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EACH FOR ALL, AND ALL FOR EACH

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Editorial Notes



Role of Co-operative Credit :

The speech of Mr. Saththianathan, I.C.S., on the occasion of the Silver Jubilee celebration of the Cocanada Central Bank published elsewhere deserves careful reading. While paying tribute to the services rendered by the Central Banks, he pointed out how they have yet to do a great deal for the cause of rural uplift. He rightly stressed the importance of rural credit and how it was absolutely necessary to provide credit facilities to the agriculturist on easy terms. He referred to the rate of interest charged to the ultimate borrower. We have more than once dealt with this topic and we are glad to read Mr. Saththianathan pleading for the lowering of the rate of interest. "Forgive me if I say that unless you make that possible, you cannot claim to have done really worthy credit service" declared Mr. Saththianathan. We heartily endorse this exhortation. It is high time every Central Bank gives its attention to this important matter and finds out ways and means for making effective reduction in the rate of interest. We are gratified the working of rule 8 (a) to which also we have referred more than once is engaging the attention of the Registrar of Co-operative Societies.

Mr. Saththianathan sounded a note of warning when he said that co-operative are forgetting their first love, namely, the ryot, and are

more anxious to take the line of business which pays best. The fact that the stores movement has been able to absorb all the surplus funds in the Movement is not one on which we can find satisfaction. "The bulk of the agricultural population to-day are still as much in need of cheap and easy credit as they were in the pre-war days." But the efforts to make this credit available are not commensurate with the needs. In fact we have reason to believe that in many districts there is a slackening of effort in this direction and if the transactions due to the stores movement and the weavers' societies are not taken into account, it will be noticed the amount provided for rural credit service is some times negligible. It is a dangerous symptom the repercussions of which will have far-reaching effect on the Movement. Mr. Saththianathan has done a distinct service in warning the Central Banks not to neglect the credit side of the Movement. In a country like India the ryot is the main stay and no movement which neglects his interests can survive the onslaught of capitalistic economy and much less thrive.

The Stores Movement :

In a speech on another occasion, presiding over the anniversary of the Medical Branch of the Salem City Co-operative Stores, Mr. Saththianathan surveyed the growth of the stores movement in recent years. Lest the facts and figures quoted may miss the attention of our readers in the speech reproduced elsewhere, we extract it below:

But before closing I should like to refer in brief to the gigantic strides made by the consumers' movement in Madras during the last 6 years. At the outbreak of the war there was less than 100 primary stores with a turnover of about Rs. 23 lakhs. There were no wholesale stores then. To-day we have a network of about 1,300 primary stores with 12 hundred odd branches or depots and 21 districts co-operative wholesale stores serving all the districts of the Province. There are nearly 4½ lakhs of members on the rolls of co-operative stores and the share capital voluntarily contributed by them exceeds ¾ of a crore of rupees. The business turnover of the primaries and the co-operative Wholesale stores exceeded Rs. 13 crores during 1943-44 and is expected to touch the peak figure of Rs. 20 crores during the current co-operative year. Many of the District co-operative wholesale stores and nearly 250 primaries are engaged in the procurement, reception and distribution of food grains under the schemes formulated by

the Civil Supplies authorities. During the first nine months of the current year, they procured nearly 2 lakhs of tons of food grains valued at about Rs. 4 crores. In the South Kanara District, a unique experiment in district-wide procurement is being carried on through the sole agency of the district co-operative wholesale stores. Central stores in deficit districts play a vital role in the import and distribution of food grains from surplus areas and a special scheme for the Ceded districts is run through the sole agency of the District Co-operative wholesale stores in these districts. From 1-7-44 till 31-3-45, the co-operative wholesale stores in deficit districts imported about 1.5 lakhs of tons of rice, paddy, millets, wheat etc., and distributed about 1.4 lakhs of tons valued at Rs. 3.43 crores. In rationing too, co-operative stores are given an important part. Nearly 700 retail ration shops which constitutes about 24 per cent of the total number of shops in the Municipal towns in the province, are run by co-operative societies and nearly 3 lakhs of ration card-holders, i.e., about 25 per cent draw their rations from co-operative shops. Well, gentlemen, this is indeed a record of voluntary service, unparalleled in the history of the consumers' co-operation in the whole of British India.

The achievements of the consumers' movement are in every way gratifying. But it is its future and that too when normal conditions are restored, which should engage our attention. Mr. Saththianathan commended the steps taken by the Salem Stores to strengthen its financial position such as the allocation of 50 per cent of the net profit to the reserve fund and the creation of a business reserve of about Rs. 32,000 out of gross profits. While we also congratulate the Salem Stores on the foresight and wisdom shown in strengthening its reserves and commending its example to other stores in the province, we would reiterate again our suggestion to reduce the rate of dividends or no dividends at all; increase in membership and shares and other steps necessary to withstand competition in post-war times.

A Valuable Memorandum :

We have great pleasure in presenting to our readers a rare document on credit societies, which we have managed to secure by the courtesy of a friend. The name of late Dewan Bahadur Srinivasa Raghava Iyengar ought to be well known to students of Public

Administration as the author of the monumental work "A memorandum on the progress of Madras Presidency during the last forty years of British Administration" shortly called "*Forty years' progress*" (1893). The memorandum we have the privilege of presenting is almost the last one he prepared before he took ill and passed away. For the marshalling of facts relating to rural conditions, the sympathy and understanding with which rural problems have been approached and the solutions the distinguished writer proposes for the ills of rural population, we have yet to come across a document which is of greater human interest. The readers will find, though it is more than half a century since it was written, things are what they were and very little or no improvement is noticed in the lot of the rural population. Our Movement has not yet touched even the fringe of the problem. We do well to read the memorandum with care and examine how far, if any, conditions have changed for the better or the worse and whether the remedies adopted till now have proved efficacious at least to some extent. To co-operators in particular we appeal for a kind of retrospection with a view to assess correctly the contribution of the Movement at least in regard to the facilities afforded to satisfy the credit needs of the rural population. If our objectives are wrong or if our methods are ineffective, co-operators should have no hesitation in altering them suited to the conditions prevailing in different areas. We need not be disheartened if the results are by no means commensurate with our efforts. We should take consolation in the oft-repeated maxim that we build on our failures. All that we should see is if our foundations have been well and truly laid even though our structure may prove to be rickety. Even if the foundations are found to be defective and in consequence our structure is weak, we need not hesitate to scrap them and build the whole edifice from the foundations anew. The only test of its strength is its contribution to rural uplift. As long as it satisfies that test, in however small a degree, we need not be disappointed with the results. Persistent endeavour is sure to produce satisfactory results as long as the objectives are not lost sight of and service motive guides our efforts.

Untenable?

We have read press comments stating that the objection to control the price of handloom cloth by some of the organisations of weavers as quite untenable. We venture to state that such comments are based on imperfect knowledge of the handloom industry

for, these critics seem to forget the fact that the circumstances of the industry are somewhat peculiar. The weaver wholly depends for his yarn on the mills from which the supplies are not regular and adequate. Nor are the prices fixed reasonable compared with those taken into account for fixing the prices of mill-made cloth. The weavers are mostly unorganised and they are the victims of a series of middlemen. When the mills were competing with the handloom in certain kinds of fabrics and measures were suggested to assist them against unfair competition, the cry was a voice in the wilderness. If agriculture suffered from depression over a period of years, the handloom industry has always been in a depressed state. Nor has the emergency tended to its prosperity as in the case of mill industry. The days when the weaver is without work for want of yarn are still large and he must subsist during the period of enforced unemployment. Unless he is able to secure competitive prices for his goods which will leave adequate margin for maintaining himself during the period when there is no work for want of yarn, he cannot exist; let it not also be forgotten but for the handloom industry we would have been forced to go naked even without a loin cloth.

All that we have said is only to remind ourselves of the conditions of the problem. That does not mean that we are against price control even of handloom cloth if circumstances warrant such a course. But before price control is thought of, let the handloom weaver be assured of regular uninterrupted and adequate supply of yarn and dyestuffs at reasonable prices; let him be assured a living wage, a demand to which the Hon'ble Sir Azizul Haque referred with sympathy at Nagpur; let adequate facilities for marketing the finished products be provided. After making all these arrangements, price control may be imposed. We also hope the prices fixed will continue to operate even after the emergency ceases. Is there not a move to stabilise agricultural prices? Why not the prices of handloom cloth also be stabilised? But that will be possible and prove effective only if prices of mill cloth also continue to be controlled. Let all unfair competition from the mills be eliminated. We plead for these reforms as, next to agriculture, handloom industry is the most important industry in this province.

Purpose of Credit:

Much is made of the fact that the grant of loans for purposes such as marriages, festivals and other ceremonies are unremunerative and this is put forward as the main cause for overdues. But it is

forgotten that restrictions placed on the objects for which loans may be granted are more honoured in the breach than in observance and evasion is more a rule than an exception. If these restrictions are strictly enforced, it will result in driving the members from societies or seeking credit from the money-lender at usurious rates of interest. It is best to recognise facts and face them. As Dewan Bahadur Srinivasa Raghava Iyengar says, "The question with the ryot is not whether the purpose for which money is wanted is *remunerative*, but whether it is *necessary*." While a premium on extravagance need not be placed by affording unlimited credit for such purposes, it is wise to take into account the necessary incidents in the family life of the poor as well as the rich and how they cannot altogether be dispensed with.

Limited Liability :

We notice the question of introducing limited liability in agricultural credit societies aroused considerable discussion in the Bombay Provincial Co-operative Conference. Opinion has been canvassed both for and against the introduction of limited liability. After considering all the aspects and various alternatives, it appears there was consensus of opinion that while some change is called for it would not be desirable to abandon unlimited liability altogether. It has been suggested that while unlimited liability may continue in general, the adoption of limited liability in the following cases may be considered: (1) societies covering more villages than one; (2) societies combining multiple functions specially those combining credit operations with supply and sale and the introduction of better farming; (3) societies specialising in the grant of credit on tangible security such as mortgage of lands and/or crops and on the pledge of agricultural produce. We commend these suggestions for the consideration of co-operators without committing ourselves to one view or the other. The problem is not so simple at the majority view in the Vijiaraghavachari Committee Report tried to make out. Neither limited nor unlimited liability may be suited to all areas and under all circumstances.

Linking of Credit and Sale :

Working of the Movement has convinced every one the importance of marketing the produce of members of credit societies. It is necessary to create a net work of marketing societies. Those that exist are few in number and are often located far away from the credit societies. If credit and marketing are to be linked up, they should

be as near as possible. Then again care should be taken to see that the representatives of agricultural credit societies are closely associated with the working of the marketing societies. It is a matter of common knowledge that in most of the societies that traders and landlords predominate. Though under the controlled credit scheme members of societies are required to sell their produce through the marketing societies, the cases in which sales have been made to outsiders are larger in number for the agriculturists are not provided with all the credit facilities they need and so they are forced to seek the aid of the sowcars. These sowcars are much more vigilant and exacting. While their dues are being paid regularly, the monies taken from the societies remain unpaid. Neither the panchayats of credit societies nor of the marketing societies exercise the care and vigilance necessary to safeguard the interests of the co-operatives. The whole subject needs careful examination and adoption of radical measures to improve the situation.

Some Tit-bits :

Co-operative Societies.

In 102 countries and territories under separate administration of the world, there are more than 800,000 co-operative societies, with a membership of over 142,830,000. By continents, they are Africa with 3,598 societies and a membership of 333,000; America, 51,251 societies; members, 15 millions; Asia (excluding Russia), 167,554 societies; members 15 millions; Europe (excluding Russia), 300,323 societies; members, 52 millions; Russia 286,595 societies and 60 million members; Oceania, 1,191 societies and 50,000 members.

—Dominion Department of Agriculture, Canada.

Organic Fertilizers.

While these may be classed as 'safe' to use for almost all varieties of vegetables, this should not be taken to mean that they ought to be used without due consideration being given to the quantities which may be available for distribution. Some difficulty is being experienced in maintaining supplies for these fertilizers, and it is desirable that every means of economizing in their use should be practised.

Composting all available and suitable refuse—free garden refuse and crop remains is one of the best methods of adding to fertilizers supplies. It may also happen that on many vegetable gardens, particularly on these belongings to farms animal and poultry manure could be utilized. If and when these can be obtained they should be stored in a rain-proof building and kept dry. Discretion must, however, be used when they are applied. Poultry manure will be found very forcing for

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certain vegetables, and fresh cow manure, when used on heavy clay soils, will have an undesirable binding effect.

—*New Zealand Journal of Agriculture.*

Agriculture.

Agriculture for an honourable and high-minded man is the best of all occupations of arts by which men procure the means of living.

—*Zonophon.*

It is said that society owes every man a living, opportunity, freedom but there is less emphasis upon what every man owes to society. There are no human rights that have been earned by human efforts, no social rights that are not balanced against social duties.

—*Edwin Grant.*

Available for Sale.

Market Intelligence—1945

For the establishment of the Consumers' Movement on a permanent basis, it is necessary that Co-operative Stores should have upto date market intelligence. The booklet now published by the Union aims at this object and may be of immense use to Co-operative Store. It contains useful information as to the centres of production or marketing and seasons for bulk purchase etc. of important agricultural products such as good grains, pulses and grains, fruits, household requirements, clothing and other essential commodities.

Price per copy is Rs. 0-5-0. Postage Extra.

For 50 copies and above Rs. 0-4-0 a copy.

Copies can be had from: The General Secretary,
The Madras Provincial Co-operative Union,
Esplanade, Madras.

Report of the Post-War Development Committee on Co-operation 1945

Gives useful suggestions for Co-operatprs and Co-operative Institutions.

Price per copy is Rs. 0-8-0. Postage Extra.

Only few Copies are Available.

Copies can be had from: The General Secretary,
The Madras Provincial Co-operative Union,
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Co-operative Credit Societies.

A MEMORANDUM BY THE LATE HON'BLE DIWAN BAHADUR
S. SRINIVASA RAGHAVA IYANGAR, C.I.E.

*On the proposals of the Agricultural Banks Committee for the
establishment of Co-operative Credit Societies (1903).*

The object of the present scheme is to promote the formation of habits of thrift among the agricultural classes and combination for purposes of mutual assistance and accommodation, on reasonable terms, for short periods, and thereby to minimise resort to usurious money lenders on occasions of necessity. The area in which usury is practised being, by this means, gradually contracted, it is expected that the practice itself will fall into desuetude.

To attain this object, the Committee recommend the formation of (1) rural co-operative credit associations and (2) urban credit associations.

The rural credit associations are to be established on the Raffeisen principle: that is to say, on the basis of the security afforded by a number of men well acquainted with one another and possessing mutual confidence, and having opportunities of exercising moral influence over each other, combining to raise funds by utilizing their own savings, in whole or in part, by attracting deposits from outsiders and by obtaining loans by pledging the joint credit of the association; and out of the funds so raised, granting loans, at moderate rates of interest to the members for short periods, on occasions of real necessity and not for purposes of extravagance. Apparently, none other than personal security is to be demanded for the loans thus granted, the object being to benefit the poorer classes who have no other security than their own personal character and the guarantee of their comrades to offer. The members are expected to keep a watchful eye on the right application of the loans by those who have obtained them, any misconduct on the part of the latter making them liable to expulsion from the society, and any extravagance resulting in their credit with the association and their chances of obtaining loans in future being greatly curtailed. This consideration will act as a great incentive to the formation of habits of thrift, prudence and foresight.

The market rate of interest on loans is made up of three elements, viz., (1) the interest proper or the rate paid for the use of money, as

determined by the law of demand and supply ; (2) the insurance for risks, including the cost of recovery of loans through the courts in case of default in repayment; and (3) the remuneration for the management of the money-lending business. In every one of these respects, the poorer classes who require small loans are at a great disadvantage. They have no adequate property security to offer, and the appraisal of its value is a matter of considerable difficulty owing to fluctuations in the value of agricultural land on account of the vicissitudes of the seasons; and their personal security is subject to the risks, arising from their misconduct or extravagance and the accidents of life. Lastly, the remuneration payable to agents to be employed to deal about small loans to numbers of people, to collect the loans at the proper time and re-invest them by lending out again the amount collected, is proportionately to the amount loaned very large; so also is the cost of recovery through the process of courts, in the case of loans of small amounts. All these considerations combined to render the rate charged by even honest money-lenders high, as compared with loans for large amounts. For instance, if a man has Rs. 50,000 to invest and does not want to engage in money-lending as a profession, he will probably be, and often is content with 5 or 6 per cent. interest, provided he can lend it to some one on unexceptionable security, for a long period, say, 12 years. The rate charged in this case approximates to true interest. If he set up as a money-lender of the higher class and lent money, in, what would be considered for this country, large sums, viz., from Rs. 500 to Rs. 1,000 for shorter periods, say 3 to 5 years, he will have to charge from 9 to 12 per cent. interest. If again he set up as a money-lender on a petty scale and employed a capital of say Rs. 2,000 in lending small sums ranging from Rs. 20 to Rs. 50 to a number of poor agriculturists for short periods of 6 months, giving them out in the cultivation season and recovering them at harvest, in case the harvest is not a failure, the rates charged must vary between 12 and 18 per cent. The vast majority of registered loans transactions in this Presidency answer to the above description. Really usurious transactions, that is to say transactions in which the rates of interest are higher than justified by the above consideration, advantage being taken of the necessitous condition of the borrowers to exact exorbitant terms from them, are found in towns and not in the rural parts, for in the latter, the lenders and borrowers are necessary to one another and the lenders may be expected not to derive hard bargains, except in rare cases, or where the lenders happen to be temporary sojourners in the places in which they carry

on their operations and are not influenced by local public opinion and sentiment in their money dealings.

Now the present scheme, in so far as the rural co-operative credit societies are concerned, is apparently intended to be confined to the loan operations of only the last and poorest classes of borrowers. The maximum rate of interest to be charged is 12 per cent. or 2 annas in the rupee, which is the normal rate for small loans at present. The risks of lending are minimized by admitting into the society only men of approved character, and the amount of credit to be allowed to each member is fixed every year at a meeting of the members and is revised according to the changes in their circumstances. This consideration makes it necessary either to grant the loan for short periods or to reserve power to call in the loan before the stipulated period is out, in case the credit of the borrowers become shaky or is suspected to be so. Article 45 of the scheme of management for rural societies provides that loan cannot be granted for a longer period than one year. *Vide* also article 60 of scheme for the management of urban societies. It can be renewed for another year for exceptional reasons, and in times of wide-spread agricultural distress, the collection of the loans may be suspended by a general resolution of the members. As the article 45 is printed in *italics* it may be that it is left optional with the society to grant loans for longer periods. If this be the case, more substantial securities will, of course, be needed. The savings of the members deposited with the society are to be utilized for the purpose of granting loans, and on these deposits as well as deposits from outsiders, interest not exceeding 6 per cent. or 1 anna in the rupee is payable. Loans are to be raised also from outsiders by pledging the joint credit of the society, the liability of individual members in respect of such loans being unlimited. While on the one hand, the necessity for the members being fully acquainted with the character and circumstances of each other circumscribes the area of each society's operations within narrow limits—often a single village or a group of small villages—on the other hand, to minimize the risks and losses arising from ordinary accidents of life and fortune among the members, as well as from natural calamities, it is essential that the number of members should be very large and spread over as large an area of country as possible. To secure this latter object, it will eventually be necessary to affiliate these village societies to a larger central association which will bear the same relation to individual societies that an individual member of each society bears to it, that is to say, just as each individual member will be able to stand the strain of

adverse seasons and calamities better when he is a member and has the support of the society than when he stands alone, so each society will be able to tide over bad times better when it is supported by the credit of its brother societies than if it had only its unaided resources to rely on. The services of the members of the society are expected to be given gratuitously, and no dividends or profits can be granted to the members beyond the interest stipulated to be paid on their deposits. The object is to save the expenses of management and accumulate a reserve sufficient to give stability to the society; and when this has been done, to apply the surplus profits to the gradual reduction of rates of interest. Any concessions that may be granted either by way of exemption of the transactions of these societies from stamp duty and registration fees, or of allowing their dues to be recovered by inexpensive summary process or by the Government collecting machinery, or by Government granting loans at easy rates of interest, will of course do much to put the societies on a stable basis and effect a reduction in the normal rate of interest. This subject will be dealt with later on.

While rural societies are to have no shares, the liability of the members in respect of the transactions of the societies being unlimited, urban societies are to be founded on a share basis, the liability of each member being limited by the amount of the shares subscribed by him. Besides granting loans to members on personal or other approved security, which is the only business which rural societies are authorised to carry on, urban societies may, if they choose, transact business of the following descriptions, *viz.*, (1) loans to members on approved and accepted bills of exchange endorsed by the members; (2) loans to village co-operative credit societies; (3) the buying and selling of bills of exchange and other negotiable securities payable in India for the purpose of drawing and remitting their own funds; (4) the safe custody of plate, jewels, title-deeds or other valuable goods on such terms as may be agreed upon; and (5) the collection as agent on commission of the proceeds of the principal and interest of every securities and shares. The shares of these societies are to be small in amount, say Rs. 25 each; and to preclude the possibility of the societies falling under the control of speculators, the number of shares or votes held by any individual member is to be strictly limited, and stringent conditions are to be imposed on the transfer of shares, it being provided that transfers will be permitted only to persons approved by the society after the expiration of one year from the date on which the shares were subscribed.

One of the main functions of these urban societies will be to finance the rural societies, and the Committee consider that both on this account, and as a means of affording facilities to the lower Government servants, artisans, and the smaller tradesmen in towns for investment of their savings on more favourable conditions than those afforded by the Post Office Savings Banks, the urban societies should be encouraged by Government.

The scheme propounded by the Committee seems to me to be quite practicable and suitable to the circumstances of this Presidency; and there is, so far as I can see, no reason in the nature of things, why it should not succeed, if it be worked in the right way and adapted in details to the circumstances of different localities. The idea of combining into associations for the purpose of depositing savings periodically, in small fixed sums in a common fund for a fixed period and receiving them back in a lump sum, is not foreign to the genius of the people of this country. Hundreds of Kuttu Chit or Kuri associations which are at work in this Presidency testify to this fact, and latterly, the "funds" or benefit societies which have been established in several towns and do a large business show that the necessity for organizing societies of a higher type is being felt and indicate the lines of development. The Kuttu Chit associations are, however, not quite of the Raffeisen type in that they do not at present exercise much discrimination as to the character of the members admitted into them. Often also, the affairs of the association are entirely managed by a single individual who is the organiser of the whole society and constitutes himself the manager. The Kuttu Chit associations, therefore, fall short of the Raffeisen ideal as regards the moral influence exerciseable by the members over one another; but there is fair ground for believing that Raffeisen associations of the true type consisting of the more intelligent residents in the more considerable villages and small towns can in course of time be established. Diwan Bahadur P. Rajaratna Mudaliar made enquiries on the subject last year and came to the conclusion that to attain this object it would be best to enlist the services of the "Nidhis" such as those established in Coimbatore, Tanjore, Madura and Cuddalore towns, in founding rural societies which will be affiliated to and financed by the "Nidhis." I concur in this view. It is possible, of course, for Government officers, if they happen to take special interest in this kind of work, to use their personal influence and get a few rural societies established; but directly their backs are turned

and they are succeeded by other officers who by temperament or training do not feel called upon to take the same interest in the working of these societies, they are likely to collapse. Whatever of public spirit there is in the country and has to be utilised for purposes of this kind, is found among the professional classes, merchants, large landholders and the officials congregated in large towns. These men are generally connected with the "Nidhis" in the towns wherever such exist, and it will be to their interest to extend their business to rural tracts if they receive due encouragement from Government. Where such Nidhis do not exist, urban associations will have first to be established with the assistance and co-operation of these persons. There will, therefore, be far greater chance of success not only in founding village societies but in securing their continuous and satisfactory working, if the Government were to commence work by utilizing, as far as possible, the services of the Nidhis. Care should be taken not to attempt to convert the present Kuttu Chit associations into village societies of the desired type, unless there is among its members a feeling of appreciation of the advantages of the latter and a desire for the change. These associations are very fragile, and a panic among them that the Government wishes to interfere with their working may extinguish them altogether—a result much to be deplored, for they are doing much good, even in their present rudimentary condition. In establishing rural societies of the new type, it would be well, as far as possible, not to ignore the lines of social cleavage, wherever these are of a pronounced character, whether founded on caste consideration or occupations. The fact that in large villages, sometimes the villagers are divided into factions, will have to be taken into account, and it may become necessary to establish in a large village more than one rural society. Similarly, as regards the artizan classes, some of them have still, under the old guild system, societies of their own which may have to be availed of and adopted for the present purpose. If these small groups would combine into a larger whole, well and good; if not, there should be no objection raised to each group constituting a society by itself—the silk-weavers for instance. The term "rural societies" referred to in the Committee's scheme should include societies of the above kind formed in towns. As regards "Nidhis" the modifications required in their arrangements and methods of working to bring them in line with the present scheme should be as little as possible, consistently, of course, with the object in view.

Having premised the above remarks on the general scope and salient features of the Committee's scheme, as I understand them, in their relation to the conditions of this Presidency, I will proceed to state my opinion on the several points specifically referred to by the Government of India in connection with the scheme.

These are—(i) the desirability or otherwise of State-aid being given by way of loans to enable the co-operative credit societies to carry on their operations, and the conditions under which aid, if any, should be granted; (ii) the desirability or otherwise of imposing restrictions on the purposes for which the societies should be allowed to grant loans to their members; (iii) the desirability or otherwise of allowing these societies to lend money on pledge of jewels or other moveable property and carry on pawn-broking business; (iv) the desirability or otherwise of granting certain special privileges to the societies, such as exemption from stamp duty and exemption of the shares and deposits, within certain limits, from attachment by the Civil Courts, the authorization of summary procedure in the recovery of their loans, and the audit of the accounts of the societies by Government officers; and (v) the giving of similar facilities for the recovery of their loans by summary procedure to respectable money-lenders who bind themselves to lend money to the agricultural classes at moderate rates of interest and to conform to the regulations prescribed by Government for maintaining regular accounts of their transactions.

In dealing with the first point, it should be borne in mind that the obligations of Government in this country—both in its capacity of a Government deriving the bulk of its revenue from land and also as co-proprietor with the ryot in the soil—as regards rendering pecuniary help to the agricultural classes for the proper cultivation of land, for effecting improvements to it and even for providing themselves with the means of subsistence when there is, as is frequently the case, a failure of harvest, admit of no question: they are fully acknowledged by the rules granted under the Land Improvement Loans and Agriculturists' Loans Acts which are sufficiently comprehensive. The extent to which the co-operative credit societies can reasonably expect pecuniary help from Government must, therefore, depend, in a great measure, upon the extent to which they act as auxiliaries to Government in the carrying out of the above objects, as well as of the general measures adopted for the amelioration of the condition of the agricultural classes. Even if Government carried on their Takkavi operations independently of these societies, still they

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would deserve every encouragement and support inasmuch as they provide facilities for the investment of savings of the poorer classes and promote habits of prudence and thrift; and there would be nothing contrary to principle in Government assisting these societies with small loans to enable them to carry on their operations at the initial stage. Such help would give the societies stability and inspire confidence in the minds of the public who would find in the official countenance and support a guarantee as regards their solvency and usefulness. As the pecuniary assistance given by Government is not to exceed the paid up capital in any case the apprehension that such help might stifle self-help does not seem to be well-founded. On the contrary, it ought to stimulate the enlargement of the operations of the societies by larger and larger investment of private savings and capital, so much so that the societies might be able eventually to dispense with Government assistance altogether. Even in England in the earlier years of the last century, when Savings Banks were established, the Government with a view to encourage and promote habits of thrift, paid to the depositors interest at rates somewhat higher than the then current market rates, the resulting loss to the Exchequer amounting to a bounty or subvention. In the present case, what is proposed is not the grant of a bounty, but the grant of a loan at a rate somewhat higher than what the Government is able to obtain its loans for. The Government of India point out that the proposals of the Committee not to impose any limitations on loans grantable by Government to rural associations with unlimited liability and no subscribed capital, while the loan which can be given to societies founded on a share basis with limited liability is to be restricted to Rs. 2,000, is liable to objection. It seems to me what the Committee had in view was the loan grantable under the Takkavi rules. Under these rules the loans which can be given for the various purposes specified therein is limited by the necessities of each individual case, subject to the maximum limits prescribed and the amount of security offered. Where the Takkavi loan is granted to these associations on their joint security, the officer granting the loan will have to form a rough idea of the amount which would have to be given if he had dealt with the ryots individually, and will have to disburse a sum to the association not exceeding the above amount for distribution to the members who under the rules are entitled to and need assistance. Where, however, loans have to be made to persons not belonging to the agricultural classes and do not therefore come within the scope of the Takkavi rules, it is certainly necessary

that a limit should be prescribed as to the amount of loan grantable. This limit may be fixed at Rs. 1,000, and in very many cases the amount given would be considerably less. It seems to me, however, that the limit of Rs. 2,000 if applied to urban associations established in district headquarters for financing rural societies, will be found too small if there is to be any substantial reduction in the rates of interest charged on loans granted to the agriculturists. The difficulties in working the Takkavi rules have been pointed out recently by the Famine Commission of 1901. The Government aid does not reach the most needy ryots or in time, as the rules as regards security are, and must necessarily be, stringent; and officers, generally, except under a special impulse during times of distress, are averse to granting loans unless the security is unexceptionable. By taking a loan from Government the credit of the ryot with the sowcar is impaired, and he has to resort to the latter when money is wanted by him for purposes other than those contemplated by the Takkavi rules. What the ryot needs is that he should get a loan for all ordinary purposes at a somewhat lower rate of interest than he pays at present, say 9 per cent., and at a much smaller rate of interest, say from 3 to 5 per cent., for large loans contracted for carrying out improvements to lands. Loans for the former purpose can be granted by the urban banks if assisted by Government with funds to an extent not exceeding the private funds set apart by the banks for the purpose. The Coimbatore Janopakara Nidhi made a proposal to this effect last year. This "Nidhi" was prepared to set apart Rs. 20,000 for the purpose of lending to the agricultural classes at a rate of not exceeding 9 per cent. provided that Government contributed half the sum at 4 per cent. Under this arrangement, the Government will get more than the interest it pays for the money and incurs no risk. The "Nidhi" will have to pay 6 per cent. interest to attract private capital and deposits, and after meeting this and the expenses of management, the surplus profit may be carried to the reserve fund. As regards the amount contributed by the Government an additional sum representing 2 per cent. of the amount, being the difference between the interest paid on private deposits and that paid on Government contribution, may be likewise carried to the reserve which will soon be sufficiently large to give stability to the institution and command the confidence of the public and thus enlarge its operations. The rates of interest will not be suddenly reduced so as to afford any inducements for borrowing for purposes of extravagance, but will be gradually diminished after a sufficient reserve has been accumulated.

The Government will probably not have to lay out a larger sum in feeding these credit societies than they would have to disburse under the Takkavi rules. Even as regards loans to rural societies, if the Government dealt with them through the urban banks instead of direct, the security for the loans would be increased and the trouble of giving them would be lessened. As regards large loans for improvements to land, these should continue to be granted at the lowest rates possible by Government, say 5 per cent., or even less. The amounts required for these purposes are generally large and the persons requiring them can always offer substantial and sufficient security. It also makes a great difference in the practicability of an improvement from a financial point of view whether the money required for it is obtained at 4 or 5 per cent., or 9 per cent. At the former rate the improvement may yield a profit, while at the latter rate it may result in loss. But where a ryot to avoid the trouble, expense and delay of preliminary inquiries, inspection, etc., contracts a loan for effecting a land improvement, from an urban society at the rate of interest charged by it, and wishes to get it converted into a loan from Government on the more favourable conditions offered by the Takkavi rules, and on the security of the value of the improvement effected to pay off the former loan, he should be allowed to do so. In this connection, reference may be made to the plan recently adopted in Egypt for giving loans to cultivators at moderate rates of interest by means of a private bank on a much larger scale than is contemplated above, an account of which is given in Lord Cromer's report on the administration of Egypt in 1900. Under the scheme, the advances are made by the Egyptian Bank by means of agents who are sent to visit villages; and to save the cost of a special collecting agency, the instalments of the loans, as they become due, are collected by an ordinary official agency along with Government revenue. Money is advanced at the rate of 10 per cent., of which one per cent. goes to the local agents in the form of commission. Of the remaining 9 per cent., 3 per cent. is estimated to cover the expenses of the Bank leaving a net profit of 6 per cent. from which bad debts have to be deducted, as the Bank incurs the whole financial responsibility of the loan operations, taking all the profits and bearing all the losses. In 1,900 9,500 advances amounting in all to £ E 137,781 were made, of these 6,213 amounting to an aggregate of £ E 36,216 were loans repayable within the year. The remaining 3,287 advances aggregating to £ E 101,565 were repayable in 5 years. These latter loans were made to persons already indebted, their old debts on which very high

rates of interests were charged being paid off by the bank. The amount that fell due in 1900 was £ E 28,122 realizable from 5,036 borrowers. The whole of this sum was recovered. The bank is prepared to advance money in small loans up to a limit of £ E 25,000. Though the plan is still in its experimental stage, the encouraging results obtained would seem to show in what manner private agency can be utilised, under proper arrangements, for the purpose of granting loans to agriculturists on moderate terms and put down usury. I do not think it advisable to follow the Egyptian plan in all its details in the country and rely entirely on foreign capital for carrying on the operations. It is not founded on the principle of self-help and mutual assistance and does not provide facilities for the investment of small savings; and its educative effect on the agricultural classes will be far less than that of the plan of co-operative credit societies, recommended by the Committee. The latter are, undoubtedly, ideally the best; but until they take root in the country, they will have great difficulties to face, owing to paucity of funds, absence of business capacity among the members and ability to withstand the opposition or obstruction of influential persons who might consider their own interests imperilled by the extension of the operations of the new societies. These obstacles present themselves in varying degrees in different localities, and to overcome them, it is essential that the arrangements should be modified in details to suit the circumstances of the localities without infringing the basic principles of the scheme. In some localities, private capitalists might be willing to help the societies with funds and to undertake their management, and their local knowledge and influence and business capacity might go a great way towards ensuring the success of the scheme and be even indispensable. In this case, there will be three agencies at work, viz., (i) the Government furnishing a part of the capital required on easy terms as regards interest to enable the society to lend at moderate rates and accumulate a reserve sufficient to place the society on a stable basis and inspire a feeling of security and confidence in the minds of the public; (ii) private capitalists subscribing a substantial portion of the capital and undertaking the business management; and (iii) small share-holders. The ultimate aim should, of course, be to make these associations assume the character of true popular Banks, Government aid and the intervention of private capitalists being dispensed with. The arrangement should be such as would admit of this being done by a gradual process of evolution.

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The second point referred to by the Government of India relates to the purposes for which the loans are to be granted. The Committee's recommendation is that no restrictions need be placed on the purpose of the loans in the case of societies with limited liability. As regards societies with unlimited liability, the committee would limit the loans to the following cases: (1) for productive purposes; (2) for liquidation of debts incurred prior to enrolment; (3) for payment of rent or revenue; and (4) for marriage and other domestic occurrences; provided the borrower has had a deposit account with the society for the past three years and the amount lent does not exceed 60 per cent. of the annual average of his deposits.

As regards (4), the Government of India point out that, while, on the one hand, it is contended that the grant of loans for such unremunerative purposes as marriages, festivals and other ceremonies would encourage extravagance and run counter to the cardinal principles of co-operative credit, on the other hand, it may be argued that any restrictions placed on the objects for which loans may be granted could be easily evaded and might deter the members from joining the associations, as they could not dispense with the help of the Sowcar. I am decidedly of opinion that the latter view is the correct one. The question with the ryot is not whether the purposes for which money is wanted is *remunerative*, but whether it is *necessary*. Marriages of sons and daughters are necessary incidents in family life of the poor as well as the rich, and they cannot altogether be dispensed with. The expenses of the marriage must be met somehow, and if the savings deposited with the credit societies cannot be made available for the purpose, either the house-holder will have to divert a part of his savings from the credit societies at their very inception which is uneconomical, or contract a loan from the Sowcar on the hard conditions offered by him. There is, in my opinion, a good deal of exaggeration as regards the extravagance of the ryots or peasant classes in the matter of expenditure on occasions of marriages. The greater part of the expenditure is not unremunerative, but consists of valuable presents to the bride, which among the lower classes have to be returned to the husband in case the marriage is annulled. Extravagant expenditure is generally met with among the higher classes struggling to keep up their old position and prestige even after their means have become reduced by the accidents of fortune, or among families who desire to form alliances with those of a higher caste or social standing than their own. Where there is extravagance, it is, of course, desirable to bring public sentiment to bear upon it

with a view to effect a reduction of the expense within proper limits. It would be very legitimate for the rural societies, especially if the members belong to a homogeneous class, to take up this question and impose limitations. In Rajaputana, for instance, where marriage expenses were enormously high among the Rajputs, societies have been formed to discourage extravagant expenditure on marriages, the members of the societies agreeing to reduce the expenses within certain limits under pains and penalties. As regards other festivals, little expenditure is incurred for this purpose by the peasant classes. The expenditure on funerals is sometimes high, for instance, in Gujerat, where the family in which a death has occurred of a prominent member is expected to give a caste dinner to which all the fellow caste men must be invited. This is a device, consecrated by custom, for the purpose of keeping the members of the caste or section of a caste under a common government in regard to all caste matters, any infringement of the rules of caste being investigated by the heads of caste and visited by fines or expulsion from the caste. In these cases, it would be best to work through the caste associations to bring about a reform in marriage and funeral expenses, and I know, as a matter of fact, in several cases the question has been taken up by several associations. Apart from marriage and festival expenditure, there is the question whether a loan will be granted to the members of these societies when they want money for the subsistence of their families during times of failure of harvests. Will such expenditure be considered remunerative or unremunerative? Even the Takkavi rules allow of loans being given for this purpose at 3 per cent interest, and it would be manifestly unequitable for the credit societies to refuse loans to its own members for the same purpose. These considerations show that it is undesirable to impose limitations on the purposes for which loans can be granted.

The third point referred to by the Government of India relates to the expediency or otherwise of including pawn-broking business within the sphere of a co-operative credit society's operations. The lending of money on pledge does not appear to the Government of India one of the proper functions of such a society, while the adoption of this line of business might introduce complications into its management and accounts that would materially imperil success. I do not quite understand why the lending of money on pledge of jewels should be prohibited. Where the jewels are valuable and where facilities are available for its proper appraisalment and safe

custody, it would be safest to grant loans on the security of the valuables, and, as the Committee point out, there is a good deal of capital locked up in jewels and ornaments in the country which it is desirable to mobilise for temporary purposes. All lending money on the pledge of valuable jewels does not, I conceive fall under the category of "pawn-broking" which refers to lending small sums (less than £10 in England) on the pledge of small trinkets, articles of clothing, etc., of small value, the interest on such loans being regulated by law. Big banks lend money on jewels, and on principle, I do not see why the urban societies should be debarred from doing this, while, as a matter of fact, the "Nidhis" established in towns do much business in this way. As regards rural societies, doubtless, there are greater risks in their undertaking this kind of work which will approximate to "pawn-broking" proper in villages, and the majority of the societies may not be able to make proper arrangements for the purpose. But this seems to be a matter to be left to be decided with reference to the resources and capacity of each society; and no question of principle is involved. But in the Raffeisen societies loans are granted for as long periods as ten or twenty years even, and in the case of such loans personal security will alone clearly not suffice and the security of lands, houses, jewels, etc., will have to be accepted.

As regards the fourth point referred to by the Government of India, viz., the special privileges to be granted to these societies and the amount of Government control and supervision they should be made liable to, the recommendations of the Committee as regards the special privileges to be granted are as follows:—

(1) Documents connected with loan transactions between the members of the society and the society, and documents connected with the initial formation and registration of the society to be exempted from stamp duty.

(2) The funds of the society to be exempted from liability to attachment in respect of any debt due by a member individually.

(3) Share and deposit of members to be freed from attachment of any description up to a maximum of Rs. 100 provided the amount has been placed with the society for not less than 12 months.

(4) Special facilities to be granted for the recovery of loans from defaulting members by summary procedure.

(5) Subject to the prior claim for revenue or rent, credit institutions to have a lien on the crop for the value of the seed advanced or purchased with the money supplied by it and also on land, cattle,

industrial or agricultural implements, or raw material supplied for manufacture purchased with the money advanced by the society so long as any portion of the advance remains unpaid.

(6) The societies to be permitted to open a public fund in the Post Office Savings Banks.

In addition to the above the Government, in their Order, No. 701, dated 13th October 1899, were prepared to grant the following concessions:—viz.

(7) Postage on correspondence of co-operative societies with Government officers to be paid at rates applicable to official correspondence;

(8) the societies to be allowed to place their strong boxes in the nearest Government treasuries or police station;

(9) reduction of registration fees on certain classes of documents.

The grant of special privileges, such as the exemption from stamp duty, is not without precedent, for there are special provisions in the English statutes relating to Friendly Societies bearing on the subject. The extent to which the special concessions above enumerated should be granted, should be made dependent upon the extent to which they subserve the objects which the Government has in view, namely, the promotion of habits of prudence and thrift and the reduction of the high rates of interest now prevailing as regards the loans contracted by the agricultural classes for various necessary purposes, and the concessions should be liable to be withdrawn when those objects are not likely to be attained. Concessions 1, 2, 3 seem to be unobjectionable, and 6, 7, 8 can be dealt with by executive orders. Concession 5 also does not contravene sound principles. To those, I would add the following, viz.: (a) where improvements to land are effected by a loan obtained from a society, the value of such improvement may be registered and the society shall have a prior lien on the land improved to the extent of such value until the loan is repaid; and (b) where the loan is granted to a member on the security of the land after ascertaining and clearing off the previous debts under a special procedure to be prescribed for the purpose, the loan is to be recognised as the first charge on the land. In the former case, the additional value being entirely due to the improvement effected by means of the loan, it is only right that it should be made available for its recovery. In the latter case, of course, the society is entitled to have

the first lien. As regards concession No. 4, *viz.*, recovery of loans by summary process, I would not treat all societies alike, but would divide them for this purpose into three classes. The first or "the most favoured" in this respect would be those which Government employs as agents for distribution of Takkavi, under Government Takkavi rules on such conditions as to provision of funds, etc., as may be agreed upon between the Government and the societies. In this case, I would allow the instalments of the loans to be collected by summary procedure in the same way as Takkavi advances made by Government are collected. The second class will consist of societies which bind themselves to charge rates of interest on loans granted to agriculturists not exceeding certain limits, 9 or 12 per cent. as the case may be, fixed with reference to the circumstances of the different localities, and to keep regular accounts liable to be inspected by Government officers. These loans may be made recoverable by summary procedure at the risk of the societies in the same way as the rents of zamindars under the Madras Rent Recovery Act and those of the inamdars under the Bombay Land Revenue Code are recovered. The third class will consist of societies working on a purely commercial and not philanthropic basis. These must be left to pursue the ordinary remedies provided by law in covering their loans. If the village panchayat courts are better looked after than they are now, much of the petty litigation in connection with small loans which goes up to the higher courts could be disposed of by them, and the cost of litigation would be considerably reduced.

The amount of control and supervision to be exercised would also be proportionate to the concessions granted to the several societies. All societies should, of course, be required to keep regular accounts liable to inspection by Government officers to ensure that the provisions of law in this respect are being observed. The societies to which special concessions are granted should be subjected to audit by Government officers in order to see that the concessions are not being abused and the societies are worked on proper lines. As District Registrars appointed under Act III of 1887 have been recently appointed Assistant Registrars of Joint Stock Companies, there is machinery available for conducting the work of audit and supervision at present.

The Government of India rightly point out that the character and form of any legislation that may be undertaken in connection with this subject will naturally depend upon the methods in which it is

contemplated that these societies should work. In the foregoing remarks, I have roughly indicated the lines on which the societies should be worked to ensure success. My idea is that no hard and fast rules should be laid down as regards details for adoption by societies established in various parts of the country. Subject to the observance of certain general principles, the details of the methods of working should be left to be determined on a consideration of the possibilities and necessities of the several localities as regards provision of funds and managing agency. The legislation that is undertaken must be sufficiently elastic to admit of this being done, and power will have to be taken to make rules which will have to be varied from time to time according to experience gained. The provisions of the present Joint Stock Companies Act which are perhaps adapted to the conditions of very large undertakings are ill-suited to small societies like Kuttu Chit associations. A few days ago, I found that 31 persons in South Canara district who combined to purchase a fishing net and boats for a sum of Rs. 1,000 to fish with and divide the profits in certain proportions, came within the purview of section 4 of the Indian Companies Act, 1882, which provides that "no company, association or partnership, consisting of more than 20 persons, shall be formed for the purpose of carrying on any business other than banking which has for its object the acquisition of gain by that company, association or partnership or by individual members thereof unless it is registered as a company under the Act". The inconvenience to the fishermen of subjecting this rudimentary partnership arrangement to the elaborate provisions of the Companies Act must be obvious.

As regards the fifth point referred to by the Government of India, *viz.*, the suggestion that money-lenders who make loans for the purposes and on the terms which govern the grant of Takkavi should be accorded for the recovery of their money facilities similar to those which the Government enjoys, it will be sufficiently evident from what I have already stated that I am quite in favour of the proposal. The work to be done in connection with agricultural indebtedness is of such large proportions that it would be a mistake not to take advantage of all possible agencies available in securing the object aimed at. It is during times of distress that the assistance of the Sowkars is most needed. The Sowkars are interested in assisting the ryots on such occasions in order that they might not lose the advances previously made by them, and the Government machinery is often unequal to the task of rendering timely help to

the great mass of ryots needing it in times of distress. I know that in the famine of 1899—1900 arrangements were made by some States in Kathiawar and Central India with the Sowkars for the grant of advances to the ryots who are their clients, with considerable success.

The establishment of co-operative credit agencies will, in my opinion, have to be supplemented by other measures of equal importance, before any great impression is made on the indebtedness of the agricultural classes. The vicissitudes of the seasons which constantly occur render resort to the money-lender a necessity for the ryot, and when there is an entire failure of harvest his individual savings for a number of years even will only go a small way to save him. In the lean years which sometimes occur in succession, he has to incur debt and to pay it off when the fat years come round. The Government might suspend its revenue in the unfavourable years and wait for the return of good seasons, but the value of crop lost in those years amounts to several times the revenue and the question with the ryot is how to provide himself with the means of subsistence. He has, therefore, necessarily to resort to the Sowkar. This being the case, in the poorer dry districts to a large extent it is extremely doubtful whether such of the ryots as are already indebted to the Sowkars will be able to join these co-operative societies. Arrangements for the liquidation of the debts already contracted by the ryots by paying the creditors off by terminable annuities for long periods, the interest payable being much less than the current rates, may be tried experimentally and the results watched. Land credit banks should be established for lending money to land-holders for large improvements at low rates of interest. Rural associations should be encouraged to protect themselves against the various risks to which as agriculturists they are subject to by making arrangements for insuring against loss of cattle, for storage of grain, for subsistence in years of failure of harvests, etc. Nevertheless, the present proposals of the Committee deserve, in my opinion, every encouragement and support from all persons interested in the welfare of the country as a first and substantial instalment of a most important and much needed reform.

A High Court Judgment.

PRESENT :—SIR ALFRED HENRY LIONEL LEACH, *Chief Justice* AND
MR. JUSTICE LAKSHMANA RAO.

Srinivasa Tholappachar

... *Appellant.*

vs.

K. Seshagiri Rao, Sale Officer to the Co-operative Society at
Bellary

... *Respondent.*

Madras Co-operative Societies Act (VI of 1932)—Sale officer executing award under, postponing the sale—Acts judicially and is entitled to the protection of judicial Officers Protection Act (XVIII of 1850).

The sale officer executing an award under the Madras Co-operative Societies Act, in ordering an adjournment of a sale acts judicially and is entitled to the protection of the Judicial Officers Protection Act. The fact that his order is not appealable does not turn it, from a judicial act, into an administration act.

Decision of Chandrasekhara Ayyar, J., affirmed.

Appeal under clause 15 of the Letters Patent against the judgment and decree of Chandrasekhara Aiyar, J., dated 5th January, 1945, and passed in S. A. No. 321 of 1944 preferred against the decree of the District Court, Bellary, in A. S. No. 81 of 1943 (O. S. No. 151 of 1942, District Munsiff Court, Hospet).

B. V. Ramanarasu for Appellant.

The Government Pleader (*K. Kuttirishna Menon*) for Respondent.

The Judgment of the Court was delivered by

The Chief Justice.—This is an appeal from a judgment of Chandrasekhara Aiyar, J., under clause 15 of the Letters Patent. The appellant has lost in all the three Courts below and we see no reason why he should succeed here.

The appellant is the owner of land in the Bellary district. He leased it to one Ayyaswami Pillai for the purpose of sugarcane cultivation. The lessee was a member of the Hospet Sugarcane Growers' Co-operative Society and was indebted to the society. An award was passed against him under the provisions of the Madras Co-operative Societies Act, 1932, and in execution of the award the Co-operative Society attached the crop on the land leased to Ayyaswami Pillai. The date of the attachment was the 19th March, 1941. At the time of the attachment a sugarcane crop was growing on the land. The award was forwarded to the sale officer of the Co-operative Department for the purpose of execution. On the 25th March, 1941, in the execution proceedings, the appellant had claimed, as the landlord, to be entitled to priority in the sum of Rs. 429 in respect of the rent due. His claim was investigated by the sale officer and allowed by an order dated the 7th April, 1941. The sale officer had fixed the sale for the 8th April, 1941. On that date he passed an order adjourning it until the 21st April, 1941. The appellant says that the postponement was unlawful and that as the result of the postponement the crop could not be gathered in time. Consequently it was ruined. The appellant filed a suit in the Court of the District Munsiff of Hospet against the Co-operative Society and the sale officer. He claimed Rs. 1,268 against both defendants. The District Munsiff dismissed the suit as against the second defendant and his decision was upheld by the

District Judge of Bellary on first appeal. It was also upheld by Chandrasekhara Aiyar, J., on second appeal.

The case against the sale officer who was the second defendant and is the only respondent in this appeal, is that he acted wrongfully in postponing the sale and it is said by the appellant that consequently he is liable to him in the sum of Rs. 429 as damages, this sum representing the value of the crop which was lost. The District Munsiff dismissed the suit against the sale officer on the ground that he had not been sued as such. The District Judge confirmed the decision on the ground that the sale officer, in ordering the postponement of the sale, was acting in a judicial capacity and consequently was entitled to the protection given by the Judicial Officers Protection Act, 1850. Chandrasekhara Aiyar, J., agreed with the District Judge. The sole question in the appeal is whether the sale officer was acting judicially or merely in an administrative capacity. It is common ground that if he was acting judicially he is entitled to the protection of the Act.

Rules have been framed under the Madras Co-operative Societies Act and they provide for the execution of awards. The officer appointed to execute the award is the sale officer, who is defined in the rules as meaning an officer of the Co-operative Department empowered by the Registrar by general or special order to attach and sell the property of defaulters. The tenant was the defaulter and it was the duty of the respondent to execute the award which had been passed against him. Rule 22 (4) (i) states that the Registrar of the District or the sale officer may, in his discretion, adjourn a sale to a specified day and hour, recording his reasons for such adjournment. Where a sale is so adjourned for a longer period than seven days, a fresh proclamation under clause (h) must be made, unless the judgment-debtor consents to waive it. Section 57-B states that the Registrar or a person empowered by him in that behalf shall be deemed, when exercising powers under the Act for the recovery of an amount by the attachment and sale or by the sale without attachment of property, or when passing orders on an application made to him for recovery or to take some step in aid of recovery, to be a Civil Court for the purpose of Article 182 of the First Schedule to the Indian Limitation Act.

There were here proceedings in execution analogous to proceedings in execution under the Code of Civil Procedure and if the Registrar of the district had passed an order directing the postponement of this sale, there could be no doubt that he would have been acting in a judicial capacity. The sale officer is given equal power of ordering an adjournment and he exercised this power in execution proceedings regularly instituted. We can see no difference between the exercise of the power by the Registrar and the exercise of the power by the sale officer. The fact that the order is not appealable does not turn it, from a judicial act, into an administrative act. There are orders contemplated by the Code of Civil Procedure which are judicial orders and which are not appealable.

Agreeing with the judgment of the District Judge and that of Chandrasekhara Aiyar, J., we hold that the sale officer acted judicially in passing the order for the postponement of the sale and that consequently he is entitled to the protection of the Act.

The appeal is dismissed with costs.

Recent Utterances.

COCANADA CENTRAL BANK, LTD.

Silver Jubilee Celebration.

Speeches of Mr. W. R. S. SATTHIANATHAN, I.C.S.

I

It is my good fortune that the Silver Jubilees of many Central Banks in this Province should coincide with my term of office. This is the fifth occasion on which I am participating in the happy Silver Jubilee Celebrations of a central bank. I find here another Central Co-operative Bank which has established itself on solid foundations and stands four square to the buffets of vigorous competition, which cannot be avoided by any business institution. It has built up an owned capital of over a lakh and a half of rupees and is doing business to the tune of about Rs. 13.4 lakhs. It could have done more had it developed as the Godavari District Co-operative Banking Union Ltd., having jurisdiction over the whole of the East Godavari District. But local patriotism was at work, and natural individual aspirations made themselves felt, and the privilege of a District Bank was denied to this institution. Three more Central Banks sprang up in the district at Amalapuram, Rajahmundry and Ramachandrapuram, and deprived this institution of a wider field of utility. There have been proposals in the past to amalgamate the four banks, to forge them into one big institution which could command larger transactions and economise expenditure. These proposals have not, however, been pressed. I believe that local enterprise should be encouraged and individual aspirations should have their reward, provided of course that the over-ruling co-operative principle of service to the public is not swallowed up in the greed for personal aggrandizement. I notice that this Bank and its three sisters in the district are going forward steadily. If they continue to do so, avoiding pitfalls of party politics, nepotism and slackness in business methods, they will enable me to consign into oblivion that huge file in my office which deals with the questions of amalgamation. The matter is entirely in your hands.

The smaller a bank, the more concentrated should supervision be and directors can afford to pay personal attention to the areas they represent. This should lead to co-operative service to a larger proportion of the population than in a District Bank, such as say the Tinnevely District Co-operative Bank. The working capital of all the four banks in this District together amounts to about Rs. 47 lakhs as against Rs. 32.03 lakhs only of working capital held by the Tinnevely District Co-operative Central Bank. The four banks have, therefore, accounted for an increased business of Rs. 15 lakhs in one district. Of course, there are other factors contributing to this increased volume of business

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such as the Godavari river and the fertility it imparts to lands in the Godavari District. Yet, Tinnevely, too, has the Tambaraparani river to boast of and one cannot altogether brush aside the idea that the smaller the Bank, the larger the proportion of families it serves.

Yet, I observe that in the jurisdiction of your bank, there are 761 villages of which only 190 have been tapped by co-operative societies. I recognise that it may not be possible to establish a co-operative society in every one of the 761 villages. Some of them may lack in man-power or economic strength, as, for instance, in the Agency Tracts. Nevertheless, I have a feeling that, not only in your area but also in the area of other central co-operative banks in the Province, we co-operators are beginning to forget our first love, namely, the ryot. Like every other business institution, we are tending towards opportunism and taking up that line of business which pays best. The food scarcity brought about by the War has created a pressing need for Co-operative Stores all over the Province and has provided opportunities for trade in foodstuffs which we have rightly seized. We are now doing about 20 crores of rupees worth of business a year in this direction and the surplus funds of most of the Central Banks in the Province have been absorbed by it. Without in the least distracting attention from the consumers' co-operative movement, which must be strengthened and developed in the years to come, is it not worthwhile for us, co-operators, to pause a little and enquire: "What about the agricultural population to relieve whose indebtedness and to improve whose economic condition, the co-operative movement in India was called into being? Have we not slackened efforts in the direction of increasing the number of rural credit societies, in mending those which have been stranded and in improving the condition of those which are functioning well?" I can imagine someone in this company, however, observing: "The lot of the agricultural population today is very much better off than that it was some years ago. The War and the high prices it has brought in its train have improved its condition. Look at the Land Mortgage Banks. Have not ryots there discharged their twenty-year loans before their time on account of the present day prosperity?" To him, let me answer that one swallow does not make a summer. The bulk of the agricultural population today are still as much in need of cheap and easy credit as they were in the pre-war days. Are not sowcars and Banias still flourishing at the expense of the ryot? Was it not the programme of the co-operative movement that these should be eliminated or at least kept well within the bounds of common decency? Have we attained that end? I noticed in one district that ryots were in need of thousands of rupees for the cultivation of turmeric and thousands more for marketing them. Neither the rural co-operative society nor the Central Bank went to their aid. They were nursing the complacent belief that the ryot of today was so prosperous that he did not require as

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much credit as he did before. That bank and that co-operative society had found an outlet for their surplus funds in the co-operative stores and weavers' societies and the incentive to seek business in rural credit was lost. I do hope that the interests of the agricultural population are not lost sight of in the midst of readily available paying business. All of us co-operators should realise that it is not business that pays which co-operators should run after for its own sake but business that serves the largest number of the people.

This brings me to another point which is also beginning to be forgotten by co-operators. The Agriculturists Debt Relief Act fixes $6\frac{1}{4}$ per cent as the rate of interest as being fair to the agriculturist and prohibits loans to agriculturists at anything above that rate. And yet, in some Districts in the province, agriculturists borrowing from rural co-operative credit societies have still to pay $7\frac{1}{2}$ or even 8 per cent. In the jurisdiction of your bank, no ryot can have a loan unless he pays $7\frac{1}{2}$ per cent. In one instance, where I urged upon a Central Co-operative Bank that it should cut down its lending rate to rural credit societies to $4\frac{1}{2}$ per cent so that the ultimate borrower in the village might have his loan at $6\frac{1}{4}$ per cent, my attention was invited to the exemption given under the Debt Relief Act according to which co-operative societies could lend to agriculturists at rates higher than $6\frac{1}{4}$ per cent. This, quite frankly, is not the co-operative way of looking at the question. The exemption was provided in the Act because feeble banks might reduce their rates of interest below their capacity and thus land themselves in difficulties. It was not, I am sure, inserted in order that strong banks should retain their high rates of interest. Your bank is one of those Central Co-operative Banks which can afford to bring down its rate of interest to enable the villager to get his loan from his village bank at $6\frac{1}{4}$ per cent. Forgive me if I say that unless you make this possible, you cannot claim to have done really worthy credit service. You can assuredly reduce your rate because you are already able to command eight lakhs of rupees in the shape of deposits, and because the bulk of your shares are held by societies which do not attach as great an importance to maximum dividends as individual share-holders do. I, therefore, strongly recommend to your Board of Directors that this question be taken up now and the ryot relieved of the onerous burden of having to pay $7\frac{1}{2}$ per cent on the loan he takes from his co-operative society.

I notice that you are concentrating upon short term loans and excluding almost altogether medium-term and long-term loans. You are, in other words, working towards the ideal held by the Reserve Bank, whereas most co-operative Banks in the province are urging that rule 8 (a) of the Rules framed under the Co-operative Societies Act should be liberalised so that agriculturists may have a larger share of medium-term and long term money. I am examining this point as a general question and hope

that if your Bank has not utilised all the money allowed to be utilised as medium-term loans, it is not by depriving the agriculturists of a facility which he needs.

Let us not forget that nearly 70 per cent of the population of this country is engaged in agriculture and nearly 90 per cent live in villages. No effort in the direction of improving the economic condition of the agriculturist could ever be said to be too much. There are a great many people planning a great deal today about the India of the future, and innumerable plans are being devised for industrialising the country. But believe me, India is never going to be an industrial country in the same sense that Great Britain is; nor is it desirable that it should be so. What is wanted is a proper balance between Agriculture and Industry, so that the Industries that spring up are furnished with sufficient raw material and the population they support are given enough food. Therefore, the agricultural population in this country will and should always dominate the country. It is up to us, co-operators, who took to co-operation mainly in the interests of the agricultural population, not to slacken efforts in the direction of their uplift. It is particularly fortunate that your Central Bank is presided over by an agriculturist, Zamindar Sri Pyda Venkata Narayana. I thank him very much for having given me this opportunity of participating in the celebrations today and hope that, under his guidance, your Central Bank will serve as an example of what similar banks can do in the cause of rural uplift.

II

SALEM CITY CO-OPERATIVE STORES.

It gives me very great pleasure indeed to preside over the first anniversary of the Medical Branch of your Stores. I am grateful to your energetic President, Sri Rao Sahib S. Duraiswami Pillai, and the Board of Management of the stores for having given me this opportunity.

The Salem City Co-operative Stores is one of the oldest urban co-operative stores in this province. Started in 1930, the institution has progressed along right lines and its career has been a record of steady success. From comparatively humble beginnings, the society has greatly developed in recent years and to-day it ranks as one of the well established urban stores of the province. Your membership is nearly 6,400 and the paid-up share capital exceeds Rs. 20,000; the business turn-over during 1943-44 was Rs. 21.5 lakhs. During the current year also, your sales are fairly good, amounting to about Rs. 15 lakhs till the end of April. The stores has opened 16 regular branches and 21 rice ration depots all over the city.

It is gratifying to see that your stores plays a very important part in the rationing scheme. You have been allotted nearly $\frac{1}{4}$ of the total number of ration shops in the town and you cater to the needs of nearly 10,000 card-holders, comprising five-hundred-thousand odd units. There is a feeling in some quarters that some of the co-operative stores are not adhering to the instructions given by the Rationing authorities and that they do not exercise adequate control over their employees. While I am not prepared to enter into a controversy on this, I hope that you will not give room for any legitimate complaint in this direction.

It is a matter of great satisfaction that you are not only dealing in food grains but have widened the range of your consumer services and have been supplying to the public medical requirements, toilet articles, stationery and a variety of other consumer goods. This, gentlemen, is a move in the right direction and is likely to stand the stores in good stead in the years to come. With the return of normal conditions your trade in food grains is bound to shrink and unless you develop your business on non-food lines, the stores will find itself seriously handicapped in the post-war years.

Another noteworthy feature in the working of your stores is the processing activity undertaken by it. I am told that the stores has installed 2 Pinto chakkus for the crushing of gingelly oil and that the daily output is about 18 gallons. This again is a step in the right direction. The stores can usefully enlarge the list of its productive activities by gradually undertaking the preparation of soapnut powder, coffee-powder etc. and thus ensure supplies of unadulterated articles to its members and customers with increased profit for itself.

Another striking feature I notice is the far-sighted policy of conserving the war-time profits and creating adequate reserves as a bulwark against post-war trade difficulties and price fluctuations. I must congratulate the members of the stores on their wisdom in having carried 50 per cent of the net profit towards the statutory reserve fund during 1942-43 and 1943-44 and also in having created a business reserve of about Rs. 32,000 out of gross profits. I feel that a stage has been reached in the career of your stores when it should seriously think of having a habitation of its own. A suitable building with godowns is very necessary and I suggest that you make a special provision in your bylaws for a sufficient allotment to a building fund. It is now time to concert measures to acquire a site preliminary to the construction of a building.

Coming to the medical branch whose anniversary you are so fittingly celebrating today, I am sure that every one present here will agree with me in saying that the medical branch has done a great service to the people even in the very first year of its existence. Its monthly average sales are estimated at about Rs. 6,000. It has also opened a 24 hours

dispensing service to the public, and deals in all patent medicines, drugs and common surgical requirements. Starting the medical branch at a time when there was acute scarcity of drugs and when probably black-marketing and profiteering were rampant, the stores has placed the citizens of Salem under a debt of gratitude to it and has considerably added to the success of social service already to its credit. That the stores is not actuated by motives of profit but only by a keen desire for service to the public is evident from the fact that it does not appropriate for itself the entire 15 per cent margin allowed to the retailer but passes on about $\frac{2}{3}$ of it to the consumer, retaining only $\frac{1}{3}$ to meet its cost of establishment etc. Thus the stores is actually selling some of the common drugs below the controlled rates and is passing on the difference to the consumer. This is indeed a record of which any institution may be proud of. I am indeed sorry that the application of the stores for a wholesaler's licence under the Drug Control Order has been twice rejected. But all of you are aware of the supply position of drugs which is far short of the demand. Government are therefore reluctant to add to the list of wholesalers when the existing dealers themselves find it difficult to get their full requirements. Conditions may ease in a short time and supplies may become plentiful and then perhaps you may succeed in getting a wholesaler's licence.

Gentlemen, I have taken up much of your time. But before closing I should like to refer in brief to the gigantic strides made by the consumers' movement in Madras during the last 6 years. At the outbreak of the war there was less than 100 primary stores with a turnover of about Rs. 23 lakhs. There were no wholesale stores then. Today we have a net-work of about 1,300 primary stores with 12 hundred odd branches or depots and 21 district co-operative wholesale stores serving all the districts of the Province. There are nearly $4\frac{1}{2}$ lakhs of members on the rolls of co-operative stores and the share capital voluntarily contributed by them exceeds $\frac{3}{4}$ of a crore of rupees. The business turnover of the primaries and the co-operative wholesale stores exceeded Rs. 13 crores during 1943-44 and is expected to touch the peak figure of Rs. 20 crores during the current co-operative year. Many of the district co-operative wholesale stores and nearly 230 primaries are engaged in the procurement, reception and distribution of food grains under the schemes formulated by the Civil Supplies authorities. During the first nine months of the current year, they procured nearly 2 lakhs of tons of food grains valued at about Rs. 4 crores. In the South Kanara District, a unique experiment in district-wide procurement is being carried on through the sole agency of the district co-operative wholesale stores. Central stores in deficit districts play a vital role in the import and distribution of food grains from surplus areas and a special scheme for the Ceded districts is run through the sole agency of the district co-operative wholesale stores

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in these districts. From 1-7-44 till 31-3-45, the co-operative wholesale stores in deficit districts imported about 1.5 lakhs of tons of rice, paddy millets, wheat etc., and distributed about 1.4 lakhs of tons valued at Rs. 3.43 crores. In rationing, too, co-operative stores are given an important part. Nearly 700 retail ration shops which constitutes about 24 per cent of the total number of shops in the Municipal towns in the province, are run by co-operative societies and nearly 3 lakhs of ration card-holders, i.e., about 25 per cent draw their rations, from co-operative shops. Well, Gentlemen, this is indeed a record of voluntary service, unparalleled in the history of the consumers' co-operation in the whole of British India.

The War in Europe is over and we expect the hostilities in the eastern theatre to end very soon. Naturally the problems of the post-war period should engage the attention of the public. The future of the stores movement will, in some degree, be bound up with economic conditions in the post-war period. Whatever the pattern of the post-war economic system may be, it is essential that consumers societies should take steps to establish themselves firmly during the period of controls and to gain the loyalty of their members and customers. In this matter, the President and the directors of the Salem City Co-operative Stores deserve to be congratulated on the far-reaching measures they have introduced and to which I have already made a reference. The conservation of war-time profits, strengthening reserves, widening of the range of services, the undertaking of processing activities—these are measures which will help to strengthen the position of the stores and enable it to face the future with confidence.

I wish the stores all success in its undertakings and a long career of useful service to the public of Salem City.

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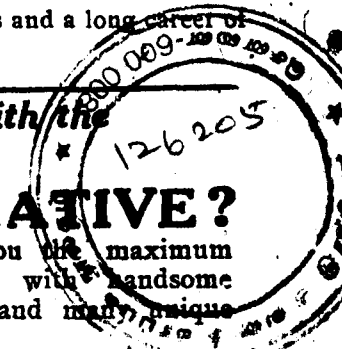
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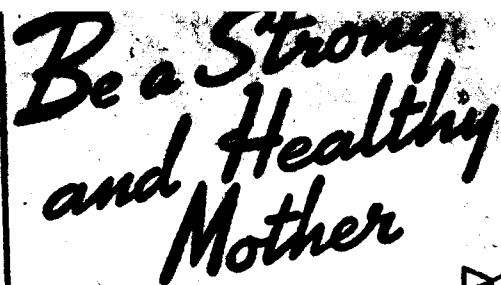
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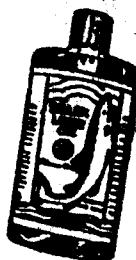


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