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THE

Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

Journal of the Madras Provincial Co-operative Union, Esplanade, Madras.

JULY 1947. No. 1, VOL. XXXIX PRICE 8 As. NET

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The Shape of Things.

Reserve Bank and Co-operation :

A very interesting discussion took place during the Registrars' Conference on the relationship between the Reserve Bank of India and the Provincial Co-operative Banks. There were loud complaints from all parts of the House against the Reserve Bank for its alleged unhelpful attitude. Examples were quoted by representatives of different provinces to show how their complaints were justified. The main point of criticism was on the Reserve Bank's offer, under the scheme formulated by it, to grant accommodation to Provincial Co-operative Banks at concessional rates, of a rebate of 1½ per cent, on bills and promissory notes drawn for the purpose of financing seasonal agricultural operations. The other complaints may, as far as we are aware, be stated as follows :—

(1) The offer of accommodation helps marketing only. (2) There is considerable delay in securing accommodation. (3) Insistence on a cash deposit as a condition precedent to granting accommodation instead of accepting Government paper. (4) Accommodation was not made available for procurement.

The Representative of the Reserve Bank pleaded that though it was not statutorily obligatory on the part of the Reserve Bank to show the Co-operatives better consideration, the Bank had come forward to do so to provide more facilities for agriculturists. In its anxiety to assist agriculture, the Bank had not even imposed such stringent conditions as are applicable to scheduled banks, as even the cash deposit demanded is only half of what is demanded from other banks. He, however, promised to consider the question of accepting the agricultural papers of the primary societies though they were not time papers. All that they may have to demand is an endorsement on these of the Provincial Bank. He also assured that, if applications for accommodation are submitted through the Registrars, it would greatly assist in their expeditious disposal. As regards financing procurement, it was stated that, if the suggestion for passing off the benefit of the low rate to the agriculturists is agreed to, the Reserve Bank might consider favourably even financial accommodation for procurement. He also assured that the question of accepting Government paper in the place of cash deposit would be considered and every effort would be made to avoid all unnecessary delay in dealing with applications for accommodation. On the question of margin between the borrowing and the lending rates, he made some pertinent observations. He stated that it was not the intention of the Reserve Bank that the money obtained should be passed on to the agriculturists at the same rate. If the ultimate borrower was charged 9½ per cent, when the Provincial Bank borrowed at 3 per cent, it is suggested that the benefit of lower rate of borrowing should be passed on to the ultimate borrower to that extent.

Margin:

In the previous note we have quoted the hypothetical case in which the ultimate borrower secures reduction in the rate of interest to the extent the financing bank secures rebate from, say, the Reserve Bank. Even then the benefit derived by the ultimate borrower is not much especially when we know agriculture has been a deficit economy. Some other method must be found to reduce the rate of interest. One such method suggested is the elimination of co-operative "middlemen". It is agreed by all that reduction in rate is desirable, nay, even necessary. But the point of difference is in regard to the elimination of "middlemen" consistent with efficiency This subject came up before the Registrars' Conference. It was specifically raised as it arose out of the recommendation of the Rayalaseema Co-operative Enquiry Committee. The Conference passed a resolution which we reproduce below in view of the

importance of the subject especially as it affects districts comprising Rayalaseema.

Resolution No. 25:

This Conference considered the note submitted by the Government of Madras regarding the conversion of District Co-operative Financing Agencies into branches of the Provincial Co-operative Bank in economically backward areas and the assumption by the State of the responsibility for the entire supervision of the movement in such areas and recommends that (*a*) finance may be provided either by branches of the Provincial Banks or by the Central Banks as may be more convenient, (*b*) that in economically backward areas, *i.e.*, those subject to periodical famines, floods, etc., Government should give special financial assistance to the financing agencies to meet the bad debt arising from conditions beyond the control of the borrowers or may consider the advisability of setting up an Agricultural Credit Corporation for such areas if the co-operative agency cannot flourish in such areas, and (*c*) that Government should make special efforts to increase the income of the cultivators in these backward areas by providing the necessary facilities.

Rural Banks:

Elsewhere we have printed the speech of the Joint Registrar of Co-operative Societies made on the occasion of the opening of a Rural Bank in West Godavari district. We commend the speech for its lucid exposition of the idea behind "Rural Banks." The points raised in the speech have also been dealt with in the Registrar's Circulars on the subject which we published in the last issue of the *Journal*. But the Registrar of Co-operative Societies had also submitted a note on the subject to the Registrars' Conference. The Conference adopted the following resolution:

Resolution No. 24:

"This Conference considered the note submitted by the Government of Madras regarding the reorganization of the primary credit unit as "Rural Bank" on limited liability basis and recommends (*a*) that the area of operations of a primary multi-purpose society should ordinarily be the village, (*b*) that in tracts where villages are very small there may be one primary society for more than one village, and (*c*) that the area of operations of a *Mandi* trading society should cover all the villages from which produce is brought to the *Mandi*."

Future of Co-operation:

The Minister in charge of Co-operation took the public into his confidence by unfolding his schemes for the development of the Co-operative Movement. Before we deal with the points contained in his schemes, we cannot help putting in our emphatic demurrer to the cavalier manner in which the request of the Provincial Co-operative Conference to appoint a small Committee to examine the various reports and suggest a plan of action, has been treated. In making the suggestion the Conference wanted to be of assistance to the Government. Now that the All-India Co-operative Conference and the Registrars' Conference have also met and made some important recommendations, a Committee such as that suggested by the Conference would have been of real assistance to Government in formulating their policy.

We are happy that after all the recommendations made by the Vijayaraghavachari Committee in 1940 to separate audit from general administration also endorsed by the Registrars' Conference is to be given effect to. As regards "Rural Banks" the Minister is inclined to encourage them and has also offered to appoint suitable departmental officers as Secretaries, etc., if trained non-official candidates are not available to fill these responsible posts. The Co-operative Milk Supply Unions are to receive adequate support. But such support is dependent on the approval of the scheme by the Government of India. May we venture to suggest that whether such approval is forthcoming or not, the Madras Government should proceed with it as they are convinced of its usefulness. It is encouraging to learn that the Government are keen on developing cottage industries on co-operative lines and a target of 100 societies per annum is fixed. The Government propose to assist in providing suitable equipment and also make maintenance grants. The Government also propose to render further help by providing facilities for procuring raw materials. To promote these cottage industries co-operatives, the question of constituting a Cottage Industries Committee is also under active consideration. There is one sentence in the announcement to which we wish to refer. It is said the subject of re-allocation of work relating to cottage industries between the Co-operative and Industries department is actively under their consideration. May we venture to suggest that, if cottage industries are to be organised on co-operative lines, the responsibility for organising and conducting them should rest entirely on the Co-operative Department. In the past there has been

neither co-ordination nor co-operation between these two departments. It cannot but be so as the outlook of the two departments is different. As long as co-operative basis is considered essential for the organisation of cottage industries the Co-operative Department alone must deal with them. In this connection the recommendation of the Co-operative Planning Committee is quite clear that control over small industries should be vested exclusively with the Co-operative Department. Creation of a separate section for cottage industries in the Industries Department was a mistake and it is no wonder there is not enough work to the credit of the Industries Department in that field. Technical advice which is not after all of a very specialised character can be secured by appointing the technical personnel required. Have not Milk Supply Unions thrived under the Co-operative Department? We are sure their growth and successful working would never have been so phenomenal if the Veterinary Department had been entrusted with that task. Have not also weavers' societies been successfully organised by the Co-operative Department?

Promotion of Weavers' Co-operative Societies looms large in the Government's programme. From the programme outlined, it looks as though the Government contemplate introducing an element of compulsion to bring all the looms into the co-operative field. We strongly deprecate introduction of compulsion in any form. Co-operation is essentially a voluntary movement and it is the emphasis on service motive which must prove sufficient attraction. Moreever, the offer of 20 per cent more yarn to members of weavers' societies is a sufficiently attractive proposition to real weavers to join the societies organised for their benefit. There are occasions when compulsion may be necessary, *e.g.*, consolidation of holdings. It was this kind of activity which was prominent in the minds of the delegates to Registrars' Conference when the Conference endorsed the principle of compulsion in certain kinds of activities generally admitted as essential for economic progress.

On the question of co-operative housing, the Hon. Minister mentioned some problems which were under active consideration of Government. Those are also under examination of the Provincia Housing Committee. It is hoped that when that Committee's report becomes available, active steps will be taken to give the much-needed fillip to the co-operative housing movement.

Marketing of agricultural produce has always received the earnest attention of Government. The Post-war Reconstruction

Committee recommended a scheme prepared by the Registrar. But the activities of the Commodities Prices Board, useful as they are, may prove a deterrent to the growth of co-operative marketing. It is best we wait and see what the All-India policy regarding price control will be. Meanwhile, the Madras Government must assist in providing godown facilities.

After all the Government have agreed to a reduction in the lending rate of the Central Land Mortgage Bank by agreeing to the reduction in the margin between the debenture rate and the ultimate borrowing rate from 3 to 2¼ per cent. The reduction is not such as to create enthusiasm. Time and again it has been pointed out that a larger reduction in the margin is possible consistent with safety.

The formation of the Provincial Co-operative Wholesale Trading Society is announced. It has been too long in formation and the sooner it begins to work actively the better it would be for the Consumers' Movement.

We have reviewed the announcement at some length as it is made out to be an important pronouncement. Whatever may be our views, we shall be happy if a move on is made without unduly prolonging the period of incubation.

Co-operative Farming:

The report of the Indian Delegation to Palestine on Co-operative Farming should set at rest all doubts regarding the efficacy of the co-operative method as also dispel all exaggerated notions of the Russian Farming system. Everything relating to Russia is based on regimentation. As the Palestine report rightly points out "the Russian system is compulsory and enforced by the State. Co-operative Farming in Palestine is voluntary and exhibits the 'most advanced type of socialist life in the world.' Now that there is much talk of co-operative farming, the achievements of co-operatives in Palestine will be of more than ordinary interest. We hope to publish a good summary of the report in our next issue.

Advisory Council:

We are glad a Provincial Advisory Council has been constituted. Its advisory functions also are sufficiently comprehensive to enable Government to secure advice on all matters affecting the movement. Instead of being unnecessarily large and unwieldy, it is a compact body with members chosen from among those competent to advise

the Government. We know there are many others in the field whose advice and guidance would be invaluable and whose presence would be of great assistance to Government. But all could not naturally find a place on the Council. It does not prevent them from offering their suggestions which, we have no doubt, will receive every consideration. We await with interest the deliberations of the Council and we have every hope, when the proceedings are made available to the public, the co-operators will have every opportunity of presenting their points of view before action is taken by Government on the recommendations of the Council.

New Era:

Before the next issue of our *Journal* is out, India would have achieved independence. Dominions of Pakistan and India will have the privilege of framing constitutions suited to the genius of the people comprising the two Dominions. Whatever may be the form the Constitution will assume after it is shaped by the Constituent Assembly and the Dominion Legislature, we have no doubt the people's voice will prevail in all matters relating to public welfare if it is exercised. For that purpose the people have to be educated to realise not only their rights and privileges but also their duties and responsibilities. Co-operatives, organised as they are on a democratic basis, are most competent to undertake this task. There is no field of public activity which is beyond the scope of co-operatives. They should only take up the work in right earnest and play their part. We have no doubt they will not lag behind but will take the leading role in the education of the people.

Panchayets and Co-operatives:

We are reliably informed that the Government are still obsessed with the idea of combining the functions of Co-operatives with those of the Panchayets. We have more than once referred to this topic and have pointed out how incompatible such combination of functions is and that each can be only complementary to the other but can never appropriate the authority and functions belonging to one by the other. We implore once more that the Government should desist from sponsoring such a combination as, apart from theoretical grounds, it would prove impracticable and lead to unnecessary complications.

Notice to Non-members.

Sub: MADRAS JOURNAL OF CO-OPERATION—Subscription rate—increase of.

This is to inform the Non-members of this Union, in view of high cost of printing and paper, the Executive Committee of this Union has been obliged to increase the rate of annual subscription from Rs. 4 to 6. Hence the Non-members are requested to remit the revised rate of subscription for Volume XXXIX (July 1947 to June 1948).

MADRAS,
15th March 1947.

V. VIYYANNA,
General Secretary and Publisher,
The Madras Provincial Co-op. Union, Madras

Examination Results—March 1947.

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Consumer Co-operation in Sweden's Economic Life.

BY THORSTEN ODHE,

Editor-in-Chief of " Kooperatzren " (Official Organ of the Swedish Co-operative Movement.)

It is true of all the Scandinavian countries that consumer co-operation there is an important national economic factor. The first consumer co-operatives in Scandinavia were formed in Denmark. About the same time others were started in Norway, followed by Sweden and, somewhat later, by Finland. In relation to the population figures, however, the consumer co-operative movement is more strongly developed in Finland and Denmark than in Sweden. The original aim of the co-operatives was simply to make purchases for their members, and in the Swedish co-operative movement major importance is still attached to retail trade. By concentrating upon industrial production as well, the movement has attained a specially important place in Sweden's economic life. For this reason it has attracted attention in various economic circles abroad. This applies especially to its measures against monopolistic trusts and cartels, aimed at preventing abuses of power, *e.g.*, as regards price fixing.

Some initial facts about the movement's history may be of interest. The first consumer co-operatives in Sweden were started about the middle of the 1860's. The very first co-operative of all was formed in 1851—only a few years after the Rochdale Society—in the remote parish of Orsundsbro in central Sweden. Its founders were a handful of farmers without the slightest knowledge of the consumer co-operative movement in other countries. These early co-operatives were exclusively supported by the farmers and the lower middle classes. In the 'eighties, however, there arose workers' "rings" in that part of the Labour Movement which was influenced by Liberal ideas. Their aim was to secure rebates for their members from private traders. The workers' "rings" disappeared a long ago, and were succeeded by the modern consumer co-operatives, which began to develop among the rapidly expanding industrial population during the 'eighties and 'nineties.

For a long time the co-operatives remained small and weak in both rural and industrial areas. Only when a national body was established—at a congress in Stockholm in 1899—did the movement attain any great measure of stability. Some forty societies were represented at this congress, and they founded *Kooperativa Forbundet* (KF), The Swedish Co-operative Union and Wholesale Society, which was initially only a union of consumer co-operatives, but later also became their joint wholesale supplier. From the beginning, it was stated that the movement would be independent of State, Banks or any outside capital which is still looked upon as a main condition.

During the years which have passed since then, a strong consumer co-operative movement has been built up in Sweden, a movement whose enterprise is generally recognised, a movement based on the efforts of all social classes to attain economic freedom. By conducting an incessant publicity campaign against shop credit, the movement has succeeded in liberating its members from the toils of credit and in putting them on a sounder financial footing. Farmers as well as industrial workers in the rural districts (*e.g.*, miners, iron-workers and saw-millers) were tied to the traders through buying on credit, but with the aid of the consumer co-operatives they succeeded in regaining their freedom, and the abolition of credit has naturally strengthened the financial standing of the societies themselves.

As time went on the co-operatives went in more and more for lower dividends and correspondingly lower prices. By this means they have been able to rationalise their distributive system, and this has entailed a gradual general reduction of the retail price level to the consumers' advantage. The societies have steadily expanded their range of goods, and thanks to cash payments both in buying and selling, have laid a sure foundation for their work.

As regards organisation there are considerable differences between the various co-operatives. There are societies of almost all sizes. In the larger towns and more thickly-populated areas the co-operatives are almost without exception of considerable magnitude with many shops.

In the rural districts, too, there are, relatively speaking, many big co-operatives, covering wide areas with an extensive network of shops. The majority of the rural societies are, however, comparatively small with only one or a few shops each. But they all make their purchases through the *Kooperativa Forbundet*. The Swedish consumer co-operative movement is thus an example of effective co-operation between wholesale and retail trading undertakings.

The Stockholm Co-operative Society, for instance, has 120,000 members, 700 shops, and a turnover of about 15 crores of rupees a

year. The societies at Malmo, Gothenburg, Orebro, Eskilstuna, and other big towns, also have a turnover running into several millions, and have each tens of thousands of members.

The entire membership of the Swedish consumer co-operatives is about 830,000. Usually each represents a family. Taking the family as consisting of four persons, this means that more than one-third of Sweden's population is affiliated to the consumer co-operative movement.

At present the members are buying goods from their societies to the value of about 100 crores of rupees annually.

The consumer co-operatives in Sweden are strictly neutral as regards political and religious matters. Thanks to this attitude they have won supporters within all occupational groups and social categories. About one-fifth of the members are independent farmers, tenant farmers and farm-workers, more than eight per cent. are craftsmen, and about two-fifths are industrial and other workers. The remaining members represent various professions—doctors authors, journalists, etc., or are civil servants or private employees. Independent traders, too, have become members of the societies.

As regards capital, the consumer co-operatives rely principally on resources of their own. The total of their shares and funds has amounted to about 20 crores of rupees. This makes the Swedish consumer co-operatives entirely independent of both bank capital and of financial assistance from the State or private capitalistic creditors. The substantial accumulations of capital which the co-operatives have built up are largely the result of the shares in the Swedish societies being of a relatively high denomination. According to the Swedish Economic Associations Act of 1911, each member is responsible only to the extent of his own share. It is therefore necessary that the individual share contributions should be high—on an average Rs. 90 per family, and in isolated cases even higher.

A considerable part of the retail trade of Sweden is transacted by the consumer co-operatives. They are most prominent in the food trades, in which they handle about 20 per cent. of the national turnover. In addition to groceries, meat, bread, milk, vegetables and fruit, the societies also sell household goods, clothes, tools, etc., besides agricultural requisites, such as fertilisers and feeding-stuffs. A great many co-operatives have started productive establishments of their own, *e.g.*, bakeries and meat processing factories. The rural societies negotiate the sale of agricultural products such as grain, meat, butter, eggs and fruit, on behalf of their members.

It was originally intended that the central body, *Kooparativa Forbundet*, should be only a connecting link between the local consumer co-operatives and a medium of co-operative propaganda. In 1904, however, the KF began to act as a wholesale buyer to the local co-operatives. Much the greater part of their purchases to-day passes through its hands. But there is no obligation on their part to buy through the KF. Indeed, the central organisation is always urging them to buy in the cheapest market. The KF's trade turnover is amounted to about 30 crores of rupees per year. It is continually striving to manufacture more and more of the goods it supplies to the societies. In 1945 *Kooperativa Forbundet's* own industrial undertakings manufactured goods to a value of 20.4 crores of rupees. It should, however, be observed that a fairly large part of the aggregate selling value of the factories falls on goods marketed to domestic buyers other than the societies or exported. The major part of the goods which *Kooperativa Forbundet* supplies thus comes from its own factories and mills, which include a margarine factory, a vegetable oil-mill, a motor tyre and rubberware factory, a cell-wool mill, a pottery works, a shoe factory, and many others. Several of these plants are amongst the biggest and most modern of Sweden's industrial establishments. Since the outbreak of the last war a big charcoal-burning plant of industrial proportions has been set up in Northern Sweden, several of the old factories have been renovated and expanded, and a big paper and cellulose mill in Central Sweden has been purchased.

The vegetable-oil and the cell-wool mills—the former purchased in 1932 and the latter started in 1936—are examples of early efforts by the KF to reinforce Sweden's economic defence precautions before the war. These industrial developments were supplemented by large-scale imports of raw materials and factory requisites just before and in the period immediately after the outbreak of war. In performing these commercial operations the KF utilised its direct connections in the world markets, and in the year 1939 alone bought and shipped to Sweden goods to a value of 3½ crores of rupees over and above its normal imports. These goods included foodstuffs such as grain, provisions and edible fats, textile fibres—cotton, wool, camel-hair, sisal, hemp and jute—and hides, rubber, chemicals, metals, etc.

Some of these production plants were started in trades where private monopolies had extracted an unduly high price for the goods

produced. In taking these steps the co-operative movement has also paid considerable attention to other factors of a social and economic character, such as the national economic interest in maintaining employment in the trade as a whole. When the productive apparatus has already been sufficient to meet the country's needs, privately-owned factories have been bought and modernised. The general view in the co-operative movement is that the KF shall serve the whole community as its industrial activity. When favourable opportunities have arisen, therefore, the KF has also established new industries, and in some cases has been a technical and economic pioneer. The most recent instance was the starting of a big factory for the production of synthetic nitrogen fertilisers at the little town of Koping in Central Sweden.

But the best example of the pioneering spirit is the cell-wool mill at Norrkoping, the first plant of its kind in Sweden. It should be observed that the product of this mill is not a finished commodity but a semi-manufacture for industrial use, and as such is sold to private spinning and weaving mills. The consumer co-operatives, for their part, sell the finished cloths to their members. Here, then, is a case of intimate co-operation between co-operative and private industry. The co-operation has also found a more tangible expression in the joint enterprise in the cell-wool industry started during the later war years at Alvenas, in Varmland. On the instigation of the KF a limited company was formed to build a plant bigger than the one already in operation at Norrkoping. In the joint enterprise the KF took 50 per cent. of the total stock of shares and the private textile manufactures the other 50 per cent. The two plants are now producing about 20,000 tons a year, which is equal to about one-third of the total Swedish imports of textile raw materials and textile manufactures before the war.

Like the retail societies, the KF relies principally on capital resources of its own. The part-proprietors—the consumer co-operatives—pay their shares by allocation from the dividends and the discounts which they receive. The financial surpluses yielded by productive undertakings are funded in their entirety. The KF's own capital (*i. e.*, shares and funds) is amounted to about 10 cores of rupees.

A special place among the co-operative enterprises is occupied by the "Luma" electric lamp factory. It is in the common ownership of the co-operative wholesale societies in all the Scandinavian countries, and is run jointly by them. For this purpose the organisations in question have founded the inter-Scandinavian *Kooperativa Lumaforbundet*. The reason for this is that the market which any single one of the Nordic countries could offer would not have guaranteed the factory the sales volume necessary to ensure successful competition with the very efficiently organised producers abroad. Just before the outbreak of the war a "Luma" factory was also started in Great Britain. The factory in Stockholm has had a most startling development during the war years and at present employs about 1,500 people, members of the technical and commercial staffs included. The laboratory of the scientific research department alone has a staff of about 300.

The Swedish Consumer Co-operative Movement has established many international connections and has obtained many business and administrative ideas from the co-operative movements in other countries, first of all and most consistently from Great Britain and the Scandinavian countries. In some fields, too, the KF has given a lead, and taken an active part in establishing international co-operative business organisations. The *Lumaforbundet* has already been mentioned. Another such institution is the Scandinavian Co-operative Wholesale Society, *Nordisk Andelsforbund*. This joint purchasing organisation was founded in 1918 by the co-operative wholesele societies in Denmark, Finland, Norway and Swedan. Its activity covers the joint purchasing of provisions, grain, feeding-stuffs and primary produce of other kinds. Its aim is to enter into direct relations with producers in the big producing countries, and to eliminate unnecessary middle-men. Its head office is in Copenhagen, while the purchasing office is situated in London. Before the outbreak of war the business was steadily growing, and *Nordisk Andelsforbund* purchased substantial quantities of dried fruit, coffee, copra, rice. maize, etc., for the two million co-operative households in the Nordic countries.

The Swedish Co-operative Movement is an old member of the International Co-operation Alliance. Leading figures in the movement took an active part in the reconstruction work of the Alliance after the first Great War. Among other things, the Swedish movement has worked hard for the formation of an International Co-operative Wholesale Organisation. this idea being realised with the formation of the International Co-operative Trading Agency in 1938. Like the co-operative movement in the other Scandinavian countries, the Swedish movement sincerely hopes that both in general and commercial relations between the co-operative movements of the different countries will be re-established and further developed now as conditions grow normal again. Swedish co-operators have always regarded the International Co-operative Movement and the mutual relations it engenders as an aid to world peace and to the efforts to guarantee all countries and nations—irrespective of language

and race—liberty, peace, and security and access on equal terms to the economic riches of the earth.

The whole structure of the Swedish Co-operative Movement is an expression of economic democracy. Hence the movement has devoted special attention to educational work. The members in general as well as their elected officials and their employees must have sufficient co-operative insight to enable them to fulfil their functions completely. In the total societies there are more than 10,000 committee members, or members of administrative and members' council, exercising control over the trading activity. The practical and theoretical education of the elected officials and the instruction of the members in general is carried on through a central co-operative correspondence school and through a network of study circles, groups, women's guilds and other bodies throughout the country. (Pages 61-62, *Sweden—its economic and social life*). The instruction of employees is organised mainly by the co-operative training school, *Var gard*, at Saltsjobaden, near Stockholm. The whole of this educational work is planned and conducted by a special department of the KF acting as the Movement's non-trading central body, the nearest equivalent to which in Great Britain is the Co-operative Union. The larger societies themselves attend to part of the professional training of their employees, and all societies take an active part in the general co-operative study, educational and propaganda work. The KF also runs a publishing department, which has developed into one of the leading publishing houses in the country as regards economic literature, which it publishes side by side with pureiy co-operative matter. The KF also publishes magazines and a weekly paper. The later *Vi*, has incomparably the biggest circulation of all Swedish periodical publicatons being distributed to more than 630,000 families. The movement's official journal, *Kooperatoren*, deals particularly with co-operative, theoretical and general economic subjects, and is a forum for the exchange of ideas within the movement. *Kooperatoren* is a fortnightly magazine with a circulation of about 18,000 copies. which go to committee members and other office-holders, besides commercial and propaganda heads of the movement.

In the course of the development in various spheres the Swedish Co-operative Movement has won general approbation as a progressive, creative, and stabilising element in Swedish economic life. Its noteworthy measures against regimented economy and other forms of economic bondage, have placed it in the front rank of the guardians of liberty, and as such it enjoys high prestige in all parts of the progrees-minded Swedish community of to-day; it can therefore count upon support from many quarters far beyond its own membership in taking steps to defend the right to liberty and progress in economic life.

Role of Rural Banks.*

I am grateful to Mr. Bulli Guravayya and his friends for the honour they have done me in having asked me to open the ***Pasivedala Co-operative Rural Bank*** and to start it on work to-day. The fact that this bank is the first of its kind in your district adds significance to this function and is a tribute to your zeal, determination, faith and desire to extend the benefits of co-operative credit to all the villagers in the neighbourhood. I offer you my congratulations on this distinction. While this is a matter of pleasure to all of us, there is equally a great responsibility on your shoulders. Many of the villagers and co-operators in this and neighbouring districts will be watching the progress and the fortunes of this bank with some keenness and a critical frame of mind. On our side, we ventured to start this bank here because of our conviction that the co-operative soil here is fertile and that the growth of the bank is, therefore, assured. On the success of your bank will depend the extension of this new plan to a large number of areas in your district. Let me, therefore, hope that you will discharge the responsibility you have undertaken to the best of your ability and to the satisfaction of all concerned. On the first occasion when we are launching this experiment, there may be many amongst those present here and elsewhere, who would like to know what the experiment is and why it is now called for. I am sure you will allow me the indulgence of saying a few words on the subject.

Contribution of Co-operative Rural Credit System.

2. We often hear it said that the co-operative credit system in the countryside has not touched the fringe of the problem of rural credit. It is stated that even though it has been in existence for over 40 years, it has not yet supplanted or even loosened the hold of the moneylender —agricultural or professional—that the credit societies have hardly served 8 to 10 per cent. of the agricultural population and that the moneylender will remain a vital and important part of the rural economy of the country and will continue to supply the bulk of rural credit. It is, therefore, urged that policy in relation to rural credit system must be based on the acceptance of this fact, as well as the recognition of the need for improving the working of the system. While much of this criticism is well founded, we must not forget the great contribution which the village co-operative credit societies have made to the most difficult problem of rural credit and the services which they have rendered for over four decades to the agricultural community. If a

* Speech of Rao Bahadur Sri K. Subrahmanyam Naidu, M.A., Joint Registrar of Co-operative Societies, delivered at Pasivedala (West Godavari).

student of the working of co-operative credit societies were to be asked what the greatest contribution which the societies have made, is, his immediate answer will be that they have considerably brought down the rates of interest in the countryside. There are two aspects of the problem which he would like to distinguish. The first is that the volume of credit supplied by the village societies is not considerable when compared with the annual credit that is required by the ryots for carrying on their seasonal agricultural operations. It has been estimated by the Madras Banking Enquiry Committee that the amount required annually for cultivation finance by the agriculturists in this Province is in the neighbourhood of 65 to 70 crores of rupees. The amount of loans advanced by the village credit societies to their members is somewhere between $2\frac{1}{2}$ and 3 crores a year. From this point of view there is reason for dissatisfaction.

But then there is a second aspect of the problem, and that relates to the rates of interest at which credit can be had by the ryot. It is needless to cover the historical ground here. When the co-operative credit societies began to function in this Province, the general rates of interest in the countryside were somewhere between 18 and 24 per cent; often in practice it was much more than this. Some of you may remember that the societies began lending at $12\frac{1}{2}$ per cent; later, this was reduced to $10\frac{15}{16}$ per cent; this was further brought down to $9\frac{3}{8}$ per cent, then to $7\frac{1}{2}$ and finally to $6\frac{1}{4}$ per cent. Sir Molcolm Darling who was for a long time the Registrar of Co-operative Societies in the Punjab and who, at the instance of the Government of India, conducted a survey of the working of the co-operative credit system in all the Provinces in India, has paid a great tribute to Madras. He says that the solid achievement of co-operation in Madras is the low rate of interest at which loans are given to the agriculturists. Even now most other Provinces are lending at very high rates of interest; $9\frac{3}{8}$ is common and, in some Provinces, the rates of interest range between $12\frac{1}{2}$ and $15\frac{5}{8}$ per cent. Madras is the only Province which supplies credit to the agricultural classes generally at $6\frac{1}{4}$ per cent.

But it is not to this that I am at pains to refer. It is to the effect which the co-operative rural credit system has exercised upon the money-lending classes in general and the manner in which it has compelled them to bring down the rates of interest in consonance with theirs that I am trying to point out. What share of the results of labour of the ordinary ryot goes towards the annual payment of interest to his creditor on the loans he has taken apart from the payment of principal is a matter with which you are very familiar, and if co-operative credit societies, by sheer force of their influence, have brought down the general lending rates in the countryside, it is a great service which we must all gratefully acknowledge.

3. But when I say that, it is not as if we should feel satisfied with our achievements in the sphere of rural credit. I have mentioned this because I find that in certain quarters there is not sufficient appreciation of this fact as well as the contribution which the co-operative credit system in the villages has made by way of bringing about a general consciousness among the rural community for greater co-operative effort in directions other than credit. Familiarity with a system of accounts and business methods with which the villagers were not acquainted before, training in the handling of money and the ideas of progress and rural prosperity which the societies as centres of propaganda have generally spread amongst the people have rendered them more co-operative-minded than ever before and have paved the way for the establishment of non-credit co-operative organisations. These are no small gains.

Defects and Weaknesses of the Present System.

If the co-operative credit system has not reached a larger percentage of the people in villages, is it not time that we should formulate measures to accelerate the progress so that at least in another one or two decades the credit societies in the villages will be lending not Rs. 3 crores but Rs. 30 crores a year? The rural credit societies in this country, as in other countries, were formed on the Raiffeisan model—a small area of operations, generally a village, nominal share capital, gratuitous management, small loans for small periods, with easy recoveries, limited dividends, etc. These institutions have well served the purpose in so far as they have familiarised the people with co-operative endeavour in spheres of credit as well as in other directions. The co-operative idea and ideology have been propagated by them in the countryside. But then events have been moving so fast and our experience of the working of these institutions for over four decades has been such that the co-operative ideas and ideology which held good in the conditions of rural economy as it prevailed four or five decades ago, have now to undergo a change.

What has been the experience of the working of these institutions all these years? The societies have had to face periods of agricultural prosperity as well as depression. There have been periods of rapid expansion of agricultural credit movement as well as periods of large-scale liquidations; there were periods when loans were given to the agriculturists on a very extensive scale; there were periods when credit was cut down very severely by the societies. Periods of loan expansion have been followed by periods of frozen loans and slow recoveries. The Reserve Bank of India has, in one of its surveys, stated that one out of every four co-operative societies registered in the country went into liquidation. It is hardly necessary for me to assign reasons for the general indifferent working of societies or for the varied degrees of their success. Expert Committees and Commissions have referred to them

already. Over-financing, unproductive use of loans, mis-management or dishonesty of office-bearers, leniency towards borrowers, lack of appreciation of the need for punctuality in repayments, or want of knowledge of the essentials of rural credit and co-operative principles and many other reasons have been given for this state of affairs. But apart from these there are, to my mind, certain basic defects which do not appear to have received the attention they deserve. Sir Frederick Nicholson, when he concluded writing his monumental report on Land and Agricultural Banks, said, "Find Raiffeisan". It is difficult to find Raiffeisans in every village. It is true that co-operative societies have attracted and trained individual members for the work of managing them and that office-holders in all co-operative organisations from the village societies in their many thousands to the provincial banks almost without exception are non-officials elected by their own fellow members. Non-official leadership is essential for the success of the movement and we are fortunate in having it in an abundant measure. We owe a deep debt of gratitude to all the honorary and public-spirited workers for the progress the movement has made. Honorary service is necessary and useful for guidance, direction and control but it is inadequate for day-to-day management and administration of the affairs of societies. Trained, competent paid personnel is essential for this. The contact between the society and the member has all along been very remote and is perhaps confined to the day when a loan is disbursed and the day or days when the recoveries are made, after harvest. The working of societies has not been continuous not only because honorary office-bearers have not been able to attend to this, but also because the societies have not developed business on such banking lines that they ought to. They have not fostered that degree of loyalty and affection amongst the members which can make them a live factor in the rural economy. The member has come to regard the society as one of the sources of borrowing, and not the only institution to which his financial transactions should be confined. He borrows from the society off and on but he often borrows from the moneylender as well. If there is a third agency, say Government as in the case of *takkavi* loans, he does not hesitate to borrow from that source as well.

Unlimited Liability *versus* Limited Liability.

4. But there are other inherent defects as well. There is a body of responsible opinion which is of the view that unlimited liability on which agricultural credit societies are based has kept off the well-to-do section of the agricultural community from the societies. According to them, the village society has been managed primarily by borrowers and the other sections who might have made it broad-based and progressive have not participated in its management. There is, therefore, a feeling —often widespread—that if all classes of the agricultural community

were to participate in, and lend their support to, the village credit societies, unlimited liability will have to be replaced by limited liability. At any rate, they consider that the form of liability should be one for local option, and unlimited liability should not be imposed as an universal and unalterable principles of rural credit organisations.

Lack of Flexibility in the present System.

5. A common defect in our present agricultural co-operative credit system is its rigidity. It is often pointed out, with some justification too, that the village societies lack flexibility and elasticity. Unless there are business and organisational adjustments it is difficult to make the member a loyal customer of his society. Look at the way in which the moneylender carries on his business. He studies the needs of the borrower, accommodates him with money whenever he wants it and adapts himself to the requirements of his client. The chief criticism against the societies has for long been that a member does not get the loan whenever he asks for it, that there is considerable delay in getting the money and that his application will have to take a tortuous course through the panchayat of the society, the governing body of the supervising union and the executive committee of the Central Bank, before it is sanctioned and money is made available to him. Meanwhile, he meets his needs or emergency from borrowing elsewhere, and when actually the money arrives, the purpose for which he originally applied will no longer be there. Because there is money, he utilises it for a purpose which may not be really productive. The society applies for loans to the Central Bank once a year or half-year and distributes the loans to the members. The recoveries are made after harvest. If, in the interval, the member requires a loan to pay a medical bill or to meet the expenses connected with a social function or for any other unforeseen purposes he does not immediately get it from the society while the moneylender is ready at hand to accommodate him. In an emergency it is not the interest that counts with the borrower; it is the promptness with which he can get money that appeals to him most. If, therefore, he goes to the moneylender in preference to his society, one can well appreciate his position. While the harshness of the terms of the moneylender should be eschewed, his methods of business have to be assimilated and absorbed into the village co-operative credit system. It is his elasticity and flexibility that have made the moneylender an economic necessity, and it is the lack of these qualities that have made the village society less popular and efficient. Delays in the supply of credit have often been the cause of members' disloyalty.

Failure to promote thrift and tap local Resources.

6. Another depressing feature in the rural co-operative credit societies is that they have continued to function more as loan offices

than as rural banks. The deposits of members in rural credit societies represent hardly 3.7 per cent of their total working capital and the deposits of non-members constitute 6.8 per cent. It is clear then that societies have hardly done anything to encourage savings amongst the members or to tap local resources. I may mention here that the original intention of the Government of India, when they passed the Co-operative Credit Societies Act of 1904, was to encourage the provision of funds by the members themselves by regulating the amount of State-aid according to the amount contributed by them (members) to the working capital of the village credit society; in other words, the extent of accommodation given by Government was made to depend on the amount of thrift and the effort which the members had shown, as evidenced by their own subscriptions and deposits. The expectations were not realised, and central financing institutions had, therefore, to come into existence. The position now is that village credit societies depend mostly upon Central Banks. An obvious weakness in credit societies is thus the comparative absence of depositors, and I cannot put the position better than quote here what Sir M. L. Darling has stated, " all pressure requires some counterpoise, and in the village society the pressure to borrow, which may otherwise be irresistible, requires the counterpoise of the depositor who is likely to keep a stricter watch on the business of the society than the borrower." Unless there is a substantial increase in rural savings and deposits, it will have to be confessed that co-operation has failed in one of its principal objects. It should be the objective and duty of any sound system of rural credit to teach its members that their interest lies not only in carrying on their business with borrowed money from societies, piling up their debts from time to time but also in trying to accumulate their savings and to reach a stage of self-sufficiency in order that ultimately they may depend upon their own resources and resort to borrowing only in exceptional circumstances. The co-operative rural credit system can be held to be successful only to the extent to which it creates a habit of saving among the members. It is particularly necessary during a period of boom. It is generally stated that the ryot does not save in good times because he has no facilities for safe investment. A sound system of co-operative rural credit must supply this lacuna. It is relevant to recall the memorable words of Sir Frederick Nicholson " in facile credit lies the danger of an increased mass of burdensome, unproductive indebtedness. It is a mere dream to suppose that the peasant's difficulty will be solved as soon as cheap credit is introduced through banks; it is not removable by mere cheap credit or facile credit, but by the promotion, almost enforcement of thrift, prudence and heedfulness in borrowing; what is wanted is the promotion of facilities for saving, the encouragement of banking deposits, the inculcation of true object, uses and limits of credit." A sound system of co-operative credit in the countryside should, therefore, fulfil at once the requirements of thrift and credit. Money should be carefully saved by the villagers and still more carefully spent.

There is also a feeling that those who are free from debt and are in a position to lay by something rarely join the present village credit societies partly because they have no need to borrow and partly because they do not want to undertake the risk involved in the enforcement of unlimited liability. It is suggested, therefore, that if unlimited liability is replaced by limited liability the better class of agriculturists would join societies and deposit their savings with them. What is more important is that they will then act as sentries over their own deposits and will provide that counterpoise which is necessary to keep a stricter watch on the business of rural co-operative credit system.

Conditions governing Rates of Interest.

7. I have already referred in passing to the question of rates of interest. There is a general consensus of opinion that the rate of interest charged on loans to the agriculturists should be reasonable and cheap and should bear a close relation to the return from land. I have stated earlier that the general lending rate of the village societies in our Province is 6¼ per cent and is the lowest compared with the rate prevailing in other British Indian Provinces. The rate of interest depends, primarily upon two factors. One is the rate at which any bank can raise money and the second is the extent of its turnover. The first depends, of course, on the money market conditions but also equally on the confidence which a bank inspires in the depositing public. The second rests upon the extent of membership and the area which the lending institution serves. The larger the turnover and sound business that an institution is able to command, the greater is its return. On a large turnover a small margin may be sufficient ; but on a small turnover a large margin is necessary to keep the institution going as a business organisation. It is hardly necessary for me to say how far our existing village credit societies can be said to have been successful judged from these standards. If the money available from the countryside can be drawn into the co-operative credit system through efficient trained paid management, it is possible to develop sound and reliable business. Will it not then be possible to bring down the rates of interest further ? The reply to this question surely raises issues which closely concern the structural reorganisation of our existing credit system.

Birds'-eye-view of existing Village Credit Societies.

8. I have confined myself so far to a general statement of facts and principles. What is now the position in our Province ? On 30th June 1946 the number of agricultural credit societies in this Province was 10,877 with 6.66 lakhs of members on rolls. But only 2.13 lakhs of

members (hardly ⅓) made use of the societies for their credit needs. Again 6,134 of these societies worked at a net profit of Rs. 6.62 lakhs while 4,723 societies worked at a net loss of Rs. 12.2 lakhs for the year ended 30th June 1946 ; in other words, the average profit of the profit societies was Rs. 108 per society, while the average loss sustained by loss societies was Rs. 269 per society. Furthermore, about 2,100 societies have not borrowed from Central Banks for over 5 years and about 780 for 3 years and more. It is needless to add that these features point to the lack of vitality and vigour in a big section of the rural co-operative system and to the narrow range of its credit services. With poor membership, low share capital and equally poor turnover, it is doubtful how far these societies have proved to be efficient economic credit units. The average outstanding loan per society is about Rs. 3,000, while in some districts it is considerably less. Further, the entire credit needs of their members have not been provided by most societies. The delay in the disbursement of loans—to which I have already referred—and the inability of many societies to give their members timely or prompt credit has often detracted from their usefulness. It is needless to stress that a credit system intended for the agricultural classes should be so designed as to ensure promptness in the sanctioning of loans, adequacy of the amount for the purposes, for which they are required, timely disbursement in comparatively smaller sums when they are actually needed and a reasonable interest. It is clear from the foregoing brief statistical data that many of the village credit societies have not come up to the standard.

Agricultural Credit Corporations (?)

9. It is a realisation of these rather depressing features and a feeling of dissatisfaction of the progress so far made that is at the bottom of the recommendation made by the Agricultural Finance Sub-Committee appointed by the Government of India, for the formation of Agricultural Credit Corporations. Though they realise that the spread of co-operation would provide the best and the most lasting solution for the problem of agricultural credit in particular and most problems of rural economy in general, they have come to the conclusion that it is not possible for the co-operative movement, as it now functions, to supply the entire credit needs of the agriculturists. You may be aware that two of the members of the Madras Committee on Co-operation (1939-40) have suggested that the voluntary basis of rural co-operative credit organisation should be altered and that there should be statutory compulsion to make all eligible villagers members of societies, or at any rate, to bring the representatives of all families in the village into the movement. They feel that this is the only practicable way of promoting their economic interests and that propaganda and education are slow processes and

will not accelerate the pace of co-operative progress in the country-side. But the majority of the members of the Committee did not agree to this suggestion because they felt that " compulsory co-operation " is a contradiction in terms, that co-operation is a voluntary effort and does not admit of and cannot be the result of compulsion and that it should grow from the people of their free will.

Need for Rural Banks.

10. Can not the purpose which the Agricultural Finance Sub-Committee and the two members of the Madras Committee on Co-operation had in view, be achieved in some measure by a reorganisation and reconstruction of the present village co-operative credit system ? There is a school of co-operative thought which maintains that the purpose may be achieved by a reorganization of village credit societies into rural banks on a broad basis. Societies with wider jurisdiction and larger membership can command a greater volume of business, attract local deposits and provide for quick disbursement of loans to members. With a large turnover and in consequence, increased income, such societies can afford to employ the necessary trained paid staff and need not depend upon the supervisors of financing banks for guidance and help to such an extent as the smaller societies do at present. The aim is that the societies should operate in a group of villages. The Madras Committee on Co-operation (1939-40) has strongly recommended the formation of bigger village credit societies and expressed the view that an area of 3 to 5 miles is not likely to offend the principle of proximity and the corporate life of the society. They say, " we also feel, that there is a distinct advantage in extending the jurisdiction of one village society to more than one village because it may be possible to check or overcome the factious tendencies which are an unfortunate feature of village life to-day. It is not that four or five villages in the neighbourhood do not share the same partisanship but that the intensity of bitterness which may prevail as between two warring factions in a single village may not manifest itself in the same degree where the field of action is extended over a wider area. Further, such an enlargement of their area will offer societies a wider scope for the selection of proper men to carry on their business efficiently ; it will conduce to better audit or supervision as it will be easier for any agency to supervise one centrally organised body than a number of small scattered societies." The Reserve Bank of India has also been recommending the constitution of such bigger societies. Such societies may function as efficient economic credit units, supply short-term and medium-term loans on personal security, immovable property, agricultural produce and gold jewels as well as cash credits on tangible security. As the term

" co-operative credit society " has come to be associated with an institution whose primary function is that of money-lending and as the emphasis on thrift, savings, etc, has to be provided for, it is well that we call the new institutions as 'Rural Banks'. They are expected to tap local deposits from well-to-do agricultural classes and open savings, recurring and current accounts.

Objectives of Rural Banks.

I have already referred in some detail to this aspect and need hardly repeat it here. It may be that agriculture shows a deficit instead of a surplus in any year or series of years for an average ryot. But it is equally obvious that with such variations in crop out-turn, the ryot should put by savings in the good year and borrow in the bad. It should be the endeavour of Rural Banks always to collect the temporary surpluses of some or all of their members in good years and use them to provide for their temporary needs. The rural banks should, in the long run, build up for members reserves to relieve them of the need of seasonal borrowings. The Banks should be real savings and banking agencies.

A system of cash credits based on some tangible security or continuing mortgage bonds will be one of the satisfactory methods by which the member of a rural bank can get accommodation whenever he wants. The delays in the present system can thus be avoided. As a rural bank operating on a system of different kinds of deposits will have always cash, any arrangement by way of grant of cash credits to members will be workable. It is well that in the first few years, such cash credits are confined to select members who can be expected to use them well. Sound banking technique must be introduced into our rural credit system. We are told that in England the current account and the cheque paying method of transacting business are universal amongst large and small cultivators. Current accounts and cheques have, we learn, simplified business and laid the foundations for simple book-keeping among the agricultural community. In a most guarded way this will have to be introduced in the rural banks. In fact, it should be one of the main functions of the rural bank to effect economies in the actual use of cash. It is the fact that the whole of the proceeds of a year's labour reach the agriculturist in a lump sum at one time that leads to reckless expenditure, lack of saving and uneconomic living. The money deposited in the rural bank can be disbursed to the member according to his needs throughout the year and will in the meantime be safe and remunerative. For his current needs, a member can, as has been stated, be given an overdraft or cash credit with the bank on which he can draw from time to time upto a safe limit prescribed. This will prevent him from having recourse to an outside agency.

The rural banks will also undertake other functions such as marketing of agricultural produce and link up their activities with a neighbouring marketing or sale society. In due course the rural bank may also act as agent on behalf of the members, for the supply of their agricultural requisites, manures, implements, etc. In areas where there is no co-operative provision stores, a rural bank can start one and cater to the needs of its members. In effect, the rural bank will in the long run function as a multi-purpose society though to begin with, all efforts will be concentrated on the development of efficient, prompt and satisfactory credit services of all descriptions and on the promotion of marketing of agricultural produce.

The proposal is to introduce the scheme in select centres in each district, especially in delta areas where villages are compact and conditions are favourable for the experiment. Among the conditions necessary to make the co-operative credit system succeed, it is said that local leadership, official guidance and supervision, well-paid, trained and efficient staff familiar with all aspects of village life and knowledge of banking and a wide area of operations sufficient to provide the institution with adequate business turnover to pay competent staff are essential. If that be so, don't you think that the proposed rural banks fulfil these conditions to an admirable extent?

11. Most of you are aware that many of our existing village societies do not have resources to maintain trained paid staff to manage their affairs efficiently and that they, therefore, generally depend upon supervisors of the Central Banks for their day-to-day administration. Some of the central banks, on the other hand, do not maintain a large scale supervising staff to meet the needs of a large number of rural societies affiliated to them. Supervision is thus inadequate. The cost of supervision is becoming heavier with increased scales of pay, and central banks have been feeling the load of increasing administrative expenses too severely. Problems of supervision as well as audit will become much simpler under a system of rural banks than is now the case.

12. I have already stated that there is a large body of responsible opinion which considers that unlimited liability has kept off the well-to-do persons in villages from our rural credit societies based on unlimited liability. It is, therefore, proposed to start rural banks on the principle of limited liability, the liability being limited to a multiple of shares. The object is thus not only to eliminate the weaknesses in the present credit system but also to make it more broad-based and to comprehend within its fold those who are in need of credit as well as those who have surplus money with them and who can keep it on deposit in the bank. The object is to ensure prompt and efficient

credit services besides tapping local resources and surplus money and promoting thrift and savings and ultimately bringing about the financial independence not only of the rural bank but also of its members. The rural Bank also aims at providing up-to-date banking services, transmitting and remitting money on behalf of members, familiarising them with current accounts, cheques and drafts and spreading the banking habit amongst the villagers.

'Commercialise Co-operative System.'

13. One of our leading men in the public life with whom I was talking some time ago casually remarked, 'you must commercialise your co-operative system'. Though the remark was casual, it seemed to me on reflection that it was significant. We have heard it said that we must urbanise rural life and provide to the villager those comforts and amenities which modern science has placed at the disposal of man. Such amenities and comforts, physical, cultural and recreative, cannot be the monopoly of the urban dweller alone. They should be equally within the reach of the villager. In the same sense, I feel that we must modernise our co-operative credit system. We must "commercialise" it in the best sense of the term, if I may say so. There is nothing wrong in using this expression. What is meant is that we must adopt more up-to-date and efficient business methods obtaining in the commercial world, at the same time keeping the fundamental co-operative character of our system. There can be no quarrel with this proposition. In fact, the Reserve Bank of India has been insisting on the need for adoption of business methods by co-operative institutions. Well; rural banks embody these sound business principles which aim at making the rural co-operative credit efficient and comprehensive. I may repeat that their objective does not begin and end with credit. I have indicated the other functions which they propose to undertake. It is well then that we try the experiment.

Role of Moneylenders in the Scheme.

14. I must digress here a little. I have already referred to the need for the rural banks to tap local deposits and to aim at financial self-sufficiency. What is the place of the village moneylender in our system? I have always been feeling that there is no reason why the moneylender should keep aloof and ply his trade. I have read the other day that one of the greatest thinkers in England, Harold J. Laski, has said that Toryism has become bankrupt and that Capitalism is in its decadence. It is not my purpose to tread controvertial ground but you all realise, as I do, that the present tendency is in the direction of socialisation of economic services. On no grounds of ethics or morality can the moneylender expect a return on his investment far out

of proportion to the return of his debtor from his land. The moneylender will have to change his methods and conform himself to the changing conditions of the world. All his trouble, worry and anxiety would have been lifted off his shoulders if only he chooses to become a collaborator with the co-operative credit system and to place at its disposal both his money and his business ability and experience. Why should he not become a member of the rural bank and keep all his money on deposit with it and get a reasonable return on his money? "The moneylender must realise that nothing is permanent and that his unorganised methods can no longer meet the requirements of the modern world. The co-operative organisation should not, on the other hand, refuse to consider the possibility of making use of his capital and experience. It may be that, if this combination of forces can be brought into being, we shall have an organisation capable of overcoming all difficulties. We shall then have the organised strength of the cultivator on the one hand and, on the other, the collective wealth, business experience and money sense of the Bania. It is probable that his capital will provide all the necessary funds required to finance the movement. We suggest that it is only by this means that the whole of rural India can become one great co-operative banking unit within reasonable time. There are dangers, just as there are in harnessing great forces, but they are not insuperable."* The Indian Central Banking Enquiry Committee (1931) has recommended "that moneylenders may be induced to join co-operative societies on the condition that they cease lending privately to the members of such societies. This is, in fact, an attempt to bring the wealth and experience of the moneylender inside the co-operative movement. He may fill any position to which he may be elected by the vote of the members. His presence may be invaluable in the managing committee of co-operative societies". I commend this to such of those moneylenders—professional or agricultural—who may happen to be here to-day or to whom these words may be conveyed.

Conclusion.

15. I must congratulate you on being the pioneers of rural banks in West Godavari. I must end as I have begun. I have known Mr. Bulli Guravayya for over ten years now. He is an old co-operator actuated by zeal and determination and a desire to serve the village community. His enthusiasm is infectious and his sense of duty is inspiring. It is really good of him to have selected Pasivedala for this experiment. All of us who represent the Department are looking up to Pasivedala for making this experiment a success. Your rural bank has

*Report of the Banking Experts attached to the Indian Central Banking Enquiry Committee (1931.)

jurisdiction over 9 revenue villages. Your area is fertile; good many money crops are raised—tobacco, chillies, gingeliy, horse gram, redgram, turmeric, etc. The villagers are a set of hard working ryots, determined to improve their economic lot. You have a generous Zamindar as the President and a sturdy ryot as your Vice-President. In addition, plenty of money, talent and goodwill are available. I have every hope that with all these favourable factors, your bank will be independent of any financial assistance from the Central Bank, that it will be able to mobilise all the money you require from your own members, and that it will be able to promote thrift and provide a safe place for investment by your well-to-do members and others who have spare cash with them. That you have already collected about Rs. 35,000 towards share capital is evidence of your determination to manage the institution successfully. I know you have got other plans to promote marketing of agricultural produce, to own small machinery and plant for processing and so on. I am sure you will soon think of putting up a pucca building to house the bank and constructing a godown or godowns for the storage of members' produce. Let me hope that in due course, your efforts to promote agricultural prosperity in all its aspects will succeed and that the Pasivedala Rural Bank will be a model for other Banks in this district as well as neighbouring districts to follow. I appeal to all of you to throw yourselves heart and soul into this enterprise, put hard work during the initial years and make your Rural Bank a business success. Please remember that Co-operation cannot succeed without co-operators. Please prove to be good co-operators, both in thought and deed, and try to contribute your mite towards the agricultural and social prosperity of your own people. The rural bank provides an opportunity for service of diverse kinds and I hope and pray that you will seize the opportunity and use it for the greatest good of the greatest number in the villages round about.

May God bless you in your endeavours and crown them with success!

Poor Quality of Milk.

IMPORTANCE OF QUICK MILKING.

The minimum percentage of fat in milk occurs from 14 to 16 weeks after calving, and of solids-not-fat at from 8 to 21 weeks, according to the current monthly report issued by the Ministry of Agriculture for Northern Ireland. If most of the cows in a herd calve at about the same time the solids-not-fat at from 8 to 21 weeks, may fall below legal standard for several months of the year. If this lactation depression happens to coincide with the normal summer seasonal depression the farmer may find himself in the police court.

The fat percentage is generally about 0.2 per cent lower in summer than in winter. The normal rise in solids-not-fat towards the end of the lactation is related to the cow being in calf-again. A cow that is not in calf tends to give poorer milk as her lactation continues. Milk produced in the second lactation is usually richer than that produced in the first, but after this the milk is liable to become poor in both fat and solids-not-fat.

Most Harmful Factors.

The most harmful factors are an excessively long lactation ; a too short dry or rest period before calving ; incomplete, slow or careless milking ; abusive handling of the cow, and, most commonly, mastitis which impairs the efficiency of the udder tissues and slows down the rate of secretion of casein and lactose.

If the night milking interval is much longer than the day interval the fat percentage of the morning's milk will be very low. The solids-not-fat does not vary much with unequal milking intervals. The fat content of a single milking may vary from about one per cent, in the fore-milk to more than 9 per cent, in the strippings. Slow milking often means incomplete milking. It takes about 40 seconds for the oxytocin to act on the udder tissue after the milk has been secreted by the pituitary gland, and the effects of the secretion last about seven minutes. The practical point is that unless the whole process of milking is completed within that time part of the milk may be retained in the udder.

Schemes for the Development of the Co-operative Movement.

By the Hon. Sri K. Chandramouli,

Minister for Co-operation.

In pursuance of the resolutions on the recommendations of the All-India Planning Committee on Co-operation passed by the Seventh All-India Co-operative Conference and the Fifteenth Co-operative Registrars' Conference held at Madras last month, the Madras Government have now under their active consideration several schemes for reorganising the Co-operative Department and developing the co-operative movement in this province. Such proposals involve the provision of a liberal measure of State-aid. Government consider that Co-operation, as a democratic method of relieving economic distress and of providing economic needs, credit and otherwise, deserves their hearty and whole-hearted support.

Separation of Audit and Administration

It has long been felt that the staff for Audit and Administration should be separated. The Vijayaraghavachariar Committee on Co-operation in 1940 and the 15th Registrars' Conference were of opinion that this should be done. Government are actively considering a comprehensive proposal to separate audit from general administration. The proposal would be to have a completely separate audit staff independent from the administrative charge but both working under (a common) the Registrar of Co-operative Societies.

Rural Banks

There are to-day about 11,000 agricultural co-operative credit societies with unlimited liability. While unlimited liability has been popular and the societies are working quite efficiently in some portions of the Province, in others, the Societies have not thrived and are practically doing no business. Some of the reasons for this failure are : small areas of operation, lack of paid staff, reluctance on the part of well-to-do people to join societies on unlimited liability and, above all, insufficient credit facilities. In order to remedy these, it is suggested that rural banks be formed with areas of jurisdiction covering 4 or 5 villages, which will be organised on a limited liability basis and will extend to villages all the types of credit facilities which are now being given by urban banks to people who live in towns. It is hoped that such institutions will lend not only on immovable property and pro-notes but also on gold and produce. They will inculcate among villagers the habit of putting their money into current account and drawing money by cheques. They will have much larger and more suitable buildings than the small unlimited liability village credit societies.

They will probably attract deposits at low rates of interest, thereby ensuring cheap loans to their constituents. Rural banks with a much larger turnover than the present village credit societies will generally be able to employ well-trained whole-time staff. Government have instructed the Registrar of Co-operative Societies to start such banks in certain selected areas. Where trained non-official candidates are not available for the staff of the banks, the Government are considering the question of appointing suitable departmental officers for the time being as Secretaries, etc.

Cattle Breeding and Milk Supply

In orderr to promote tne cattle wealth of the province, Government feel that Co-operative Milk Supply Unions and selected societies should be encouraged through their members to improve the breed of their cattle and for this purpose a scheme for the supply of breeding bulls to such societies is under the consideration of Government. The supply of these bulis to Land Colonisation Co-operative Societies is also under their consideration. The Government are sanctioning interest-free loans to members of Milk Supply Unions for the purchase of milch animals. During the year 1947-48, the Government have placed a sum of Rs. 4.80 lakhs at the disposal of the Registrar of Co-operative Societies for this purpose.

A three-year plan for the development of urban milk-supply drawn up by the Registrar of Co-operative Societies has been recommended by Government to the Government of India. The scheme provides for wide expansion of Co-operative Milk Supply Organisations with adequate provision for technical, administrative and supervising staff.

There is a proposal to organise a Milk Supply Union at Ambur in the North Arcot District with 6 feeder societies around the town to provide employment to ex-tappers. It is proposed to sanction a subsidy at the rate of Rs. 100 per mensem to each of the 6 feeder societies for a period of six months and to sanction the free services of a Co-operative Senior Inspector to attend to the work of the Union for a period of six months. Such provision of work for ex-tappers, if successful, can be extended to other prohibition areas also and so help to relieve not only unemployment but milk shortage also.

Cottage Industries

Government are considering the constitution of Cottage Industries Committees on the lines of the Regional Promotional Agencies recommended by the Co-operative Planning Committee and supported by the conference of the Registrars of Co-operative Societies. Such Committees are intended to direct the planning, organisation and development of co-operative societies for cottage industries. They will administer funds given to them by well-established co-operative institutions and Government, employ instructors, assist in securing raw materials and in marketing the

finished goods. Such cottage industries as are now carried on on a large scale (*e.g.*, leather goods manufacture, coir goods manufacture, basket-making and mat-weaving, manufacture of pile carpet and woollen blankets, metal-ware manufacture, blacksmithy, carpentry, hand-spinning and weaving and ceramics) will be patronised by this Committee by setting up co-operative organisations in suitable centres. It is expected that about 100 new co-operative societies for cottage industries can be started every year helped by Government with suitable equipment and maintenance grants. Government will render further help by providing facilities for procuring raw materials like bamboos for basket-making and Kora grass for mat-making. The subject of re-allocation of work relating to cottage industries between the Co-operative and Industries Departments is actively under their consideration.

Weavers' Co-operative Societies

In December last, Government enunciated their policy of bringing in all the cotton handlooms in the province into the co-operative fold on the lines indicated by the Provincial Yarn Advisory Committee, which recommended the organisation of new Weavers' Co-operative Societies and the expansion of the existing ones. A special staff was also sanctioned for the purpose with the result that by the end of May 1947, the number of Weavers' Co-operative Societies rose from 344 to 678 and the number of looms under their control rose from 42,399 to 83,967. Government are also considering whether it will not be advisable to deny supplies of yarn to weavers who do not join Weavers' Co-operative Societies before a prescribed date. It is expected that such a course will eliminate the black-marketing of yarn by master-weavers and yarn dealers and preserve for the actual weavers not only more yarn but also the fruits of their labour. This proposal to induce weavers to join co-operative societies is in accordance with the recommendation of the Co-operative Planning Committee which was endorsed by the Fifteenth Conference of Registrars, *viz.*, that unless some manner of insistence is introduced in certain kinds of activities, it is likely that what is generally admitted to be essential for economic progress will not be attained. According to the present order, a weaver who joins a Weavers' co-operative society gets 20 per cent more yarn than he would get if he was not in a Co-operative Society. This must naturally be a strong motive force for weavers to join co-operative societies, provided that weavers are really anxious to turn the yarn into cloth and hand it over to the society for sale, instead of selling the yarn in the blackmarket.

Co-operative Housing

With a view to relieve the shortage of housing accommodation, the Government have launched a province-wide Co-operative Housing Scheme. A Co-operative House Construction Society has already been registered in the City. It is proposed to start similar societies in all urban areas where there is a shortage of housing accommodation. With this object, the Government have directed the constitution of local committees in each Municipality and major Panchayat area where there is a shortage of housing accommodation, to report on the availability of sites for starting co-operative housing schemes. It is proposed to start a colony of 100 houses in each urban area. A Provincial Housing Committee has been constituted to consider the numerous problems confronting the provision of housing to relieve the shortage both in urban and rural areas. The Government have under their active consideration the following :—

(i) Reduction of the lending rate on Government loans to building societies from 4 to 3½ per cent.,

(ii) ways and means of speeding up land acquisition proceedings ;

(iii) the desirability of controlling values of building sites ;

(iv) the provision of adequate quantities of timber, iron, steel, cement and bricks on a priority basis for the schemes ; and

(v) the special concession needed for poorer classes (including labour), Government servants, etc.

Co-operative Marketing.

In order to promote the co operative marketing of agricultural produce, the Government are considering a five-year plan to start a network of marketing societies in the province. Such a plan if put into execution should be greatly beneficial to the agriculturists. Should the Government of India decide to fix maximum and minimum prices of agricultural produce in accordance with the recommendations of an All-India Committee and also to start a Trading Corporation for this purpose, such a marketing organisation can very well be the agent of this Corporation in this province.

Land Mortgage Banks.

There has been an insistent demand from the public to reduce the lending rate. The last series of debentures was floated at 2 per cent. Government have permitted the Central Land Mortgage Bank to reduce the margin between the debenture rate and the ultimate borrowing rate from 3 per cent to 2½ per cent. There has been a steadily increasing demand for land mortgage loans and the loans for permanent improvement of lands is persistently on the rise. The Central Land Mortgage Bank, pending a review of all conditions, has fixed the lending rate to the ultimate borrower at 5½ per cent. If conditions in the money market improve, it will be possible to reduce the rate to 5 per cent. The present lending rate is easily the lowest in the whole of India. The Government are continuing

to meet 50 per cent of the cost of Co-operative Sub-Registrars deputed for Land Mortgage Banks' work.

Miscellaneous.

The public are aware of the valuable service rendered by co-operative stores during the war and thereafter in schemes for food procurement and distribution in the province. With the gradual removal of controls and State regulations, these societies may have to face competition from normal trade channels and one of the measures suggested for the stabilisation of the stores societies is the formation of a Provincial Co-operative Wholesale Trading Society. The district co-operative wholesale stores do not have proper facilities for the purchase of agricultural commodities like grams, pulses, and consumer goods, etc. which are imported either from other provinces or States or from abroad. As it will be uneconomical for each district co-operative central stores to send its representative and make its purchases, it has been suggested that a provincial agency may be formed at Madras and that it may pool the indents of all district co-operative central stores and bigger primaries and arrange for bulk purchases. All the district co-operative stores, the Triplicane Urban Co-operative Society and a few of the bigger primary stores will be the members of the provincial society. It is proposed to start the society at a very early date. When it begins to function, it will greatly facilitate the working of district co-operative central stores and generally promote the consumers' co-operative movement in the Province. It will function more or less as a co-operative wholesale stores for the Madras Province.

The Government have sanctioned a temporary loan of Rs. 2 crores bearing interest at 2¾ per cent to the Madras Provincial Co-operative Bank for disbursement as loans to the District Co-operative Central Banks for financing procurement operations undertaken by co-operative institutions. The loan is repayable before 30-9-1947.

The Government have sanctioned special staff for the organisation of jaggery manufacturing societies for the benefit of ex-toddy tappers thrown out of employment in Prohibition Districts.

Consumers' Co-operation.

No. Pdl. 1/47 S1. *Dated, 5-6-47.*

Sub :—Co-operative societies—Primaries and wholesales progress for April '47—Reviewed.

Progress reports were received in time from all Deputy Registrars except those at Tinnevelly, Cuddapah, Ooty, Salem, Vellore, Kumbakonam and Calicut. These officers are requested to be prompt.

It is unsatisfactory to note that, in spite of repeated instructions, the officers have failed to submit consolidated reports before the 20th of every month. The Deputy Registrars, Vellore, Cuddalore, Chingleput, Coimbatore, Madura, Salem, Tinnevelly and Vizagapatam have adopted previous month's figures in respect of a large number of defaulting primaries whereas the Deputy Registrar, the Nilgiris, has furnished figures for 9 stores only out of 14. The Tinnevelly Co-operative Central Stores also has failed to mention the figures regarding the value of sales to primaries, depots and merchants.

The Deputy Registrars are requested to obtain reports from all the stores in time and submit complete returns.

Co-operative wholesale stores.

Membership and share capital.—The number of members was 10,211 at the end of April 1947 and the paid up share capital Rs. 32.37 lakhs as against Rs. 32.15 lakhs in the previous month.

The owned capital of the co-operative wholesale stores was Rs. 41.81 lakhs comprising share capital of Rs. 92.37 lakhs and reserve fund of Rs. 9.44 lakhs. Of the total borrowed capital of Rs. 363.56 lakhs, Rs. 357.90 lakhs represented loans and cash credits from the central banks and the balance from others. The total working capital on the last day of the month under review was Rs. 405.37 lakhs as against Rs 352.98 lakhs for the previous month.

Business.—The total purchases of the co-operative wholesale stores for the month under review were Rs. 124.09 lakhs and Rs. 148.99 lakhs respectively as against Rs. 170.70 lakhs and Rs. 152.99 lakhs respectively in the previous month. The transactions during the month have fallen when compared to those of the previous month. The drop in purchases has been contributed mainly by the Cuddapah, Coimbatore, Tinnevelly, Trichy, South Kanara, Madura, and Guntur Co-operative Wholesale Stores and in regard to sales by the Anantapur, Chingleput, Chittoor, Tinnevelly, Madura and Trichy Co-operative Wholesale Stores.

Sales to primaries.—Of the total sales of Rs. 148.99 lakhs, Rs. 54.74 lakhs represent sales to the primaries and this works out to 36.87 per cent as against 48.9 per cent in March and 45.2 per cent in February 1947. The progress is very much discouraging. It is needless to reiterate again and again the need for closer co-ordination between the co-operative wholesale stores and the primaries.

Primary Co-operative Stores.

Membership, share capital and borrowings.—On the last day of the month under review there were 1,662 stores with a membership of 520 lakhs and a paid up share capital of Rs. 90.09 lakhs as against 5.12 lakhs and Rs. 86 62 lakhs respectively for March. The reserve fund and borrowings amounted to Rs. 20.87 lakhs and Rs. 95.59 lakhs respectively. The total working capital was Rs. 206.55 lakhs as against Rs 211.16 lakhs in the previous month. It is gratifying to note the appreciable increase in respect of share capital recorded by the primaries in the districts of North Arcot, Tinnevelly, Ramnad, Salem, and in Kumbakonam area.

Primaries.—The total purchases and sales during the month under review were Rs. 145 28 lakhs and Rs. 148 21 lakhs respectively as against Rs. 148·75 and Rs. 150.86 lakhs respectively in the previous month.

Special Consumer activities

Consumer goods.—During the month under review Rs. 1.96 lakhs and Rs. 2.06 lakhs represent the purchases and sales respectively of consumer goods, the corresponding figures for the previous month being Rs. 3.12 lakhs and Rs. 2.89 lakhs respectively. It is unsatisfactory to note the alarming decrease in transactions during the month under review and hence all Deputy Registrars are requested to see that business in consumer goods as well as in non-food lines is improved a good deal by the stores.

Handloom and mill-made cloth.—Purchases and sales of cloth during the month amounted to Rs. 6.18 lakhs and Rs. 6.89 lakhs respectively as against Rs. 7.67 lakhs and Rs. 7.9 lakhs in the previous month, the transactions have declined. All Deputy Registrars are requested to see that the business in cloth is greatly improved by the co-operative wholesale stores as well as the primaries. They should be advised to expand their business in handloom cloth as supplies of mill cloth are inadequate. However some allotments have been made formerly to the district co-operative wholesale stores and it is hoped that the business of the primaries and co-operative wholesale stores would therefore be improved.

Processed Foodstuffs.—The total purchases and sales during the month under review were Rs 21,502 and Rs. 20,619 respectively as against Rs. 10,898 and Rs. 3,119 in the previous month. However the stores are requested to make sustained efforts to reach at least the business made in February amounting to Rs. 38,660 and Rs. 41,760 in respect of purchases and sales. There is good scope to develop this business as imports are flowing in.

Agricultural implements.—The total purchases and sales made amounted to Rs. 4,759 and Rs. 1,468 respectively as against Rs. 878 and Rs. 585 respectively last month. Only in Salem and South Kanara, some business has been made and in all other districts it is negligible. This is very unsatisfactory.

All the Deputy Registrars are requested to take immediate steps in this respect to set right matters. The Registrar expects that a decent progress would be made in future. It has been time and again stressed that, especially, the rural stores have to deal in agricultural implements and give a rural bias to their trade. This has obviously been neglected. The special staff should see that the stores are pulled up in this respect.

On the whole the trade in consumer goods and cloth is still far from satisfactory. Unless the stores rise to the occasion and build up trade in all lines their future will be gloomy. All co-operative wholesale stores and primaries should be alive to the impermanent feature of the present flourishing business in controlled commodities and foodgrains and follow the instructions issued in the matter of development of trade. The supervision staff should show improvement in the development of trade in non-food-lines as well as in all branches of other trades. The Deputy Registrars are requested to see that the instructions issued in the Registrar's circular No. Rc. 2262/47 S1. dated 9-2-47 are strictly adhered to by the special staff and the effective steps taken in the matter of stabilisation of the stores by broad-basing their trade.

Registrar's Circulars.

I

Sub:—Co-operative Societies Audit fees—Rate of increase—revised instructions.

Ref:—G. O. Ms. No. 505, Development 27-11-44, communicated in Registrar's circular R. Dis. 9662/48 2. dated 18-12-44,

1. A copy of G. O. Ms. 892, Development, dated 1-3-47 issued in modification of G. O. Ms. No. 5059, Development, dated 27-11-44 governing the revised scales of audit fees is herewith communicated to all Deputy Registrars.

2. It has been found from the actual working of G. O. Ms. No. 5059. Dev., dated 27-11-44, that its provisions as applied to loan and sale societies in relation to clauses (I) (B) (ii), (vi) (vii) and (viii) of Rule XI of the Rules framed under the Madras Co-operative Societies Act, are not free from ambiguity. According to Rule XI, a loan and sale society which is doing both sales business as well as advancing loans, and which has completed three years of working, is liable to pay audit fee if the total sales of its sales during the year plus 50 per cent of the working capital together exceed Rs. 15,000. In G. O. 5059, Development, dated 27-11-44, it was ordered that the new rates would apply to "all co-operative institutions (other than central banks and urban banks) whose working capital or the value of whose purchases sales of articles or goods produced, as the case may be in the co-operative year is rupees one lakh or over." Nothing was said about the sales and working capital in respect of loan and sale societies doing both 'sales' business and advancing loans as contemplated under Rule XI clause (1) (viii). This has given rise to doubts in the matter of assessment of audit fees in respect of loan and sale societies. Several instances have been noticed where the levy has been made merely on the basis of working capital or on business turnover without taking into count the conditions prescribed under the Rule. Some of the officers have looked at the matter purely from the point of view of income to Government and have levied audit fees on the basis of total working capital or business turnover whichever was advantageous. It is to avoid this ambiguity and to clarify the provisions of the rule that the present G. O. has been issued. The Deputy Registrars are requested to apply the conditions prescribed in the G. O. carefully in assessing audit fees in respect of loan and sale and other societies.

It may be seen from the last paragraph of the G. O. enclosed that it is deemed to have come into force with effect from the co-operating year 1944-45. There should be no difficulty in assessing audit fees in respect of loan and sale societies correctly for 1945-46 in the light of the present instructions as the audit for 1945-46 has just reached completion. In the light of the revised order contained in the G. O. enclosed the Deputy Registrars are requested to re-assess the audit fees for 1944-45 in respect of loan and sale societies and adjust the excess collection, if any, towards the audit fees payable for 1945-46. Any deficit due for the year 1944-45 should be collected from the societies without delay.

Copy of the G. O No. 892, Dated 1-3-47.

Co-operative Societies—Audit—Audit fees—Increase—Revised orders—Passed.

Development Department.

Read the following :— *1st March 1947.*

G. O. Ms. No. 5059 Development, dated 27th November 1944.

From the Registrar of Co-operative Societies, R. C. No. 10980/46L, dated the 4th February 1947.

Order.

In modification of G. O. Ms. No. 5059, Development, dated 27-11-1944, the Government direct that the rate of audit fees be increased from Rs. 8-12-0 to Rs. 5-8-0 per diem in respect of the Co-operative Institutions mentioned below :—

(i) All Co-operative Societies (other than Central Banks and Urban Banks) except a loan and sale or marketing society, the value of whose purchases, sales of articles or goods produced as the case may be, in the Co-operative year is Rupees one lakh or over ;

(ii) a loan and sale or marketing society, transacting only sales bussiness, if the total value of its sales during the year is Rupees one lakh or over ;

(iii) a loan and sale or marketing society, only advancing loans on the security of the members' produce, if its working capital on the last day of the Co-operative year is Rupees one lakh or over ; and

(iv) a loan and sale or marketing society, transacting both sale bussiness and advancing loans on the security of members' produce, if the value of its sales during the year, plus 50 per cent of its working capital on the last day of the Co-operative year is Rupees one lakh or over.

This order will be deemed to have come into force with effect from the Co-operative year 1944-45.

R. 11470/46 B. II *27th May 1947.*

Sub :—Rural Credit societies—Individual maximum credit limit—Enhancement instructions.

Ref :—Registrar's circular No. D 5916/46 B, dated 2-5-46.

At the Conference of the Deputy Registrars held in 1946, it was resolved that the individual maximum credit limit in rural credit societies

might, in the deltaic areas, range from Rs. 1,000 to Rs. 2,000 and in non-deltaic areas, it might be from Rs. 500 to Rs. 1,000. The individual maximum credit limit in rural credit societies was fixed at Rs. 250 previously and as this limit is now enhanced to Rs. 500. When this limit was found very low, with reference to the increase in prices and consequently the large credit requirement of agriculturists, it was suggested in the Registrar's circular cited, that this limit is found inadequate in some societies, especially in the deltaic areas. The resolution of the Deputy Registrars at the Conference held in 1946 was, therefore, considered in detail and the Provincial Co-operative Union and the Madras Provincial Co-operative Bank were consulted. After careful consideration, the following revised instructions are issued :—

(i) As a rule, the individual maximum credit limit in rural credit societies may be limited to Rs. 500.

(ii) In special cases, the individual maximum credit limit may range from Rs. 1,000 to Rs. 2,000 in deltaic areas and from Rs. 500 to Rs. 1,000 in non-deltaic areas.

(iii) Surety loans in rural credit societies should not be given for amounts exceeding Rs. 500. Mortgage security should invariably be insisted upon in the case of loans exceeding Rs. 500.

(iv) If there is need to borrow beyond the limits mentioned above, in certain individual cases, provision to that effect may be made in the bylaws. Such relation of the limit in individual permitted cases should be permitted with the previous permission of the Central Bank and the Deputy Registrar. Such relaxations shall not, however, exceed twice the normal credit limit provided in the bylaws.

The Deputy Registrars and the Central Banks are requested to bring the revised instructions to the notice of the societies and see that the societies adopt the necessary amendments to their bylaws.

2. It is necessary to remember that the limits are permitted to be raised in the circumstances of the increased costs of cultivation including agricultural labour and high level of prices of consumer goods of which the agriculturists are in need. It is apprehended that sooner or later a slump may set in.

It is therefore essential that the Panchayatdars of societies and Central Banks should carefully examine the loan applications and check tendencies, if any, towards extravagance or unproductive expenditure. The members should be advised to regulate their financial affairs carefully in view of possible slump, to practise thrift and to slow down borrowing from societies to the extent possible. The effects of the last depression are still fresh and the financial difficulties in which members and societies found themselves should be a warning to co-operators.

III

Copy of the G.O. Ms. No. 2019 dated 7th May, 1947, Development Department.

Read the following :—

From the Registrar of Co-operative Societies, letter No. 1564 dated 30-1-1947.

From the Registrar of Co-operative Societies, letter No. Registrar 1564/47-N. dated 28-2-1947.

From the Registrar of Co-operative Societies, letter No. 1564/47-N, dated 28-3-1947.

Sub :—Public (Services - Subordinate -Madras Co-operative Subordinate Service—War service candidates who have passed examinations in Co-operation, Auditing, Book-keeping and Banking conducted by Madras Provincial Co-operative Union—Exemption from passing examinations in same subjects conducted by Central Co-operative Institute -Special Rules —Amended.

Order.

His Excellency the Governor of Madras accepts the Registrar's proposal that war service candidates who have passed the examinations in Co-operation, Auditing, Banking and Book-keeping conducted by the Provincial Co-operative Union may be exempted from passing the examinations in the same subjects conducted by the Central Co-operative Institute, Madras.

The following notification will be published in the *Fort St. George Gazettee* :—

Notification.

In exercise of the powers conferred by section 241 (2) (*b*) of the Government of India Act, 1935, His Excellency the Governor of Madras hereby makes the following amendment to the Special Rules for the Madras Co-operative Subordinate Service (Section 2 part III-B of the Service Rules in Volume III of the *Madras Service Manual*, 1946).

Amendment

In the said Special Rules, in Rule II (*a*), in items (3) and (5) the note shall be numbered as Note (*i*) and after the Note as so numbered the following shall be added namely :—

> " Note (*ii*).—War service candidates who have undergone a course of training for nine months in one of the Co-operative Training Institutes and have passed the Examinations in Co-operation, Auditing, Book-keeping and Banking conducted by the Provincial Co-operative Union need not, however, pass the examinations in the same subjects conducted by the Central Co-operative Institutes."

IV

No. 2853/47, T. *18th May 1947.*

Sub :—Milk supply societies and Union—Creation of a " cattle mortality fund "—instructions issued.

Milk supply societies in our province work on very slender margins. Their profits consist generally of the difference between the purchasing price and selling price of milk. Their business, however, consists of not only taking over the milk supplied by the members but also financing the members for the purchase of milch animals. Government loans are given to the members and in some cases central banks also advance loans for the purchase of milch cattle. There is also a proposal that some of the milk supply organisations may run small dairy farms with some animals owned by them. In order to protect the societies from any loss arising out of the death of the animals belonging to the members there is no system of cattle insurance in this Province. In the absence of any such system of insurance, it is necessary that societies should take some steps at least to provide themselves against possible losses that may be caused by the death of the animals belonging to the members or even to the society if it should own animals. If the animal dies and if a member has no other source of income, it will be difficult for him to repay the loan. In order, therefore, to mitigate, to some extent, at least any possible loss that may be caused to the societies by issue of loans for purchase of animals, the Registrar considers that it is necessary that milk supply societies and unions should build up a fund on the analogy of the bad debt reserve in credit societies out of which the bad debts are written off. For this purpose it is suggested that every milk supply society should institute a " Cattle Mortality Fund ". Every member of the society shall contribute to the fund at the rate of Re. 1 per month per animal owned by him subject to the maximum of Rs. 5 per month per member. The society may deduct this amount from the monthly milk bills to be paid to the members and credit it in a separate account towards the Cattle Mortality Fund. If the society owns animals for running its own dairy, it should also contribute to the fund at the rate of Re. 1 per mensem per animal maintained by it from its general funds. To the amount so pooled, the society, may out of its net profits, make a further contribution at a rate not exceeding 10 to 20 per cent of the net profits as may be determined by the general body of the society. This fund may be invested separately by the society with the milk supply union if it is affiliated to a milk supply Union, or with the Co-operative Central Bank in other cases. In the event of death of the animal owned by the member, contributing towards the Cattle Mortality Fund, the society may pay a compensation to the member concerned subject to a maximum of 50 per cent of the value of the animal at the time of its death as decided by the Board of Directors of the society. This is, however, subject to the condition that sufficient funds are available to the credit of the Cattle Mortality Fund at the time when the claim arises. If sufficient funds are not available the Board of Directors may pay compensation at such rates lower than 50 per cent of the value of the animals as the funds permit. No amount should be utilised from the general funds of the society to pay compensation to the member. If the society is affiliated to milk supply union the Cattle Mortality Fund invested in the Union shall not be drawn upon without the permission of the Board of Management of the Union. Before permitting the withdrawal from the fund in such a case the union should scrutinise each claim carefully and permit the withdrawal of such part, such portion of the fund as is required to meet the claims that have arisen. In case the milk-supply society is not affiliated to milk-supply union, the fund can be drawn upon only with the permission of the Deputy Registrar who will scrutinise the claims and permit withdrawal in the same manner as the union does in respect of a milk-supply society affiliated to it.

2. Beside milk-supply societies, the milk-supply unions also should raise such a fund. Many milk-supply unions are having individual producers as members and it is not necessary that the union should build up a Cattle Mortality Fund in the same manner as a primary milk-supply society affiliated to it does. The fund created by the Union may also be from sources as in the case of feeder societies :—

(i) Subscription from supplied members at the rate of Re. 1 per animal per mensem subject to a maximum of Rs. 5 per mensem per individual.

(ii) Subscription from the general funds of the Union at the rate of Re. 1 per animal per mensem if it owns milch cattle for running its dairy; and,

(iii) Contributions from net profits not exceeding 10 to 20 per cent of the net profits as may be laid down in the by-laws and as may be decided by the general body every year. The milk-supply union should invest the Cattle Mortality Fund raised by it separately outside its business. Similarly the Cattle Mortality fund deposited by the feeder societies in the union should also be invested by the union separately outside its business. The union should maintain separate accounts for the amounts invested by each of the feeder societies and the amount raised by it. The withdrawal of the fund raised by the union on its own account should be subject to the permission of the Deputy Registrar based on the claims actually arising from time to time.

3. In the absence of any scheme for cattle insurance, the Registrar considers that the creation of the Cattle Mortality Fund will be a step in the right direction and will enable the members to find some resources to purchase fresh animals when the animals owned by them die. For this purpose the milk-supply societies and the union should make suitable provisions in the by-laws for the creation, administration, and withdrawal of the

fund. Draft model by-laws which may be adopted by them in this behalf are enclosed. The Deputy Registrars are requested to commend the suggestion for adoption by all milk-supply societies and unions in their jurisdiction and advise them to amend their by-laws providing for the new clauses, suggested in enclosure No. I.

4. In order to ensure that the claims made by the members are proper and to prevent inadmissible claims from being paid by the societies, each society should maintain a separate register showing the number of the names of members who are subscribers to the fund, the numbers and description of the animals owned by them, the subscriptions paid by them and the claims arising in each case. Every new animal purchased by the members should be entered in the register promptly and the subscriptions for the month collected with reference to the number of animals owned by the members during each month. Similarly animals disposed of by them should also be entered in this register. As this will form the basis for admitting the claims of the members, the societies should maintain their register properly and auditors should check it during their audit. A form in which this register may be maintained is given in annexure No. II. All the Deputy Registrars are requested to pursue the suggestion and see that the milk supply societies and unions suitably amend their by-laws and commence collection of contributions to the Cattle Mortality Fund. They are requested to submit a report to the Registrar whether all the milk supply organisationss in their districts have adopted the amendments and on the progress made in the building up of the fund by the institutions. The report should reach the Registrar by 30-9-47.

ENCLOSURE I.

Amendment to By-Laws of Milk Supply Societies.

1. *Add the following under bylaws 37-A* :—

" 37. A. It shall be competent for the Board of Directors to create a fund called the " Cattle Mortality Fund."

Contributions to the fund will be from the following sources, *viz.* :

1. Subscriptions collected from members.
2. Subscriptions made by the society from its general fund.
3. Contribution from net profits.

Every member of the society who owns animals shall contribute towards the fund at the rate of Re. 1 per month per animal owned by him, subject to a maximum of Rs. 5 per month per member. The amount of contribution payable by a member shall be determined every month with reference to the number of animals maintained by him on the last day of the month. Such contributions shall be deducted by the Society from the monthly milk bills payable to the members. If the society also owns animals for running its dairy, it shall also contribute to the fund at the rate of Re. 1 per mensem per animal maintained by it out of the general funds of the society. To the amount pooled, any contribution made from the net profits of the society in accordance with the provisions in (model) bylaw No. 39-A shall also be credited. The total amount to the credit of this fund shall be invested separately by the society either with the Milk Supply Union to which it is affiliated or with the Co-operative Central Bank, if it is not affiliated to any milk supply Union.

In the event of the death of the animals owned by any member, who is a subscriber to the fund, the member will be eligible for compensation with reference to the funds availabe under the Cattle Mortality Fund, subject in any case, to an amount not exceeding 50 per cent of the value of the animals that died as may be decided upon by the Board of Management. No withdrawals from the Cattle Mortality Fund will be admissible without the previous permission of the Board of Management of the Milk Supply Union to which the society is affiliated or of the Deputy Registrar if the society is not affiliated to any Milk Supply Union. Any amount due from the member to the society may be adjusted from the amount of compensation payable to the member.

2. *Add the following as clause* (*b*) *under Bylaw* 39 (3), renumbering the existing clauses (*b*) and (*c*) as (*c*) and (*d*).

A sum not exceeding 10/20 per cent of the net profits as may be decided by the general body shall be carried to the Cattle Mortality Fund as per bylaw 37 (A)".

AMENDMENTS TO BY-LAWS OF MILK SUPPLY UNION.

1. *Add the following as a separate by-law*, preceding the by-law relating to distribution of profits :—

" It shall be competent for the Board of Directors to create a fund called the Cattle Mortality Fund. Contributions to the fund will be from the following sources, *viz.*,

(i) Subscriptions collected from individual members who are suppliers of milk.

(ii) Subscriptions made by the Union from its general funds if it owns milch animals.

(iii) Contribution from net profits.

Every individual member of the Union who owns animals and supplies milk to the Union shall contribute towards the fund at the rate of Re. 1 per month per animal owned by him, subject to a maximum of Rs. 5 per month per member. The amount of contribution payable by a member should be determined every month with reference to the number of animals maintained by him on the last day of the month. Such contributions shall be deducted by the Union from the monthly milk bills payable to the

members. If the Union also owns animals for running its dairy, it shall also contribute to the fund at the rate of Re. 1 per mensem per animal maintained by it out of the general funds of the Union. To the amount so pooled, any contribution made from the net profits of the Union in accordance with the provisions in by-law No. . . . . shall also be credited. The total amount to the credit of this fund shall be invested separately with the Disirict Co-operative Central Bank.

In the event of the death of the animals owned by any member, who is a subscriber to the fund, the member will be eligible for compensation with reference to the funds, available under the cattle mortality fund, subject in any case, to an amount not exceeding 50 per cent of the value of the animal that died as may be decided upon by the Board of Management. No withdrawals from the cattle mortality fund will be admissible without the previous permission of the Deputy Registrar. Any amount due from the member to the Union may be adjusted from the amount of compensation payable to the member.

It shall also be competent to the Board of Management to accept investments of cattle mortality fund raised by the feeder societies affiliated to the Union and to permit the withdrawals from the investments on the requisition received from the societies. The amount of cattle mortality fund invested by the societies shall not, however, be utilised in the business of the Union, but invested separately in the District Co-operative Central Bank."

2. *Add the following as clause* (3) of the by-law relating to distribution of net profits :

" (3) out of the remainder, a sum not exceeding 20 per cent of the net profits as may be decided by the general body shall be carried to the cattle mortality fund."

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