixing the individual and society maximum borrowing power at a low figure in the earlier years of the Movement was that Co-operative Banks could not find sufficient funds for accommodating all the agriculturists in a village and that to the extent required by them. Now that almost all the Banks are surplussing with funds and have large amounts of their money invested outside the Movement there

should be no difficulty in increasing the maximum borrowing power all round. If this is done, not only the loan transactions in the existing good societies can be considerably increased but also many of the bad and moribund societies may be revived. The facilities thus secured for the entry of more solvent people will not only absorb the present surpluses in Banks, but also bring down the percentage of overdues and the losses in bad societies. They will also improve the moral tone of the co-operative credit all round. In the case of many societies, the maximum borrowing power is fixed at a certain figure. To avoid amendments to by-laws every time an increase of that figure is needed, which means delay and correspondence, maximum borrowing power may be fixed generally at 1/8th of the total net assets of the members as contemplated by the by-laws themselves. There can be no harm in doing this as every loan application is subject to scrutiny by the financing banks and as there is no obligation on their part to sanction it unless it satisfies all conditions.

(c) The present generally unsatisfactory nature of the Panchayats:

Coming, as they do at present, from amongst a set of unsatisfactory members who form the present clientele, they have no interest in the society after they have taken necessary loans for themselves, their relatives and friends. On the other hand, they are generally disinclined to admit their more solvent brethren. As rightly remarked by Mr. H. Perinedu Choudary, (*vide* his article in the *Madras Journal of Co-operation* for June 1942) owing to existence of factions, the Movement has come to be governed by a few individuals at the helm of affairs of each village, whose removal is generally an impossible task. In all these cases drastic steps must be taken to reconstitute the panchayat if possible or to supersede it and appoint under the by-laws of rural societies a special officer who can admit all deserving men of the village into the society and run it on proper lines until suitable villagers should be forthcoming to take charge of it.

(d) The hesitancy on the part of financing banks to grant loans to societies on the ground that there are overdues to the Bank and also to the society:

This accounts for many a society being dormant or inactive. The Banks will be well advised to be more liberal in dealing with these cases. Loans should, as a rule, not be refused if they are required for new members with repaying capacity or old ones not in arrear to the society and if proper steps are shown to have been taken towards the recovery of all overdues.

(e) *The recent order of Government requiring banks to grant only short term and medium term loans for periods not exceeding three years* :

The enforcement of this order has given a great set back to Banks' loan transactions. The period of repayment of a loan by an agriculturist depends upon his margin of income, which varies with each individual and which is often subject to fluctuations in the yield of land, price of produce, and to the vagaries of the monsoon. To require all agriculturists to repay a loan within three years, irrespective of their repaying capacity, is asking them to do the impossible. Almost all agriculturists want short term loans as well as medium term loans up to seven years, the latter to a considerably larger extent than the former. And they would prefer to have a single financier to accommodate them with these loans. Few solvent agriculturists are prepared to submit to the hard and fast rule now imposed on societies, as they can easily command all kinds of loans from private money lenders who are prepared to await the convenience of the borrower for repayment of the principal so long as the stipulated interest is paid to them regularly. Even Joint Stock Banks are more liberal with their borrowers by allowing reloaning in deserving cases. The restriction now imposed, however desirable or necessary from the point of view of the Reserve Bank, is not at all conducive to the furtherance of the Movement. If the ultimate object of a village society is that, in fulness of time, it should be enable to build up from its own share capital and reserve fund a fund of its own sufficient to meet all the loan requirements of the village, this restriction must be removed and village societies should be empowered to grant at least all short and medium term loans repayable within seven years, varying of course, with the repaying capacity of the members. The chief reason for imposing the restriction appears to be that our financing banks who get only short term deposits cannot afford to lend for long term. This difficulty can easily be got over as almost all the Banks have got some long term monies with them in the shape of their own share capital, and the share capital and reserve fund of societies and can also easily command long term deposits upto at least five years by offering a rising scale of interest. Only a few agriculturists may require long

term loans and they may well be left to Land Mortgage Banks for accommodation. As societies have now ceased to grant other than short term loans, members who want medium term loans either manage to take short term loans exaggerating their repaying capacity and then default or go to Land Mortgage Banks for long term loans and cause unnecessary trouble and strain to them.

(f) *The general policy of the Department not to register more societies on the ground that there are several bad and indifferent societies to be amended or ended.*

As in the case of individuals, a certain number of societies started is bound to go bad or remain indifferent and this cannot be a good ground for not starting societies in suitable places where conditions may be favourable. If the movement is to progress, registration of new societies and rectification of bad and indifferent ones should proceed simultaneously. If the Department cannot spare enough men to do the necessary organisation work, the financing banks including the Provincial Bank should allot enough funds, appoint specially qualified men to do the necessary preliminary propaganda work and move the Department for registration of new societies.

(g) *The area and scope of operations of a society being too limited* :

Nearly 97 per cent. of the landholders in our Presidency are those paying land revenue ranging from Re. 1 to Rs. 50, which means that their average annual income after meeting cultivation expenses and Government demand is generally limited to Rs. 50 which is hardly sufficient to keep one's body and soul together. As only a few of these 97 per cent. have other sources of income to fall back upon, the number of credit worthy people in a village with capacity to repay loan taken out of their income is therefore very limited, as will be seen from the fact that the average number of members of an agricultural society is only about fifty with many of them either non-borrowing or in arrears and that its loan transactions come to only Rs. 3,000 on an average. A society, if it is to be a live one and to function properly both as a credit and a joint purchase and joint sale organisation as contemplated by its by-laws, should be a fairly big one consisting of at least fifty sound members with loan transactions extending upto Rs. 40,000 yielding an annual income of Rs. 500 from interest. This income is absolutely necessary for paying an honorarium of Rs. 180 to the office-bearers, Rs. 70

for meeting contingent expenses etc, and for setting apart Rs. 250 as reserve fund. And whenever a village or the jurisdiction of an existing society cannot admit of transactions to this extent, its area of operations should be increased to the necessary extent. The transactions in many of the existing societies are so few and small that it is not worth the while of a Co-operative Inspector or Supervisor or any honorary worker spending their precious time over their inspection.

4. The rehabilitation of the Movement on or about the lines suggested above is an onerous and a difficult task and it is no use depending for this on honorary workers who have neither the capacity nor the time to make a detailed study of the conditions of each society or village, which may often times require their continuous absence from their places of residence and study day to day work. Nor is it any good depending on Government department either, as it has enough work to do in the performance of its statutory duties and promotion of non-credit activities which it has undertaken. The work should, therefore, be taken up only by the financing banks concerned, not only in the general interest of the Movement, but also for safe-guarding the moneys lent out by them and finding an outlet for their surpluses. Each financing bank should, therefore, appoint a number of qualified paid propagandists whose duty shall be to make a thorough study of the existing societies and of the villages in their neighbourhood, taking them area by area on a previously settled programme and submit proposals for the expansion of the Movement. In doing so, the propagandist may have the help of non-official co-operators, wherever available and useful.

5. An idea of the magnitude and scope of the work to be done in this direction can be had from the fact that for our Province consisting of about fifty thousand villages with a total indebtedness of 300 crores, there are only 11,000 agricultural societies with as many indifferent as 9,000 of them coming under the head of indifferent or bad societies and with loan transactions amounting to 3 1/3 crores. If the suggestions made in this article should commend themselves to the financing banks and they wish to start work on the lines suggested, I propose to give, for the guidance of the propagandists, a tabular form of statement indicating the lines of investigation to be conducted by them.

Co-operation.

A United States Contribution to a Co-operative World Programme.

The Co-operative League of the United States of America has recently published the recommendations it has made in response to a request of the Executive Committee of the International Co-operative Alliance for its view on : (1) the main lines on which full activities might be renewed after the war ; (2) the principles and considerations which could govern a world settlement calculated to ensure freedom, security and universal peace ; (3) the contribution of the organised co-operative movements to the adoption and realisation of such a programme. The Executive Committee had decided at its last meeting, held in Paris in March 1940, that the affiliated organisations should be invited to express their views on these points.

The text of the American recommendations is reproduced below.

The present war is, in large part, a result of the international competitive pressures of the profit system, the conflict between that system and expanding stateism, the decline of democracy and the desire for imperialistic expansion which these engender. To better the world condition, an economy must be built which offers a way of fully supplying human needs, and in autocratic stateism.

A way is needed that shall be established upon the basis of democracy, which is capable of producing and distributing abundance, which prospers by plenty for all, which sets men and nations working together in the spirit of mutual aid, and which can embrace all people of all classes and of all nations.

The co-operative method has been tried, has proved its power to serve these ends, is already established, and possesses the possibilities of constantly continuing its expansion.

Co-operative Programme.

(1) The people of all nations, recognising the decline of dominance of the profit system, should promote understanding of the co-operative economy. This should be done through every available agency—the co-operatives, farm and labour organisations, the schools, the press, the State, the Church, and personal contacts. Consumers should be shown how to supply their needs by the co-operative method.

(2) The existing co-operatives in all countries should employ every device, which a hundred years of experience have tested, to strengthen and expand their organisations and to increase the commodities and services which they supply.

(3) The members of co-operative societies, in countries where their societies have been damaged, retarded, or destroyed by hostile stateism, should rehabilitate their societies and re-establish them upon a truly co-operative basis ; and wherever necessary they should be assisted

by other co-operative societies and by the International Co-operative Alliance.

(4) Education should be carried on which should show the public, as well as the officials of political Governments, that the interests of the people can be served by the promotion of co-operation.

(5) In countries in which the co-operatives have expanded until the majority of the citizens are members of co-operative societies, and accordingly a majority in the parliaments and other legislative bodies are co-operators, in such countries the Governments should promote co-operation among the people by furthering information and education; and as State business decreases, voluntary co-operative action should be found to increase.

(6) Co-operative should be established as a way of carrying on business on a non-profit basis, and their expansion should depend on their ability to demonstrate their superiority in supplying human needs and in promoting justice and harmony among men.

(7) The aim should be: (*a*) local organisation of people as consumers into voluntary co-operative associations to supply their needs; (*b*) district and national organisation of local consumers' associations into federations for education, finance, wholesaling, and production; and (*c*) the federation of national co-operatives into the International Co-operative Alliance for international protection, commerce, and production.

(8) A Congress of the International Co-operative Alliance should be called as soon as delegate representatives of at least one-half of the member societies can be assembled.

Methods.

(1) Democracy should be secured by one vote only for each member of a society and by every other means for promoting democracy and for preventing autocracy. By democracy should be understood equality of responsibility as well as equality of opportunity. While centralised administration should prevail in the interest of efficiency, decentralised control should prevail in the interest of democracy.

(2) Membership open to all should be the rule in co-operative societies.

(3) The business of co-operative societies should be carried on for the service of the members in directly supplying their wants, and not for the purpose of selling goods or services to others for the sake of making profit; the difference between the cost price and the distributing price should be returned to patron members of co-operative associations in proportion to their patronage.

(4) Neutrality in the official acts of co-operative societies should prevail in matters of politics, religion and race, so that people of all opinions may find a common ground for union.

(5) Co-operative associations should recognise the right of their employees to organise into labour unions without interference for the purpose of collective bargaining; co-operatives should give preference to the products of organised labour and of farmers' marketing associations.

(6) Mediation and arbitration of differences between employers and employees and between different co-operative societies should be provided to settle all disputes.

(7) While the co-operative democracy is being built, a constructive, conciliatory attitude should be maintained towards existing profit business and towards the existing political State with which co-operation is in contact.

(8) Peace should first be promoted by the development of local co-operative business, among which economic competition does not prevail; it should also be advanced by the expansion of the co-operative method in international commerce, and thus substitute international service for the international co-operative quest for trade.

Objectives.

(1) The co-operative programme should aim towards a non-political worldwide organisation of people in the economic field for the supplying of goods and services.

(2) As the economic wants of the people are supplied there should be less need for the coercive control of men; this function of the State should be made to decline; and economic organisation should gradually make dependence on the political organisation of society less necessary.

(3) In the place of political Governments, having totalitarian control over the property and lives of the people, a co-operative democracy should be built, in which freedom of the people should be represented in voluntary action; in which the producers should be organised as consumers, and able consumers as producers; in which the organised consumers should co-operate with the organised producers; in which the consumers should produce what they use; in which useful service should be the means of livelihood; and in which producers enjoy all the fruits of their labour.

(4) The economy of abundance should be substituted for the economy of scarcity.

(5) Money should have a value only for purposes of accounting, record and exchange.

(6) War should be made impossible through the co-operative method, by establishing mutual aid in the place of hostile economic competition and in the place of racial and other conflicts.

(7) The following further objectives should be brought about ultimately by the expansion of the co-operative economy; (*a*) self-determination of all peoples; (*b*) freedom in speech, religion, education, assembly, and suffrage; (*c*) freedom in international exchange, commerce and intercourse; (*d*) the elimination of military armaments; and (*e*) the ultimate breaking down of hostility-provoking nationalism and substituting the united peoples of the world in its place.

(International Labour Review for July 1942.)

A High Court Judgment.

PRESENT:—Mr. Justice Kuppuswami Ayyar.

Yarlagadda Rattayya ... *Appellant** *(Plaintiff.)*

vs.

Modumudi Co-operative Credit Society represented by its President Sanaka Rattayya and others ... *Respondents.* *(Defts. 1 to 3.)*

Madras Co-operative Societies Act (VI of 1932)—Person asking for declaration that his property was not liable to be proceeded against in execution of an award and for an injunction restraining execution—Forum—Subsequent acquisition of right to execute—Injunction restraining execution, not to be granted.

A Deputy Registrar of Co-operative Societies acting as a Sale Officer, in execution of an award passed in respect of a mortgage to the Society ordered the sale of a property which was not mortgaged and which did not belong to the mortgagor. Out of the money realised by the sale, the Co-operative Society was paid the amount due under the award and the balance was paid over to the mortgagor. The purchaser subsequently found that the property did not belong to the mortgagor and was not mortgaged to the Society and that there was a mistake in the sale and moved the Deputy Registrar to set aside the sale. The sale was accordingly set aside. The Society thereupon moved the Deputy Registrar to execute the award by proceeding against the mortgaged properties.

X who had purchased the properties comprised in the mortgage subsequent to the mortgage but without knowledge of it then sued for a declaration that, inasmuch as the award had been fully satisfied by payment of the money realised by the sale of the incorrect item, it will not be open to the Society to execute the decree and contended that the order setting aside that sale was without jurisdiction and invalid and asked for an injunction restraining execution against his properties. During the pendency of this suit the purchaser under the earlier sale filed a suit against the Society and obtained a decree for the return of the purchase-money. In the circumstances,

Held: (i) The proviso to clause (iii), sub-rule (10) of rule 22 framed under the Co-operative Societies Act enabled the Deputy Registrar to set aside a sale only before its confirmation and therefore the order of the Deputy Registrar setting aside the sale was invalid and without jurisdiction.

(ii) The remedy of *X* was not to proceed under section 57 of the Co-operative Societies Act as he was not a party to the execution proceedings and he was not a person who derived an interest subsequent to those proceedings from any of the parties to the proceeding. As a person having reasonable apprehension of an injury being caused to him, if property of his not liable to execution is proceeded against, *X* was entitled to move the Civil Court to prevent the injury being so caused.

(iii) As the purchaser under the earlier sale had obtained a decree for the return of the purchase money subsequent to the suit, the Society will be entitled to execute the award.

(iv) As the Society had acquired a right to execute the award pending the suit the discretionary relief by way of injunction cannot be granted.

*S. A. No. 625 of 1941. 19th August, 1942.

Appeal against the decree of the District Court of Kistna at Chilakalapudi in A. S. No. 216 of 1940 preferred against the decree of the Court of the District Munsiff of Masulipatam in O. S. No. 462 of 1937.

P. Somasundaram and *P. Suryanarayana* for Appellant.

A. Lakshmayya for Respondents.

The Court delivered the following

Judgment.—The plaintiff is the appellant and the appeal arises out of a suit for a declaration that it is not open to defendants 1 and 3 to take out execution proceedings against the property described in the plaint and claimed by the plaintiff as his own. The properties in question and another item of property were originally mortgaged to the 1st defendant Co-operative Society by the 2nd defendant. Subsequently there was a sale in respect of the properties comprised in the suit to the plaintiff-appellant without disclosing the prior mortgage and as if there were no incumbrances in the property. The Deputy Registrar of Co-operative Societies, Bezwada, acting as a Sale Officer, in execution of the award passed in respect of the mortgage ordered the sale of a property which was not mortgaged and which did not belong to the 2nd defendant. Money was realised by the sale and out of the sale proceeds the Co-operative Society was paid the amount due to it under the award. The balance of the amount was paid over to the 2nd defendant as if he were the owner of it. The purchaser subsequently found that the property did not belong to the 2nd defendant and was not mortgaged to the Society and that there was a mistake in the sale and moved the Deputy Registrar to set aside the sale. He set aside the sale accordingly. The 1st defendant Society thereupon moved the 3rd defendant to execute the award by proceeding against the properties which were the subject-matter of the same. The plaintiff-appellant who is entitled to two of the properties by right of purchase subsequent to the mortgage wants a declaration that, inasmuch as the award had been fully satisfied by payment of the money realised by the sale of the incorrect item, it will not be open to the 1st defendant to execute the decree, his further contention being that the order setting aside the sale was without jurisdiction and invalid and consequently, the decree must be considered to have been fully satisfied and that no execution could be taken out as against his properties.

The first Court found that the Deputy Registrar had no jurisdiction to set aside the sale, that the award must be considered to have been fully satisfied and that consequently the decree could not be executed as against the appellant and decreed the suit. But the lower appellate Court, though it came to the conclusion that the Deputy Registrar had no jurisdiction to set aside the sale, was of opinion that the plaintiff's remedy was not by means of a separate suit and that the proper course was to take proceedings under section 57 of the Co-operative Societies Act and that the suit was hence not maintainable. He allowed the appeal and dismissed the suit. Hence this appeal.

The points for consideration are:

(1) Whether the order of the Deputy Registrar setting aside the sale is invalid?

(2) If so, was the plaintiff entitled to file the suit for a declaration that the decree cannot be executed?

(3) Whether the plaintiff is entitled to the discretionary relief sought for, in view of the fact that the 1st defendant had, subsequent to the suit, to pay the money which he realised in satisfaction of the decree back to the purchaser?

Point No. 1.—The respondents' contention is that the proviso to clause (iii), sub-rule (10) of rule 22 framed under the Co-operative Societies Act enabled the Deputy Registrar to set aside the sale at any time. I do not think so. The proviso is only a proviso to clause (3) and comes before clause (4). The Deputy Registrar has powers under that proviso to set aside a sale only before confirmation and not subsequent to confirmation. And that is exactly what the first Appellate Court has also found. I therefore find that the order passed by the Deputy Registrar was invalid and was passed without jurisdiction.

Point No. 2.—I do not think the lower Appellate Court was justified in finding that the remedy of the plaintiff was to proceed under section 57 of the Co-operative Societies Act. The appellant was not a party to the execution proceedings and he is not a person who derives an interest subsequent to these proceedings from any of the parties to the proceeding. He could not therefore move the Registrar of the Co-operative Societies under section 57. An injury will be caused to him if the property, which was not liable to be proceeded in execution for realisation of the money due under an award, is proceeded against and he is deprived of the property. He has therefore reasonable apprehensions of an injury being caused to him and is entitled therefore to move Civil Court to prevent the injury being so caused. The suit hence was maintainable.

Whatever may be the effect of the order of the Deputy Registrar setting aside the sale, there is this fact, namely, that a suit was filed by the purchaser against the 1st defendant and a decree was obtained for return of the purchase money. The appellant no doubt was not a party to the suit. But he could not in the nature of things be made a party to the suit. It is not disputed that the property sold was a property which could not be sold in execution of the decree and it was not the property

of the 2nd defendant. Consequently, the sale was improper. If the sale was improper and there was absolutely no vestige of any shadow of a title to the properties in the judgment-debtor, the purchaser was entitled to recover the money from the decree-holder and that was exactly what he had been able to succeed in recovering. ***Macha Koundan* v. *Kottora Koundan***[1] was the case of a purchaser at a sale, in execution of a decree of a Civil Court getting a similar decree. So far as this point is concerned there is no difference between the purchaser in a sale held by a Sale Officer under the Co-operative Societies Act and the sale held by a Civil Court. It is true there is no provision similar to Order 21, rules 91 to 93 in the rules framed under the Co-operative Societies Act, but then the decision in ***Macha Koundan* v. *Kottora Koundan***[1] was not based on any right claimable under Order 21, rules 91 to 93. The purchaser could get a decree because the interest of the judgment-debtor was absolutely nil and there was not even a shadow of a claim that could be set up in his favour. This is a similar case. When the money realised by the execution of a decree had to be paid to the purchaser by the decree-holder, then he will be entitled to execute the decree. This is pointed out in ***Hafez Uzir Ali* v. *Nasimannessa Bibi***[2], and I entirely agree with the observations of the learned Judge in that case. Consequently it cannot be said that to-day it will not be open to the 1st defendant to execute the decree. It is true on the date of the suit, the plaintiff was entitled to a decree; but it is a discretionary relief that he is asking for and I do not think that I will be jusified in giving him the relief now. It will be improper to issue the injunction as the 1st defendant had acquired a right to execute the decree subsequent to the filing of the suit by paying the amount to the purchaser in execution of the decree obtained against him for refund of the purchase money.

It is true that the appellant complains that he is a *bona fide* purchaser for value without notice of the mortgage and that the 2nd defendant may be asked to proceed against the other property of the judgment-debtor. But that is a matter for the executing Court to consider and if the appellant is able to satisfy the Court that he was a *bona fide* purchaser and that no injury would be caused to the judgment-debtor, or any other person by execution being directed against the other property, it would be open to the Sale Officer to proceed against it before proceeding against the properties of the appellant. It is a matter to be decided by him after hearing both sides and considering all the facts which may be presented to him.

In the result, the second appeal is dismissed. Each party will bear his own costs in all the three Courts inasmuch as it is the events which have transpired subsequent to the filing of the suit that have resulted in the plaintiff being refused the relief which he asked for and which he was entitled to on the date of the plaint.

Leave refused. *Appeal dismissed.*

(Madras Law Journal—Vol. 83—19.)

---

[1] (1935) 69, M. L. J. 750: I. L. R. 59. Mad. 202 (F. 13.).
[2] A. I. R. 1928 Cal. 865 at 868.

Rural Reconstruction in Madura.

(*Contributed*).

Uthangudi: (*Othakadai Union.*) Hundi boxes were distributed among the members of the co-operative society. Bore hole latrines were up and a scavenger has been appointed to clean the streets.

Manickampatti: (*Alanganallur Union.*) Manure pits were dug and a Demonstration farm was maintained. Cleaning of streets, putting up of street lights, repairing of well were amongst the several activities in the village. Hundi boxes were distributed among the members of the society. The adult education night school was continued to be run successfully. Reading room was continued to be maintained. Useful books were distributed to members.

Vellaripatti: (*Melur Union.*) Manure pits were dug.

Sathangudi: (*Tirumangalam Union.*) The adult education night so was continued to be maintained. A demonstration (Cotton) Farm was maintained.

Royampampatti: (*Uthamapalayam Union.*) Hundi boxes were distributed among the members.

Pudupatti: *Uthamapalayam Union.*) Hundi boxes were distributed to the members of the society.

Panjampatti: *Dindigul Union.*) Preservation of manure by scientific methods, distribution of improved varieties of seeds, hiring of Agricultural implements, Bee-keeping, Poultry farming, street drainage, and distribution of Hundi boxes were the various activities carried on in the village. An agricultural association was started with a view to develop the Agricultural methods of villagers. Medicines were supplied to members free of cost. Adult education night school was conducted successfully.

Voliaibommanpatti: (*Vadamadura Union.*) Improved varieties of cotton seeds and paddy were supplied to the members. Manure pits were dug. Medicines were supplied free of cost. A stud bull is being maintained. A public well was constructed for the use of the villagers. Streets were kept clean. Hundi boxes were distributed among the members.

Ayakudi: (*Palani Union.*) Medicines were distributed to the members free of cost. The other activities were the digging of manure pits planting of trees, distribution of Hundi boxes and Bee-keeping.

Samiarpudhur: (*Oddanchatram area*): and *Doddappanaickanur*: (*Usliampatti area.*) Tamil dailies were purchased by the societies for the benefit of their members.

Batlagundu: (*Pattiveerampatti area.*) The Panchayat Board is looking after the sanitary condition of the village. Bore hole latrines were put up. A stud bull was maintained by the society. Hundi boxes were also distributed to the members of the society.

Correspondence.

CO-OPERATIVE SUPERVISING UNION.

Perusing the suggestions of my friend Mr. G. Srinivasa Ragavachariyar for the improved supervision of societies published in the *Madras Journal of Co-operation* for November 1942, I feel I ought to submit a line to express my respectful disagreement with his recommendation to scrap Supervising Unions and transfer their work to financing banks. The Unions are ideal institutions for supervision, if suitable persons can be found to work them. Their failure in the past is due to unsuitable men having been elected to their governing bodies. The obvious remedy would therefore be to keep out the undesirables by a rule of Government prescribing the qualifications of persons elected to the governing bodies. The rule may be that no member of a society which has failed to discharge its obligations to its financing bank should ordinarily be held eligible for election to the governing body of the Supervising Union. If any society should be exempted from this rule the exemption should be recommended by the financing bank and approved by the Registrar. Such a rule ought to effect a material reduction in the number of the defaulting societies in a district, and to exercise a healthy influence on the morale of the Movement. It is difficult to understand why Government, while apparently in sympathy with such a rule, are slow to adopt it in a statutory form.

I am unable also to support my friend's suggestion that members of the Board of Management of affiliated societies must be made ineligible to be members of the Board of Management of financing banks. If an affiliated society works efficiently it should be a strength to the Board of the financing bank to have on it a member of the Board of such a society. To exclude altogether from the Bank's Board, members who are on the Boards of affiliated societies would, I believe, be a wrong step and would add seriously to the difficulties which already exist to find suitable men to administer financing banks. A more desirable course to strengthen Boards of financing banks would, in any humble view, be to apply to the financing banks also the same rule above suggested for elections to Supervising Unions. If both the Boards of Unions and financing banks contain representatives of societies which have worked without default, the Movement will have gone a long way on the path of healthy and successful working.

A. RAJABADAR MUDALIAR.

Reviews.

The Vegetable Garden, by John S. Gardner, University of Kentucky, Circular 355.

Vegetable-growing is a subject of topical interest all over the world, what with the present drive for increased food production and for a higher intake by the people of protective substances, which are contained in greater abundance in vegetables and fruits than in most other food commodities. John Gardner's admirable circular on 'Vegetable Garden' has therefore been released none too soon. Written in a popular language and with a fund of information of real practical value packed within its 30 pages, this publication should be of absorbing interest to the North American amateur vegetable producers. All those who have been stirred to join the 'Dig For Victory' campaign and are keen to utilise every available inch of ground around their homes will find in this publication much to guide them. Every aspect of vegetable culture, right from the measuring of the garden space and preparation of a plan to the storage of produce has been dealt with clearly and succinctly. The amateur's enquiries in the field have been anticipated unerringly by the author and adequately answered.

To the readers in this country also, the publication is of more than ordinary interest. The crops dealt with are no doubt largely different from those with which the vegetable growers in the plains of South India are familiar. But this does not detract the value of this work, for there is much in it which will be of immense benefit to the prospective vegetable growers in this country. Hints on companion and succession cropping schemes to produce a supply of fresh vegetables to the family throughout the growing season and a surplus for storing and preservation, and on the preparation of a plan after consulting the family's tastes and determining the number of servings of each vegetable, are a few which deserve to be adopted as the guiding principles of the vegetable growers in all lands. If the necessity to alter the suggestions to suit the local conditions is not overlooked, the hints on soil management, selection of varieties, control of pests and diseases, etc., are such as have an application for beyond the State of Kentucky.

One of the most important problems facing the vegetable growers in India is in the matter of obtaining reliable seed. The Circular refers to the Kentucky seed law, which requires that "each package of one pound or more of garden seeds offered or exposed for sale in the State shall be plainly marked with the approximate percentage of germination and the year when the test was made." We have still a long way to go before we can advise the buyers in this country to look for such information and be guided accordingly.

Research on Indian vegetables is still in its infancy and this renders the publication of a practical guide on Indian vegetable culture, impracticable for the present. There is nevertheless a great deal of information with the

Agricultural Departments, and the prospective vegetable growers will do well to seek advice and guidance from the Departmental Officers. The publication under notice should help the readers to form an accurate idea of the lines on which such help and guidance should be sought and availed of. (*Contributed.*)

Report on the working of Co-operative Societies in the Baroda State for 1940—1941.

"It may safely be said that the Movement which was of late causing a great deal of anxiety in regard to its rehabilitation has now entered a new phase and bids well for its success in future", so writes the Registrar at the end of an interesting Report. The Government is satisfied with the working of the Department. One feature which is not found elsewhere, is that the Government refers the Report to two Professors of the Baroda College for opinion and their suggestions are sent to the Registrar for remarks. The G. O. embodies that correspondence also for public information.

2. There were 1,303 societies in the State of which 1,075 were actually working—228 being under liquidation. The membership was Rs. 68,000, and the working capital was Rs. 110 lakhs. It is stated that the owned capital was Rs. 66 lakhs, its ratio to working capital being 60 per cent. This is certainly a high figure not attained elsewhere in India. But if we scrutinize the figures, it is found that the "Deposits from members" amounting to Rs. 34 lakhs, is included in the "owned capital". That is not the practice in India; only the Share Capital and Reserve Fund are included in the owned capital. The Rs. 110 lakhs of working capital was made up of Rs. 13½ lakhs of share capital, Rs. 18½ lakhs of Reserve Fund, and Rs. 78 lakhs of borrowed capital.

3. *Primary Societies.* The number of primary societies was 1,289 of which agricultural societies numbered 1,026 with a membership of 37,000, and the non-agricultural 263 with a membership of 26,000. The credit societies alone were 978 (783 agricultural and 195 non-agricultural). The working capital, however, of the non-agricultural societies was Rs. 45 lakhs, as against Rs. 40 lakhs of the agricultural societies, though they (non-agricultural societies numbered only a fourth of the latter). The details are given below:—

		Agricultural Societies. Rs.	Non-Agricultural Societies. Rs.
1.	Share Capital ...	1·80 lakhs	6·76 lakhs
2.	Reserve & other funds	12·68 „	2·50 „
3.	Deposits from Members	7·21 „	26·77 „
4.	„ non-Members	7·41 „	6·66 „
5.	Loans from Banks ...	10·30 „	1·57 „
6.	„ Government	·50 „	·18 „
	Working Capital Rs.	39·90 lakhs	44·44 lakhs

The borrowings of agricultural societies from Central Banks were about 25 per cent of their working capital and 40 per cent of borrowed money; and that low figure is indeed a gratifying feature.

"*All Credit and no Thrift*", is the charge usually levelled against our societies. But the Baroda societies make a good show on the thrift side. 44 per cent. of the borrowed money was from members. There are schemes for compulsory saving, provident fund and insurance. Members of societies are required to deposit a certain amount as compulsory saving every year. These savings, on which a higher rate of interest is allowed, totalled upto Rs. 5 lakhs which is about 12·4 per cent. of the working capital. Another scheme by which the members are induced to thrifty habits is the provident fund scheme, under which the members are allowed out of the profits 50 per cent of the sum contributed by the member towards this fund, the maximum amount of such deposits being Rs. 10. These funds are invested outside the business of the society. The scheme was availed of by 2,250 members of 143 societies and the fund stood at Rs. 1·20 lakhs. Then, there is the insurance with the Baroda Co-operative Insurance Society. 217 members are so insured for Rs. 93,400.

The agricultural societies lent during the year Rs. 11¾ lakhs, and the non-agricultural societies lent Rs. 12¼ lakhs. Recoveries by the former amouuted to Rs. 12 lakhs, and by the latter to Rs. 13 lakhs. Loans due at the end of the year were Rs. 28 lakhs and Rs. 20 lakhs respectively. The overdues were Rs. 11 lakhs in agricultural, and Rs. 3 lakhs in non-agricultural societies, the percentage being 35 and 14 respectively. It is stated that "owing to complications having been experienced in the execution of decrees, most of the societies are now alert and advance loans above Rs. 250, and in some cases above Rs. 150, only on the mortgage of real property. 702 societies have property worth Rs. 55½ lakhs mortgaged with them against their loans". The questions whether mortgage loans are liquid or co-operative, belong to that category on which much might be said on both sides of the question.

Reconstruction of Societies: There were 168 reconstructed village societies and their position is exhibited in an interesting table. About Rs. 6 lakhs under principal and Rs. 2·11 lakhs under interest, were due from members of these societies. The repayments are reported to be generally good. 50 to 75 per cent of the amount due was recovered. The societies wrote off Rs. 1,787 in principal and Rs. 13,563 in interest due from members who paid the instalments regularly according to the scheme of reconstruction.

Students' Aid Societies. Among the urban societies are 3 students' aid societies. These advance loans to students who desire to prosecute their studies, but had no means to do so. Loans were advanced against security of sureties, life insurance, and mortgage of real property. The

report does not give statistical information about this extremely useful activity. So far as we are aware, such societies are not found in other parts of India.

Non-Credit Work. There were 154 agricultural non-credit, 50 non-agricultural non-credit societies, and 107 thrift societies—in all 311 societies. The sale societies were 39—37 for cotton and 2 for groundnut; the Urban Stores were 9, and Village Stores 8. Stores in Urban and Rural areas are encouraged by the grant of subsidies to meet their initial expenditure from the Government. Their transactions are modest, but they seem to be doing good work. Cotton Co-operatives' Sales amounted to Rs. 12 lakhs.

Exhibition of Statistics. The Sale Societies for Agriculturists and the Store Societies of Townsmen, are the most important of non-credit activities; and it will be useful if special tables exhibiting their operations are devised and published in all Provinces and States. These are now shown in the Imperial Statements clubbed with other kinds of societies, and are not sufficiently informative. It would also be helpful if the figures of societies under liquidation are separated from those of working societies, in all statements and reports.

4. *Financing Banks.* There were 10 Central Banks and four Agricultural Banks. Both lend only for short terms. The former lends to member societies, while the latter to societies as well as individuals. In Agricultural Banks, half the capital is subscribed by Government and they have two officials on their Board. These banks are allowed cash credit to the extent of Rs. 10,000 by Government. They are governed by a special Act. The need for two sets for Banks may not perhaps be apparent to an outsider. The Registrar says the Agricultural Banks have their own purpose and we are inclined to agree with him. We happen to think that, if Agriculturists of the bigger sort have to be financed, the Agricultural Banks of the Baroda type are the best agency. The small village co-operatives do not suit them. We desire to see some banks of that kind established in this Province.

Agricultural Banks. The Agricultural Banks had a working capital of Rs. 7·20 lakhs. The share capital held by Government was Rs. 87,500 and by the public Rs. 89,710. Reserve and other funds amounted to Rs. 1·4 lakhs. Deposits held were Rs. 3·93 lakhs. Loans advanced were for Rs. 55,000 and recovered were Rs. 1,15,000. At the end of the year, co-operatives owed Rs. 1·19 lakhs, and individual khatedars Rs. 1·46 lakhs. The overdues have not been furnished. But in the G. O. it is stated that the recoveries were 30.4 per cent of the demand. If so, the overdues are certainly very high and this requires an explanation. We should like to have more detailed information about these Banks, the like of which do not exist in other parts of India.

Central Banks. The 10 Central Banks had a working capital of Rs. 17 lakhs, the Baroda Central Bank was the biggst with a working capital of Rs. 7 lakhs. The Kodinar Banking Union, which the Reserve Bank of India held up as a model for other Banks in India, had a working capital of Rs. 1·73 lakhs. The Government deposited Rs. 40,000 for 5 years in that Bank. To 5 other Banks, Government gave the concession of cash credit to the extent of Rs. 4.30 lakhs, in order, it is stated, to meet the immediate demands of depositors and to create confidence in the public. The amount actually due to Government however was Rs. 6,000 at the end of the year and only one Bank was so indebted. The rates of interest on loans varied from 5 to 6½ per cent and were reduced to even 3 per cent in the case of reconstructed societies for past years. Two Central Banks—the biggest ones—have been permitted to finance individual members for a period of 3 years in order to find an opening for the use of their surplus money. The Baroda Bank had thus advanced Rs. 40,800. Particulars of the business of Central Banks are given below :—

			Rs.
1.	Share Capital	...	3·38 lakhs.
2.	Reserve Fund	...	3·02 ,,
3.	Deposits from Societies	...	4·87 ,,
4.	do. from others	...	5·58 ,,
5.	Government Loans	...	0·06 ,,
6.	Working capital	...	16·91 ,,

Rs. 10·29 lakhs or 60 per cent of the working capital was outstanding in loans to societies, and cash and investments amounted to Rs. 5·42 lakhs which is about 35 per cent of the working capital and 50 per cent of deposits. That is a very satisfactory distribution of assets.

Loans advanced during the year were Rs. 3·87 lakhs and recovered were Rs. 4·65 lakhs. The overdues were Rs. 2·18 lakhs (22·3 per cent.) while the total overdues in all societies in the State amounted to Rs. 16 lakhs (24·5 per cent). Some of the Central Banks interested themselves in non-credit work—in particular, Kodinar Banking Union, did well in this direction. It sold goods of societies to the value of Rs. 72,000 and supplied manure, cotton and groundnut seeds to its members. The financial particulars of the Kodinar Banking Union which is held up for our admiration and copying are given below :—

1.	No. of affiliated Societies		65
			Rs.
2.	Share Capital	...	22,470
3.	Reserve Fund	...	20,576
4.	Other Funds	...	21,263
5.	Deposits	...	1,09,454
6.	Working Capital	...	1,73,763
7.	Loans due from Societies	...	1,08,803
8.	Investments	...	710
9.	Cash on hand	...	62,346
10.	Cost of management	...	2,836
11.	Net profit	...	1,921
12.	Dividend paid		3⅛ per cent

It is no doubt a bank that has done well. But it is too small to be repeated with success in a bigger area.

5. *Land Mortgage Banks.* There are 2 banks each issuing its own debentures guaranteed by Government. Government has also purchased debentures, in addition to meeting half the actual expenses of the Banks. The Baroda Co-operative Land Mortgage Bank is 8 years old and is now well established; the other, Navasari Land Mortgage Bank, is just a year old. The Baroda Bank's working capital was Rs. 7 lakhs, and Navasari's Rs. 1·40 lakhs. The Baroda Bank held deposits for Rs. 2·5 lakhs, not on usual feature in Land Mortgage Banks. There were no overdues from members who owed in all Rs. 7·19 lakhs.

6. *Miscellaneous.* Baroda state has its own Co-operative Insurance Society. It had in force 373 polices for Rs. 2,02,194. The premium received was Rs. 10,078 and expenses amounted to Rs. 6,966. Out of 373 policy holders, 222 are members of various societies. It is reported to be making a steady progress.

The Co-operative Electric Supply Society has been registered with the object of supplying electric power to 2 villages for lighting and agricultural purposes. The subscribed share capital was Rs. 34,150, but progress is held up owing to scarcity of suitable machinery.

The Co-operative Institute continued its propaganda for the development of the Movement and held classes for the training of Secretaries. It publishes a Journal. Members contributions were Rs. 2,324 and Government contributed Rs. 3,500. Individuals can also become members; and 481 individuals were members in addition to 600 societies. The Institute, being located at Baroda, could not reach all parts of the State. So 9 divisional institutes have been started, with the Baroda Institute as the Central Body. The scheme promises to work well.

The Societies helped the cause of war by purchasing war loans and defence savings certificates for Rs. 31,000.

On the whole, the societies did well, though the Registrar says that the Movement passed through one more bad year in its progress. The Baroda State is rendering valuable help by the liberal financial facilities granted to co-operative institutions of the State.

T. R. N.

Fity-third Annual Report of the Director, Agricultural Experiment Station, University of Kentucky, for the year 1940.

The report is in the form of a narration of the results of work done in the various sections devoid of statements and laborious data and thus will be found useful even for the ordinary educated agriculturist.

The various seotions dealt with are :—

(1) Farm organisation and marketing.
(2) Livestock.
(3) Soils and crops.
(4) Truck and orchard crops.
(5) Insect control.
(6) Analysis, inspection and control services.
(7) Reports of sub-stations.
(8) New projects.
(9) Publications.

Under farm organisation, the results of the analysis of farm accounts and those of a ten year study of the factors determining profitable farm organisation and management are fairly interesting. An investigation was made into the possibilities offered by small farms as units on which to make a comfortable living by analysing numerous small farm accounts. The preliminary results as given will be of interest to small farmers in our country, "On the average about 40 per cent. of the gross income goes for operating expenses, and 20 per cent. for interest on the investment, leaving 40 per cent. for returns to the operator." Under livestock, feeding tests on dairy heifers, sheep and hogs and experiments on the maintenance of pastures, form important lines of work.

Under soils and crops, fertilisers, curing and other experiments on diseases of Burley and other types of tobacco form the major portion of the work. Results of improvement work on Red Clover, Alfalfa and varieties of grasses are also given. In the section, orchard crops, the important work was on tomatoes, the outstanding being the analysis of tomato plants as a guide for use of fertilisers. Results of trials of cabbage, raspberry and strawberry varieties are also given.

Under insect control, control methods for June beetle larvae on tobacco and for tomato fruit worm were continued to be studied. It is interesting to note that the station does some public service by attending to analysis of foods and fertilisers, and seed and nursery inspections. During the year under report, 33,868 specimens of foods and 1,174 samples of fertilisers were analysed. (*Contributed.*)

Report of the Bombay Co-operative Banks' Association, for 1941-42.

The Bombay Co-operative Banks' Association has turned out another year's useful work. It had 39 members—12 financing banks and 27 urban banks. An Executive Committee of 8 members manage the day-to-day affairs.

2. Various questions of general policy affecting Co-operative Banking, many of which were referred for opinion by the Registrar, were considered by the Association. The number of subjects taken up for consideration by the Executive Committee during the year was 113. The Report states, " The

Registrar continued the usual practice of consulting the Association on matters of general policy affecting the Movement. On most occasions, he has given effect to the suggestions put forward by the Association, and he has usually endorsed its recommendations for favourable consideration by Government ". The report gives a brief account of some of the important subjects considered.

3. We shall refer to a few of them. Defining the term " Bank " has presented several difficulties. Though in England it has been a simple matter, in India, however, it has become a complicated question, owing to the existence of other types of financial institutions like the Nidhis of Madras and the Loan Offices of Bengal. Some years ago, a definition was inserted in the Indian Companies Act—it has application to Joint Stock enterprises only—and within two or three years of its passing, an amendment became necessary; and now, any Company which has the words " bank ", " banking ", " banking company ", as part of its name, is a " Bank " in the eyes of the law, and the legal requirements have to be complied with. But that does not apply to co-operative societies; any tiny co-operative society can have the word " Bank " as part of its name, In Bombay, however, the Government has prescribed Rs. 20,000 as the minimum amount of share oapital to be held by a co-operative institution that desires to use the term " Bank " in its name. We, in Madras, can usefully adopt the Bombay rule.

The Association called for statistics relating to the working of central financing agencies, in order to examine how far they departed in their actual working from proper banking standards as defined by the Reserve Bank of India, and suitable suggestions were made to banks. This is a commendable activity which should improve co-operative banking in the Province.

Another subject of interest considered was the scale of expenditure in banks. It would appear that the Registrar emphasised the need for reducing expenditure in financing banks, so that they may be enabled to lend at lower rates of interest to agricultural borrowers. The question is being examined and data collected. In this connection, a budget discussion in the Madras Legislature some years ago, comes to our memory. Members made suggestions for the reduction of expenditure by cuts in salaries and other items. The Finance Member, in winding up the debate, pointed out that Government, like individuals, has a " standard of living " and that expenses cannot be cut down beyond a point. Likewise, we feel that Banks have a " standard of living ". Certain necessary expenses and on a particular scale, have to be incurred. The question should be at what rate of interest the bank *can afford to lend*, having regard to its own needs and safety. This is not intended to convey that borrowers' interests are to be ignored, or that expenses should be on an extravagant scale.

4. The Association convened a Conference of Co-operative Banks in May 1942; and conducted a training class for the staff of financing banks,

It has published a list of co-operative banks in the Province. During the year, it had an income of Rs. 3,831 and spent Rs. 2,918. It had an accumulated surplus of Rs. 3,381 at the end of 3 years of working.

5. One point which we should not omit to notice is that the Report is printed and bound in handmade glazed paper.

T. R. N.

Budget of the Punjab Provincial Co-operative Union for 1942-43.

The Budget for 1942-43 of the Punjab Provincial Co-operative Union, is an interesting document in several respects. Firstly, the Budget proposes to obtain an income of about Rs. 10 lakhs and spend it; perhaps, it is the only Institution of its kind in India that is able to raise and spend such a big amount. Secondly, we find that many things that are done by the Government agency in some of the major provinces, are done in the Punjab by the Co-operative agency. Thirdly, it shows how trustful the Local Government is of the non-official Co-operative agencies.

The main items of Receipts are :—

			Rs.
(i)	Contributions from Societies	...	5,75,000
(ii)	Government Granfs	...	2,29,830
(iii)	Other Government Receipts	...	73,120
(iv)	Income from interest on investments	...	75,300
(v)	Sale proceeds of books and forms	...	30,000
(vi)	Journal income	...	6,000
(vii)	Miscelfaneous	...	1,300
	Total	...	9,90,550

The main items of Expenses are :—

(i)	Audit, supervision & propaganda staff	..	7,12,500
(ii)	Training of staff	...	13,500
(iii)	Audit of Central Institutions	...	50,000
(iv)	Propaganda literature & aids	...	23,500
(v)	P.C.U. Office	...	42.000
(vi)	Contingencies	...	11,900
(vii)	Books and By-laws for sale	...	30,000
(viii)	Provident Fund of staff; contribution and interest	...	67,600
(ix)	Meeting expenditure	...	6,500
(x)	Miscellaneous	...	24,260
			9,81,760
	Surplus	...	8,790
	Total	...	9,90,550

The Punjab Union is, contrary to the practice in most other provinces, entrusted with the audit of societies—Primary and Central. That is a major matter of departmental policy. The Government naturally makes

grants enabling the Union to carry out that important work which the State has otherwise to do. All told, the Government gives the Union a grant of Rs. 3,02,950 for various purposes; Rs. 79,830 for Audit, a fixed grant of Rs. 50,000 for propaganda, and an additional grant of Rs. 1,00,000 in order to enable the Union to tide over its financial difficulties. This last grant was sanctioned for 5 years and 1942-43 is the fourth year of the grant. There is a grant for development amounting to Rs. 68,120 from the Rural Development Fund, and of Rs. 5,000 for the training of Secretaries and members of co-operative societies. The Provincial Bank makes an annual contribution of Rs. 10,000. The Government have been quite generous towards the Union. One interesting item among receipts, thouh it does not bring in much, is that the surplus funds of liquidated societies below Rs. 20 are credited to P.C.U. to become part of its income.

The Union has an outdoor staff of 824, including 29 Sub-Inspectresses and the bulk of the expenditure is naturally on salaries, allowances, including dearness allowance. About Rs. 8 lakhs are spent on them, and in addition a sum of Rs. 67,600 is payable on account of Provident Fund Contribution and interest on it. This leaves a little more than Rs. one lakh for expenditure on other items.

The Union's Budget is of more than local interest. We see how widely co-operative opinion in the North of India differs from that in the South in respect of several matters of policy. For instance, we generally favour an Official Audit; the Punjab favours audit through a Co-operative agency. We want a Co-operative school; we ask that the Government should run the School. We want an employee for an important post; we ask the department to let us have one. Panchayatdars have to be educated or propaganda carried on; Government Inspectors are put on. In the Punjab, the Government lets the Co-operative agencies do these things, and helps them financially.

The Budget closes with a surplus of Rs, 8,790, and it is stated that this has been made possible by strict economy in expenditure—about Rs. 50,000 has been cut down. The Union has surplus money (how much it is not stated) and Rs. 1 lakh of it is invested in G.P. Notes. It is lucky indeed.

T. R. N.

Annual Report of the Tinnevelly District Co-operative Central Bank, Ltd., for the year 1941-42.

The Tinnevelly District Co-operative Central Bank has made substantial progress during its Silver Jubilee Year. From small beginnings, its working capital has now reached Rs. 24 lakhs. The pioneers have earned the gratitude of the Tinnevelly Co-operators.

2. The Bank had a membership of 551 societies and 186 individuals On the 30th June, 1942 its share capital, Reserve Fund, and deposits

amounted to Rs. 1·92 lakhs, Rs. 1·50 lakhs, and Rs. 19·56 lakhs respectively. While there were small increases in the share capital and the Reserve Fund—they are naturally of slow growth—deposits increased during the year by about Rs. 6 lakhs. The deposits from individuals were Rs. 8 lakhs, from Joint Stock and other institutions Rs. 5 lakhs, and from primary co-operative societies Rs. 6½ lakhs. Deposits from societies amounted to 33 per cent. of the borrowed money and it is a gratifying feature.

3. The Bank had cash on hand to the extent of Rs. 3·12 lakhs, and held Government Pronotes for Rs. 1·97 lakhs. It also held Debentures of the Madras Central Land Mortgage Bank (guaranteed by Madras Government) for Rs. 1·75 lakhs, and Fixed Deposits in the Provincial Bank for Rs. 2·75 lakhs. These investments total up Rs. 9·59 lakhs which is about 50 per cent. of the total liabilities, as against 40 per cent. recommended by the Reserve Bank of India for maintenance. It held other investments to the extent of Rs. 1·90 lakhs, and loans due by societies were Rs. 12·08 lakhs. That is a very satisfactory distribution of assets and the banking position is sound from all standards.

4. During the year the Bank lent Rs. 6·66 lakhs and collected Rs. 7.40 lakhs. The overdues were Rs. 33,258 under principal and none under interest. That is indeed a good record, and the report expresses the Board's appreciation of the work of the Unions and the Bank staff in this behalf. The Report says, "The department was willing to help in collection work provided the Bank's supervisory staff was placed at the disposal of the local Deputy Registrar. The Central Bank was not willing to this course and made the Secretary responsible for the entire collection work. At the fag end of the collection season the department also rendered help after the new Deputy Registrar assumed charge" and the Board thanks him for the help rendered. The Bank allowed cash credits to the extent of Rs. 7·14 lakhs to 26 societies and the amount outstanding was Rs. 5·18 lakhs. Ordinary loans outstanding were Rs. 6·09 lakhs. The loan and sale societies, and the Weavers' societies are reported to be working well.

5. Societies under liquidation owed the Bank Rs. 96,604, but the Bank had a Bad Debt fund of Rs. 58,000 to cover probable losses. It held also a sum of Rs. 4,830 as a Depreciation Reserve for G. P. Notes.

6. The Bank's net profit for the year was Rs. 16,863-5-0 and a dividend of 4 per cent.—the maximum payable under the law is 5 per cent. is proposed to be paid.

7. The Bank is maintaining a big library and a free reading room and books are lent to the public also. It has installed a Radio with a loud speaker in its buildings. A Refresher Course for supervisors was held during the year.

T. R. N.

The Thirteenth Land Mortgage Banks' Conference.

9th January 1943.

ADDRESS.

BY T. A. RAMALINGAM CHETTIAR, Avl., B.A., B.L., M.L.C.

* * * *

We are feeling the effects of the war increasingly. The possibility of being bombed or invaded has also caused various problems. The military have naturally the preference both with reference to supply and transport. But even so, what is available after meeting the needs of the military has not been organised properly and people have had to suffer even when there was plenty and a few persons have been enabled to reap enormous profits at the expense of the poor and the needy. Inflation of currency is one of the usual accompaniments of war-time economy as it is not possible to meet all expenditure from taxation immediately. But the experience of the last war as well as a consideration of the great suffering that will ensue and insecurity that will result from over inflation will have to make the Government careful in increasing the currency. The prices of all commodities have increased enormously. The lot of those getting fixed incomes and the wage-earners is affected very seriously. It is necessary that the Government should organise and the people should co-operate in securing all necessaries of life at prices within the competence of the poor wage-earners. In the interests of internal security, the supply of food stuffs at cheap prices should be arranged throughout the country by organising all available resources including transport. Reports of looting are already in the air. Steps will have to be taken at once to avoid the brewing trouble. The Government has been considering various schemes to meet the difficulty. I will only urge that immediate decision will have to be taken in the course of a week or two if the next harvest is to be taken advantage of. Otherwise, serious trouble is sure to follow.

The agriculturists, in this province, have suffered much during the last depression and had not completely recovered by the time the war broke out. While the ryot has a claim, to a certain extent to be benefited by the high prices, the bulk of the profits now goes to the middlemen. Speculators purchase the produce immediately after the harvest and transport the same by various means to places where they get the best profit irrespective of the needs of the country, or store them for sale where and when they can reap all the profits. The agriculturists have been, therefore, getting only a small portion of the benefit of the soaring high prices. It will be necessary to bring the producers and the consumers together or at least control the middlemen by arranging for competitive supply on fair terms if exploitation is to be avoided. With the small share of the high prices they get, the agriculturists are recovering stability and are in a position to repay some of the debts they have been borrowing. For want of proper investment, the price of lands has risen and some of the ryots have been enabled to wipe off all their dues by selling a portion of the lands they have pledged. As a result of these two causes, the transactions of the land mortgage banks during the year have shown a decline, and several loans have been discharged, wholly or in part, in advance. We are getting large repayments while the applications for loans have also gone down. It is no doubt a good sign of the times. It is only hoped that the improved position of the ryots will enable them to undertake improvements of a remunerative character in connection with their lands so as to both increase the produce and also to improve their position. The bank issued circulars to encourage applications for loans for land improvement. But hitherto, there have been only two applications for digging wells, in response to these circulars. It is hoped that with the co-operation of the Departments of Agriculture and Industries it will be possible to increase the activities of ryots for improving their holdings.

It is now a little over 13 years since the bank was started and it can be claimed that the bank has advanced on safe and sound lines without losing sight of the safe principles of banking and finance and the purpose for which the bank was started, namely, the help to be rendered to the ryot. Primary Banks have been started in all parts of the province wherever possible. There have been difficulties in working satisfactorily banks started in dry areas entirely dependent on the monsoon, like the Ceded Districts. The transactions in these banks have been very low and persons taking interest in the banks in those areas have been also few. Even when the areas are carefully selected, as has been done, the banks have shown little progress. It is a matter for consideration whether the areas which are not yet covered by land mortgage banks should also have banks of their own. Whether it may not serve the purpose if we have, for instance, a bank for a large area like a district in localities where there is no prospect of transactions increasing is to be considered. The original idea of local knowledge of Directors being secured will no doubt vanish under the arrangement. It seems to me futile to think of having banks which serve two or three taluks and still having a transaction of Rs. 30,000 or Rs. 40,000. Another and probably a more satisfactory method of dealing with the question will be to leave the financing of the Ceded Districts and similar areas to the Government, which is financing money in the shape of Takkavi loans for land improvement and cultivation. They can deal more easily with the few cases that come through their Tahsildars and no separate establishment or expenditure will be necessary. They may withdraw altogether from areas served by land mortgage banks as it is only reduplication of agencies to have them also working in the same areas. It is not safe or reasonable that conditions or safe-guards should be relaxed in the working

of land mortgage banks in dry areas. Co-operation is business and not philanthrophy. Once business principles are relaxed the movement will be ruined and the little good it has been doing and it can do will be all lost. While the Government has got a responsibility to help the ryot and even give doles or take risks in helping them, it is not for the bank or other co-operative institutions to take over such duty.

We have now got 119 primary land mortgage banks working in this province. The loans issued so far to the banks have amounted to Rs. 3,58,11,755. Rs. 1,02,75,188 has been returned. There is now Rs. 2,55,36,567 outstanding. The Government has been guaranteeing the payment of principal and interest on the debentures issued by the bank and the total amount of debentures outstanding today amounts to Rs. 2,88,48,100. Of this amount, the bank itself has purchased from the Debenture Redemption Fund accounts debentures of the face value of Rs. 22,22,300. The remaining debentures are held by various classes of debenture holders as follows :—

			Rs.
(a)	Local Bodies	...	1,22,00,100
(b)	Associations including Trusts	...	15,17,800
(c)	Individuals	...	21,34,400
(d)	Co-operative Institutions excluding C.L.M.B.	...	68,95,700
(e)	Life Insurance & Joint Stock Companies	...	38,77,800
			2,66,25,800

This would show that inspite of the Government guarantee, individual investors have not gone in very largely for the debentures. The debentures are held mainly by Local Bodies and co-operative institutions under the special sanction given by the Government and by insurance companies which are allowed to invest their funds in securities which carry the guarantee of the Central or the Provincial Governments. If the Government guarantee is withdrawn at this juncture or in the near future, the only result will be that most of its present clientele will disappear as it cannot be expected that the Government will continue the special sanction to invest funds in the new debentures, and the insurance and other companies will be statutorily barred from investing in the new debentures. The bank will have then to look for fresh clientele offering very much more attractive terms. I am very doubtful whether even then the bank will be in a position to continue the present system. The rate of interest for mortgage loans has been steadily going down in the country and in the deltaic areas loan applications have been showing a tendency to decline, it is said, on account of the fact that money is available in those areas for lower rates of interest. If the bank is to offer better terms for its debentures, it will naturally have to increase its rates of interest on loans. This will result in losing business in all deltaic and other prosperous areas. The bank cannot confine its activities to only areas which are prepared to take loans at high rates of interest. That will affect its stability and the faith of the general public in the institution. If the help is to be continued to the ryots on the lines chalked out when the bank was started and also if land improvements are to be induced and supported largely, it is my firm conviction that the Government will have to continue to guarantee the debentures floated by the bank. The Government probably thinks that the volume of transactions has increased and the responsibility under the guarantee will go on increasing indefinitely. This will not be the case. If the Government will fix the ultimate limit of its guarantee at about 5 crores of rupees, the redemption and re-issue will equal each other when the limit is reached. We have been seeing that the amounts redeemed are reinvested to a large extent. On a safe calculation, I consider that if transactions of the bank continue on the present scale, the reinvestment will cover the requirements by way of debentures issued when the debentures issued amount to between 4 and 5 crores of rupees. The Government will have, under this arrangement, to bear a permanent responsibility of guaranteeing of debentures up to a limit of 5 crores. This is a matter to be considered and settled by Government as a matter of policy with reference to its duty to the ryots and the general public. There is no immediate necessity for considering this question. I will earnestly appeal to the Government not to pass any opinion on this matter which may handicap the future Government whatever expert opinion may say.

Since the demise of Sir M. Ramachandra Rao, the Reserve Bank of India has had no prominent co-operator to voice the needs of the co-operative movement, especially of long-term finance on its Central Board with the result that the co-operative view-point and the needs of the co-operative movement have not received the consideration that is their due in the opinions expressed and the decisions taken by the Reserve Bank of India. Our representations to the Reserve Bank to support our debentures in various ways have not received the response expected, even though the Reserve Bank can invest its funds in the debentures of this bank and advance money on the debentures of this bank under the statute under which the Reserve Bank is working. Even otherwise, the advice tendered by the Reserve Bank from time to time cannot be said to have been as helpful as could be expected. It is for the Government to move to have the view-point of the co-operative movement properly represented in the Reserve Bank.

The Government gave special concessions to the co-operative movement in several ways. In addition to the supervision provided generally for all the co-operative institutions, the Government have given concessions with reference to stamp fees and registration fees. So far as land

mortgage banking is concerned, they are, in addition, giving the services of Deputy Registrars and Co-operative Sub-Registrars for the inspection of land mortgage banks and scrutiny of loan applications. They have been withdrawing these concessions one after another. From the year 1934-35 they wanted the Central Land Mortgage Bank to bear the cost of the Deputy Registrars and their staff. The total cost on this head comes to about Rs. 29,000 per annum. This the bank had agreed to pay and has been paying. In 1940 they wanted half the cost of the Co-operative Sub-Registrars to be met by the Central Land Mortgage Bank. The bank had to agree to this. Half the cost of the Co-operative Sub-Registrars and their peons amounts to about Rs. 42,000 per annum. The Government have passed orders that they will bear the remaining half of the cost for a term of three years from 1-4-41. At the end of the period, the Government may ask the bank to bear the other half also. The total cost of the Deputy Registrars and Co-operative Sub-Registrars will come then to about Rs. 1,15,000. The primary banks are maintaining an establishment of Supervisors for valuation and other out-door work at a cost of about Rs. 75,000. Out of an expenditure incurred by the Central Land Mortgage Bank of Rs. 1,40,000, the contribution to the Government in the present year alone is nearly Rs. 71,000. Two questions arise for consideration with reference to official and non-official staff employed for more or less similar work. In Bombay the primary banks do not employ Supervisors and the officer lent by the Government looks after all the work. It is a matter for consideration whether the huge cost now incurred on the staff, official and non-official, cannot be reduced by adopting the system in vogue in Bombay. The other question that has to be considered is whether it will not be possible to have a less costly establishment than the Co-operative Sub-Registrars for the work of scrutiny as in Bombay. It is necessary for the bank and the Government to consider this matter seriously before the three years' period allowed by the Government lapses. With the transactions as at present existing, as many as 31 banks are working at a loss and are not able to meet their expenditure with their income. If the cost of the Supervisors can be reduced to any extent, it will be a great relief to them.

Another question which arises in this connection is the relationship between the Central Land Mortgage Bank and the Deputy Registrars and Co-operative Sub-Registrars working in connection with the land mortgage banks. It is necessary for the Central Bank to have officers under its control for inspection of Primary banks and to report with reference to various matters that may arise from time to time. The Deputy Registrars and Co-operative Sub-Registrars are not now under the control of the Bank even though the Bank pays wholly the cost of the Deputy Registrars and half the cost of the Co-operative Sub-Registrars. By the courtesy of the Registrars the Central Land Mortgage Bank has been able so far to get reports from the officers. There have been one or two cases in which the Government officers thought they were not bound to accede to the call of the President of the Central Land Mortgage Bank. It is not possible for the Bank to have a set of Inspectors of its own in addition to the Deputy Registrars and Co-operative Sub-Registrars whose cost it is paying for. This is an important matter, as cases for enquiry in relation to the management and transactions of the primary banks are coming in larger numbers.

We have been able to come to an understanding as regards the working of the bank with the Government in most matters. Points which require consideration and change have been gone into and agreement reached. The instrument of trust which originally was drafted vesting all properties and all responsibility in the Trustee has been agreed to be amended in material particulars, and changes made for the independent working of the bank, while safe-guards for securing the interests of the debenture holders have been provided. The bank has agreed to set apart 40 per cent. of its net profits for reserve fund. It makes provision of its own accord for bad debts, for a depreciation reserve and Debenture Redemption reserve (to meet depreciation in the value of securities held in Debenture Redemption Fund) and other requirements. An allotment made for a building fund which is intended only for the securing of real property and will be in any view only a capital investment, is being objected to by the Government. A convenient building in a suitable locality is a necessity for a big concern like this bank and as it involves an investment and not an expenditure of money, I am not able to understand the objection of the Government. I will appeal to them again to reconsider the question.

The share capital of the bank now amounts to Rs. 9,98,700 and the several reserves amount to Rs. 7,47,118 making a total of Rs. 17,45,818 owned capital. An amount of about Rs. 2.5 lakhs including Rs. 1 lakh earned on the debenture redemption fund will be added to the general reserve this year. This will work out to 6.80 per cent. of the total liabilities of the bank by way of debentures and other borrowings. There has been a misconception as regards the position of this Bank. The Reserve Bank has suggested that its owned capital should reach 10 per cent. of its liabilities as in the case of ordinary deposit banks to reach a level of safety and to issue its own debentures. As this Bank does not take deposits and has not got to meet calls for return of deposits at different times, and it lends money only on the security of real property and that too only upto a maximum of 25 to 50 per cent. of its value on a strict valuation and it makes provision in Debenture Redemption Fund for the due repayment of the loan taken when due, the considerations which apply to ordinary banks should not be applied to this Bank and the need for 10 per cent. of owned capital cannot be applied to this Bank. We are

trying to satisfy even this requirement and I expect that in the course of the next 3 or 4 years, the bank will be in a position to satisfy this test also.

Taking advantage of the present financial position we have reduced the rate of interest on debentures to 3 per cent. This makes it possible for the ultimate borrower to get loans at 6 per cent. instead of 6½ per cent. as before. The restriction of the maximum loans to Rs. 5,000 was felt a hardship in several areas and the Government has acceeded to our request on the recommendation of the Registrar to raise the limit once again to Rs. 10,000. It is hoped that these desirable changes will help the banks to increase their transactions and widen their activities. It is also hoped that the banks working at a loss which numbered 31 in the last year will be benefited by these changes and improve their position in the current year. But there are several banks in the province especially in the Ceded Districts and on the West Coast which would require the support of the Central Bank even to carry on their business unless all their share capital is exhausted in the course of a year or two. The bank has resolved to give a subsidy to these banks amounting to Rs. 3,000 to enable them to carry on and widen their activities. This subsidy will have to continue for some time and the demand on the common good fund of the bank will naturally increase.

I am very glad to be able to say that with very rare exceptions, the primary banks have done well and managed their affairs satisfactorily. They have paid their dues in full to this bank, before the end of the year. Overdues from their members to the banks, have been substantially reduced. There have been unfortunately a few cases of election disputes and faction fights. Co-operators have to realise that they work in the Movement as co-operators and as persons desirous of helping the people and not as persons belonging to different groups, whether in politics or in local parties. If this realisation does not come and if it does not actuate the members in their working, the Movement will suffer. I appeal to co-operators working in the Movement as a whole that they will forget all their affiliations outside and work together in a spirit of friendliness and mutual help for the common benefit of the institutions they are connected with.

I am glad that Sir George Boag, first Adviser to His Excellency the Governor has kindly agreed to open this conference and come here today. He is in charge of Finance and Revenue in the present Government. We have received great help and various benefits from the Government and we are thankful to them. It is a matter for gratification that Sir George Boag, who unlike two of his colleagues, was not connected with the co-operative movement before, is here in person to know our position and our needs. The Board of Management and myself are grateful to him for acceding to our request.

I now request that he will be pleased to open the conference.

Speech of Sir George Boag, Adviser to His Excellency the Governor of Madras, delivered in connection with the opening of the Land Mortgage Banks Conference on 9-1-'43.

I am very sensible of the compliment that you have paid me in inviting me to open this 13th Conference of Land Mortgage Banks. I recognise that the compliment is all the greater for the reason that, as you, Mr. President, have said, I have not during my service been intimately associated with the co-operative movement. I may, however, claim that throughout my service the earlier part of my life was spent in close contact with the agricultural population. I have learnt to appreciate them and to understand something of what the co-operative movement is doing to improve their lot. And because I have learnt to appreciate the virtues of the agricultural population I have come to attach a high value to any effort directed towards the improvement of the conditions under which they live and work. It was therefore with particular pleasure that I acceded to your President's request that I should come and open this conference this morning. As however my acquaintance with the co-operative movement has not been so intimate as that of some of those who have discharged their duty in previous years you will not expect me to discuss in detail the work of the Co-operative Department in general or of the land mortgage banks in particular. In the few minutes during which I propose to address you, I propose to concern myself more with certain general considerations which seem to me to be of importance at the present time.

In the opening part of your address, Mr. President, you referred to the war and its effects upon the political and economic life of this country. I associate myself with your gratification that, as we survey the course of the war which has now been raging for three and a third years, we can see that the United Nations have passed from the defensive to the offensive and are thus confirmed in the conviction which we have always held that the ultimate victory of the United Nations is certain. I associate myself also with what you have said regarding the necessity of a victory for the United Nations if the future political development of this country is to be achieved. As you say, the promise of the grant of Swaraj to India has raised some difficult problems and led to misunderstandings, but I am sufficiently optimistic to believe that there is no problem which is incapable of solution, given goodwill and patience on all sides, and that misunderstandings can always be resolved where all the parties concerned are ready and anxious to understand the other's point of view. I join you in the hope that these problems and these misunderstandings may soon be resolved so that all our energies may be directed towards the working out of those far more difficult problems which are

bound to face this country in common with all countries in the world in clearing up the mess which the war has caused.

You have mentioned the effects of the war upon the economic life of the country, and here I would like to remind you that the rise in prices and the shortage of supplies of certain necessary commodities, serious as they are, have not yet become anything like so serious as they were at the close of the last war. Not that I wish to minimise the difficulties of the present situation. I know that it is serious and I know that it is affecting many people very seriously. As you know these are questions which cannot be dealt with on a parochial or provincial basis. A policy must be laid down for the country as a whole. As you yourself admit, various measures have been under consideration and various steps have been taken to meet the difficulty. There are general complaints that the steps so far taken have not been efficacious. I should like to assure you that the Government, both the Central Government and the Provincial Government, have the subject constantly before them and that all measures possible will be taken to mitigate the hardships which people are being called upon to face.

While the war has brought difficulties and hardships to many classes of people it is gratifying to think that to the agriculturists the high prices resulting from war conditions have on the whole been an advantage. You have mentioned, Mr. President, that though the agricultural population has received only a small portion of the benefit of the high prices now ruling, that small share has been sufficient to enable the agriculturist to recover stability and to repay some of his borrowings. You point out that this has caused a decline in the business done by land mortgage banks; but in so far as land mortgage banks exist to relieve the land-owning population from financial stress, the fact that the banks have received large repayments and that there has been a decline in the applications made to them for loans is evidence that the financial position of the land-owning population has improved. It is unfortunate that the efforts of your bank to induce ryots to use their strengthened resources to make improvements to their property has met with such a disappointing response. You suggest that the Departments of Agriculture and Industries might help to persuade the ryots to undertake such improvements. I can certainly promise on behalf of the Government that any such co-operation or assistance will most readily be afforded.

You have mentioned in your address, Mr. President, that in spite of the fact that the Government guarantees the payment of principal and interest on the bank's debentures the investing public have not hitherto invested largely in these securities, and you urge this as a reason why the Government guarantee should not now or in the near future be withdrawn. You predict that if the Government guarantee were withdrawn the bank would have to offer much more attractive terms than it does now to procure investment; and if the bank has to pay a higher rate of interest on its debentures it must, of course, charge a higher rate of interest to those to whom it lends. You ask Government not to come to any decision on this important matter. As you know, this subject is hot one for which I have immediate or direct responsibility. But I can certainly give an assurance that the Government will not, either now or in the immediate future, take any decision without the fullest consideration of all points of view, more particularly those of the bank itself and of the ryot population whose interests the bank exists to serve.

You have also mentioned, Mr. President, certain concessions which the Government have given to the Co-operative movement and to land mortgage banks in particular and you complain that the Government have been withdrawing these concessions one after another. You have in one part of your address emphasised the principle that Co-operation is business and not philanthropy. I would ask you to apply this principle to the concessions which you complain that Government are withdrawing one by one. Either this Central Land Mortgage Bank and the Primary Banks which it exists to finance are business concerns or they are not. If they are business concerns, surely they ought to stand on their own legs without the need for being buttressed up by the assistance given by Government in the form of these concessions. I suggest also that if these banks could function without this indirect assistance from Government, their relations with the Reserve Bank, of which your address makes some complaint might be improved. I would ask you also to look at this question from yet another point of view. You will admit that the Government having guaranteed the principal and interest on the bank's debentures, which now amount to over 2½ crores of rupees, has a very considerable interest in the welfare of these banks and therfore that the Government should wish to see the banks standing on their own legs independent of the assistance represented by the concessions to which you have alluded is surely a mark of confidence in the Movement and this should be regarded as a matter for congratulation rather than for complaint. I am not aware whether there are at present outstanding any particular questions of this nature but I am quite certain that any differences of opinion between the management of the bank and the Government are quite capable of resolution by a friendly discussion across the table.

You have referred also to the relations between the Central Land Mortgage Bank and officers of the Co-operative Department deputed to work in connection with land mortgage banks. You have also referred to the refusal of Government to allow the bank to make an allotment for a building fund. I am afraid that these are both matters with which I am not in a position to deal but I am quite certain that if the bank

thinks that it has a good case, the Government will be perfectly willing to reconsider any decision they may have reached on either of these subjects.

I am very glad to hear your assurance, Mr. President, that the primary banks, with very few exceptions are doing well and managing their affairs satisfactorily. It is especially gratifying that they have paid their dues to the Central Bank in full and they have substantially reduced the amount due from their members. I am, however, sorry to hear the election disputes and faction fights find their way even into this Co-operative movement. It seems to me that the very essence of the Co-operative movement is to bring people together in a spirit of mutual help and accommodation. Faction fights and election disputes are a negation of this spirit, and as you rightly say, Mr. President, if co-operators cannot forget their party affiliations when they come to deal with the business as co-operators, the Movement is bound to suffer; I would go further and say, the Movement is bound to collapse. I wish to join you, Mr. President, in your appeal to all workers in the co-operative movement including, of course, those working in land mortagage banks, to forget all their outside affiliations and work together in a spirit of friendly and mutual help for the common benefit of the institutions with which they are connected and through these institutions for the common benefit of one another.

Mr. President, I have come to the end of my remarks. I should like to conclude as I began by saying how grateful I am for your invitation to me to open this conference. You have referred, Mr. President, to the fact that I am at present in charge of the Finance and Revenue Departments. Let me assure you that both these departments welcome all measures and are anxious to give the fullest support to all institutions which work for the benefit of the agricultural population. We can never forget that the agricultural population as it forms a numerical majority of the people so it contributes in a large measure to our finances and revenues. Every institution which hopes to strengthen the financial and economic position of the agricultural population is therefore strengthening the resources of the whole province. For these reasons, the Government must commend and admire this work and as a Member of the Government I wish all success to your endeavours to improve the position of the agricultural population.

Orders and Circulars.

Amendments to Rules under the Madras Co-operative Societies' Act.

AMENDMENTS.

1. For the Note to rule XIII-A of the said rules, the following Note shall be substituted, namely:—

"*Note.*—The provisions of this rule shall not apply—

(*a*) to immovable property purchased

(i) by a registered society at a sale held in execution of a decree, decision or award obtained by it, for the recovery of any sum due to it; or

(ii) by a financing bank at a sale held in execution of a decree, decision or award obtained by a registered society, financed by it, for the recovery of any sum due to such society or at a sale brought about by the liquidator of such society, or

(*b*) to the purchase or lease of lands or purchase, construction or renewal of buildings by a registered society whose objects according to its by-laws include such purchase, lease, construction or renewal."

2. In the proviso to sub-rule (1-A) of rule XV of the said rules, for the words "shall be referred to the Registrar," the words "shall, where the dispute relates to any act or omission on the part of the society or its committee, or any past committee, any past officer, past agent or past servant, or the nominee, heirs or legal representatives of any deceased officer, deceased agent or deceased servant of the society; be referred to the Registrar" shall be substituted.

3. For rule XVIII of the said rules, the following rule shall be substituted, namely :—

"XVIII. No member who at the time is in default to the society, in respect of any loan or loans taken by him, for such period as is prescribed in its by-laws or in any case for a period exceeding three months or who is a defaulter to the society or to any other society, shall be appointed to represent the society of which he is a member in any other society, and vote and any member of a society who has been appointed to represent the society in another society and vote, shall cease to hold his appointment as such if he is to default to the society of which he is a member for the period prescribed in its by-laws or in any case for a period exceeding three months or if he becomes a defaulter to the society or any other society."

4. In sub-rule (i) of rule XXII of the said rules, after the first sentence the following sentence shall be inserted, namely:—

"Where, in connection with the proceedings on an application under section 57-A of the Act, any person requires the issue of any

process, or objects to any process issued or proposed to be issued, or requires the adjournment of any proceedings or objects to any order passed, he shall pay such fee as may be prescribed by the Registrar in this behalf."

5. In rule XXVII of the said rules—

(i) for clause (*f*) of sub-rule (*i*) the following clause shall be substituted, namely :—

"(*f*) is in default to the society or to any other society in respect of any loan or loans taken by him for such period as is prescribed in the by-laws of the society concerned or in any case for a period exceeding three months or is a defaulter to the society or to any other society ; " and

(ii) for clause (*f*) of sub-rule (2), the following clause shall be substituted, namely :—

(*f*) commits default in respect of any loan or loans taken by him in the society or in any other society and if the default continues for the period prescribed in the by-laws of the society concerned or in any case for a period exceeding three months or becomes a defaulter to the society or to any other society."

In sub-rule (1) of Rule XI of the said rules, for clauses (a) and (b) of the proviso, the following clauses shall be substituted, namely :—

"(a) (i) to a credit society, a thrift and loan society, a society for fishermen, a society for scheduled castes, a central bank, if the working capital of the society or the bank, as the case may be, on the last day of the co-operative year does not amount to twenty thousand rupees; or

(ii) to a building society or a primary land mortgage bank, if the society or the bank, as the case may be, has not completed three co-operative years after commencement of its business; or

(b) (i) to a purchase, sale or production society; (other than a loan and sale society), a milk supply society, a stores society or a weavers' society (purchase and sale) the value of whose purchases, sales of articles or goods produced, as the case may be, in the co-operative year does exceed ten thousand rupees; or

(ii) to a loan and sale society, a milk supply society, or a stores society, if the society has not completed three co-operative years after commencement of its business ;

(iii) to a weavers' society (purchase and sale) until the completion of the sixth co-operative year after its commencement of business ; or

(iv) to a milk supply society or a stores society not falling under sub-clause (ii), if the value of its sales in the co-operative year does not exceed twenty thousand rupees ; or

(v) to a weavers' society (purchase and sale) not falling under sub-clause (iii), if the value of its purchases or sales, as the case may be, in the co-operative year does not exceed ten thousand rupees ; or

(vi) to a loan and sale society not falling under sub-clause (ii) and transacting sales business the value of whose sales in the co-operative year does not exceed ten thousand rupees ; or

(vii) to a loan and sale society not falling under sub-clause (ii) and advancing loans on the security of members' produce, whose working capital on the last day of the co-operative year does not exceed twenty thousand rupees ; or

(viii) to a loan and sale society not falling under sub-clause (ii) and transacting 'sales' business as well as advancing loans on the security of members' produce, if the total value of its sales during the year *plus* 50 per cent. of its working capital on the last day of the co-operative year does not exceed fifteen thousand rupees ; or."

6. For clause (c) of sub-rule (2) of rule XIV of the said rules, the following clause shall be substituted, namely :—

"(c) the dividend upon paid-up share capital at rates not exceeding those specified in the first proviso to sub-rule (a) of rule XII for the class of society under dissolution for any period or periods for which dividend has not been paid ; or such dividend upon paid-up share capital as will bring to the maximum rate specified in the said proviso, for any period the total dividend paid or periods for which the dividend at a rate lower than the maximum specified has been paid.

No dividend shall, however, be paid on share capital if the by-laws of the society do not provide for payment of dividend."

In clause (b) of rule XXVIII of the said rules, after the words "provided that" the following shall be inserted, namely :—

"Subject to the provisions of clause (d) of sub-rule (i) of rule XXVII."

CIRCULARS.

Sub:—Rules—Relations of employees serving as directors—application of Rule XXVII

The following relations of employees of societies are considered as 'near' for purpose of rule XXVII.

1. Father.
2. Father's brothers and their sons.
3. Mother's brothers.
4. Husbands of mother's sisters.
5. Husbands of father's sisters.
6. Brothers and their sons.
7. Brothers-in-law (wife's brothers)
8. Father-in-law.
9. Husbands of wife's sisters.
10. Husband's sisters and their sons.
11. Sons and their sons.
12. Sons-in-law and their sons.

N. B.—The list is subject to revision if found necessary.

The list is intended to prevent persons closely related to employees of societies coming into the committees of such societies and it does not preclude references under rule XXVII being made to the Registrar.

R. C. 27/43 A. *4th January 1943.*

Sub :—Co-operative Societies steps to be taken to meet post-war requirements.

The Registrar is glad that as a result of the drive initiated last year and the interest evinced by the officers, there has been a tremendous increase in the number of non-credit societies, particularly stores societies and a corresponding increase in their transactions. This development has in fact been possible on account of the conditions created by the war. The Registrar believes that the progress in this respect will be maintained and that these societies have come to stay and will continue to play their useful part even after the war.

2. It should not however, be forgotten that credit still continues to be the most insistant need of the Indian cultivator and it forms the back bone of the movement. Non-credit activities can flourish in credit societies only if their condition is satisfactory. The Registrar therefore wishes to impress upon the Deputy Registrars that in their zeal to develop the non-credit side of the movement, they should not neglect its credit aspect. They should also note that the present time of high prices is very favourable to consolidate the activities of the credit societies in general and to revive the dormant ones in particular. Apart from expanding their activities and making them more useful to the agriculturists by financing cultivation, supplying domestic requirements of members, and marketing their agricultural produce through the system of controlled credit and finding subsidiary occupations for the spare time of the ryots societies should also take steps to conserve the increased income earned by their members without being frittered away in wasteful expenditure.

3. In Registrar's circular R.C. 6300/42-A, dated 6—8—42, Deputy Registrars have been told that full advantage should be taken of the increase in prices to see to it that the ryots repay their long standing overdues and for this purpose, they should advise central banks to start a collection drive even from the beginning of the year on a planned basis and continue it without interruption. The reports received from the Deputy Registrars show that the necessary steps have been taken in this direction. The Registrar believes that the collection programmes drawn up will be faithfully adhered to and that the increased income derived by the ryots will go to discharge their debts to societies. Societies should not hesitate to take coercive action against defaulters who wantonly keep back repayments. Deputy Registrars should visit unions and review the position of overdues at governing body meetings and suggest appropriate action in respect of each society. They as well as their Co-operative Sub-Registrars should visit bad societies frequently to stimulate collections. The Unions may depute governing body members for the purpose and the directors of Central Banks representing the Unions may also be requested to take interest in the collection of overdues

from the societies in their respective Unions. The services of Territorial Inspectors and the Administrative Inspectors may be used to whip up collections. The Registrar will be closely watching the progress in the realisation of overdues and review it during his tours.

4. On 30—6—42, the share capital of members of agricultural societies was only 11.4 per cent. of their total working capital. Share capital represents the savings of members and it enables the societies to lend at a profit. The members also take a greater interest in the affairs of societies in which they have invested fairly large sums as share capital. In the days of depression, when money was scarce, the ryot could not be compelled to pay up the arrear share capital. There can no longer be any excuse now for allowing share capital to remain in arrears. Indeed the ryots should be asked to take more shares in the societies and if the existing limit in the by-laws is too low, it should be raised. A special effort should also be made to enlist more members. The greater the owned capital of a society, the stronger and more stable is its financial position and its capacity to withstand the effects of economic depression. Share capital forms an integral part of the owned capital and it therefore requires to be strengthened. Unless this is done it may not be possible for societies to emerge unscathed from the effects of the economic depression which may set in as an aftermath of the war. Much less can they be expected to continue their useful activities. Societies should therefore be persuaded to collect the arrear Share Capital and induce their members to take more shares. To ensure progress in the collection of arrear share capital it is also suggested that Central Bank may insist that societies should reduce the share capital arrears as far as possible before loans are sanctioned to them. The Registrar is sure that if this procedure is adopted not only will the arrear share capital be collected but the societies will remain unaffected by the post war conditions which may disturb the economic position of the ryots.

5. In recent times, emphasis was laid on the inculcation of the habits of thrift among the members of co-operative societies through the introduction of savings deposits, thrift deposits and day deposits. Nothing substantial has however been done towards drawing out the savings of members. If systematic propaganda for stimulating savings and cultivating investment habits is carried on and if facilities for investment are extended, members who can afford to save will not be slow to respond. With a view to induce the ryots to make deposits in the societies the rate of interest on deposits may be raised if the present rate is too low to attract deposits from members. The Registrar trusts that every endeavour will be made by co-operative societies to increase the savings deposits of members and to induce the well-to-do ryots to make deposits with them for fixed periods. If this is done the Societies will have put into practice one of the basic principles of Co-operation namely 'thrift' and members will have something to fall back upon in the economic depression that is feared soon after the war.

6. It is suggested that Central Banks may award prizes to one good society in each of the unions which has collected its overdues has brought down its arrear share capital appreciably, and has been successful in diverting the surplus income of members into savings accounts with them. Such a society will be an object lesson to other societies which might emulate its example. To infuse a spirit of competition among the societies in this respect the prizes proposed to be given may be made a rotating one so that societies which have won the prizes may maintain their standard so as to retain them for themselves and those which could not get the prizes in a particular year may strive to get them in the next year at least. Deputy Registrars are requested to advise Central Banks in the matter.

7. The Registrar would like to know the names of societies which have secured the prizes. He will be glad to visit them during his tours wherever possible and see for himself the good work they have done. The Registrar expects the Deputy Registrars to take a personal interest in the matter and desires that they should do all in their power to see that societies take full advantage of the present rise in prices to strengthen their position with a view to ward off any economic evils following the close of the war. Deputy Registrars should also indicate briefly their achievements in their monthly D.O. reports.

The Registrar on Tour.

Tinnevelly District.

The Registrar of Co-operative Societies, Madras, paid a visit to Tinnevelly District on 26—11—1942 in connection with the scheme of resuscitation of the Melapalayam Weavers' Society. Accompanied by the local Deputy Registrar and the Special Deputy Registrar for Weavers' Societies, he visited the Palamcottah Weavers' Society, the Diocesan Co-operative Stores and the Sales Emporium of the Madras Handloom Weavers' Provincial Society recently opened at Tinnevelly. On the 27th he inspected the Melapalayam Weavers' Society and approved the proposals of the Deputy Registrar for the revival of the society. He also inspected the Weaving Centre at Melapalayam which is entrusted with the production of war orders. He then visited the Viravanallur Weavers' Society and inspected the war and civilian fabrics produced by its members.

The Madras
Provincial Co-operative Union Examination, 1942.

An examination for the students of the **Tanjore, Coimbatore, Anantapur**, and **Rajahmundry Institutes** will be held at the respective Institutes' Headquarters **from 29th to 31st March 1943** as per programme given below:—

Monday	...	29-3-1943	10 a. m. to 1 p. m.	**Co-operation—Historical & General.**
			2 p. m. to 5 p. m.	**Co-operation—Law and Principles.**
Tuesday	...	30-3-1943	10 a. m. to 1 p. m.	**Auditing.**
			2 p. m. to 5 p. m.	**Banking.**
Wednesday	...	31-3-1943	10 a. m. to 1 p. m.	**Book-keeping.**
			2 p. m. to 5 p. m.	**Rural Economics, Sanitation, Village Panchayat and Revenue Law.**

Candidates who failed to pass in the previous Provincial Co-operative Union Examination held in 1942 are hereby informed that they can also sit for the above examination. For particulars they should apply to the Secretary, the Madras Provincial Co-operative Union, Alwarpet Madras.

The examination comprises of III Parts:—

1. Co-operation—Historical & General
2. Co-operation—Law & Principles } Part I.

3. Auditing
4. Banking
5. Book-keeping } Part II.

6. Rural Economics, Sanitation, Village Panchayat and Revenue Law. } Part III.

Candidates who have failed in any one of the subjects of any Part have to sit for the subjects comprising that Part or Parts.

The examination fee is Rs. 8 for full examination, Rs. 6 for two Parts and Rs. 4 for each Part.

The last date for receiving examination fees is 10—3—1943.

Edited and published by Sri R. Suryanarayana Rao, B. A., at 43, Mowbray's Road, Alwarpet P.O., Madras. Printed by Sri R. Krishnamachari, B.A., at the Central Co-operative Printing Works, Ltd., 1/17, Mount Road, Madras.