

The Madras Journal of Co-operation



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EACH FOR ALL AND ALL FOR EACH

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

DECEMBER 1947.

No. 6, Vol. XXXIX

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The Shape of Things.

Housing :

In this issue we have published an article on the Housing Problem in the Cities and Towns of C. P. and Berar written by a co-operator. We have every reason to believe the conditions in this Province are in no way better than those obtaining in that Province and if at all they are perhaps a whit worse. The Provincial Housing Committee appointed by the Government of Madras have just submitted their report. The facts and figures which must be necessarily found in a document of that kind must be revealing a state of affairs which, to say the least, are intolerable. Unless the conditions under which people live, whether in urban, semi-urban or rural areas, are radically improved, any effort to tackle the problems of medical relief, public health and sanitation will be of no avail. We have every hope the Madras Committee have not only described conditions prevailing but have also suggested radical measures even though such measures may involve large expenditure from the

public funds. The Committee will also be well within its scope of work if they have also suggested measures for the production and distribution of building materials as also control of land values. We await with interest the publication of the Report. Meanwhile, our readers will be interested to read the article to which we have drawn their attention. The suggestions contained at the end of the article merit consideration.

Scheme of Agricultural Credit :

Our readers may remember that in the All-India Co-operative Conferences held in the City of Madras, the Reserve Bank of India came in for a good deal of criticism in regard to its unhelpful attitude towards Co-operative Financing Agencies for affording credit relief to people in rural areas. Sri K. Subba Rao, Chief Officer, Agricultural Credit Department of the Reserve Bank of India, who was present at these Conferences tried, we feel in vain, to dispel doubts and opinions entertained by co-operators in regard to the part which the Reserve Bank of India has been playing in the scheme of agricultural credit. We now find Sri K. Subba Rao has reverted to the subject in the August issue of the *Reserve Bank of India Bulletin*. We are obliged to the Reserve Bank of India for enabling us to reproduce Sri K. Subba Rao's valuable contribution. The article not only attempts to justify the course of action adopted by the Reserve Bank of India but also suggests the methods to be followed to obtain the necessary assistance by the Co-operative Agencies. As the points raised by Mr. K. Subba Rao are of more than ordinary interest, we need offer no apologies to our readers for dealing with them at some length.

Reserve Bank's Facilities :

According to Mr. K. Subba Rao, the Reserve Bank of India is authorised to provide accommodation to the agriculturists through the provincial co-operative banks in the following ways :

- (i) Loans and advances against Government securities or against approved debentures of recognised Land Mortgage Banks

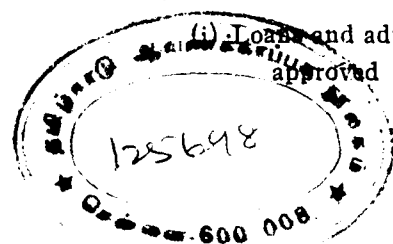
EDITORIAL NOTES

which are declared trustee securities for periods not exceeding ninety days.

- (ii) Loans and advances for a maximum period not exceeding ninety days against promissory notes of Co-operative Institutions endorsed by Provincial Co-operative Banks and drawn for the purpose of financing seasonal agricultural operations or the marketing of crops or rediscounting of bills of exchange maturing within nine months.

- (iii) Loans and advances for periods not exceeding ninety days on the security of promissory notes of Provincial Co-operative Banks supported by documents of title to goods which have been duly assigned or pledged as security for cash credits or overdrafts granted by the Provincial Co-operative Banks for the purpose of financing seasonal agricultural operations or the marketing of crops.

It will be seen that the Reserve Bank of India can lend only for short periods as the maximum period can at no time exceed nine months. It is contended that the Reserve Bank of India tried to utilise the Co-operative Movement for the supply of agricultural finance so far back as 1938 and issued a circular laying down certain conditions on which advances could be made. As though the Co-operative Financing Agencies were averse to reasonable conditions, Mr. Subba Rao tried to justify them. May we know from Mr. Subba Rao what the conditions imposed on the scheduled banks were for accommodation for similar purposes? He only gives a list of difficulties pointed out by the scheduled banks which lead to the abandonment of the scheme offered to them. May we also ask Mr. Subba Rao if so far as the Reserve Bank of India was concerned, it proposes—at any rate proposed in 1938—to treat the money-lenders, the scheduled banks and provincial co-operative banks on the same level without any reserve? As the offer is hedged in by so many conditions and as most of the provincial co-operative banks could secure necessary finances for their operations, we are not surprised that the response was very poor. May we know if the Reserve Bank of India took the trouble of finding out why the



response was poor? Mr. Subba Rao mentions of a second scheme formulated in 1942 under which accommodation was offered for the marketing of crops at a concession rate, one per cent below the Bank Rate. He says even to this scheme the response was poor. May we once again ask if the Reserve Bank of India took the trouble of ascertaining why even for this scheme the response was poor? Mr. Subba Rao mentions of a third scheme sponsored in 1944 under which the scheme of rebate was extended to cover bills and promissory notes drawn for the purpose of financing seasonal agricultural operations also and this rebate was even increased to $1\frac{1}{2}$ per cent in 1946. Even then the response was insignificant as only two provincial co-operative banks availed of it and that too for a small sum of Rs. 3.55 lakhs. We have recapitulated the facilities offered by the Reserve Bank of India and the poor response they evoked in order to enable our readers to realise that there was something inherently wrong in the various schemes not to evoke enthusiasm and the Reserve Bank of India was content to watch the failures without trying to find out the causes and remove them.

Mr. Subba Rao makes much of the Reserve Bank of India's anxiety to satisfy itself that the borrowers can manage the funds properly and they do not come to any harm from the loan taken. When the provincial co-operative banks seek assistance and their applications are supported by the Registrars of Co-operative Societies even Mr. Subba Rao will concede that they can borrow because they can manage their borrowed funds properly. If any harm is to result from such borrowings, the Registrars of Co-operative Societies will not allow them to indulge in such transactions. Anyhow the arguments advanced by Mr. Subba Rao only show that whatever might have been his knowledge of the working of the provincial co-operative banks in the past, it is not up-to-date. It might be the change of place has effected a change not only in his views but also change in the standards with which he judges the working of the provincial co-operative banks. No one demands, much less supports, that good money should be thrown away for no purpose.

Rate of Interest :

Mr. Subba Rao states that co-operators felt that the condition that the benefit of the reduced rate should be passed on to the agriculturist was onerous and impracticable. The point of view mentioned by co-operators was that if the condition imposed by the Reserve Bank of India was accepted the provincial co-operative banks will have to reduce rates of interest in respect of funds obtained by paying higher rates of interest. It is easy to suggest that whatever may be the source from which funds are obtained, they should all be lent uniformly at lower rates. While no one will put in a demurrer to the suggestion that both the borrowing and the lending rates should be reduced, the point for consideration is whether the provincial co-operative banks will attract local deposits at rates at which the Reserve Bank of India is prepared to lend and if the deposits are not attracted whether the provincial co-operative banks should rely entirely on the loans from the Reserve Bank of India. But Mr. Subba Rao has taken pains to explain what the benefit of low rate being passed on to the ultimate borrower means. To use his own words: "The implication of the condition is that if the ultimate borrower is charged, say, $9\frac{1}{2}$ per cent, when the provincial bank borrows at 3 per cent, the rate should be reduced to the extent of the concession, namely, $1\frac{1}{2}$ per cent when the money is taken from the Reserve Bank." The proposition sounds eminently reasonable. The provincial co-operative banks, the central banks and the primary societies should examine the possibilities of reducing rates of interest by cutting down the margin as much as possible. We understand there are already central banks in the province who have found no difficulty in reducing the rates of interest for lending to primary societies and they in their turn have reduced the lending rates to the ultimate borrower to $6\frac{1}{2}$ per cent.

Intermediaries :

The fact that deposits raised at 3 per cent will reach the ultimate borrower at such a high rate as 6 or $6\frac{1}{2}$ per cent calls for examination. Is further reduction onerous and impracticable? Cannot something be done to cut down the margins now assured to

intermediate agencies? If such reduction is not possible and as agriculture being a deficit economy must be given every facility to obtain credit at as cheap a rate as possible, it has been suggested that the intermediary of the central bank and the supervising union wherever they exist, may be done away with. Our readers may remember the Rayalaseema Committee on Co-operation has made this radical suggestion. Whether the view of the Committee is correct and whether the suggestion is feasible, nay desirable, are matters on which there are bound to be differences of opinion. But as far as the question of reducing the lending rate to the ultimate borrower is concerned, it is a matter which must receive the serious consideration of co-operators. In giving effect to the suggestion of the Reserve Bank of India in respect of lendings out of borrowings made from it, we are indirectly forced to give effect to the long-cherished, nonetheless most desirable object, *viz.*, reduction in the rate of interest to the ultimate borrower.

Procurement :

One of the criticisms levelled against the Reserve Bank of India is that it was not prepared to finance procurement operations undertaken by the co-operatives. Mr. Subba Rao's contention is that under the existing conditions, for purposes other than seasonal agricultural operations or the marketing of crops, finance can be given only at the Bank rate. As the procurement operations are meant for the benefit of the consumer and not of the producer, reduced rates cannot be operative. However, he is prepared to re-open if it is proved that the benefit of the low rate would be passed on to the producer. We venture to state that Mr. Subba Rao proceeds on the assumption that the producers and the consumers and their interests are contradictory and not complementary. We have more than once pointed out that the interests of the producers and the consumers are not antagonistic and a producer of one article may be, and in fact is, the consumer of other articles and *vice versa*. Nor will co-operators contend that every member of a primary society is a producer. The membership is open to all agricultural classes including landowners and not merely cultivators.

These non-cultivating landowners secure the benefit of the reduced rate along with actual cultivators. Therefore, no purpose is served by imposing a condition such as the one suggested by the Reserve Bank of India. Moreover, it is well to remember the prices of commodities are fixed taking into account cost of production and all factors including the interest charges on capital sunk in the agricultural industry. The rates of interest allowed are the prevailing market rates and not even the rates charged by the co-operatives. From what has been stated it will be clear that Mr. Subba Rao is imposing a condition for the fulfilment of which no tangible proof can be offered though ultimately the benefit of reduction is enjoyed as much by the producer who is a consumer as well.

We shall deal with the other points raised by Mr. Subba Rao in our next issue.

R. S. R.

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Housing Problem in Cities and Towns of C. P. and Berar.

By G. A. BHONSULE,

Chairman, the C.P. & Berar, Premier Co-op. Housing Society, Ltd.

The problem of adequate housing in towns and cities of the Province has become very acute. Good housing is possible only with good surroundings. The present are abnormal times and hence this problem cannot be solved satisfactorily except with sympathetic help and attitude of Government, Municipalities, Improvement Trust, and the wealthy.

Joint Stock Companies and individual capitalists can come forward to build houses; but they cannot provide cheap houses as their prime motive is profit-making.

It is only well-organised and well-managed co-operative housing societies that can meet the demand of the middle and the poor classes provided, however, subsidies and building materials at the reasonable cost are given by Government, Municipalities, Improvement Trust and also expert advice.

During the thirties there was depression in India. Cost of building materials and labour was very cheap. Had there been proper planning and guidance, building societies would have been established and there would have been a large number of houses in the province built at a low cost with the result that the middle class people would have owned houses by borrowing loans from the societies, repayable in easy instalments spread over a long period ranging from fifteen to thirty years fixed according to their paying capacities. A twenty-five year to thirty-year scheme would have been the best for this class of people. Unfortunately Government, Local Bodies, and capitalist class remained indifferent. There was no planning in the matter of building of houses in municipal areas with the result that houses sprang up in a slipshod manner.

In this note I am not going to deal with the problem of housing the rich and the poor including labourers of factories, Government, Municipalities and other big corporate bodies. The rich can build houses purchasing material at whatever cost they have to pay. Besides we find them already well-housed. The problem of providing houses to the poor including the labour class must be solved by

Government, factory owners, municipalities and other corporate bodies. Government must build houses or tenements for their staff according to their paying capacities; while Municipalities, Trust and other corporate bodies should provide their staff including the labourers with their own funds supplemented by loans raised either from Government or by means of long-term debentures guaranteed by Government.

While considering the housing problem we have to consider the four major factors, viz., land, labour, capital and supply of building materials. The problem of acquiring lands in cities and towns does not seem to be very difficult to solve. The Nagpur Improvement Trust could purchase lands around the city of Nagpur at very cheap rates. The housing societies, with the help of Government, will be able to secure cheap lands for building purposes either inside the towns or cities and outside. We find big pieces of open lands in Nagpur, both inside and outside, belonging to Government, Municipalities and the public. Government and Municipalities can sell them cheaply to housing societies, while the lands belonging to the public could be acquired by the housing societies, with Government help. Although the present rates are high, they are not considerable. For housing the middle class we are not going to purchase lands in the bazaar areas where the market value of lands has risen considerably. We can have in almost all cities and towns of this province big pieces at reasonable rates. The important matter relating to these lands is their development for which Government must help the societies actively, by arranging to supply cement, iron, crushed metal, unhewn stones, etc., at cheap rates and lending free use of plant and road construction, digging, levelling and other machinery and the services of the engineering staff to be given free.

With Government help given in the manner as stated above, it will be possible to sell plots to housing societies at not above annas 4 per sq. foot. The developed lands should be sold outright; and not given on lease. Government and in the matter of municipal committees may charge nominal rent not exceeding 1 per cent per annum of the price of the plots.

To start with, a small area of 50 acres may be developed on the lines suggested by me below and handed over to housing societies in the form of plots with spaces for parks, play grounds, schools, markets, clubs, public libraries, shops, etc.

The question of labour is rather difficult to be solved. During the present times when everything is scarce and dear, we cannot ask the labourers to accept lower wages. Similarly we cannot make the carpenters and mason to work on lower remuneration. They shall have to be paid according to market rates.

As regards capital it can be secured very cheaply. Ordinarily a well-managed housing society should not find it difficult to secure requisite amount of capital in the form of deposits and debentures. But to obtain it without Government help is not possible. Government should come forward and help housing societies by guaranteeing both principal and interest of deposits and debentures. With full Government guarantee, it is possible to obtain finance at not above 3 per cent per annum by means of debentures. The margin of 1½ per cent is required for the housing society to defray its establishment charges, payment of dividend at a reasonable rate, and for building up reserves. The rate of dividend on shares of housing societies need not be above 4 per cent, as shares of such societies will be popular first because of the association of Government directly or indirectly with them; and secondly because their dividend are income-tax free.

Insurance Companies can play an important part in the matter of supply of capital to housing societies. Under the Insurance Law certain percentage of assets (55 per cent) have to be invested in Government and guaranteed securities. They have at their disposal large funds which could be made available to housing societies at a reasonable rate of interest. Dewan Bahadur H. L. Kaji, one of the well-known co-operators of India, suggested, in his presidential speech made at the last Annual General Meeting of Vasant Insurance Company that Government should float an income-tax free loan at 3½ per cent per annum to be issued only to insurance companies. Government cannot issue such a loan in order to help one class of persons at the cost of the general tax-payer. They can, however, ask insurance companies and other corporate bodies such as Municipal Corporations, District Boards, Port Trusts, etc., to deposit their funds with well-managed and financially sound housing societies for 15 to 25 years. With Government guarantee for the repayment of both principal and interest, it will be possible for housing societies to raise funds at 2½ to 3 per cent upto any limit. Government get under the present market condition funds at about 2½ per cent for twenty to twenty-five years. They should float special loans for financing societies at slightly higher rate. They should not charge more than

$\frac{1}{2}$ per cent more than the rate paid by them on these loans. There is, I am afraid, one difficulty in Government borrowings. Usually they borrow big sum ranging from 50 to 100 lakhs. These loans are issued by the Reserve Bank of India which usually float big loans. In the beginning these societies may not require more than Rs. 20 lakhs per year. Hence the Reserve Bank may not undertake to float these small loans. So the only mode of raising money shall be by means of deposits and debentures both guaranteed by Government.

Provident funds of employees of Municipalities, District Boards, Port and Improvement Trusts could be invested with housing societies, for long periods. These are, so to say, Trust Funds, which are usually invested in Government and semi-Government securities and guaranteed debentures of Central Land Mortgage Banks. The assets of housing societies are valuable and readily realisable. They are as good as or even better than those of land mortgage banks and as such Government should grant recognition to well managed housing societies for purpose of depositing with them, provident funds of employees of local bodies at reasonable rates, for long periods ranging from 10 to 25 years. These bodies can very well lock up major portion of provident funds for long periods, as only a small portion is required for meeting the yearly outgoings consequent on any employee's retirement.

Government can also help the societies by guaranteeing a minimum rate of dividend on their shares—say 3 per cent per annum. With Government guarantee the shares will be very popular amongst the investing public.

The most important problem that has to be tackled is the adequate supply of building materials. I do not give much importance to the use of cement except the minimum quantity required in pointing the brick masonry and what is required for construction of roads and drains. Under the schemes suggested by me the houses will not be of reinforced cement concrete; and hence we shall not require much iron. Production of cement and iron is not enough for use in the building of houses which are required in lacs in the country, and for construction of roads and drains. So practically the whole quantity of cement and iron produced in the country may be reserved for use in roads, drains and well construction. Our fore-fathers used neither cement nor iron. We see big old buildings constructed of material other than iron and cement and iron is used only for windows, hinges and such other building fittings required

for doors. We should be able to have strong and durable houses with either table bricks or kumbhar bricks, lime, mud ordinary rafters (bullies) and bamboos, unhewn stones and country tiles. Cut wood shall be used for frames and doors. Government should supply wood materials from their forests at pre-war rates adding thereto the cost of higher wages. Bricks and lime are very dear. Government should, therefore, encourage starting of brick, lime and tile factories within reasonable distance from cities and towns allowing the factory owners all sorts of facilities. That is that they should be enabled to get lands for these factories at the cheapest possible rates. Further Government should make arrangements with big factory-owners such as cotton mills for the supply of coal ashes at the cheapest possible rates or even free and also further that at places which are far away from such factories fuel should be supplied to brick and tile factories and lime-kilns from Government forests. In return for these facilities, Government shall insist upon brick and tile factories and lime-kiln owners to sell all their production to Government and housing societies at the cheapest rates leaving them reasonable margin of profits.

Government should help housing societies to maintain shops of all kinds of building materials. They should give the societies on permanent lease, or outright sale, suitable pieces of land for erecting shops and godowns. There should be sufficient open ground for stocking wood logs, bullies, bamboos, bricks, tiles, flooring stones, etc. Big housing societies should be made principal stockists of iron and cement for which Provincial Government should make an immediate move. I am told that licences of a few of the Nagpur principal stockists of iron and steel have been suspended. The goal of National Congress is attainment of co-operative bodies for serving the needs of the public for every essential want such as food, clothing, shelter, etc. If housing societies stock building materials, the profits thereon which are made by middlemen will naturally be utilised for the benefit of their members.

Government have wood depots in forest areas. These depots should be asked to sell cut wood, bullies, etc., to housing societies at reasonable rates. There are malguzari forests also. Government should arrange for supply of wood, bullies, etc., from these forests at reasonable rates. Government has got special agency for procurement and distribution of food articles. Government have controlled food articles and cloth. They should as well control building

materials in the interest of the ever growing population. From our province building materials and especially timber are exported with the result that wood for local consumption has become scarce. Government have banned export of food grains and cloth. They should also prohibit export of building materials. If construction of buildings is taken up in right earnest in cities and towns of the province, all the building material produced in the province will be required for the needs of its own population.

I have already stated above that we should use minimum quantity of iron and steel in construction of buildings. From experiments carried on by the Forest Research Institute, Dehra Dun, the Forest Economists have proved that in many respects wood is superior to iron and steel. In the foreword of several booklets issued by this Institute, the Forest Economist writes as below:—

“In the past, steel and concrete have been looked upon as the chief structural materials of the engineer. This has been due to the fact that these two materials have been widely advertised and strongly assisted by powerful organisations, whereas wood being nobody's child has gone by default.

Recently in some advanced countries there has been a distinct change in favour of wood, and engineers are discovering that far from being only an unimportant auxiliary, wood is the most economical and practical material for many modern structural purposes.

There are two reasons for this change. The first is that wood can now be made durable for a very long period, and the second is that new ideas in timber joints and wood structures have been evolved which place wood on a very different footing to that of twenty years ago. If the question of primary and recurring costs are considered, increased use of wood as a structural material is also justified.”

I have come across nearly thirty booklets issued by the Institute on wood only. There might be many more. Amongst the several experiments carried on by the Institute, fire-proofing of wood is the most important one. I strongly recommend Engineers to study these booklets and make free use of wood in preference to the scarce material, namely steel, which should be utilised in construction of roads, drains and wells as elsewhere suggested by me.

It will not be out of place to describe in brief the procedure laid down by the Central Provinces and Berar Premier Co-operative

Housing Society, Ltd., in the matter of loans advanced by it. It is laid down in its by-laws Nos. 12 and 13 which are copied below:—

12. (a) Members desiring to have loans or additional loans from the Society on the mortgage security of their property or under hire purchase agreement shall apply to the Society in the prescribed form.
 - (b) Loans may be granted to members for the following purposes and such other purposes as shall be not inconsistent with the society aims and objects which the Managing Committee deems fit; but no member can claim a loan as a matter of right:—
 - (i) Construction of a house;
 - (ii) Purchase of a house;
 - (iii) Redemption of debt incurred on mortgage of a house;
 - (iv) For making repairs of a house;
 - (v) For sinking wells on the land adjoining the house;
 - (vi) Repayment of liabilities incurred in connection with the house;
 - (vii) Making additions to and alterations in the house.
 - (c) The principle to be followed in granting loans is that the members shall ordinarily purchase one share of Rs. 100 for a loan of Rs. 1,000 or fraction thereof and that roughly, the ratio between a member's investment consisting of the share capital and the value of the plot, superstructure etc., and the loans exclusive of the amount of shares purchased from the society should be 1 : 2.
 - (d) Before sanctioning a loan, the Managing Committee shall require a mortgage of immovable property or the hypothecation of securities or assignment of the life insurance policies (the last to the extent of three-fourths of their surrender value) approved of for the purpose.
 - (e) No member shall at any time be indebted to the society as a principal debtor to the extent of more than sixteen thousand rupees.
13. (a) For the recovery of any debt due to the society from a member, the society shall have the first lien on any shares, debentures, deposits, or loan stock standing in

may not be found adequate for the supply to be made to towns extensions.

- (b) If water is taken from municipal pipes for the erection of buildings, no water charges should be recovered.
- (c) Government with a view to encourage sinking of wells and their construction grant cheap loans up to a maximum of Rs. 500 to an individual agriculturist and recover the amount less 20 per cent by five annual instalments. This scheme may be made applicable by Government to urban areas also.
- (d) Construction of big residential houses, cinema theatres, Mandirs, Mosques and Churches should be discouraged so long as the scarcity of residential houses continues.
- (e) Subsidies should be granted by Government to the middle and the poor classes for construction of houses. They should be a minimum of 25 per cent of the total cost of construction.
- (f) Electric companies should charge for the consumption of electricity for lighting purposes at a specially reduced rate.
- (g) It is, I believe, everybody's experience that municipalities take a long time for sanctioning plans of buildings. Government should insist upon the municipalities to communicate their decision within a period of one month from the date of receipt of the application for construction of buildings with the plans.
- (h) For a minimum period of five years neither Government taxes nor municipal rates and taxes should be levied. For next five years only 50 per cent of the Government taxes and municipal rates and taxes should be recovered. From the 11th year the taxes, etc., should be recovered in full. In this connection it has to be emphasised that the Government taxes and municipal rates and taxes should be most reasonable. They should be based on the pre-war cost of the land and buildings.
- (i) With a view to encourage building of houses in suburbs, Government should carry on intensive propaganda

agreeing to help the public in the matter of acquisition of lands, supply of capital and supply of building materials.

- (j) Government, Municipalities and the Improvement Trust should publish plans and estimates of cheap houses for the guidance of the public and housing societies and sell them at lowest prices.
- (k) The present rates of transporting materials have been fixed at a very high rate with the result that the owners of the transport services are able to make fabulous profits. Government should examine these rates and margin of profits and reduce them suitably.
- (l) Government should extend the bus services to suburban areas wherever they are found necessary. The fares should be reasonable.
- (m) Government has rationed food and clothing. They should apply these principles to housing also. In some of the big bungalows and other buildings only a few people stay. Owners of these buildings and bungalows should be made to give on rent a portion thereof at reasonable rents.

Government must play an important part in the matter of solving the housing problem of cities and towns. They need not undertake construction of buildings themselves. They should encourage formation of co-operative housing societies in suitable areas or if the Central Provincial Berar Premier Co-operative Housing Society agrees to open branches in other towns and cities, Government should give the society necessary help and encouragement in order to solve the housing problem.

Ideals are like stars; you will not succeed in touching them with your hands, but like the sea-faring man, on the desert of waters, you choose them as your guides, and following them, reach your destiny.

—CARL SCHURZ.

the name of the said member and may set off any sum credited thereon in or towards the payment of such debt.

- (b) No dividend or interest on debentures, etc., shall be paid in cash to a member who is indebted to the society but the sum due to him shall be credited to his loan account.

When a borrowing member who has to purchase a fixed number of shares under by-law No. 12 (b) to secure the required loan and who has repaid in full the loan due by him, wants back his share money or when such a member who had paid not less than Rs. 1,000 out of the loan taken by him, desires to withdraw his money to the extent of one share to each Rs. 1,000 repaid and in the case of the members who have subscribed for share equal to one-fourth of the loan advanced to them and who under similar circumstances desire to withdraw the value of one share for every Rs. 400 repaid by them the Managing Committee may arrange for a transfer of sale thereof to a member or a person approved of by it.

While running the Housing Society of which I am the Chairman I have been feeling difficulties in realisation of dues from a few worst defaulters. Under its scheme if five defaults occur coercive action has to be taken for the recovery of dues. We approach the Registrar of Co-operative Societies to issue an order. A set of papers including copies of loan application, etc., has to be submitted to the Registrar with the application for issue of an order. By the time the papers are submitted to Government one or two more defaults occur. Further till the issue of preliminary order 2 to 3 more defaults take place. Then some time passes in serving the notices to be given to members and their sureties. If he submits a representation or raises any objections, then further time passes, with the result that further 2 to 3 defaults take place. The Registrar asks the Society to give an explanation which again takes lot of time. If the Registrar is satisfied with the explanation and after all formalities are gone through the Registrar issues the final order. Then the case is sent for execution. The day fixed for execution of case comes after 2 to 3 months. In this way from the date of execution more than a year passes and if the member raises an objection in execution proceedings, nobody knows when the Society can hope to get its full dues. The Society have already got a case of this sort. In the Central Province Land Mortgage Act there is a provision to put

for sale the property of the defaulter without the intervention of the Court. Similar provision should be made in the Co-operative Societies Act.

The goal of co-operatives is to eradicate the evils of capitalism and enable the co-operators to obtain their requirements for food, clothing, shelter, sanitation, education, etc., within their means. The aim of housing societies has been either to enable their members to build houses of their own or to stimulate construction of tenements as in the city of Bombay to be let out on a reasonable rate of rent. Really speaking, the ideals of co-operative housing should be to build commodious houses well-planned in units of reasonable sizes making available to members amenities and conveniences of life such as schools, hospitals, clubs, libraries, gardens, places of worship, etc. The roads should be metalled and the streets shall have electric lights. Good water arrangement should be necessary. The amenities that a model town or extension should be provided may be summed up as consisting of good wide roads, electricity, waterworks post and telegraph offices, telephone, primary schools and recognised high schools, hospitals, libraries, clubs, co-operative stores, up-to-date dairy, transport services, park and gardens, efficient watch and ward services, etc.

Welfare services are also to be one of the essential amenities to be provided in the housing scheme. Every group should be in charge of a trained welfare officer with a suitable number of paid assistants who should also be trained in social services and welfare work and further assisted by a number of volunteers trained from the residents of the units who may be paid a small monthly honorarium by way of inducement or encouragement or in fact is being done with the advantage at present in the municipal chawls at Bombay where such welfare service has been organised. The welfare officers and their assistants must educate the inhabitants systematically in developing habits of cleanliness of persons, cloths, premises and surroundings, of houses, their tenements or houses, of using the various fittings with due care and caution and refraining of unclean habits. (Ref:—Para. 84 of the *Report of the Bombay Housing Panel* appointed by Bombay Government in 1945).

Before I close I make the following few suggestions:—

- (a) Only those lands which contain water should be selected for building houses thereon. I am afraid that the present supply of water from municipal reservoirs

The Role of the Reserve Bank of India in the scheme of Agricultural Credit

K. SUBBA RAO,

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From time to time, the part which the Reserve Bank of India has been playing in the scheme of agricultural credit has evoked a good deal of criticism at the hands of co-operators, both official and non-official. The subject has been discussed at length at various co-operative conferences like the All-India Co-operative Conference and the Registrar's Conference and in the Press. It may be added that, of late, this criticism has become more severe and trenchant. As much of it appears to be based on a misunderstanding of facts, it is necessary that the position should be clarified and all misunderstandings removed. Such a clarification is sought to be made in this article.

The main criticism levelled against the Bank relates to the financial accommodation available to co-operative institutions under Sections 17(2)(b) and 17(4)(c) and (d) of the Reserve Bank of India Act for seasonal agricultural operations or the marketing of crops. It is maintained by co-operators that the Bank's help to the Movement has been ineffective inasmuch as the rules and conditions laid down under these sections are too stringent. Besides, it is pointed out that the period of advances for seasonal agricultural operations at a maximum of nine months fails to meet the actual requirement of the cultivators, in that it is too short.

A number of critical observations on the subject were also made at the 15th Registrars' Conference held recently at Madras. It was suggested, for instance, that the Reserve Bank should grant accommodation also for purposes other than seasonal agricultural operations or marketing of crops, as, for instance, procurement operations. It was also contended that loans should be made to central or provincial co-operative banks directly against the security of promissory notes of primary societies held by them without even going into their terms. Further, it was stated that Section 17(4)(d) remained inoperative owing to the unwillingness on the part of the Reserve Bank to accommodate societies against goods without the production of a warehouse receipt. One other suggestion which originated from official circles was that the Reserve Bank should waive the condition regarding maintenance of minimum cash balances by provincial co-operative banks requiring accommodation. It was urged that Government Securities should be accepted in lieu of cash. These charges, as stated earlier, centre round the question of financial accommodation by the Reserve Bank and before an attempt is made to meet them it may be worthwhile to note briefly the facilities

THE ROLE OF THE RESERVE BANK OF INDIA IN THE SCHEME OF AGRICULTURAL CREDIT

available to co-operative institutions under the various sub-sections of Section 17 of the Reserve Bank of India Act and the efforts made by the Bank to provide funds to the co-operative movement on as favourable terms as possible.

The financial accommodation which the Reserve Bank is authorized to give to agriculturists through provincial co-operative banks is as follows :

(i) Loans and advances to provincial co-operative banks against Government Securities or against approved debentures of recognized land mortgage banks which are declared trustee securities (if the Bank considers that the debentures are readily marketable) for periods not exceeding ninety days [Section 17(4)(a)].

(ii) Loans and advances for a maximum period not exceeding ninety days against promissory notes of co-operative institutions endorsed by provincial co-operative banks and drawn for the purpose of financing seasonal agricultural operations or the marketing of crops or rediscounting of such promissory notes and that of bills of exchange maturing within nine months [Section 17(2)(b) and (4)(c)]. They have thus to be time promissory notes having a fixed maturity and not demand promissory notes. One of the main reasons for insisting on time promotes is that the Bank should know the exact amount of discount on the bills to be discounted.

(iii) Loans and advances for periods not exceeding ninety days on the security of promissory notes of provincial co-operative banks supported by documents of title to goods which have been duly assigned or pledged as security for cash credits or overdraft granted by the provincial co-operative banks for the purpose of financing seasonal agricultural operations or the marketing of crops [Section 17(4)(d)].

The above provisions impose certain limitations on the assistance that the Reserve Bank can render to agriculturists. In the first place, the Bank cannot make advances to agriculturists direct, but can extend accommodation only through scheduled banks or provincial co-operative banks. Secondly, it is not authorised to supply the long-term needs of agriculture and the kinds of agricultural bills which it may discount are limited to those drawn for seasonal agricultural operations or the marketing of crops. The maximum period for which it can make advances is limited to nine months so that it is authorised to lend only for short periods.

Subject to the limitations imposed on the Reserve Bank by the Act, it has, since its establishment, been anxious that the largest possible use should be made of these provisions. The first important effort in this direction was made in January 1938 when a scheme was formulated for

providing finance for the marketing of agricultural produce through the agency of the moneylender. It was realised that the co-operative movement had touched only a very small percentage of the population and that the moneylender was still the largest supplier of agricultural finance. It was, therefore, thought that if agricultural finance was to be made available to the agriculturists on a substantial scale, the possibility of utilising the agency of the moneylenders should be explored. Under this scheme, the Bank offered to rediscount at concession rates, through scheduled banks, the bills of approved moneylenders drawn for making advances to agriculturists against the security of produce on the condition that the benefit of the low rates was passed on to the agriculturist. Among the difficulties pointed out by scheduled banks in adopting the scheme were :

(i) The smaller agriculturist did not usually borrow against the security of his produce. He required finance, more for crop production than for its marketing. He generally obtained it by keeping a running account with a moneylender and would not, therefore, agree to commit himself to bills payable on a fixed date.

(ii) The scheduled banks were not in a position to gauge the moneylender's credit readily, nor would it be possible for them to dictate the rate of interest which the latter should charge to the cultivators against produce bills.

(iii) First class bills were discounted at very fine rates owing to keen competition and there would, therefore, be little scope for scheduled banks to rediscount such bills with the Reserve Bank.

(iv) The debt relief measures passed during the period of depression had introduced an element of uncertainty into the sphere of agricultural credit.

The scheme had therefore to be abandoned.

Efforts were simultaneously made to utilise the co-operative movement for the supply of agricultural finance and a circular was issued in 1938 laying down the procedure to be followed by provincial co-operative banks in obtaining such finance from the Bank. The purpose of the circular was not to scare away the co-operative banks as is often believed to be the case but to see whether the business of the bank applying for assistance was being conducted on sound banking lines. For example, particular attention was paid to the maintenance of adequate reserves, separation of short-term from long-term loans, proportion of overdues and bad debts to total loans and a business-like distribution of the assets. It was laid down in the circular that provincial co-operative banks requiring accommodation should maintain cash balances with the Reserve Bank "the amount of which shall not at the

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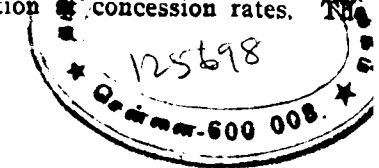
close of business on any day be less than 2½ per cent of the demand liabilities and 1 per cent of the time liabilities. Other conditions also were prescribed such as preparation of balance sheets in proper form, submission of audit notes and the agreement to allow inspection of the bank by the officers of the Reserve Bank. These conditions are conceived, it will be admitted, no less in the interest of the financial soundness of the provincial co-operative institutions than in the interests of the creditor bank itself. No cautious banker can or will lend to an unsound or careless person and it would be disastrous to the borrowing institution itself to be entrusted with any large funds which it has shown itself incapable of administering prudently.

The response to this circular was, unfortunately, very poor and so another scheme was prepared in 1942 in terms of which the Reserve Bank offered to grant accommodation under Sections 17(2)(b) and 17(4)(c) for the marketing of crops at a concession rate (i.e., at 1 per cent below the Bank rate) on the condition that the benefit of the low rate was passed on to the ultimate borrower. Since the circular is considered to be a very important one, it has been given as an appendix to this article. Even this scheme, however, had a poor response. In the Bank's anxiety to help the co-operative movement and in spite of the disheartening response to all its schemes, in 1944 the scheme or rebate was extended to cover bills and promissory notes drawn for the purpose of financing seasonal agricultural operations also. Again, the rebate was increased from 1 per cent to 1½ per cent in 1946. The present Bank rate being 3 per cent, the provincial co-operative banks would, under this arrangement, be able to get finance from the Reserve Bank at 1½ per cent. Even so, only two provincial co-operative banks have so far availed of the facilities offered under the scheme to the extent of Rs. 3.55 lakhs.

Section 17(4)(d) of the Reserve Bank of India Act which presupposes the establishment of licensed warehouses and creation of negotiable warehouse receipts has so far remained inoperative. It can only be made use of, after licensed warehouses have been established. A Warehousing Bill was therefore drafted and circulated to all Provincial Governments and important Indian States recommending its adoption with modifications to suit local conditions. Only one or two provinces have so far chosen to undertake legislation on the subject. Though it is hoped that other provinces will also expedite legislation on the subject, it may be some time before warehouse receipts are presented as security for advances.

From the review given above, it will be seen that within the framework of the Reserve Bank of India Act, the Bank has ~~at all times~~ been willing to help the Movement and been sparing no pains to explore ways and means to offer financial accommodation ~~at~~ concession rates. ~~The~~

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criticism that its conditions are too stringent does not seem to be based on any real difficulties experienced but only on hypothetical grounds, as all that the Bank asks for is the fulfilment of certain conditions which have generally been accepted as pre-requisites of sound banking. To make loans and advances without taking into account financial soundness would be bad banking. It would be bad for the lender and no less so for the borrower too. That is why the Bank has also restricted its dealings to institutions placed in class 'A' or 'B'. Suggestions have been made that when good security is offered, the Bank should not hesitate to advance even to societies other than those under 'A' and 'B'. The answer to such a suggestion is that advances to all and sundry would only amount to putting a premium on inefficiency. If the Bank's anxiety related only to the safety of its advances it should not, of course, mind granting loans under good cover without any thought about the condition, character or nature of the borrower; but when the borrower happens to be a co-operative institution the Bank is anxious to see that the borrower can manage the funds properly and comes to no harm from the loan taken. It would not be advisable to encourage bad and indifferent societies incapable of sound administration to play with large funds and come to grief thereby. Every Registrar of Co-operative Societies would, it is believed, endorse this stand. The conditions imposed by the Bank are such that any good institution can follow them without any hardship.

Another difficulty mentioned by co-operators is that the condition that the benefit of the low rate should be passed on to the agriculturist is onerous and impracticable. Indeed one official addressed the Bank in the matter and said that under the scheme of concession rates, the borrower who utilised the money taken from the Bank would pay a lower rate than another borrower who is accommodated from the funds of the co-operative institutions themselves. Their average borrowing rate is certainly higher than the Reserve Bank of India (concession) rate of $1\frac{1}{2}$ per cent and so has to be their average lending rate. Such a line of reasoning is based on a complete misunderstanding of facts. What is expected is that all advances made by a provincial bank and the central banks and the societies (whether from the funds borrowed from the Reserve Bank or out of their general resources) for the two purposes in question should be uniformly at lower rates. Assured of accommodation from the Reserve Bank at $1\frac{1}{2}$ per cent, it should be possible for the co-operative credit movement to reduce its borrowing and lending rates and this will, in the long run, react favourably on the whole structure of interest rates in the Movement. Thus, the purpose of the scheme would have been served if as a result of its working, the rates of interest charged on loans for the two objects in question are reduced in

all institutions eligible for loans under it. Under the scheme as it is conceived, there will, therefore, be no fear of invidious distinction.

It would appear as if the implication of the Bank's insisting on the benefit of the low rate being passed on to the ultimate borrower has not been properly understood by many. Some are under the impression that borrowing from the Reserve Bank at $1\frac{1}{2}$ per cent means lending to the ultimate borrower at the same $1\frac{1}{2}$ per cent. Even though it has been accepted that a rate of $6\frac{1}{4}$ per cent is the maximum that the agriculturist can pay, this statement does not by any means imply that, irrespective of the prevailing conditions, the finance obtained from the Bank should reach the ultimate borrower at $6\frac{1}{4}$ per cent. The implication of the condition is that if the ultimate borrower is charged, say, $9\frac{1}{2}$ per cent when the provincial bank borrows at 3 per cent, the rate should be reduced to the extent of the concession, namely, $1\frac{1}{2}$ per cent when the money is taken from the Reserve Bank. There should be no difficulty in following this condition.

The other suggestion that the purposes for which the Bank advances money should be enlarged may now be examined. While making such a plea, co-operators were obviously referring to the financing of procurement operations at concession rates. It may be mentioned here that, under the existing conditions, for purposes other than seasonal agricultural operations or the marketing of crops, finance has to be obtained at the Bank Rate, *viz.*, 3 per cent. Finance to co-operative banks under Sections 17(2)(b), 17(4)(c) and 17(4)(d) of the Reserve Bank of India Act is available only for two specific purposes, *viz.*, the financing of seasonal agricultural operations and the marketing of crops. The Bank's intention in offering accommodation at concession rates is that the benefit of the low rate should be passed on to the producer while the scheme of procurement operations is intended primarily for the benefit of the consumer. If, however, it is explained to the Bank how, under the procurement scheme, the benefit of the low rate can be passed on to the producer, the Bank would be prepared to consider the revision of its present attitude.

As regards dealing with central banks direct, the Act does not permit the Reserve Bank to deal with any institution for purpose of accommodation except the scheduled or the provincial co-operative banks. If, however, in addition to such a principal society in a province or, in the absence of such a principal society in a province, the Provincial Government declares any central co-operative society in that province to be a provincial co-operative bank, the Reserve Bank is authorised to deal with such a central society directly. Under the circumstances it is not possible for the Bank to deal with all central co-operative banks directly. Further, according to the correct structure of co-operative

finance it is the Apex Bank that should form the link between the Movement and outside financing agencies, and for a central bank to act independently of this link would be disruptive of this safe and sane arrangement. The Reserve Bank could not but be reluctant to encourage such a move.

Section 17(4)(d) has also come in for criticism, and one co-operator suggested that advances should be made against goods in the possession of societies without insisting on negotiable warehouse receipts. As has been pointed out already, Section 17(4)(d) of the Reserve Bank of India Act contemplates lending, not against the goods themselves which, as explained below, would be impossible for the Reserve Bank of India to hold as security, but only against documents of title to goods and thus pre-supposes the establishment of licensed warehouses. For proper preservation of the goods stored, for guarding them against theft and fire and damage, good warehouses are necessary. The securities otherwise will cease to be securities. The Reserve Bank cannot satisfy itself about the goods in every case of advance and further, no periodic inspection of stock, so necessary for a lender, would be possible for the Bank to undertake. Recognised warehouses that would be prepared to take up the entire responsibility and on whose certificates the Bank can rely are, therefore, necessary.

The suggestion that the Bank should accept Government Paper instead of cash balances does not seem feasible. The cash balances maintained by scheduled and provincial co-operative banks with the Reserve Bank are not intended to constitute any security against its advances. They provide the Reserve Bank, to an extent, with resources wherewith to manage the monetary system of the country and to extend credit facilities to member banks in case of need in accordance with its constitution. It will further enable the Reserve Bank to exercise a certain amount of control over the affiliated institutions. Ordinarily, every bank will have to keep a certain portion of its deposit liabilities (the Reserve Bank has prescribed 10 per cent to the co-operative banks) in cash and the amount that has been asked to be deposited with the Reserve Bank will be found to be only a part of it. Hence no institution need feel the strain of keeping the required balances with the Reserve Bank. As a matter of fact the provincial co-operative banks of Bombay, Madras, the Punjab and the United Provinces have maintained with the Reserve Bank cash balances much in excess of what is required of them. While the scheduled banks under Section 42(1) of the Reserve Bank of India Act are required to maintain with the Reserve Bank 5 per cent of their demand liabilities and 2 per cent of their time liabilities irrespective of whether they want any financial accommodation from the Reserve Bank or not, the provincial co-operative banks need maintain

cash balances with it only if they want accommodation and that too on half the scale required of scheduled banks. Moreover, it would be cumbersome for the Bank to calculate the day to day value of the securities to see if the required minimum is there. Under these circumstances it does not seem desirable to make a deviation from this rule.

As regards the view that the period of nine months prescribed by the Act is too short it may be mentioned that for the purposes allowed by the Act, *viz.*, seasonal agricultural operations and the marketing of crops, the framers of the Act perhaps felt that a period of nine months was quite sufficient. Further, on this score, the criticism against the Reserve Bank has not been so persistent or so severe. This question is, however, being examined in order to see whether the period cannot be extended to twelve months. The extension of the period, it should be noted, also requires an amendment of the Reserve Bank of India Act.

Before concluding this article it will be necessary to allude to the question of the Bank's policy regarding acceptance of the debentures of the Madras Co-operative Central Land Mortgage Bank as security for advances. It has been the subject of a controversy for a long time and a brief history of the case will not be out of place here.

In January 1940 an enquiry was received from the Madras Provincial Co-operative Bank if the debentures of the Madras Co-operative Central Land Mortgage Bank would be received as security for advances under Section 17(4) of the Reserve Bank of India Act. In view of the importance of the enquiry, the Bank took up the matter with the Government of Madras and expressed the view that the unqualified acceptance of the debentures on the same footing as Government loans would be fatal to any hope of doing away with the guarantee system at any future time. The Madras Government was also requested to intimate their intentions regarding the continuance of the guarantee so as to enable the Bank to determine its policy. The Government of Madras replied that under the existing constitutional arrangements they were not in a position to lay down a long-term policy in the matter with any definite prospect of its being followed by a popular Ministry. Their attitude remained the same even after the formation of a popular Ministry. The point now to be decided is whether without any decision on the question of the withdrawal of Government guarantee, the Reserve Bank should extend its support. Further, on the one hand co-operators state that the debentures are so popular that they are taken up immediately on issue and never again appear in the market and on the other, they want the Reserve Bank to accept them as security for advances to make them more popular and increase their marketability. *Prima facie*, it is difficult to follow the logic of such a line of reasoning. Nevertheless,

the Bank, anxious to extend help in all permissible ways, is prepared to reconsider and revise, if necessary, its policy with regard to the grant of loans against these securities and even make a token purchase of the debentures if co-operators feel that the interests of the Movement will be advanced thereby.

In practice, the Reserve Bank has thus tried to put as liberal an interpretation on the Act as possible and help the Movement. It has also extended certain other special facilities to provincial co-operative banks as have joined its scheme of financial accommodation, as, for instance, free remittance facilities. The provincial co-operative banks, to avail themselves of the free remittance facilities, are not required to maintain extra balances with the Reserve Bank. Under this scheme, free transfer of funds is permitted between the accounts maintained by the different provincial co-operative banks joining the scheme in different offices of the Reserve Bank of India, as if they were branches of one and the same institution. For purposes of transfer of funds, central co-operative banks affiliated to a provincial co-operative bank are treated as its branches. It may also be mentioned that recently the Reserve Bank issued a circular stating that sub-pledge of Government Securities belonging to the constituents of a bank will not be ordinarily accepted by it as security for advances. Even in this case an assurance was given to a provincial co-operative bank on enquiry that accommodation, in extraordinary circumstances, against sub-pledge of securities also would be considered, provided the requisite authority to sub-pledge was obtained from the constituents concerned.

In spite of all these concessions the response to the Reserve Bank's efforts has been poor. In fact the co-operative institutions have given the impression that they have a plethora of funds and are not in need of any help from the Reserve Bank. It is not, therefore, clear how any further offers would favourably react on the co-operators, official as well as non-official.

Certain other charges preferred against the Bank during the recent co-operative conferences held at Madras may as well be answered in this article. One prominent co-operator from Bombay pointed out that in 1931 when a provincial co-operative bank wanted accommodation, they got it from the Imperial Bank in no time while it took two years to negotiate terms with the Reserve Bank.

The charge was examined by the Agricultural Credit Department and no support could be found for it from the Bank's records. It was found that the first loan application from the Provincial Bank was received in 1940 and it was dropped by that institution itself. The second application was received in April 1942 and credit limits were sanctioned by the Reserve Bank in January 1943. The delay in this

case was mostly due to the non-receipt of all the required information from the borrowing central banks in time. Even after the limits were sanctioned, the Provincial Bank was not interested in utilising the offered accommodation, for, out of Rs. 3 lakhs sanctioned, only Rs. 50,000 were taken, as a kind of test case. Probably the co-operator was referring to the series of correspondence he had with the Bank for clarification of all issues connected with loan applications, with a view, more to utilise the facilities at any future emergency than to meet any immediate need.

If a provincial bank follows the procedure laid down by the Reserve Bank there would be no delay whatsoever in the disposal of loan applications. Every provincial bank should get the credit limit of each central co-operative bank fixed beforehand for each year, to avoid delay. The provincial bank need not wait collecting applications from all intending borrowers—central banks, but may deal separately with institutions as and when they apply. The fixing of the limits would not take more than a fortnight provided the required data, viz., the balance sheets, profit and loss statements, audit notes and annual reports for the last three years as required in one of the circulars issued by the Reserve Bank in 1944, are supplied along with the applications. And once such limits are fixed the co-operative banks concerned can draw as often as they require, within the limits sanctioned, without any loss of time.

Yet another complaint made at the Conferences was that the Reserve Bank refused accommodation against Government Securities to a provincial co-operative bank. It was not clear if the reference was in connexion with an application made to the Bank in the thick of the war, viz., 1943. If that was the one under reference, it may be mentioned that the finance was required for enabling the members of the societies to withhold crops for better prices, when the country was clamouring for food. This object was considered anti-social and contrary to public weal and public policy.

It is hoped that it is thus made clear that the Reserve Bank, far from being chary in granting accommodation to co-operative institutions for the productive financing of the agriculturist, has been genuinely interested in creating facilities and extending agricultural credit in all possible but sound ways. If certain safeguards in the case of provincial co-operative banks are insisted upon, even stricter provisions are applied in the case of scheduled banks; and they are no more than what any banker working on sound lines would insist upon. If the Reserve Bank asks for some cash deposits from the co-operative institutions they are only just half of what are taken from the scheduled banks; they do not, as already explained, form any part of the security for the loan to

be granted, but are only a contribution (practically a nominal one) towards the common pool which as a bankers' bank the Reserve Bank is quite justified in demanding from every constituent even when no accommodation is granted. In fact the Bank has all along adopted a nursing or fostering attitude towards the Co-operative movement but its attitude, if the metaphor may be continued, is not certainly that of an indulgent mother spoiling the child, but that of one anxious to bring up a sound and healthy offspring. It is hoped that with the explanations and assurance given above, all prejudiced criticisms against the Bank will cease, and if any genuine or constructive suggestions for liberalising the loan policy of the Agricultural Credit Department are brought to its notice they will be very carefully and sympathetically considered.

APPENDIX.

RESERVE BANK OF INDIA—AGRICULTURAL CREDIT DEPARTMENT, BOMBAY.
No. ACD. 1/B.S. 81-42

2nd January 1942.

Dear Sir,

Rediscounts for and Advances to Provincial Co-operative Banks.

We have been considering how the existing co-operative organisation of the country could best be utilised for extending financial accommodation under section 17 of our Act for the purpose of financing seasonal agricultural operations or the marketing of crops. In our Statutory Report to the Government of India under section 55(1) of the Reserve Bank of India Act and in our circular letter No. ACD. 590/70-38, dated the 14th May 1938 and more recently in our bulletin on the "Functions and Working of the Reserve Bank of India", we have already indicated the manner in which the Reserve Bank is empowered to render financial assistance to the provincial co-operative banks against agricultural paper under sub-sections 2(b), 4(c) and 4(d) of section 17 of the Act. Stated briefly, under 17(2)(b) and 17(4)(c), we are authorised to rediscount bills of exchange and to lend against such bills respectively, *i.e.*, we are permitted under these two sub-sections to extend financial accommodation on a clean or unsecured basis. Under 17(4)(d), however, we are authorised to lend on the security of promissory notes supported by documents of title to goods, *i.e.*, our advance under the section is to be secured by actual goods which we can lay our hands on and realize if necessary. On account of certain practical difficulties it has not so far been possible for us to make advances on secured basis under 17(4)(d) and though we are attempting to find a solution of these difficulties, we see no possibility of making any immediate use of this section in its present form. We have therefore to examine the possibilities of utilising 17(2)(b) and 17(4)(c), if our object of extending financial accommodation for the purpose of seasonal agricultural operations or the marketing of crops, is to be attained.

2. The business of the co-operative banks and societies in respect of the extension of finance for marketing purposes has not so far assumed any great proportions, but in certain provinces such as Madras, co-operative sale societies provided with godowns have been established in recent years and the volume of their loans on the pledge of produce has shown an appreciable increase, particularly during the years 1938-1940. It thus appears that there is a gradually increasing scope for extending financial accommodation from the Reserve Bank to the provincial co-operative banks under sub-sections 17(2)(b) and 17(4)(c) of our Act. In order to offer some special inducement to the provincial co-operative banks in the initial stages to borrow from us against agricultural bills, we propose to rediscount such bills or make advances against them at special rates by the grant of rebates to these banks in respect of such rediscounts and advances somewhat on the lines of the rebates we had proposed in the case of scheduled banks in our letter No. ACD. 1/1938 of the 3rd January 1938.

3. While examining the question of rediscounting bills under 17(2)(b) with certain provincial co-operative banks during 1938-1940, a number of technical difficulties were brought to light. In the first place, the primary societies whose promissory notes were to be endorsed by the central banks and subsequently by the provincial co-operative banks, generally used demand promissory notes, which, as pointed out on pages 72-73 of our bulletin on "Functions and Working of the Reserve Bank of India", are not eligible for rediscount by the Reserve Bank. We therefore suggested the drawing of clean usance promissory notes by primary societies, but this suggestion was not found quite satisfactory from the point of view of the central banks as the demand promissory notes drawn by the primary societies were supported by collateral agreements providing for the repayment of the loans by instalments, immediate repayment of the loans in certain cases, payment of penal interest, etc.—these conditions being justified by the special requirements of co-operative finance—and it was not possible to provide for such agreements when the demand promissory notes were converted into time promissory notes.

4. What we therefore now suggest is that the central banks financing co-operative sale societies or primary societies for seasonal agricultural operations or the marketing of crops should themselves draw time promissory notes so that these notes could be endorsed by the provincial co-operative banks and offered for rediscount to the Reserve Bank under 17(2)(b) or for advances under 17(4)(c) through the provincial co-operative banks concerned. Alternatively, if the provincial co-operative banks prefer to do so, they might draw bills on the affiliated central banks which after acceptance by the latter could be offered to the Reserve Bank for re-discount under 17(2)(b) or as security for advances under 17(4)(c). The central banks should submit along with these bills and promissory notes a list of loans made by them to the primary societies for the purpose of seasonal

agricultural operations or the marketing of crops as the case may be. The central banks should also be prepared to furnish through the provincial co-operative banks such information about their position as the Reserve Bank may require. Other conditions governing such advances or rediscounts will be the same as those stipulated in paragraphs 3, 4, 7 and 8 of our circular letter No. ACD. 590/70-38, dated the 14th May 1938.

5. If the provincial co-operative banks could have in their portfolios promissory notes or bills of the type described in para 4 above, the Reserve Bank would be prepared to rediscount such bills or promissory notes under 17(2)(b) or make advances under 17(4)(c) at special rates by the grant of rebates to provincial co-operative banks in respect of such bills, provided we are satisfied that the benefit of the rebate is passed on to the agriculturist. This would be ensured if the primary societies or co-operative sale societies which would borrow from the central banks under the scheme outlined in this letter would agree to charge reasonable rates of interest to the agriculturists, in which case we would be prepared to grant a rebate, say, up to 1 per cent. To begin with, the rebates would be restricted to bills or promissory notes created for the purpose of marketing of crops only but they may be extended later to cover bills or promissory notes drawn for the purpose of financing seasonal agricultural operations as well.

6. Before, however, we go into further details of the scheme such as the preparation of a list of approved central banks, fixing of credit limits for the provincial co-operative banks, etc., we shall be glad to know what in your opinion are the prospects of working such a scheme in your province. If it appears workable from the point of view of the provincial banks, and it is decided to introduce it, we should like them to approach us reasonably in advance of each season so as to enable us to fix up credit lines and overriding amounts up to which we would agree to finance in various areas and for various crops.

Yours faithfully,
B. L. PANJABI,
Officer-in-charge.

P. C. U. CIRCULAR NO. 2

To
All the Delegates to the General Body of the P. C. U.

Dear Sirs,

The Annual General Body Meeting of the Madras Provincial Co-operative Union will be held on 10th January 1948 in the premises of the Madras Provincial Co-operative Bank, when the Administration Report and Audit Review for the year 1946-47 will be considered. The election of office-bearers for the years 1947-48 to 1949-50 will be conducted.

MADRAS, }
25-11-1947. }

Yours faithfully,
V. VIYYANNA,
General Secretary.

Conferences.

The Fifth Session of the Madras Provincial Non-official Co-operative Employees' Conference, Chittoor.

PRESIDENTIAL ADDRESS

BY SRI S. KRISHNAIAH, B.A.,
23rd November, 1947.

BROTHER DELEGATES AND FRIENDS,

I thank the Reception Committee for the honour they have conferred on me by requesting me to preside over this Conference. The only consideration in accepting the invitation is that I can count myself as one among you and that I can rely on your kind co-operation in conducting the deliberations of this Conference. I feel also honoured on an occasion like this, as I am one of the co-operative employees of the Rayalaseema. This is the first time that a worker of the Rayalaseema has been called upon to occupy the Presidential Chair and this is also the first time that the Provincial Conference is being held in Rayalaseema.

I am not one of those who claim to have any record of spectacular service to the cause of co-operative employees. I have been only a humble worker in my own district doing what little I can to better the lot of the employees. In fact, I am responsible with the help of some of my friends in other co-operative institutions in my district in convincing our employers and getting the grades of salaries and dearness allowance revised though not up to the satisfaction of all concerned with reference to increase in the cost of living.

We have met here to-day for the first time after we have become free from foreign domination though the price we have paid is rather very heavy in view of our leaders having accepted the division of the country. It was expected that division would result to a great extent to settle our differences. But on the other hand we see everywhere looting, arson and carnage due to communal madness. Is attainment of political freedom a licence for butchery and carnage? It has become an established fact that we have fallen very low in the estimation of other countries by our inhuman acts. Hardly three months have passed since power has been transferred to us. The events that have happened all these three months had no parallel in the history of our country and the present state of affairs will not redound to the credit of anybody. Our sympathies go with those who have lost their lives all these months having suffered untold miseries. The Punjab which is seat of 'Co-operative precept and Co-operative ideology' has now become the scene of all this misery by mere physical division of the country. Thank God at any rate our province is free from communal frenzy.

Attainment of political emancipation is not an end in itself. It is only a means to an end. What is wanted by us is the economic emancipation. Political freedom when compared with the bare necessities of life must keep an even balance. Otherwise it will collapse sooner or later. India can be said to be free only when we have freedom from want, freedom from fear and freedom of expression. It is for the attainment of these things that our leaders have to work up and the public have to co-operate. Economists have been often saying that with the termination of World War No. II there is likely to be a downward trend in the prices of all necessities of life. But, unfortunately, the common man is feeling the present times to be more troublous than the days of War. The prices of necessities of life have gone up to a level never probably known at any time except during 1918-19 immediately after the termination of World War No. I. Nowadays we see scarcity of everything, scarcity of food, scarcity of clothing and scarcity of housing. What are the causes that are directly responsible for this state of affairs in spite of the termination of hostilities more than two years back? Unless we understand well the economic background, we may not be able to visualise our problems in clear perspective.

Even during ordinary times India is a deficit country particularly from the point of food production and for your information it may be stated that the Madras and Bombay Provinces contributed nearly to one-third of the total deficit. There is an idea prevalent among the landlords that production of foodcrops is unremunerative. That is not altogether false. It is based on practical experience at least during the last four or five years. The tendency of landlords is to grow more commercial crops. In other words people are more anxious to have cheap money from which they can purchase anything and everything in spite of soaring prices. Added to this the inflation of currency is greatly responsible. So we have received a stage where the purchasing value of a rupee has now gone down by about one-third of the pre-war value. In other countries we are told that with the birth of every new born babe nearly four more acres of new land are brought under cultivation of food crops. But in our country no fresh land is brought under cultivation. It is also interesting to note that in India where population has been increasing in geometrical progression means of subsistence is increasing only in arithmetical progression.

Coming to the question of clothing, it is a pity that in spite of cotton being grown in plenty we are not having sufficient clothing. In our province five yards of mill-made cloth is fixed per adult per annum whereas it is fixed at 10 to 15 yards in other provinces. This low figure fixed for our province is said to be due to the availability of plenty of handloom cloth. I recently interested myself in the economics of handloom cloth with special reference to some of the working of societies I visited as Secretary of the

financing bank. There is a lot of nefarious trade going on in this handloom industry and nobody seems to take any interest to check this particular menace. The existence of bogus looms, payment of very high wages, lack of adequate supply of yarn to keep the weavers work all the 30 days in the month, are responsible for the prevailing high price of the cloth. The Wages Board have fixed recently the wages of weaving at a rate almost equal to nine times the pre-war rate while the cost of living has increased only by three times. The basis of fixation of wages is that the weaver should be in a position to maintain himself for all the thirty days with his earnings of ten days as the yarn supplied is sufficient only for ten days' work. In spite of the Government being highly solicitous, there is agitation among weavers that their wages should not be controlled. As a result of solicitude of the Government towards weavers the handloom cloth has become very costly and it is not within the reach of a common man to purchase the same. The price of khadi is much worse. If the Government have provided some other spare time occupation to the weaver for the balance of 20 days in a month, the price of handloom cloth would have decidedly gone down. So we are obliged to content ourselves with the ration of five yards of mill-made cloth, though plenty of handloom cloth is available not within the reach of the common man. We are in other words having poverty amidst plenty.

Coming to the question of housing problem, the less said about it the better. With the increase in population, the question of providing housing accommodation to the common man has not been taken up by the Government all these years. It is only recently the present Government are moving with a view to get suitable house-sites particularly in all municipal towns so that the difficulties of the people may at least to some extent be mitigated.

Some of you who have been closely reading the papers are aware of the fact that Mahatma Gandhi has often been saying that controls over food and clothing are unnatural and that sooner the controls are removed the better. But as you all know that his advice has become a cry in wilderness. The present Central Government have recently considered the various aspects of the question and came to a decision that before the question of removal of controls over food and clothing is to be considered they should first be satisfied that there is around increase in production. Unless production is equal to the demand there is every likelihood of economic chaos, if controls and rationing are removed. I personally feel that controls are necessary not only in times of scarcity of commodities but also during times of plenty of commodities. If producers are to get a fair deal there should be some control particularly in respect of goods imported from outside during periods of plenty of commodities. If consumers are not to be hit hard, controls are equally necessary in times of dearth of commodities.

I shall now turn to a brief review of our activities since we met last at Vellore in August 1946. We have passed a number of resolutions at the conference and we waited on a deputation on the Hon'ble Minister in charge of Co-operation in November 1946 and impressed upon him the necessity of the Government giving effect to the resolutions at an early date. We stressed on the Hon'ble Minister (1) the immediate need for setting up Joint Boards of employers and employees, so as to decide the scales of pay for different employees of different categories of institutions, (2) to advise the institutions to increase pay and dearness allowance of employees consistent with the present increase in the cost of living emphasis having been paid on the principle that the wage level must be in par with the price level, (3) the gross injustice done to our co-workers in Salem and Kistna by the employers who even went to the extent of terrorising the employees. Nothing substantial has so far come out in spite of our representations. In spite of the installation of popular Governments the red tape still exists and abnormal delays are made in arriving at decisions which vitally affect the morale of the employees.

All of you are aware that the report of the Committee constituted by the Government of Madras on the working of the Co-operative Movement in the Rayalaseema has now been published and the recommendations made by the committee are under examination of the Government. The recommendations made are briefly as follows :—

(1) As the present Central Banks are not in a position to issue credit to the ultimate borrower at a cheap rate of interest, these banks should be converted into branches of the Madras Provincial Co-operative Bank Ltd., so that by eliminating these intermediaries the agriculturists will be in a position to get loans at a cheap rate of interest.

(2) Supervision of the societies should be transferred to the Government from the financing agencies.

(3) The existing agricultural credit societies should be converted into multipurpose societies on limited liability basis so that they may be in a position to deal with the entire economic life of the agriculturists.

The arguments advanced in the report of the committee for abolishing Central Banks are centred on one point, namely to make credit available to the ultimate borrower at a rate not exceeding $4\frac{1}{2}$ per cent and that they opined that the Vijiaraghava Chari Committee have not attached much importance to the imperative need of extending cheap credit to the agriculturists. It is not known whether at all in any province credit is extended at a cheap rate of $4\frac{1}{2}$ per cent. The Madras Agriculturists Debt Relief Act fixed the maximum rate at $5\frac{1}{2}$ per cent from May 1947 and it is not known why the committee should be so very solicitous to the agriculturists. Provision of cheap credit alone will not and cannot improve the

economic position of the agriculturists in Rayalaseema as anywhere in other parts of the Presidency. The economic position of the agriculturists should be tackled as a whole and not in piecemeal. Agriculture being a deficit economy it will be simply trying to build castles in the air to improve the economic position of the agriculturists unless they are made to understand first improved methods of agriculture. Agriculturists in general have to lead a life of forced idleness for at least six months in a year and as such suitable subsidiary occupations will have to be provided for them. Apart from these the State will have to tackle the problem of rural indebtedness, uneconomic holdings and incidence of land revenue. When all these things are necessary to improve the economic position of the agriculturists mere issue of cheap and facile credit will not solve the problem. The committee have not got to say anything in this regard.

The Committee have observed in the course of their report that the Central Banks are mere intermediaries in the present structure of movement. The Central Banks in the Rayalaseema like other Central Banks in the Presidency have been able to finance all affiliated societies to the full extent of their requirements from their deposits with occasional borrowings from the Madras Provincial Co-operative Bank Ltd. The borrowings of these Central Banks from the Apex Bank form only a small fraction of their working capital. The percentage of borrowings from the Madras Provincial Co-operative Bank of all Central Banks in the Presidency is only 14.5 per cent of their working capital while the percentage of borrowings from the Madras Provincial Co-operative Bank in the case of banks in the Rayalaseema is 16.3 per cent. These banks like other Central Banks borrowed large amounts recently to finance the consumer societies. To say that these banks are mere intermediaries and that they simply pass on credit to the agriculturists at a high rate of interest will not stand to reason. The argument that the conversion of Central Banks into branches of the M. P. C. B. will result in considerable reduction in establishment and contingent charges is also not correct. The Co-operative Movement in our province is federal in structure which is cited as a model to other provinces. The branches of the Madras Provincial Co-operative Bank as suggested by the committee may not be in a position to attract local deposits for want of necessary local incentive. Perennial contact which is so very essential between the credit vendor and the credit consumer will disappear if the recommendation of the committee is to be implemented. Another disadvantage is that an independent institution may not be in a position to bear heavy and unexpected losses when economic depression sets in. If there are independent Central Banks it is likely that the losses may be borne evenly by all the federated units. The successful working of Co-operative Central Banks in spite of several vicissitudes during the periods of depression, commanding the confidence of the investing public, should at least be a sufficient reason for their retention as autonomous units. The

Having dealt with the general economic background it is interesting to know the position of the people placed in different walks of life today? The landlords, who own forty acres and above, have to a great extent been benefited with increase in the prices of agricultural commodities. The small landlords, who own above 10 and below 40 acres, have just been able to maintain themselves leaving insignificant surplus. The small farmers owning below ten acres of land have just been able to keep their body and soul together. The figures quoted in the Administration Reports on the working of Co-operative Societies, particularly during years 1942 to 1946, though bear testimony to the recovery of agriculturists due to increase in the prices of agricultural commodities, will not and cannot represent the effect of increase in prices particularly on the agriculturists in general, for one particular reason, namely that the percentage of agriculturists actually brought under the fold of the co-operative movement is insignificant when compared to the total agriculturists in our country.

Coming to merchants it can be said that they have been able to substantially earn huge profits before the introduction of controls and rationing and even afterwards by doing their business after darkness sets in. Darkness is the best time for a clever merchant to begin his black market operations and earn as much as possible at the expense of the consumer and the needy. The highly paid officials have not to a great extent been hit hard in spite of the increase in the cost of living though they have not been able to save much.

I now come to the wage earners. Under this category come all people whose monthly incomes are Rs. 250 and below, let them be either Government servants or private employees. It is these people that have been terribly hit hard on account of the soaring prices due to the conditions created by the last war whose after-effects we are feeling much worse. There is a tremendous awakening among this class of people to better their lot consistent with the present increase in the cost of living. We see the N. G. O.'s, Postal employees, railway employees, employees of industrial concerns and non-official co-operative employees organizing themselves so that collective bargain may be made with the employers. We have of late only been initiated into the *realm* of Trade Unionism. Trade Unionism is still in its infancy in our country and we, co-operative employees, have organised ourselves by the selfless and untiring efforts of our President, Sri K. Krishna Rao, for the last ten years. Co-operative employees occupy a very important place in this great economic movement intended for the economic regeneration of 90 per cent on the population who form the very backbone of suppliers of the daily necessities of life. The place that is assigned to us in this movement must be considered to be as important as that assigned to the honorary people who guide the destinies of the movement. The Government take credit for all the results achieved by our co-operative effort and when once there are shortcomings

here and there they easily shift the burden to the non-officials in the movement, honorary as well as paid. In other words, the department is immune from all criticism for their lapses if any.

Trade Unionism being still in the initial stages we have to learn a lot before we take such steps to bring about a change in the present conditions of service. Two things are most important for us. One is to get a substantial increase in our present salaries and another is to get security of service conditions. Taken in terms of services and commodities, it must be considered that the salaries of our employees have been cut down to 1/3 the pre-war level. It may be interesting to note that while the percentage of the cost of management to working capital in 1938-39 in the case of central banks was 9 per cent it was only 1.33 per cent in 1945-46 while the net profits of co-operative central banks have increased to Rs. 6.56 lakhs in 1945-46 from Rs. 3.18 lakhs in 1938-39. The position is almost the same in the case of other societies. Hence to say that our institutions are not in a position to meet our demands will not stand to reason. Some of the employees having become desperate have already left our service and have sought jobs elsewhere. The efficiency of non-official co-operative service as it stands at present is at the lowest ebb and the departmental staff too is no exception. As executive head I know with what amount of strain and restraint we have to carry on the day-to-day administration with frequent change of hands, and a number of posts being kept vacant for long periods for want of qualified and suitable hands. Add to this, there are the pin-pricks of the department and our managements. Dumping of departmental subordinates to boss over the poor, ill-paid and starving non-official employees has been still going on. Co-operative institutions have become training grounds for the departmental people. We must stop this kind of tendency on the part of the department and our managements. The department and our managements are absolutely blind to the root causes of discontentment among the employees which are mounting up day by day. We occupy a strategic position in the movement and this should be realised both by our employers and the Government. I do not know how many of you have read the proceedings of the last budget session of our Legislative Assembly where Mr. S. Nagappa M. L. A. (Kurnool), elicited some answers from the Hon'ble Mr. V. V. Giri who was then Minister in charge of Co-operation, relating to co-operative employees. Questions have been answered regarding our service conditions, the gross injustice done to our co-worker, Mr. Subramanyam of Salem and Mr. K. V. Ramana Rao of Kistna Co-operative Central Bank and lastly a list of employees who left the service of co-operative institutions since September 1939 was placed before our Legislators. I would like you to read the answers in the official reports of the Legislative Assembly proceedings. It is also interesting to note that as many as 949 employees have left our service from September 1939 as per statement placed before the Legislature.

deal of scope for peace if employers and workers get together and discuss problems around the table not as master and servant but as equal partners getting rid of notions of false prestige. Much can be gained by us without alienating the sympathies of our employers

The second object should be to protest against any cuts in our salaries. When days of depression set in, the employers will not hesitate to effect retrenchment to show more profits. It is a natural phenomenon to have periods of boom and depression alternatively. We are now passing through the most difficult and troublous times never known in the history of the world. We are passing from days of war economy to peace economy and during this transition period we are suffering bitterly and a breaking point has already been reached. Those days have gone when we use to satisfy with our routine work. Our families have increased. Our responsibilities have increased and it is a pity that we are where a decade ago. Are we to sit with folded arms thinking that somebody will help us or are we to get rid of our inertia and work up to better our lot? We would request you all to take the advice of our Association as and when necessary. We have also to remember that whatever we do must be subject to the rules and regulations of the association and no member should go and act beyond these rules

What is our duty if we fail to achieve our objects by constitutional agitation? The last action open to us is to resort to strike. Strike as a rule should be resorted to as a last step when all possible means are exhausted to get our grievances redressed constitutionally. Strikes are natural in the case of employees who are dissatisfied with conditions of service. It is no doubt true that strikes and threat of strikes will alone determine the standards of remuneration. Before we launch on any strike we have to satisfy first whether there is unity among employees, whether there is unemployment, whether there are anybody to come and join our posts in the event of our going out and whether the employees can withstand the strike. These are very important factors which we have to consider before we come to a decision. One thing we must also remember that whenever strikes are resorted to it is the community that will be inconvenienced to a greater extent than those in charge of the managements. Take for instance the postal employees strike, railway workers' strike and scavengers' strike, etc. No strike will succeed unless we have public opinion strongly in our favour. Sympathy of the community is essential for success when we resort to direct action. If we consider from this aspect strikes should be more an exception than a rule. No country is free from labour unrest including Russia where the Government is built up on State ownership. Unions and Associations alone have played a great part in making collective bargaining and getting the legitimate grievances redressed. It may be of interest to note that the Labour Party which is

now in power in England never in its annals resorted to any kind of strike. All disputes between capital and labour and employees and employers are settled by conciliation or arbitration.

The General Body meeting of many of the Central Banks are likely to be held shortly. The Central Banks being the financing agencies, will have at the General Assemblies representatives of all types of societies. The delegates should be educated to send resolutions to the banks for recommending to the Boards of Management to appoint Committees consisting of the President of the Central Bank, President of Wholesale Co-operative Stores and two nominees of District Associations and one co-opted by them to enquire and suggest uniform scale of pay for different types of employees and their recommendations should be binding on the management and employees.

One word more before I conclude. I appeal to you all to develop unity and solidarity so that our Association may grow from strength to strength. In the years to come the voice of the Association is bound to become a potent factor in bringing about regeneration of this great economic movement whose growth has a direct bearing on our welfare both materially and morally. We must be true torch-bearers of the noble message of Co-operation.

Brother delegates and friends, we are extremely fortunate in having in our midst to-day the Hon'ble Sri R. B. Ramakrishna Raju, President of the Legislative Council, who opened the Conference just now. I am sure he will use his good offices to the welfare of the workers of the co-operative movements as and when opportunities are available. I thank once again the Reception Committee for the opportunity they have given me to preside over this conference. I also thank you all for having heard me patiently and I trust that you will all co-operate with me to proceed with further items in the agenda and make this conference a success.

JAI HIND

failure of the movement particularly in the Central Provinces and Burma is mostly due to the Provincial Banks financing the primaries direct.

The Committee in the course of their report have also dealt with the subject of supervision and they have recommended that supervision may be done by the Government instead of the financing banks. When there is already a demand for de-officialising the movement, the committee want that even this limited power of supervision vested in the financing banks should be taken over by the Government. Who else is more competent to supervise the affiliated societies than the financing banks? If supervision is to be effective the Government should subsidise the Central Banks by liberal grants so that the banks may be in a position to employ more staff. In this connection I invite your attention to the recommendation of the Co-operative Conference convened recently by the Hon'ble Minister for Co-operation where it was resolved to request the Government to meet the entire cost which the Central Banks have to incur on account of employment of supervisors at the rate of one Supervisor for every fifteen societies for at least five years.

The recommendation of the committee for conversion of the existing agricultural credit societies into multipurpose societies may no doubt be a right step in the direction in view of the highest banking authority in India namely the Reserve Bank of India having also suggested the formation of multipurpose societies. Whether these societies should be based on limited liability or unlimited liability is another thing on which there is a difference of opinion. I personally feel that unlimited liability has outlived its usefulness and that a time has come to replace the same either by limited liability or reserve liability. In fact unlimited liability has proved a frail support in times of need as evidenced by the failure of the movement in Burma. I have thrown some light on the subject so that you may come to a decision on this vexed question engaging the attention of the co-operators in general. For information it may also be stated that at the conference convened by the Government recently it was tentatively decided to stop the organization of rural banks or multipurpose societies by whatever name you may call them.

If the Government were to accept the recommendations of the Rayalseema Co-operative Enquiry Committee what will be the position of the employees in these Central Banks? The Madras Provincial Co-operative Bank should in the interests of justice and equity absorb the entire staff without prejudice to their previous service.

All of you are aware of the new experiments that have been made in the field of Co-operation by the starting of producers' and consumers' societies. Combination of people of different economic interests and ideologies is against the very basic principles of co-operation. Great blunder has been committed in the formation of these societies. Some of the employees

working in Central Banks and other institutions have joined them. These societies in the Circars have already fallen on bad days as a result of the decision of the present Government. One fine morning the services of the Secretaries have been dispensed with. The Committee appointed by the Government to enquire and report on the working of these societies have submitted their report making some suggestions to strengthen these societies so as to serve as multipurpose societies. The organisation of societies originally under the auspices of the Revenue Department in spite of the protest from responsible co-operators are to a great extent responsible for a good lot of criticism. Let our sympathies go with those employees of producers' and consumers' societies.

I have so far dealt with problems which have a direct bearing on the movement in general. It is now for us to chalk out a definite programme of work I have already referred to the various employees' associations which have made history of their own by making united and collective demands to their employees and have changed their attitude to whatever creed or political outlook they may belong. Unless we make our Association very strong we will not be able to better our conditions of service and obtain higher emoluments consistent with the increased cost of living. It is a simple axiomatic truth that the wage level should correspond with the price level. To achieve our object we must carry on an incessant propaganda by holding meetings and educating our employers to the effect that there can never be any tempo in co-operative activity and bring in any enhanced business unless the employees are given living wages. It is most unfortunate that co-operative principles are honoured more in breach than in observance by our employers in particular relation to the employees. We must as far as possible achieve our object by judicious compromises and persuasive arguments. The problem of establishing good relations between employers and employees is not one that can be solved by legislation—punitive or otherwise. Many of the problems can be solved by a fair, intelligent and judicious approach on both sides, through honesty in facing facts and free exchange of information through good procedures for settling grievances which prevent small differences from becoming large issues through spread of enlightenment and recognition of the social necessity of peace which is one of fundamental principles of our co-operative ideology. The problems are both psychological and economic. The employees must learn when to concede and when to demand according to the circumstances. The responsibility of the Government is to define rights and duties fairly so as to protect labour and management in equal proportions. For this we must learn a lot before we act. We must have the satisfaction of having discharged our duties well before we fight for our rights. Even a mighty intellect will be barren unless the heart pulsates with co-operative ideology. We should impress upon our employers that we are partners in this co-operative enterprise and not mere mercenaries. There is a good

Glyricidea, *Leucaena*, etc., are particularly to be recommended as these can be raised from small cuttings and are very quick growing and the roots harbour certain types of bacteria which absorb atmospheric nitrogen for the benefit of the host plant. *Glyricidea* and *Leucaena* are therefore the poor man's fertiliser factories which go on yielding a more or less balanced manure in the shape of green leaves, in spite of repeated loppings. Each *Glyricidea* plant will give 40lb. of leaves in the first year and up to 300lb. a year after the third year. If *Glyricidea* is raised on the paddy field bunds the ryot will have his manure on the spot ready for use when he gets water for irrigation. If necessary, he may even slightly enlarge narrow bunds in places where the stump is planted. Even if 100 plants are planted on the bunds of an acre by enlarging 9-inch bunds to 2 feet, the extra area encroached on the field will be less than 1/300th of an acre. It is not necessary to plant *Glyricidea* on all the bunds, as some will be required for use as paths and for other purposes.

Leucaena is a thin medium-sized tree which has the great merit of possessing a hard wood which can be used for making agricultural implements, for fuel and for house construction. In the irrigated areas *Leucaena* will serve the ryots' fuel problem and help him to conserve the cattle dung for manuring to fields. These two shrubs can be raised on paddy field bunds without detriment to the crop.

5. It should be realised that unless more leaves are grown more manure cannot be produced and more food will not be forthcoming. The initial effort is not difficult and the gain is enormous.

6. With abundant supply of organic manures to the fields we can apply fertilisers without risk to the land. Then only can we have hope to get the phenomenal yields obtained in Japan, Spain and Italy. Madras should not lag behind these countries and it need not, provided a province-wide campaign is successfully conducted to plant more shrubs and trees. Trees and shrubs can be planted throughout the year under suitable conditions and it is never too late to start planting them. Remember that if every ryot plants even one useful plant a day and utilise the leaves for manuring paddy fields, there will be no food scarcity next year or thereafter.

Consumers' Co-operation.

A REVIEW FOR OCTOBER

BY THE REGISTRAR OF CO-OPERATIVE SOCIETIES.

Co-operative Wholesale Stores.

Membership and share capital.—The total number of members at the end of October 1947 was 10,606 and the paid up share capital amounted to Rs. 34.26 lakhs as against Rs. 33.79 lakhs in the previous month.

The owned capital of the Co-operative Wholesale Stores was Rs. 45.51 lakhs comprising a share capital of Rs. 34.26 lakhs and reserve fund of Rs. 11.25 lakhs. The total borrowed capital was Rs. 219.50 lakhs of which Rs. 210.51 lakhs represented loans and cash credits from Central Banks and the balance of Rs. 8.99 lakhs were borrowings from others. Thus, the total working capital on the last day of the month under review was Rs. 265.01 lakhs as against Rs. 253.54 lakhs, in the previous month.

4. *Business.*—The total purchases and sales of the Co-operative Wholesale Stores for the month under review were Rs. 137.70 lakhs and Rs. 134.08 lakhs respectively as against Rs. 132.87 lakhs and 142.40 lakhs in the previous month. It is seen that the increase in purchases was mainly contributed by the Co-operative Wholesale Stores of Bellary, Coimbatore, Cuddapah, Guntur and Tinnevely districts while there is a sudden fall in the total sales. This is not satisfactory. All the Co-operative Wholesale Stores are requested to develop their business all round and be able to compete with the private traders in the decontrolled period.

5. *Sales to primaries.*—It is regrettable to note that out of the total sales of Rs. 134.08 lakhs only Rs. 48.60 lakhs represented sales to primaries which works out to 36.25 per cent as against 41.4 per cent and 38.9 per cent in the months of August and September, 1947 respectively. This is thoroughly unsatisfactory. All the Co-operative Wholesale Stores should realize the importance and value of their co-ordination with their primaries and strengthen their position in the decontrolled period in order to face the keen competition of private traders. They are requested to develop their business considerably from this current month onwards with their primaries and to show an appreciable progress. The Registrar hopes that the measures suggested in his circulars will be given effect to by all the Co-operative Wholesale Stores without further delay.

Primary Co-operative Stores

6. *Membership, share capital and borrowings.*—There were 1,744 stores with a membership of 5.60 lakhs and a paid up share capital of Rs. 99.82 lakhs as against Rs. 100.11 lakhs in the previous month. Their total working capital was Rs. 217.99 lakhs on the last day of October 1947 as against Rs. 205.53 lakhs for the previous month. It seems that the fall in share capital is mainly due to the fact that some Deputy Registrars have failed to adopt the old figures of the defaulting stores societies who have

Green Manuring of Paddy.

By the Director of Agriculture, Madras.

The principal food crop of the Province is paddy and though it is cultivated in all the districts, the food supply falls short of our requirements. This is because the average yield is low, being about 1,600lb. per acre as against 6,000 to 7,000lb. obtained in Japan, Spain and Italy. It is not difficult to improve the yield of paddy. For instance, in some of the Government Agricultural Research Stations, where the yield was formerly about 1,600—2,000 lb., the yield is now 8,000 to 4,000lb. per acre.

2. Food can be produced only from the soil and no amount of talking will help us to produce more food. If food supply is to be improved quickly, the soil has to be tackled by manuring. The question of manure supply is, therefore, indissolubly bound up with the well-being and even the bare existence of our people.

3. The manures commonly applied to paddy fields are farm-yard manure, green leaves, oil-cakes, bone-meal, fertilisers like sulphate or phosphate of ammonia, super-phosphate, etc. But the supply of these is at present limited. The only type of manure which can be increased considerably and that too in a short period is *green leaves*. Experiments in the Agricultural Research stations and on ryots' fields in all districts have proved the universal efficacy of green leaves in improving the yield of paddy. The percentage of increase in the yields varies from 25 to 45 per cent. A maximum response of 50 per cent was noticed with an application of 6,000 to 8,000lb. of leaves in the case of the Circars districts and West Coast soils and 9 to 17 per cent in the Cauvery delta and Coimbatore district. The average dose is about 4,000lb. or 8 cart-loads of green leaves per acre. It will be seen that every 40lb. of green leaves will secure an increase of one Madras measure of paddy. The more leaves we apply as manure, the more food we produce. The solution sounds so simple yet the food shortage has been chronic.

4. There are two ways of growing green leaves for use as manure for paddy fields.

(a) The first is to raise a green manure crop like *Pillipesara*, *Kolinji*, (*Vempali*), *Daincha*, *Sunnhemp*, *Sesbania Speciosa*, etc. on the paddy field after the harvest of paddy and plough it in before transplantation.

Pillipesara thrives well on stiff soils; *Kolingi* on light soils; *Sunnhemp* on medium soils; *Daincha* and *Sesbania speciosa* on all types of soils. *Daincha* is also particularly suited to alkaline lands. The seeds of green manure plants are generally sown before harvest of paddy when there is

GREEN MANURING OF PADDY

some moisture in the field and the green manure crops thrive on the summer showers where there is no scope for irrigation.

Of the green manure plants, *Kolinji* has the great advantage of being self-sown after it is once introduced in any area, i.e., when once the crop is established in a paddy field, the *Kolinji* seeds that scatter from the plant, germinate after the paddy is harvested and therefore there is no need to sow the seeds again in future years. *Kolinji* grows on waste lands and the seeds can be gathered by village children in their spare moments. It pays to collect the seeds as the price will be raised from Rs. 12 to Rs. 18-6 0 for a bag of 160lb. from 1st December 1947.

Pillipesara and sunnhemp are also greatly valued as cattle fodder. *Sesbania speciosa* will produce a lakh of lb. of leaves per acre. It decomposes easily in the paddy field, as the stem is pithy and its chief merit lies in the fact that it can thrive under the swampy conditions of the paddy field. When planted along the edges of a paddy field in July at the time of transplantation of paddy, each plant produces about quarter of a pound of seeds by December and a few dozen plants will produce the seeds required for sowing in an acre by December. The ryot will not, therefore, be put to the expense of purchasing the seeds every year.

The seeds of green manure plants are not now available in plenty and this will be the case until the wet land ryot learns to produce on his holdings, his requirements of seeds even by setting apart a part of his land for this purpose. In order to encourage the production of green manure seeds, the Madras Government have recently offered a subsidy of Rs. 6-8-0 on every 160lb. of seeds produced.

(b) The second method is to raise quick growing shrubs on the bunds of fields. This will suit all areas and in particular all places where there will not be sufficient interval between the harvest of one crop and the transplantation of another to raise a green manure crop on the field. A quick growing shrub like *Glyricidea* (*Eruthazai* in Tamil and *Rotta Aakku* in Telugu), *Adathoda* (*Addasaram* in Telugu), *Calotropis* (*Erukkan* in Tamil and *Jilledu* in Telugu), *Leucaena*, *Jatropha* (*Kottamanukku* in Tamil and *Nepalem* in Telugu), *Malaipoovarasu* (*Konda Ganna Ravi* in Telugu) may be raised in backyards of houses, village sites, vacant places, sides of roads, along tank and channel bunds. The leaves of most of these are not browsed by cattle and even goats dislike them. The shrubs stand frequent lopping and no trouble is involved in maintaining them except the initial effort in planting a branch or a stump. Various kinds of trees also give abundant supply of leaves, like *Pungam* (*Kanuga*), *Odiyam* (*Gumpena*), *Vadanarayana*, etc. But for quick results, the quick growing shrubs may be preferred.

The Tanjore District Non-Official Co-operative Employees' Association held on 13th November 1947.

RESOLUTIONS PASSED.

This Conference thanks the Registrar of Co-operative Societies, Rao Bahadur J. C. Ryan, M.A., for his great interest in the welfare of non-official employees and requests to convey to him the following resolutions:—

I. All non-official co-operative employees in the Co-operative Department under Rule IX-A should be absorbed in the department and should not be ousted.

II. The salaries of non-official co-operative clerks and supervisors, trained should in no case be lower than the minimum fixed by the Government for even posts which require no special training, *viz.*,—Rs. 45—3—60—4—80.

III. Recruitment to superior non official services should not be left to individual institutions but should be done by a statutory Provincial Committee consisting of the nominees of the Registrar, the P.C.U., the M.P.C. Bank, Central Handloom Weavers' Co-operative Societies, and of the Provincial Stores.

The Committee should have full control of this superior non-official service and fix their scale of pay as at least Rs. 80—4—120—5—150 E. B. 150—10—250, selection grade and deal with all postings and transfers.

IV. Every co-operative employee should be required to invest half month's pay towards insurance and the other half should be subscribed unconditionally in lieu of gratuity by the employer.

V. The rules under the Co-operative Societies Act should be amended so as to provide powers to the Registrar to entertain arbitration references from employees against employers or *vice versa* and refer them to a panel of arbitrators according to rules to be framed for the purpose.

VI. This Conference appeals to all co-operative institutions to spend some decent portion of their Common Good Fund for providing scholarships for high school and technical education of children of co-operative employees drawing a basic salary of not more than Rs. 60 per mensem.

VII. This Conference requests the association to start and conduct a journal for the benefit of co-operative employees.

Circular

No. D. 16908/47-B.

Dated, 10-10-47.

Sub:—Urban Bank cash credit facilities to members popularisation.

Ref:—1. Registrar's circular B. 3462/36, dated 2-5-1936.

2. Registrar's B. 5147/36, dated 14-10-36 communicating resolutions passed at the Urban Banks' conference held on 23-8-36.

3. Registrar's letter B. 7856/37 to the D. R. copy sent to the other Deputy Registrars.

4. Registrar's circular D. 7812/40-B, dated 5-10-40.

5. Registrar's Memorandum 5187/44-B, dated 23-10-44.

6. Registrar's circular R. C. 5482/44, dated 27-5-44.

In the Registrar's Circular B. 3462/36, dated 2-5-1936, the desirability of Urban Banks including cash credit loans to their members who had been punctual in repayment of their loans, was emphasised. It was pointed out that the system would benefit the trader members particularly those who could not wait till the committee met and sanctioned their loans and that the arrangement, while enabling the members to borrow when they needed money and to repay when they could spare funds, would facilitate the surplus of the members and the gains made by the trader members out of the trade, finding their way into the banks. It was also suggested that the cash credit might be granted on personal sureties or on the security of unencumbered immovable property of the members not exceeding 50 per cent of the value of such properties. The conference of the representatives of select Urban Banks held in 1936 recommended that the amount of cash credit should have the necessary share capital basis and that it should be renewed from year to year. In the Registrar's letter No. 7856/47-B, dated 10th December 1937, to the Deputy Registrar, Bezwada, copy sent to the other Deputy Registrars, a form of the model by-laws to be adopted in this respect by Urban Banks, was suggested.

The Madras Committee on Co-operation (1939-40) suggested that cash credits might be granted on the security of fixed deposits, Government securities and debentures of the Central Land Mortgage Banks also, upto 80 per cent of the deposits and securities. The recommendation was commended in the Registrar's Circular No. 7812/40, dated 5th October 1940 for adoption by Urban Banks.

2. Cash credit is a running account. According to the rule arising in Clayton's case, the first item on the debit side of a running account is discharged or reduced by the first item on the credit side and so on, so that each debit forms a new advance. Security deposited, therefore, covers only the first debits upto the value of the security and once these have been discharged by credits the balance is unsecured. A borrower will not be liable on his primary note deposited as security for cash credit unless the promissory note is accompanied by a continuing guarantee agreement. In the Registrar's Circular No. 5187/44, dated 23rd October 1944, specimens of the form in which continuing guarantee agreements should be obtained, were communicated.

3. The need for urban banks encouraging their members to take cash credit loans, has been impressed upon the Deputy Registrars from time to time. A review of the progress achieved upto November 1944, showed that nothing appreciable was done. The issue of cash credits by Urban Banks is calculated to inculcate the banking habit among the members. Cash credits will bring more fluid capital into the banks and at the same time open outlets for the profitable use of surplus funds and provide opportunities for the banks to extend their usefulness to their members. If

not sent their reports. All Deputy Registrars are requested to take step to strengthen the share capital position of the primaries.

7. *Business*—During the month under review the total purchases and sales were Rs. 162.72 lakhs and 165.68 lakhs respectively as against Rs. 151.90 lakhs and Rs. 157.37 lakhs in the previous month. This progress is still not up to the mark. It is hoped that better progress will be recorded in future.

Special Consumers' Activities

8. *Consumer Goods*—It is gratifying to note that the total purchases and sales under this head were Rs. 3.61 lakhs and Rs. 2.38 lakhs respectively. All stores except those in the districts of North Arcot, Chingleput, East Godavari, Kistna and Madras have made business in this regard. The Deputy Registrars are requested to closely watch the progress and see that it is kept up.

Handloom and mill-made cloth.—The total purchases and sales of cloth during the month amounted to Rs. 17.27 lakhs and Rs. 20.35 lakhs as against 15.28 and Rs. 11.98 lakhs in the previous month. It is evident that there is still a wide scope for the development of business further in handloom cloth. It is hoped that proper co-ordination between the primaries and weavers' societies would help to bring about this.

Processed foodstuffs.—The purchases and sales under this item were Rs. 260 and Rs. 2,593 as against Rs. 5,719 and Rs. 5,914 in October and Rs. 1.12 lakhs and Rs. 19,642 in September respectively. The progress in this line is far from satisfactory. No Co-operative Wholesale Stores excepting the South Arcot, Anantapur, South Kanara and Malabar Co-operative Wholesale Stores have taken efforts to make business in processed foodstuffs. All others should be instructed to develop their business in this line too and make their position strong.

Agricultural Implements.—It is disappointing to note that the purchases and sales amounted only to Rs. 803 and Rs. 786 respectively. It is a pity to note that rural stores have completely given up the idea of dealing in agricultural implements. It is strange that they should be unable to deal in agricultural implements where their members are mostly agriculturists. They are very strongly advised to show a better progress in the current month without fail. The Deputy Registrars are requested to issue suitable instructions to the special staff in this regard and see that progress is made in this direction.

9. *General*.—It is seen that the progress in regard to the development of business in consumer goods and non-food lines is not upto the mark. It is time that the stores should organise their business and find out ways and means to expand their trade in non-food lines. The business in controlled articles, they should remember, is only of a transient nature and already Government are decontrolling certain articles. The stores would do well to take steps immediately to stabilise their position and withstand the repercussions following decontrol. The Deputy Registrars are requested to instruct the stores suitably and see that all the instructions given in Registrar's circulars are followed up and the progress improved considerably.

Correspondence.

Vacancies in a Board of Directors and Board's Power to Function.

Sir,—Is a Board of Directors of a Co-operative Society competent to act when one or more seats in the Board are vacant? Such a Board is not, *prima facie*, fully or properly constituted. In the absence of an enabling provision in the constitution, it cannot function as a Board. The Municipalities and Local Boards Acts contain such an enabling provision. For instance, section 32, District Municipalities Act (*Mad. Act V—30*) provides that "no act of a Municipal Council or of a Committee thereof shall be deemed to be invalid by reason of such act having been done during the period of any vacancy in the office of a member of the council or a committee." The corresponding section in the Madras Co-operative Societies Act (*Act VI. 1932—Mad.*) is section 63. This section, however, does not provide for the validation of the Board's acts, during the periods of any vacancy in the Board. Neither the statutory rules under section 65 of the Act VI—32 nor the model by-laws of Co-operative Societies contain any such provision. The omission is apparently due to oversight. If a Board of Directors is disabled from functioning during the period of a vacancy the disability may operate as a serious handicap for administration. If, on the other hand, a Board, acting under the cover of such a validating provision, keeps up the vacancies improperly, the Registrar has got ample powers to pull up such an erring Board. Section 63 of the Act VI/32 has thus to be suitably amended to validate the acts of the Board of Directors notwithstanding vacancies on the Board on the lines of section 32 of the District Municipalities Act.

A. S. KUPPUSWAMI.

P. C. U. CIRCULAR NO. 1

To

All the Member Societies of the P. C. U.

Dear Sirs,

The Annual General Body Meeting of the Madras Provincial Co-operative Union will be held on **10th January 1948** in the premises of the **Madras Provincial Co-operative Bank**, when the Administration Report and Audit Review for the year 1946-47 will be considered. The election of office-bearers for this Union for the years 1947-48 to 1949-50 will be conducted.

Societies which have not paid their annual contribution to this Union are requested to **pay** the contribution **before** the meeting of the General Body.

Societies which have not so far communicated the names of their delegates are also requested to send the names immediately.

The Administration Report and Audit Review for 1946-47 have already been sent to the member societies and they are requested to forward the same to their representatives concerned.

Yours faithfully,

V. VIYYANNA,
General Secretary.

MADRAS, }
9-12-1947. }

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in spite of these advantages the progress made has not been substantial, it must evidently be due to the fact that the system has not been popularised to the extent necessary. Urban Banks may issue pamphlets making known to their members the terms and conditions under which cash credits will be issued by them. The Deputy Registrars, in the course of their tours and while conducting periodical inspection, may impress upon the Banks the need to develop this line of business. As indicated in the Registrar's review, No. 5482/44-B, dated 10th February 1945, the Registrar and Joint Registrars will examine the progress made by Urban Banks in the development of cash credit loan business while inspecting Urban Banks. All officers are informed that they should spare no pains to ensure that all Urban Banks in their jurisdiction adopt the necessary by-laws as soon as possible and that their transactions in this direction are developed considerably.

4. The model by-laws suggested in the Registrar's communication, No. 7856-87, dated 10th December 1937, are reissued with suitable modifications.

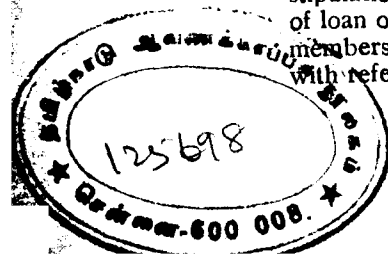
Modern By-laws regarding the issue of Cash Credit Loans to Members to be adopted by Urban Banks.

1. Cash credit may be given to members; but no member can claim cash credit as a matter of right.
2. Cash credit shall be given on the joint and several responsibility of the borrowers and one or other members standing sureties for him or on the mortgage of unencumbered immovable property wholly belonging to the borrower not exceeding 50 per cent of the estimated market value of such property, or on the security of fixed deposits, Government securities or debentures of the Central Land Mortgage Bank, Ltd., Madras not exceeding 80 per cent of the deposits or value of securities. Continuing guarantee agreements in the forms prescribed shall be obtained.
3. No member shall at any time be indebted to the society by way of cash credits loan to the extent of more than Rs.
4. The cash credit shall be in force for one year only terminable on the 30th June and application should be made in good time, for renewal of the cash credit.
5. The limit of the cash credit loan and the security therefor shall be examined from year to year and revised if necessary.
6. It shall be open to the society to reduce or terminate the cash credit once sanctioned to a member, after giving a month's notice to such member.
7. Interest shall be charged at...per cent per annum payable quarterly.
8. Interest on a minimum debtor balance of 1/10 of the maximum cash credit sanctioned shall be charged whether or not the account is operated upon up to that limit. After that limit, interest shall be charged on daily balance of the actual debtor-balance outstanding.

N.B.—The minimum limit may be fixed at 1/5 or 1/10 of the cash credit granted with reference to local conditions.

9. Withdrawal from the cash credit shall be in the form prescribed.

N.B.—The amount of cash credit granted shall be subject to the stipulations laid down in by-law 42 as to the maximum amount of loan ordinarily admissible to an individual member or to the members of an undivided family or as to the limit calculated with reference to the number of shares held by him or them.



BUSINESS NOTICE.

1. The annual subscription to the "Madras Journal of Co-operation" including postage, is **Rs. 6** for India and **Rs. 7** for foreign countries, payable strictly in advance. The year begins from July. The price of a single copy of the Journal is **10 annas**.

2. The Journal is published at the **end** of every month.

3. Complaints about the non-receipt of the Journal should reach the Secretary **within the 15th of the next month**.

4. **Change of Address** should be intimated then and there. Otherwise **non-receipt of copies** on that account **will not be attended to**.

5. Subscribers are requested to **quote their Subscription Number** while writing to this Office.

6. Rates of Advertisement: In view of the rise in the cost of paper and printing, the following revised rates of advertisement will come into force from September 1947. The charges are strictly **payable in advance**.

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The Madras Provincial Co-operative Union,

Esplanade, Madras.