

reference to the background we have given. Mr. Prakasam observes that the agricultural credit structure had failed to achieve the aims and purposes in view. In support of his observation he has quoted facts and figures culled from the Administration Report for 1945-46. While we are prepared to concede the achievements on the credit side are not as spectacular as we wish them to be, Mr. Prakasam failed to take note of the fact that the comparative absence of demand or pressure for money on the part of the agriculturists during the year 1945-46 was evidently due to their ability to finance their agricultural operations from their own resources. No one need regret for this redeeming feature. In view of the rising prices the agriculturists not only find money for agricultural operations but also possess enough resources to pay off their debts. Even then the percentage of loans for cultivation expenses to total loans issued rose in 1944-45 and this must be due largely to the needs of the lower income groups who are never able to stand on their own legs even in times of rising prices. Comparing the position of the credit movement in 1946 with that in 1939 from all points of view, the position of the movement is most encouraging and there are signs of a definite step in the right direction. Therefore, Mr. Prakasam was unconsciously doing grave injustice to the movement when he damned it by saying that the co-operatives had not proved to be efficient economic credit units. The progress must necessarily be slow and steady if they are to be permanent and strong. Rapid expansion in the past has brought ruin from the effects of which even now we have not fully recovered.

Even conceding that the progress made on the credit side has not been sufficiently encouraging, may we ask how the creation of producers *cum* consumers' societies is going to assist the credit side of the movement even if it is not likely to be an effective substitute. Mr. Prakasam would have been on the safe ground if he had by facts and figures shown that the producers' and consumers' societies had failed. From a record of the progress in regard to procurement and distribution the stores societies have a record of work of which they can be legitimately proud. We invite the attention of our readers to an account of the stores societies in regard to procurement published elsewhere. If it is conceded that these stores societies even in regard to procurement have done splendid work, may we ask what is the necessity to bring into existence a new type of society for the same purpose? Is this duplication of effort warranted by facts?

The result will be stores societies which had done their best for procurement must either merge themselves in the new societies or die a natural death. We are entitled to ask whether they deserve such a fate.

Multi-purpose Societies:

Mr. Prakasam refers to the Vijiaraghava Chari Committee Report which he considers embodied the best of Indian thought and pleads for the creation of multi-purpose societies. While on the organisation of multi-purpose societies, co-operative opinion is slowly veering round, we are constrained to point out that the producer *cum* consumers' societies of the type which are being organised do not approximate to the multi-purpose societies. For the benefit of our readers we reproduce below an admirable summary of the functions of the multi-purpose society given in the Report of the Rayalaseema Co-operative Enquiry Committee and allow the readers to judge for themselves how far the new type of societies of which Mr. Prakasam is an enthusiastic protagonist fulfil those functions.

1. Borrowing from financing banks and depositors and advancing loans to members.
2. Sales to members of consumer goods, such as salt, condiments, soaps, sugar, cloth and the like as well as foodgrains to members.
3. Supply to members of raw material and other aids to production, such as seed, manure, agricultural implements, yarn for weavers and equipment for cottage industries.
4. Storage of members' agricultural produce.
5. Marketing of agricultural produce and finished products of cottage industries.
6. Assisting, or acting as agents of, financing institutions particularly those providing long-term mortgage credit to members.

We shall be doing violence to the fundamental ideals of co-operation if the two cardinal principles of mutual knowledge and mutual trust are not observed even in regard to multi-purpose societies. These principles necessarily postulate that the area served by a multi-purpose society should be compact and the membership should be within reasonable limits. May we ask a society covering a firka consisting of 12 to 15 villages with a membership

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THE

Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

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The Shape of Things.

Co-operation and Provincial Budget:

We have always welcomed constructive criticism of the co-operative movement from all quarters, even though unfriendly, and have gladly accepted suggestions made for its improvement. Nor have co-operators ever claimed that their institutions are perfect. Human nature being what it is, the co-operatives are also subject to frailties incidental to organisations composed of people with varied temperaments. Though service motive is the preponderating ideal behind all co-operative activities, we concede sometimes occasions there have been when there might be falling off from the ideal. All the same we must emphasise the fundamental fact that co-operation stands for service and co-operators are striving hard to live up to that ideal. If the achievements of co-operatives are not striking, that is due to causes often beyond their control. But that they are striving hard to remove the defects and live up to the ideals, even the worst critic of the movement cannot gainsay. Believing as they do that propaganda and education are essential to raise the level of the ordinary member to make him realise the duties and responsibilities of membership of the co-operatives, we have time and again stressed the importance of co-operative education.

The Budget speech of Mr. Prakasam in which he made uncomplimentary remarks on the movement have to be considered with

as large as 8,000 members can ever promote mutual knowledge and mutual trust? Moreover, these new societies do not provide credit facilities required for agricultural operations. The agriculturists have still to go to rural credit societies for finance. If we can venture to make a suggestion, we would suggest that instead of starting new societies of the type we have referred to, it would be better and far easier to convert the existing societies into multi-purpose societies and entrust to them all functions now performed by the producers *cum* consumers' societies. That would result in the re-orientation of the movement which has been recommended by all the Committees appointed to make suggestions for the improvement of the movement.

Rural Banks:

Elsewhere we have reproduced a circular issued by the Registrar of Co-operative Societies on the formation of "Rural Banks" and we commend his proposals for the consideration of co-operators. From the figures given in paragraph 2 of the circular it will be seen that the membership and paid-up share capital of the existing societies are poor, the business turn-over was meagre and quite a large number of societies worked at a loss. It is to these facts Mr. Prakasam referred in order to support his preference for producers *cum* consumers' societies. But while taking note of these defects, as Mr. Prakasam does, the Registrar of Co-operative Societies points to the imperative need for a change or modification of the credit system to ensure its role in the agricultural economy of the province. But the approach suggested is different from that sponsored by Mr. Prakasam. The main distinguishing features of the proposed rural bank will be the following:

- (i) The area of operations will extend to villages within a radius of 3 to 5 miles covering about 20 to 25 villages.
- (ii) It will provide the following credit facilities —
 - (a) Short-term and medium-term loans on personal surety and mortgage of immovable properties;
 - (b) Loans on the pledge of produce, jewels, and approved securities;
 - (c) Cash credits on adequate securities, especially on continuing mortgage bonds.
- (iii) It will have provision to accept deposits such as fixed, savings, current, etc., and will tap local resources.

- (iv) It will encourage thrift among members and even non-members by introducing hundi box system, recurring or thrift deposits, etc.
- (v) The management of the rural bank will vest in a board of directors consisting of representatives of groups of villages. As the Board may be large, provision will be made for an Executive Committee. The principle of nomination may be adopted in the first one or two years if this is agreeable to the members.
- (vi) It will have a paid secretary and the necessary paid staff and the office of the bank will be located in a suitable building with provision for a strong room, etc.
- (vii) It will encourage self-help, mutual help, thrift, punctuality, industry, honesty, etc., and undertake educational, and propaganda work.

As regards the liability of members it may either be unlimited or limited. This may be decided at the time of organising the rural banks with reference to local conditions. If the promoters desire that it should be on limited liability basis, there will be no objection to permit the formation of societies on limited liability basis. As the officers are aware, section 4 of the Madras Co-operative Societies Act requires that where the majority of members are agriculturists the credit society should be based on unlimited liability basis. Exemption will have therefore to be obtained from Government under Section 60 of the Act for the rural banks to be, in any areas formed on limited liability basis.

In the second stage of development, provision will be made for the supply by the rural banks of agricultural, domestic and industrial requirements of their members and for the promotion of multi-purpose objects touching the different aspects of agricultural economy. In the first two years all efforts will be concentrated on the developments of efficient, prompt and satisfactory credit services.

It is expected that with the above objects and provisions, the proposed new rural bank will be able to provide all kinds of credit facilities to the villagers and most promptly arrange for the supply of their requirements and also for the sale of their produce.

We need make no apology for this long extract in view of the importance of the question.

While commending this proposal for rural banks, we are bound to state that the functions are somewhat circumscribed and unless

they perform functions such as those mentioned in the Report of the Rayalaseema Co-operative Enquiry Committee to which we have already referred these rural banks are not likely to be successful to the extent envisaged. We wish the co-operators to examine the Registrar's scheme carefully and suggest such alterations as are deemed necessary.

Milk Supply Societies:

We have published in this issue a good and detailed account of the Madras Milk Supply Union to which we wish to draw the attention of co-operators. The Union is a pioneer institution started and nurtured by the late Dewan Bahadur Deivasikhamani Mudaliar. Those who have watched its growth and the vicissitudes through which it has passed, most of which has been described at some length in the published note, cannot but come to the conclusion that persistent efforts have yielded satisfactory results. If the organisation and working of the Union, under the most distinguished auspices, had to pass through many trials, some of which threatened even its very existence, one wonders what fate awaits the new types of societies now sponsored by Government. Will the enthusiasm shown, perhaps due to official intervention, last long and remain sustained even after the period of controls is over and official guidance and supervision are withdrawn? While we wish the new venture every success, as far as it tries to remain true to co-operative ideals and ideas, we cannot help expressing grave doubts on the need for the new type of societies. Co-operative ideals and ideas cannot be imposed; they must grow spontaneously. Regimentation is foreign to co-operation. Hence we have always stressed the need for co-operative education.

Note:

Owing to unavoidable circumstances the views expressed in the above notes are those of the Editor only and not of the Editorial Committee.

Notice to Non-members.

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

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

MADRAS, } V. VIYYANNA,
15th March 1947. } General Secretary and Publisher,
The Madras Provincial Co-op. Union, Madras.

International Co-operative Alliance, London.

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**The Madras Provincial Co-operative Union,
Esplanade, Madras.**

EXAMINATION RESULTS :

The following is the list of ex-service men candidates with their Registered Numbers, who have undergone long-term course (9 months) in the Central Co-operative Institutes, Madras, and who have come out successful in the Examination conducted by the Union in January 1947.

FIRST CLASS

S. No.	Name of Candidate.	Regd. No.
1	Srinivasan, G. A. ...	3
2	Swamy, B. R. ...	12
3	Krishnan Nambiar, K. ...	15
4	Ramajogeswara Rao, K. ...	22
5	Leopold, V. J. ...	25
6	Paul, K. K. ...	27

SECOND CLASS

1	Kasi, S. A. ...	1
2	Subbarathnam, M. ...	2
3	Mani Rajan, K. A. ...	5
4	Muthuswamy, S. M. ...	6
5	Muthiah Pandian, S. ...	9
6	Subbarayan, K. R. ...	16
7	Gajapathi, T. ...	17
8	Chungatha Verghese Itty Mathew ...	19
9	Ramankutta Menon, K. ...	24

PASSED IN PARTS II & III

1	Balakrishnan, K. ...	14
2	Janardhanan, M. V. ...	21

PASSED IN PART II

1	Joseph, C. K. ...	20
2	Abraham, T. A. ...	26

PASSED IN PART III

1	Srinivasa Iyer, P. N. ...	4
2	Madhava Rao, D. V. ...	10
3	Govinda Menon, K. ...	11
4	Francis, R. ...	13
5	Karunakaran, K. K. ...	28

Food Shortage.

There is a serious shortage of food in many parts of the world. India is not an isolated country where a grave food shortage has suddenly developed. The gravity of the situation in this country is greater because of the admitted inadequacy of our agricultural production.

Contrary to the common belief, even before the war, production of food in this country fell short of demand: imports were therefore necessary to meet the shortage. Rice, which forms the staple food of a large section of our people, may be considered in this connection; between the years 1937 and 1943, imports of this cereal amounted to 6.65 million tons, mainly from Burma¹.

As a consequence of the fall of Burma early in 1942 this supply of rice was no longer available. The famine of 1943, which was to a great extent the result of this stoppage of imports, served to draw the attention of the country to its precarious food situation.

The population and food supply of any country are directly related; the larger the population the greater should be the food supply in order that everyone should have sufficient to eat. The population of India, as recorded in 1941, was 389 million heads and it is estimated that by 1960 it will stand in the neighbourhood of 490 millions. It is well known that about 80 per cent of our people are directly dependent on agriculture for their living. If a population has to live entirely on its agricultural produce, the land allotment per head must be of such a size that its production is sufficient to satisfy the necessary nutritional requirements. In India the area producing food crops is 0.72 acre *per capita*. It has been calculated that in order to produce an "adequate diet at minimum cost" the acreage required *per capita* in the United States is 1.8². The figures are in striking contrast with each other.

It has been admitted by competent authorities that food production in this country has been far left behind by population growth; the shortage of supply in 1943 amounted to no less than four million tons. As a result of this continuous shortage, a large section of the population suffers from hunger and malnutrition. The persistent hunger has robbed us of our efficiency, both physical and mental, and has killed within us all spirit of daring and adventure.

According to Aykroyd, in order to meet the nutritional requirements of her people, India must accelerate the production of pulses by 2.5 million tons, of vegetables by 23 million tons, of fruits by 4 million tons, of sugar by 1 million tons, of fats and oil by 4 million tons, of milk by 18.5 million tons and of fish, meat and eggs by 5.5 million tons. It means that all factors operating to keep down agricultural production must be eliminated. It also means that more land should be brought under cultivation.

Because of the excessive pressure of population on land, extension of agriculture to areas not under cultivation at present, but which can be so utilized, can hardly be expected to bring about the needed relief. Moreover the total of such culturable wastes is negligible in relation to population. And even otherwise much of such waste lands are in a condition which precludes any possibility of profitable agriculture. The removal of factors which are operative to put these lands beyond the pale of profitable utilization may involve, in many cases, long-range developmental programmes. Yet, largely as a result of the 'grow more food'

¹The Famine Enquiry Commission, Final Report, 1945.

²Ibid.

loans is a prime necessity but machinelike rigidity in the collection of dues regardless of the circumstances of the debtor should be discouraged; for in many cases pressure for repayment applied at wrong moments will ruin a debtor. Finally an agriculturist may require all the three kinds of credit: unless there is effective co-ordination among the various agencies supplying them, his creditworthiness may be wrongly estimated and bad loans may be given. The most glaring defect of the present rural money market is its utter lack of co-ordination. The private money-lender plies his trade silently and alone. The co-operative societies and even the land mortgage banks are not in touch with each other while the Government grant Tak-kavi loans independent of other agencies. Any system of rural financing must avoid all these defects if it should prove to be satisfactory.

192. *Short and medium-term Credit.*—At present the co-operative primary societies make a distinction, which is none too clear, between short-term and long-term credit. The former is granted to agriculturists for meeting the legitimate and necessary cultivating expenses prior to the beginning of agricultural operations and recovered after the harvest; its duration is limited to one year. The latter is granted to the agriculturists for improvements to his land, such as sinking of well, fencing and terracing, buying of bullocks and implements as also for maintenance in bad years. This medium-term loan is repayable in easy monthly instalments within three years. The Rayalaseema Co-operative Enquiry Committee of which I had the privilege to be a member, have suggested ten years as the maximum period for the repayment of a medium-term loan. This term appears to me too long. Even in the case of short-term loans, repayment in instalments is not prohibited, nor the purpose of the loan severely scrutinised. It is essential either to draw the line between these two kinds of credit distinctly or rub it out altogether. I recommend that short-term credit may strictly be confined to productive purposes connected with the annual agricultural operations and be repaid in a lump sum immediately after the harvest without carrying it over to the next year of succeeding years; even if a portion of this sort of debt is not paid off within the year, it will seriously restrict the agriculturist's borrowing power in the following year and consequently lower his agricultural efficiency. Only in years of drought and consequent partial or complete failure of harvests, licence to the necessary extent in collection may be shown. It should be made the first principle of short-term loans that they are repayable within nine or twelve months according to the local variations in crops and seasons.

193. It is sometimes contended that medium-term credit as a species may be abolished, but from my interviews with numerous persons connected with the co-operative primary societies. I find that there is a desire on their part not only to continue it but also to extend the period of repayment to five years. In my opinion, there is a necessity for granting medium-term loans. Loans for improvement of land fall into two classes;

some of them require relatively smaller sums than the others. For example, the sinking of a well or purchase of bullocks will not involve more than Rs. 1,000, which may be lent to agriculturists after a careful consideration of their assets, repaying capacity and their integrity of conduct by the village societies. Similarly failure of harvest due to natural calamity may leave the agriculturist without food, seed or money when financial help is urgently required but repayment of any loan granted can hardly be expected before the end of that year. All these circumstances warrant the grant of medium-term loans which should be made repayable, both capital and interest, in monthly instalments spread over five years. The system of granting medium-term loans by primary societies will not, in any way, encroach upon the function of land mortgage banks specialising in long-term loans, necessary for undertaking costlier improvements of land or for the discharge of prior debt. It is also obvious that the agriculturist cannot be exhorted to approach the land mortgage banks for what has been described here as medium-term loan without putting him to great inconvenience. Because the necessity for medium-term loan arises more frequently than for long-term loans. Again the land mortgage banks themselves will find it difficult to cope with the work or financial responsibilities implied in any arrangement in which medium-term loans are issuable only by them. Thus it will not do good either to the land mortgage banks or to the agriculturists to deprive the co-operative societies of the function of granting medium-term loans and entrusting it to the land mortgage banks. If the foregoing argument is accepted, the responsibilities of the co-operative credit societies are heavy indeed. It is, therefore, necessary to discover some means of enabling them to discharge their responsibilities to the satisfaction of their members. To this end, the primary need is adequate, if not ample, supply of finance.

194. Lack of finance has been the most powerful obstacle to the full growth of co-operation. Despite four decades of its existence, co-operative credit has only touched the fringe of the problem of rural finance and the reign of the private money-lender is still unaffected, if not unchallenged. It was piously hoped that the money-lender would be sooner or later brought into the co-operative movement and made the cornerstone of co-operative finance. This hope has been shattered in most cases; where sowcars have entered the society, they have done so to torpedo it or make use of it for gaining their selfish ends. Persuasion and propaganda have been tried all these years and found wanting. The money-lender had stood firm and refused to be converted, hereafter there is no alternative except compulsion. In this connection the necessity for harnessing the financial resources of the money-lender—"an oasis of thrift in a desert of extravagance"—to serve the needs of the peasant through co-operative channels requires no elaboration. For it is impossible for the Government to spoon-feed the ryot for everything he does not to sow and reap. Money and credit available in

campaign, these lands, to some extent at least, have been brought under the plough; for example, 163,000 acres in the Bombay Presidency and 140,000 acres in the United Provinces have been reduced to cultivation. Such an extension has been brought about mainly by the prevailing high prices of agricultural produce, and any withdrawal from these 'conscripted' areas should be guarded against when, in future, the market becomes stabilized at the normal level once again.

What is probably more important is that the yield of crops should be increased, i.e., agriculture should be made more intensive. The yield per acre in India is miserably poor as compared with that of many other countries. With respect to rice the yield values per acre happen to be 988lb. in India, 2,433lb. in China, 3070lb. in Japan and 1,680lb. in the United States.³ Similarly, with regard to wheat as well India occupies the lowest place. The position can certainly be improved. There is hardly any reason why the production average should not be reasonably comparable with that of the other countries. The causative factors minimizing yields will have to be overcome. The absence of irrigation facilities, for example, may be one of the many causes conducive to low yields. Thus, the yield of rice per acre in Madras rose from 865lb. in unirrigated areas to 1,195lb. in irrigated ones, and in the United Provinces from 800lb. to 1,050lb. Such an increase can as well be brought about by favourably modifying the other conditioning factors.

The production of food crops and money crops should be so adjusted that one is complementary to the other. The balance between the two should be maintained for on this the prosperity and economic security of a country depends. A money crop which commands no market can hardly be looked upon as an asset. In recent years such was the case with short staple cotton which could not be marketed as a result of the War in Far-Eastern countries. The area under this cotton was partly diverted to food crops like *bajra* and *jowar*.

It has been suggested in certain quarters⁴ that dietetic habits of the people should be changed—that cereals should, to an increasing extent, be replaced by tubers, which 'when reduced to the same standard of moisture' are 'richer in carbohydrates, mineral matters and calcium' and have the additional advantage of higher yields per acre than cereals. Tubers (potatoes) in certain parts of Europe, it has been said, occupy a place equal to cereals in the diets of the people. The suggestion is worthy of a close scrutiny by all whose special fields of study entitle them to speak with authority on the subject.

It must be emphasized that any scheme of increasing agricultural production would be necessarily incomplete if a consideration of fodder is altogether left out. Fodder has an important bearing on the utilization of livestock and, as such, is of great consequence to any scheme for accelerating food production.

Food shortage is one of the most baffling problems before the country which demands immediate solution. Hunger should not be allowed to remain unsatisfied, for persistent hunger is a menace fraught with dangerous consequences both to the individual and to the society.

—*Indian Farming*, June, 1946.

³Radha Kamal Mukerjee (1944), *Population and Food Supply*.

⁴General Presidential Address by Mr. M. Afzal Husain at the Indian Science Congress, Bangalore, 1946.

Extracts from the Report of the Economist for Enquiry into Rural Indebtedness, 1946.

By RAO BAHADUR DR. B. V. NARAYANASWAMI NAIDU,

M.A., PH.D., B.COM., *Bar-at-law*.

RURAL CREDIT.

190. The majority of agriculturists are leading a hand to mouth existence, without any financial reserve. For every little operation in cultivation, the ryot stands in need of credit. The central figure in the agricultural credit mechanism is still the private money-lender who may be a sowcar, a grain merchant or an affluent big ryot. The system of money-lending is the same whether the creditor is a non-agriculturist or a landholder. In the post-depression year, the money-lenders came in for a great deal of criticism. They were accused of charging usurious rates of interest, keeping accounts in a fraudulent manner and of machinations to drive the debtor to the wall. Whether these charges were applicable to all money-lenders or not, legislation was invoked to protect the indebted agriculturist from exorbitant rates of interest and extortion. The outcome of such legislative activity was the fixation of a maximum rate of interest and scaling down of debts according to certain fixed principles. These measures have led to the contraction of credit and/or evasion of law. When the private money-lender has a lion's share of agricultural financing, it would be a short-sighted policy to launch a frontal attack on him. Other measures enacted in this period as well as in the past aimed at compulsory registration of money-lenders of all classes and regulation of their accounts. Agricultural operations depend entirely upon adequate and timely credit and the credit needs of the agriculturists are both enormous and insistent. In these circumstances, mere restrictive measures will result only in the serious curtailment of credit. It may be argued that easy credit is a dangerous temptation to improvident agriculturists, but more dangerous is the drying up of the very springs of credit. The co-operative credit institutions, the only alternative agency, have not sufficiently developed as to serve as an effective substitute. It will be a futile task to reform the ways of the private money-lender without setting up powerful parallel financing agencies to supply to the needy ryots adequate credit.

191. The credit requirements of the agriculturists may be classified under three heads—short-term, medium-term, and long-term. Certain basic principles governing a sound system of rural finance, may be laid down. Too easy credit will encourage extravagance and accumulation of unproductive debt. Delay caused in granting credit for urgent and legitimate needs is sometimes worse than denial of credit. Strict scrutiny of application for

the rural part must be ploughed there itself for the enrichment of agriculture. As will be shown presently, the Government have other long-term financial aids to give; for short-term and medium-term credit facilities agricultural economy should become self-reliant and self-sufficient without looking up to the Government for 'paternal' aid

195. I shall now proceed to give a brief outline of my scheme to utilise to the full funds of money-lenders for the betterment of agriculture and rural economy. It should be made obligatory for all the money-lenders in each village or group of villages to become members of the local co-operative society, the setting up of which is already taken for granted. They should be forbidden by law from lending directly, without the intervention of the local co-operative society, to any agriculturist. They should open accounts with the society and maintain a minimum of deposits. As a transitional measure for a period not exceeding ten years, all the co-operative credit societies must be bifurcated, one part of which must consist of its usual old self and the other must consist of money-lenders whose membership is made obligatory. The accounts may be kept separately. A prospective borrower, then, will have two ways of getting a loan; he can simply follow the usual procedure of applying for loan to the society or he can meet any money-lender he likes and negotiate for a loan and then submit an application to the society mentioning the amount he wants, the person who is willing to accommodate him, the rate of interest charged and the other considerations regarding repayment. A copy of this application is immediately posted on the notice board so that other money-lenders, who are members of the society, may know the full details of this proposed transaction. If any one of them comes forward offering easier terms to the borrower, the new offer may be accepted in the place of the old one. This kind of publicity given to a proposed transaction enables the borrower to get the best of terms. (Combinations of money-lenders should be prohibited by law and evasions of the law will be reduced to a great extent if the suggestions given to augment the financial resources of pure co-operative societies and to reduce the opportunities to the money-lenders of more profitable investment of their funds are implemented.) Because the debtor is contacting the money-lender outside the co-operative society, unhindered by any sort of red-tapism, he can fix his terms quickly and the loan will be sanctioned earlier than in the "pure" branch of the society. This procedure obviates delay in getting loans and the paucity of co-operative finance is made up by inflow of money-lenders' credit. But to direct them through co-operative societies and to irrigate financially agriculture, mere compulsion of money-lenders to become members of village co-operative credit societies will not suffice. Certain inhibitions are necessary to prevent or discourage money-lenders from evasive tactics and alternative lines of investment; promissory notes or other documents of credit which are not transacted through some co-operative society or other

should be made invalid in the eyes of law. This involves an amendment of law affecting promissory notes; it may be opposed on the ground that it is direct assault upon individual freedom to invest or spend one's money as one likes. Critics of this proposal will have to be reminded that the spacious days of laissez-faire are gone; for instance, capital issue control has put freedom investment into a straight-jacket. Without a complete prohibition of all direct transactions between money-lenders and agricultural borrowers, it will be impossible to check the activities of the former and the victimisation of the latter. Measures like compulsory licensing of money-lenders and regulation of accounts are too feeble to effect the desired change. Hence, I recommend that private money-lending except through authorised institutions like the co-operative societies should be absolutely prohibited. The societies must meet the incidental administrative expenses from the common good fund. It is expected that when all the recommendations regarding interest, etc., are implemented the money-lenders will have gradually become full members of the co-operative societies which they might have treated as registering houses at the beginning. The need for bifurcation will no longer exist and the two branches, then, may be merged.

196. In spite of the legal prohibition, private money-lending may pass through all formalities but money-lender would have offended against every provision of the law. To illustrate, a needy agriculturist may contact a money-lender, who is a member of the co-operative society and ask for a loan of Rs. 300. The latter may be willing to accommodate him with a loan when the borrower agrees to pay in advance Rs. 50 before the actual payment takes place in the co-operative society under the nose of the society officials. This will tantamount to lending Rs. 250 and receiving a pro-note for Rs. 300. This kind of evasion is supported by the borrower because his need is great and the supply of credit is inadequate. The only way of eliminating such malpractices is to augment the supply of credit and fundamentally shake the monopolistic position of the money-lender.

197. *Supply of credit.*—The village co-operative credit society has been so far depending upon share capital, entrance fee paid by the members, deposits by members and non-members and loans from higher financing institutions. Quite contrary to the orthodox co-operative principle of self-help, most of the village societies are functioning with external loans. This phenomenon is due to the reluctance of money-lenders to enrol themselves as members and abide by the rules and by-laws of societies. According to the scheme of compelling village money-lenders—who also include individuals making casual loans to ryots—their funds become available for financing agriculture. Assuming that industrial investments are made unattractive by the fixation of a statutory maximum of 4½ per cent and that purchase of land for the sake of receiving rent from tenants and not for direct cultivation is prohibited, village money-lenders

will feel much more inclined than to-day to lend to co-villagers at a lower rate of interest. They have already realized that their cash resources deposited for short period in commercial banks will bring them only a return of about 2 per cent. Thus by a dual policy of reducing the rate of industrial dividends and interest on the deposits in banks, village money-lenders can be psychologically tuned to be more favourably disposed to lend to agriculturists through the co-operative societies. This is a consummation to be zealously worked for and attained, so that scarcity of loanable capital experienced in most of the village co-operative societies will become a thing of the past. This scheme places rather too much faith in the change of heart on the part of money-lenders. It may well happen that money-lenders would be provoked to grow sullen and vindictive and refuse to lend money even to good borrowers. However, this mood of "striking" work cannot last long. Even if it would last for a short period the grand strategy of the scheme lies in increasing the volume of funds available to credit institutions. This is best achieved by making agricultural paper negotiable and rediscountable. By legislation, the Central Banks as well as the Provincial Co-operative Bank should be enabled to discount agricultural paper and the apex bank, when it has run short of funds, should get the agricultural bills rediscounted by the Reserve Bank. If these discounting and rediscounting facilities are granted, agricultural finance will be able to cast away its oppressive rigidity and become as elastic as commercial finance. Credit may be expanded whenever necessary and there will be no warning by the Central bank to the member society that the limit of borrowing is reached. Likewise a Provincial Co-operative Bank will not administer a similar caveat to the Central Banks. In order to make this facility a reality, every society must have a warehouse for storing the produce of its members offered as pledge. The facilities for storage must also be granted by the Government which should construct godowns and granaries in important centres; peasants may take their produce to these Government stores and get official receipts on the presentation and pledge of which credit institutions may lend a certain fixed percentage of the value specified on them, say 60 or 75 per cent. This function of lending on the pledge of storehouse receipts must not only be discharged by co-operative societies but also by all those banks which are inclined to do this kind of business. When the discounting and other facilities mentioned are granted by the Government, not a few of the commercial banks will take to this business and thereby provide greater credit facilities. With such enlarged supply of credit, it will not be difficult to adequately meet the short-term and medium-term credit needs of the rural population.

198. Provision of ample short and medium-term credit facilities is a prime necessity but the machinery for the administration of agricultural credit must be worked on sound banking principles. It is essential to strictly control granting of credits for unproductive purposes while the

need for "full finance" should not be ignored. The ordinary credit machinery should be kept as far as possible clear of giving emergency loans to tide the farming population over a difficult period which must be done by the State on philanthropic and not on business considerations. Estimated yield and market conditions should be the principal guide in the granting of medium and short-term production credits. The advantages of local management of the institutions granting such credits are worth preserving "and there is no better method of doing so than by reconstituting and revitalizing the primary co-operative credit societies on the aforementioned lines. Seasonal loans for seeds, and fertilisers may with advantage be made on the basis of bills drawn on co-operative societies or firms supplying goods required by the farmer. They thus tend to be held to the uses they purport to serve and may be linked up with the general banking system through discount." An important function of short-term credit is to facilitate the orderly marketing of crops throughout the harvest year. It is of fundamental importance that the principles that apply to ordinary business should govern co-operative practice.

199. *Long-term credit.*—The provision of long-term credit must aim at raising the standard of living of the agriculturist through a judicious policy of stimulating production. This is best attained by granting loans for permanent improvements of land and agricultural technique as well as for reducing and ultimately eliminating the handicaps imposed by chronic and unproductive debts. At present long-term loans are granted by the Government in accordance with the provisions of the Land Improvement Loans Act by money-lenders and requirements; again the difficulties of getting these loans are considerable and regulation of credit supply. Takkavi loans by Government are of very little significance; the total amount disbursed is relatively very small to the total requirements; again the difficulties of getting these loans are considerable due to red-tapism. On the other hand loans by money-lenders do not suffer from delay but the purposes for which loans are utilized are seldom watched so long as the debtors have huge assets and there is ample security for the money-lenders' credit. Hence money-lenders' credit is fraught with more danger than good to the agricultural economy since loans are likely to be frittered away in an unproductive manner. Co-operative Land Mortgage Banks are guided by theoretically high principles. Loans would be granted only for the liquidation of prior indebtedness and for costly permanent improvements to the land. But numerous defects in practical working, have resulted in decimating the benefit that would have otherwise accrued from their activities. The greatest defect in the working of the Co-operative Land Mortgage Banks is the infinite delay in granting loans. An application for loan by a member is examined first by the Board of Directors. An *ad hoc* sub-committee is appointed to examine and evaluate the assets of the borrower. It generally takes things easily, visits the village in which the land of the applicant is

situated, makes local enquiries, exposes to the public the financial plight of the borrower to his bitterness and humiliation, obtains an encumbrance certificate, tries to find out whether the applicant has any unregistered but unacknowledged debt. This is followed by an official inspection by the Sub-Registrar in charge of Land Mortgage Banks. Final recommendation is made in certain lucky cases, for the granting of loan. Then the bank appeals to the Central Co-operative Land Mortgage Bank for finance, which, in its turn, scans and scrutinizes all the concerned documents and after satisfying itself on all points, grants the request. This is followed by the necessary registration and other technical formalities before the applicant gets the loan he applied for. The land is mortgaged to the primary bank which in its turn remortgages the same property to the Central Co-operative Land Mortgage Bank. This tortuous process usually takes nine months to one year to be gone through. Further, there is always an upper limit to the sum that can be granted as loan by a land mortgage bank; the amount of loan granted will be a small fraction of the value of the assets especially when compared with the amount that will be lent by a money-lender on the security of the same assets. Obviously all these will not go to make the land mortgage banks popular among agriculturists who want loans both urgently and without much fuss and needless exposure of their straitened circumstances. Finally the capacity of these banks to provide loans is limited by the rate at which the general public including the Government will subscribe to their debentures. At present, the Central Co-operative Land Mortgage Bank issues debentures and the funds thus raised are lent to the Primary Land Mortgage Banks which in their turn lend on the security of lands mortgaged to the individual borrowers. The Primary Land Mortgage Banks make a profit by raising the rate of interest on its loans above their own rate of borrowing from the Central Land Mortgage Bank. Thus the rate of interest to the agriculturist is pushed up to a high level. The primary banks cannot function independently with their own funds. In short these land mortgage banks are co-operative only in name. They are unable to satisfy the needs of their members without external aid. Excessive delay caused by an elaborate and cumbersome procedure is exasperating to the borrower. This description of the actual working of these banks will show how defective the system is.

200. The whole machinery of long-term credit requires a thorough overhauling. The three different agencies for the provision of long-term credit should be brought under unified control. Extending the principle already adumbrated, *viz.*, that private and unregulated money-lending should be abolished, legislation should be made prohibiting also direct secured loans by money-lenders to agriculturists. No fear need be entertained about any break-down of the long-term credit mechanism on this score so long as adequate alternative arrangements are made. I recommend in a later section some means of liquidating as much of prior debt as possible.

In this section I shall confine myself to devising a scheme of long term financing for permanent improvement of agriculture. An estimate of what amount will be required for this purpose can first be made. As already shown in Chapter V, 1.4 per cent of the landholders only pay an assessment of Rs. 100 and above. The provision of long-term credit to this class of big landholders and the medium landholders will be the concern of the machinery that is to be set up. The claims of small landholders can well be left out because the scope for improvement of land in their case will be strictly limited. It will be admitted that all the big and medium landholders will not be in need of credit and the number of those who need may be safely put down as 50 per cent of the whole. Assuming that on an average each applicant requires Rs. 1,000, the total demand for long-term loans will be about Rs. 100 crores. Permanent improvements, by their very nature, will not be a regular annual event. Indian agriculture being extremely backward, there will be an intense demand for this type of loans for about 5 to 7 years, after which period the tempo of reclamation of land, intensive farming, improving soil conditions and irrigational facilities, the quality of the livestock, equipping farming with modern machinery and implements will gradually spend itself and consequently the demand for loans will decline from the peak level to a plateau. On a rough estimate, the initial period of 5 to 7 years may require a provision of Rs. 15 crores per annum and when an all-round improvement of agricultural economy has been effected, there will be a demand only for about Rs. 4 crores. With regard to the supply of funds for both these periods, I suggest (1) the floating by the provincial Government of "Agricultural Prosperity Loan" of Rs. 15 crores at $2\frac{1}{2}$ per cent. per annum redeemable at the end of 20 years; (2) the utilization of about Rs. 20 crores from the reserves accumulated by the Government of Madras during war years; (3) a subvention of Rs. 50 crores from the Central Government to this province as part of their Rs. 1,000 crore programme for post-war agricultural reconstruction; and (4) *a loan of Rs. 15 crores at 1 per cent by the Reserve Bank for the development of agriculture. Sir Manilal Nanavati has recommended that half the profits of the Reserve Bank should be set apart for agricultural improvement. Assuming that this recommendation is implemented, agriculture will be assured of an annual income; however the amount would not be considerable and will not be helpful in any scheme of rapid reconstruction of agricultural economy. Therefore I would suggest that the Reserve Bank should float a large loan for stimulating and accelerating the pace of agricultural development immediately. This loan may be repaid from a sinking fund which should be built by the accumulation of the half of the annual profits of the Reserve

*The Reserve Bank of India has offered to make large advances to Provincial Co-operative financing institutions at specially low rates of interest. According to this offer, the Provincial Co-operative Bank in the United Provinces received loan funds recently from the Reserve Bank at $1\frac{1}{2}$ per cent. *The Report of the Rayalaseema Co-operative Enquiry Committee* (p. 68).

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Bank earmarked for agricultural improvement. In these several ways, it will not be possible to raise a fund of Rs. 100 crores to be spent in the first 5 or 7 years. For the second period, I recommend the utilization of the yield from agricultural income-tax that must be levied in a progressive manner on all incomes above Rs. 8,000. It is computed that this income-tax has high potentialities of fetching a huge income that will exceed double the land revenue collection to-day. In that case, it will be enough to fix a maximum of Rs. 4 crores out of the entire yield to be utilized for granting agricultural long-term loans every year. It may be added that since agriculture is the basic industry of the province, the Government should not shrink from floating the loan of Rs. 15 crores and spending at least Rs. 20 crores from the reserves. Improvements effected in the agricultural sector, it may be reiterated, will be infectious in spreading to the other sectors.

201. *Machinery for granting long-term loans.*—The prime requisite for the administration of long-term credit is unification of the various agencies now functioning in the field. It has been shown that the co-operative land mortgage banks are not satisfactory either from the stand-point of financial self-sufficiency or from that of efficient and expeditious disposal of loan applications. Provision of funds for long-term loans to agriculturists, according to the scheme outlined, is made the direct responsibility of the Government. It will be a wrong policy for the Government to supply funds and allow co-operative land mortgage banks to exercise the powers of granting loans. Divorce of responsibility from power will lead to endless trouble, particularly in the case of the inefficient land mortgage banks. It is not easy to reform the land mortgage banks; hence it is desirable to convert them into Government Land Mortgage Banks administered by the Co-operative Department. Government can lend also the takkavi loans through these institutions; the number of banks should be increased sufficiently to enable each taluk to have one bank.

202. The process of finding out whether the land offered as security by the borrower is encumbered or not, is now one of the causes of endless delay. This delay may be minimized by following the policy of appointing official valuers as found in Malaya and some other countries. These official valuers are supplied with sufficient information from the Registration, Revenue and other departments as to enable them to give certificates of property to prospective borrowers. The certificates show the extent and the current market value of the property, encumbrances, if any, income, crops grown and all the other details required by any lending institution. On payment of a nominal fee, any person can get a certificate of this kind. I recommend the appointment of such official valuers, one in each taluk, from whom agriculturists may get the certificate and produce it before the Government Land Mortgage Bank that is to be set up. As the certificate gives full information, without further ado or delay, the bank can grant whatever loan it can. The registration fee for the mortgage to be effected

may be further reduced. These banks must also have an out-door inspecting staff whose duty it will be to check whether the loans sanctioned are spent properly without being misused.

203. The rate of interest on these loans is at present 6 per cent which is too high. It is agreed on all sides that agriculture seldom yields more than 3 per cent income. When the income from agriculture is so low, the statutory maximum rate of interest of $6\frac{1}{4}$ per cent fixed on borrowings by the Government so late as in 1938, may be considered regressive at least to those chronic debtors whose lands have been overburdened with debt, even though it may be bearable to prudent agriculturists who borrow small sums for meeting cultivation expenses. The need for reducing the interest rate is clear. I recommend that the repayment of the loans shall take the form of annual instalments of 5 per cent of the capital borrowed for 20 years. As already indicated, the Government will be borrowing at the rate $2\frac{1}{2}$ per cent. The borrowers will pay only the capital back in twenty equated annual payments; their payments are analogous to instalments payable under hire-purchase system. Under normal circumstances the borrower will have no grievance under this scheme; he returns only the capital without any interest. As the annual instalments are paid, the Government can invest the funds and earn some interest, and whatever loss is incurred in this transaction must be met from the public revenues. This loss will have to be borne only on the loans issued in the first 5 or 7 years. In the later period when long-term loans are granted from the revenues realized from the agricultural income-tax, the question of burden will not arise. It can be easily seen that the burden will not be great, for out of the Rs. 100 crores to be lent in the early years only a sum of Rs. 15 crores is borrowed; the rest does not have any trail of interest payment. Whatever the cost of this service is, it may be treated as a subsidy to agriculture, the basic industry of the Province.

204. *Liquidation of prior debt.*—The major portion of the large volume of rural debt existing at present is unproductive in character. Although the real burden of this debt has been considerably lightened by the depreciation of the rupee (already explained at the end of Chapter V), it is still a drag on agriculture. Unless it is removed, it is bound to retard the material progress of the rural masses. Attempts to scale down debts will not affect the core of the problem. A more radical and systematic effort to wipe out the debt is the crying need of the moment and it must be made as early as possible before the onset of depression. In the early thirties when the depression was acute, various proposals for the complete liquidation of rural debt were made. Mr. Jamnadas Mehta, in a speech in Bombay on 29th October 1938, suggested that the State must take over the ryots' debt and convert Sowcar's loans into its own at a moderate rate of interest and that creditors should be given bonds having a currency of 60 years and yielding an interest of 4 per cent. In his book "The Problem of Agricultural

Indebtedness (1933)," Mr. Nalin Ranjan Sirkar proposed that the State should take over the debt of at least those ryots who, although incapable of repaying their debt, have sufficient holdings to maintain them if relieved of debt. For this purpose, the Government should float a loan for the total amount, payable in 50 or 60 years out of which they could settle the claims of money-lenders. Both these schemes are too generous with both debtors and creditors and throw a heavy financial responsibility upon the State. For, a large number of debtors would have been wastrels and rescuing them from the grip of their creditors will mean putting a premium on improvidence; and many creditors, if they resorted to court for recovery of their loans would not get the full value of their claims but these two schemes offer full payment to them.

205. A sound scheme of liquidation must not be inequitable to the lender or borrower nor should it subject the Government to serious financial commitments. It must rest on a scientific classification of debtors as well as creditors. The former may be divided into "hopelessly indebted" whose debts exceed their assets and "moderately indebted" who are solvent but do not have liquid resources to pay off their debts. With regard to the first class, which consists of chronic debtors, the creditors will not be able to realize their loans and arrears of interest to the full, whatever means they may adopt. The best solution for the liquidation of their debt is to set up rural insolvency courts and declare them insolvent. From the time the report of the Royal Commission on Agriculture was published, the necessity for this kind of legislation has received emphasis. I am of opinion that mere establishment of Rural Insolvency Courts will not end this problem; no debtor will willingly rush to an insolvency court and incur the odium attached to it. As such a debtor has generally more than one creditor, none of them would easily file a creditor petition but each would try to get his loan repaid fully; because in the case of a debtor whose assets form only a fraction of his liabilities, declaration of insolvency by the Court would result in *pro rata* distribution of assets. Thus both the debtor and the creditors will not be too eager to go to the insolvency court. But this state of affairs must not be allowed to continue as it is detrimental to rural economy. So I recommend the following procedure:—The establishment of Rural Insolvency Courts one in every taluk, should be preceded by an enactment compelling every money-lender to submit to a special Taluk Liquidation Officer before a certain date a detailed statement of his loans. Any person who has failed to mention any of his loan transactions will have to forfeit the right of recovering that loan from his debtor. A penal clause to this effect will make all the money-lenders supply all the information needed to gain an idea of total indebtedness. Synchronized with this, there must be a legislation asking all the debtors to give the same officer a statement of their indebtedness and assets. Any concealment of any debt should be declared a penal offence. By the two legislative acts, a complete

census of debts together with assets may be obtained. From an analysis of these data, the number and character of hopelessly indebted can easily be found out. It should be the duty of the officer to prepare a list of insolvent or hopelessly indebted debtors. Within a month of the publication of this list, the debtors must be obliged to appear before the insolvency court. They should be declared insolvent and their assets except the dwelling house, may be distributed *pro rata* among the various creditors. On the whole, with this element of compulsion, about 25 per cent of the debtors will be freed from debt as well as land. These debtors are generally such inveterate borrowers and inefficient agriculturists that their exit from the agricultural economy will not make it poorer: on the other hand a clog in the wheel will have been got rid of. By this process, it is estimated that about Rs. 30 crores of debt may be wiped out. This scheme is sympathetic to the debtor in so far as it leaves his dwelling house with him and it is so to the creditor because it saves him from the trouble of going to court and spending much of his energy and money. At the same time, the Government do not stand to lose. The only problem is to reabsorb the former debtor in some productive occupation for which development of rural subsidiary industries is essential. The transformation of the chronic debtors into almost paupers might inflict individual sufferings but this will have to be done for vitalising agriculture. More will be said about their re-employment in a later section.

206. Among the moderately indebted, it will be convenient to distinguish those who have mortgaged their lands with possession from the rest. In the Punjab, there is an Act which enables the usufructuary mortgagors to get back their lands so mortgaged after a period of 25 years from the mortgagees without any repayment of capital. Because it is deemed that the creditor who is in full possession of the land mortgaged would have realized both interest charges and the capital originally lent from the annual income. In normal years, it has been calculated that the income accruing from the hypotheca in a period of 25 years will suffice to wipe out the debt contracted on its security since creditors generally demand and get such high income-yielding property. If 25 years are required for the complete clearance of debt of any usufructuary debt in normal times, 15 years will be enough now in view of the abnormal rise in prices of agricultural produce during the last four years. In the majority of usufructuary mortgages, the creditors are non-cultivating grain rent-receivers and the benefit of the rise in prices has been fully derived by them. For example, suppose that a creditor gets 50 maunds of paddy as rent from the land hypothecated to him. In 1939, he would have sold it for Rs. 150 at the rate of Rs. 3 per maund. After deducting the land revenue payment, say Rs. 15, he will get a net income of Rs. 135. Since 1942, he will be selling the same quantity of paddy at Rs. 7-8-0 (assuming a rise of 150 per cent in the prices), for Rs. 375. Less land revenue, he will get a net income of Rs. 360 which is

more than $2\frac{1}{2}$ times the income he would have expected and obtained but for the wartime boom. Thus in four years of high prices, he has secured an additional income equivalent to six years' normal income. Hence the period for the return of land to the mortgagor may *pro tanto* be reduced. This argument, of course, does not apply to mortgagees who directly cultivate the mortgaged land, because of the rise in costs of cultivation which reduce substantially the margin of profit. Hence I recommend that, with necessary exemptions for land cases similar to that just now mentioned, legislation should be made requiring all the usufructuary mortgages to be released after the lapse of 15 years. In that case, all the debts contracted by means of executing usufructuary mortgages before 1931 will automatically cancel themselves and by the end of 1950, also those executed as late as 1935. The outcome of this legislation will be the liquidation of a decent proportion of the aggregate indebtedness. It may be estimated at about Rs. 30 crores.

207. Debtors other than those who are not chronic and have not borrowed on usufructuary mortgages, will constitute a very large percentage of the total number and will owe the largest proportion of the total rural debt. Immediate liquidation of their debts is a difficult problem, but as has been already emphasized, difficulties are not to baffle the reformer but are to be overcome by him. I recommend the following scheme for the clearance of this category of debts. One outcome of the legislation proposed in paragraph 205 will be that the special taluk officer will be in possession of all cases of indebtedness within his jurisdiction and likewise the Government, of all cases in the whole Province. All the debtors except those classified as hopelessly indebted will have to be relieved of their debts. Legislation should be made to enable the Rural Insolvency and Debt Courts to make awards in these cases. The creditors may be given one of two alternatives to choose for the cancellation of their claims; they may, first, be given the option of receiving land instead of cash in due discharge of their loans and the land to be valued at current market rate by an impartial tribunal of non-officials, set up one in each taluk. By this method the debtor will be able to enjoy the benefit of rise in land values when he is relieved of his debt. At the same time the creditor is not seriously affected because as there is still unappeased land hunger he can sell away the land thus got if he wants cash. The other alternative is to give the creditors bonds equal in value to his loan bearing 3 per cent interest. These bonds may be guaranteed by the State and made transferable, but not redeemable at any time, on the pattern of the British Consols. When creditors need money, they can sell these bonds in the Stock Exchange. In order to pay the interest at the rate of 3 per cent, the State should collect from the indebted agriculturists an amount equal to 3 per cent of their debts in perpetuity together with land revenue. The incidental expenses, not likely to be large, in converting the debts of individual agriculturists into bonds issued and

guaranteed by the Government may be borne by the Government themselves. Necessary steps to safeguard the rights of the Government to collect this extra 3 per cent from the indebted farmers must be taken, even if the debtors sell away their lands. The payment of this interest should be the first charge next only to land revenue on the lands held by the debtors at the time of the introduction of this scheme. The debtors served by this scheme are only moderately indebted; therefore the payment of three per cent interest will not be a burden at all.

208. *Interest rate.*—Before concluding this section, I wish to emphasize the necessity for lowering the rate of interest on agricultural loans, whether long or short-term, to 3 per cent per annum. When Governments with vast resources are paying only $2\frac{1}{2}$ or 3 per cent interest, it is most inequitable to make the peasant pay a higher rate of interest. It may be contended that the latter does not enjoy as much credit as the former; but under the scheme outlined in this chapter, loans granted to agriculturists will not turn out to be bad, calling for a higher percentage of interest as insurance against loss. By the rigid rules framed for taking and giving loans and by making all transactions pass through authorised institutions, loans will be made more safe though less in volume. Further, the quantity of money in circulation, has increased nearly sixfold in the last six years. There is more money in the hands of the people. The problem is how to attract it to agriculture for rehabilitating it. As the risk of repetition I would say that other avenues of investment must either be closed or made less attractive. This can be effected only if the Central Government fixed ceilings to dividends on industrial investments. The trend in recent times, accentuated during war years, is a gradual decline in interest rate. The bank rate has fallen; the rate of interest on current deposits universally has almost reached zero and on fixed deposits 2 or $2\frac{1}{2}$ per cent. It is, therefore, in the fitness of things that the rate of interest on all loans taken by the rural masses should also be brought down to the level obtaining in other spheres. The experience gained in war time of making finance the handmaid of public policy, should not be lost or thrown away in peacetime, for, a continuation of this attitude towards money will be productive of immense social benefit.

209. *Price stabilization.*—Indian agriculture is as much a gamble in prices as in monsoons. Even the most efficient agriculturist will meet with loss if prices fall below all reasonable expectations. "In recent years a large number of governments have introduced numerous measures designed to influence agricultural production by encouraging some crops, limiting or restricting others, and sometimes prohibiting fresh plantations, and to organize produce markets more efficiently by storing or holding up of crops."

* Report on systems of Agricultural Credit and Insurance—page 3.

But none of them, singly or in combination, can ward off losses if measures for the prevention of violent fluctuation in prices are not taken. Such measures must provide for spreading sales over a period of time and also for the fixing of the prices of agricultural produce. In agriculture, more than in any other industry, prices are susceptible to frequent and disastrous changes, for the demand for agricultural commodities is inelastic whereas production is very variable on account of seasonal and other influences. "A cycle of rising prices and expanding production is followed by falling prices and contracting production, carrying in its train many costly miscalculations and avoidable losses." Adjustment of supply and demand is a very difficult matter in agriculture, which will be further aggravated if imports and exports are freely allowed. Lack of an efficient marketing system will also disturb prices. Insurance against price changes, therefore, is the cardinal need of agriculture. Price stabilization is decisively the only remedy. The problem of price control bristles with many difficulties. The interests of the consumers, the reasonable margin of profit, the varying costs of cultivation in various regions, the relationship between prices of agricultural produce and other manufactured goods ordinarily consumed by the farmers and the level of prices obtaining in other provinces and countries are some of the main points for serious consideration in any scheme of price stabilization. It is much too complex a problem for exhaustive treatment here. Already a sub-committee appointed by the Government of India is examining this problem. So, I will content myself with some general observations on the broad policy to be adopted to stabilize prices. Without a reference to the high wartime prices, no solution will prove to be satisfactory. The rise in wages and the costs of cultivation, the absence of imports and failure of harvests due to natural calamities will have to be taken into account before a consideration of the level at which prices may be pegged. Fixing the prices of individual grains is doomed to be a failure. Price stabilization should cover all kinds of agricultural produce. The price structure thus constructed must not be at great variance with that prevailing in an adjacent province, State or country with which there is unrestricted trade. It is a moot question whether prices should be fixed or statutory ceilings and floors should be maintained. Prices cannot be fixed permanently; revision of prices will be necessary. It must be decided whether revision should take place annually or at longer intervals. After examining all these aspects, I feel that price stabilization must be the function of the Central Government, which must regulate imports and exports by means of tariff or quota system with a view to maintaining the prices at the pre-determined level. Parity of prices of various commodities must not be violently disturbed. Prices should be revised once in three years with the twofold objective of assuring reasonable profit to the agriculturists and steering production of the various crops, food and non-food, in the desired direction. Prices of agricultural commodities may be fixed at 100 per cent, of wages

at 125 per cent, of all agricultural requisites and consumption goods at 50 per cent above the respective pre-war levels.

210. Prices of agricultural produce have a direct bearing on land values. Sale of lands at fancy or speculative prices must be sternly discouraged. Stable prices of agricultural produce will help but not assure the stabilization of land values. Very high prices of lands are harmful both to agriculture and other industries, for, investment will be diverted into barren fields. Further abnormal rise in land values artificially inflates the credit of agriculturists enabling them to borrow more. Purchase of lands at exorbitant prices has become the pastime of the new rich; people who have piled up wealth in commerce and industry buy lands without any idea of taking to cultivation. Speculative prices should be controlled and methods must be evolved to appropriate to the State profits of unwarranted rise in the price of land.

The Co-operators' Book Depot

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Rc. 18408/46-A.

Dated 9-1-1947.

Sub : Co-operative Societies—Agricultural Credit movement —Reorganisation—formation of "Rural Banks"—proposals.

Agricultural co-operative credit societies, which have been in existence for nearly forty years, have been providing credit to the agriculturists for cultivation, payment of kist, domestic expenses and for other purposes. Their working has undoubtedly brought about a general reduction in the lending rates in the countryside and has afforded the small agriculturists a suitable agency for obtaining loans on reasonable terms and repaying them in convenient instalments. There is, however, a growing feeling that the present position of rural credit societies, as they are now constituted and functioning, is not such as to inspire much hope that they can, in the immediate future, be made to play a substantial part in financing agriculture, much less to become the sole supplier of such finance. It is a fact that the money-lender, whether agricultural or professional, still constitutes a major source of rural credit. It is felt that the village credit societies have not been able to supply prompt and timely credit to their members, that their membership and business turnover is very small and that they are not economic credit units. It is, therefore, urged that a reorganisation or transformation on a broad basis of village credit societies into rural banks is necessary. The intention is that the societies should be formed for a group of villages and managed by competent paid staff and that they should supply short-term and medium-term loans on personal surety, mortgage, produce and gold jewels as well as grant cash credits on tangible securities. The idea is that the societies should function as rural banks, tap local deposits from well-to-do agricultural classes and open current accounts. The objective is not only to eliminate the weaknesses in the present village credit system, ensure cheap, efficient and prompt credit service to the ryots but also to promote thrift and banking habits and utilise the rural resources for rural progress. The Registrar considers that an attempt should be made to work credit societies on the above lines in select areas as an experiment so that if it succeeds, the extension of the system to other areas may be considered.

2. On 30-6-46 there were 10,834 rural credit societies in the Province with a membership of 6.60 lakhs and a paid up share capital of Rs. 58.20 lakhs. The average membership and paid up share capital per society works out to 61 and Rs. 537 respectively. As regards business, all these societies issued loans to the extent of Rs. 261.75 lakhs during 1945-46 and on 30-6-46, the total loans outstanding against members were Rs. 323.56 lakhs. The average loan issued per member during the year 1945-46

amounted to Rs. 125, the average loan outstanding per member was Rs. 50 and the average loan per indebted member was only Rs. 100. During the same year 5,766 rural credit societies worked at a profit of Rs. 6.46 lakhs while 4,631 societies worked at a loss of Rs. 12.69 lakhs. The average profit per society was only Rs. 115, whereas the average loss was Rs. 274. The percentage of the number of societies that worked at a loss to the total number of societies works out to 43. It will thus be seen that membership and paid up share capital of these societies are poor, the business turn-over meagre and quite a large number of societies worked at a loss. Besides, more than 2,000 societies have not borrowed from the central banks for over 5 years. These point to the imperative need for a change or modification of the credit system and that a new approach to the problem is called for, if the rural co-operative credit movement should play a vital role in the agricultural economy of the Province.

3. It has been often pointed out that the smallness of the size of the rural credit societies, their inadequate turn-over and a lack of adequate man-power to manage the societies are primarily responsible for their present state of working. As at present, societies have jurisdiction generally over one village, in some cases over two or more contiguous villages. With their small membership, low turn-over and insufficient margin, too inadequate to meet the cost of a full-time secretary or manager etc., many of these societies have been working as uneconomic units. Most of them depend on the supervisory staff to help them to carry on their day-to-day administration, and the financing banks are unable to maintain a large staff for intensive supervision and development of these societies. Want of adequate supervising staff has also contributed to the present state of affairs. Many central banks plead inability to appoint additional staff for supervision as their supervision fund is not adequate for the purpose and as already they have been making large contributions from their general funds for the maintenance of the existing staff itself.

4. It is held that societies with wide jurisdiction and large membership can command greater volume of business, attract local deposits and provide facilities for quick disbursement of loans to members. With large turn-over and consequently big income, such societies can afford to employ the necessary paid staff. This proposal for the formation of bigger societies finds support in the views expressed by the Madras Committee on Co-operation (1939-40). That Committee has strongly recommended the expansion of rural credit movement with the formation of bigger societies and observed as follows : —

"We do not think that the proposed organisation of village societies on a wider basis will do such violence to the principles of proximity or corporate life as has been apprehended. In most districts, villages are situated close to one another and there is among them an intimate identity of agricultural and economic interests, social bonds too, which throw them

together. An area of three to five miles which we have suggested does not for these reasons, offend the principle of proximity."

The All-India Co-operative Planning Committee (1946) has also suggested the formation of bigger societies and the adoption of limited liability in the areas where unlimited liability has not been much of a success. Thus there has been a growing volume of authoritative opinion in favour of the formation of bigger societies. The Registrar considers that it is time that a trial is given to this reorganised type of credit society.

5. Though there are provisions in the by-laws of existing rural credit societies for the joint purchase of agricultural and domestic articles and also for joint sale of produce, these provisions have been rarely utilised. Recently, of course, several credit societies have undertaken the distribution of foodgrains and other controlled commodities. But when the controls are removed, the societies may relapse into the state in which they were before. It is recognised that a credit society should be not merely a supplier of credit but of other agricultural needs of the members, such as, agricultural and other requisites. The Reserve Bank of India in its Bulletin No. 2 entitled "Co-operative Village Banks" has observed that if a village society serves merely as an agency for the supply of cheap credit, it will not succeed in ameliorating the condition of the farmers to any great extent because the dearness of credit is by no means the only cause of their plight. The reorganised credit society should, therefore, function in the long run as a multi-purpose society and aim at an all round economic improvement of the agriculturists and embrace within its scope the performance of as many useful and remunerative functions as possible.

6. For what has been stated above, the main distinguishing features of the proposed rural bank will be the following :—

- (i) The area of operations will extend to villages within a radius of 3 to 5 miles covering about 20 to 25 villages.
- (ii) It will provide the following credit facilities :—
 - (a) Short-term and medium-term loans on personal surety and mortgage of immovable properties ;
 - (b) Loans on the pledge of produce, jewels, and approved securities ;
 - (c) Cash credits on adequate securities, especially on continuing mortgage bonds.
- (iii) It will have provision to accept deposits such as fixed savings, current, etc., and will tap local resources.
- (iv) It will encourage thrift among members and even non-members by introducing hundi box system, recurring or thrift deposits, etc.
- (v) The management of the rural bank will vest in a board of directors consisting of representatives of groups of villages. As the Board

may be large, provision will be made for an Executive Committee. The principle of nomination may be adopted in the first one or two years if this is agreeable to the members.

(vi) It will have a paid secretary and the necessary paid staff and the office of the bank will be located in a suitable building with provision for a strong room, etc.,

(vii) It will encourage self-help, mutual help, thrift, punctuality, industry, honesty, etc., and undertake educational and propaganda work.

As regards the liability of members it may either be unlimited or limited. This may be decided at the time of organising the rural banks with reference to local conditions. If the promoters desire that it should be on limited liability basis, there will be no objection to permit the formation of societies on limited liability basis. As the officers are aware, section 4 of the Madras Co-operative Societies Act requires that where the majority of members are agriculturists, the credit society should be based on unlimited liability basis. Exemption will have therefore to be obtained from Government under Section 60 of the Act for the rural banks to be in any areas formed on limited liability basis.

In the second stage of development, provision will be made for the supply by the rural banks of agricultural, domestic and industrial requirements of their members and for the promotion of multi-purpose objects touching the different aspects of agricultural economy. In the first two years all efforts will be concentrated on the development of efficient, prompt and satisfactory credit services.

It is expected that with the above objects and provisions, the proposed new rural bank will be able to provide all kinds of credit facilities to the villagers most promptly, arrange for the supply of their requirements and also for the sale of their produce. For the present it is proposed to try the scheme only in *select* centres in the districts and the results watched before extending it to other areas.

7. The Registrar desires to put the scheme into effect as early as possible in select centres in each district. Two select areas—one wet and one dry—in each district may be taken up for trying the experiment. The area selected should be compact with sufficient number of villages and should have the necessary facilities to ensure successful working. In the selection of centres, great care is necessary. Officers should consult the Central Banks concerned. The Deputy Registrars should, for this purpose, conduct all preliminary enquiries personally and organisation may be taken up at once if the Deputy Registrars are satisfied with the possibilities of the successful working of the banks in the centres chosen. The registration of the rural banks should be done, however, after obtaining the Registrar's previous permission. While submitting the organisation proposals, the

Deputy Registrars should among other matters furnish the following particulars :—

- (i) Name of the centre (wet and dry) separately.
- (ii) Number of villages proposed to be included in the area and the maximum distance of the villages from the proposed headquarters of the society.
- (iii) Number of miles of radius within which the society will operate.
- (iv) The name of the headquarters of the bank.
- (v) Is there a co-operative society already in the place and how is it working?
- (vi) Number of village societies now working in the villages proposed to be included and how they work.
- (vii) Transport facilities in the area selected.
- (viii) Facilities for buildings to locate the bank and also godowns (places having rural godowns-cum-village halls may be selected).
- (ix) Approximate amount of money required for 50 per cent of the agriculturists in the area of operations of the proposed society.
- (x) Availability of local resources such as deposits, etc.,
- (xi) Whether local educated persons are available for appointment as paid staff.
- (xii) Availability of proper men to manage the society.
- (xiii) Area under cultivation.
- (xiv) Nature of crops in the area.
- (xv) Probable turn-over of loan business.
- (xvi) Nature of activities besides credit, which can be expected to be undertaken by the society in due course.

8. The model by-laws or rural credit societies with suitable modifications may be adopted for the proposed rural banks. A suitable model copy is being drawn up and will be communicated separately. The authorised share capital may be fixed at not less than Rs. one lakh and the 'Rural Bank' should be assured of a minimum paid up share capital of at least Rs. 25,000 at the start. Regarding liability of members, it may be on unlimited liability basis in accordance with the provisions of section 4 (ii) of the Madras Co-operative Societies Act. However, if the promoters desire to have limited liability relaxation of the condition in section 4 (ii) will have to be obtained from Government. This will be done on receipt of organisation proposals. The Deputy Registrars are requested to take up the matter at once, proceed with the necessary enquiries and organisation and submit proposals by 15-2-47. The Registrar desires that 'Rural Banks' should be started quickly and expects that the officers will take a lively interest in the experiment and ensure the sound working of the proposed banks so that they may be a guide to many such banks that may be started in the future, they should serve large sections of the agricultural community and confer the greatest possible benefit on them.

Dated 30-1-1947.

D. 13428/46-S1.

Sub: Primary stores—Amalgamation of smaller primaries in a contiguous area into a larger unit for ensuring efficient retail distribution—Resolution No. 21 of the Business Conference.

A large number of primary stores, especially rural stores, function more or less as *ad hoc* bodies for the distribution of controlled articles. It is obvious that unless they are considerably strengthened, many of them are likely to face mortality with the return of normal competitive trade conditions. The Registrar has, therefore, been repeatedly urging that the efforts of all departmental officers and the non-official co-operators should be directed towards an examination of the factors which hinder the stability of the stores and concert measures to pull up the weak stores. One of the methods suggested for strengthening the weak stores which are still undeveloped, is their amalgamation into large and economic units. Some of these stores, though financially not bad, have not developed their business to such sufficiently reasonable level as to pay their way. It may be that the area of their operations is too small or the number of families in their jurisdiction is very limited or there are no suitable persons to manage the stores; or the stores has no proper building at a central or convenient place. If small stores which suffer from any or all of these handicaps are, by a process of amalgamation, welded into a strong business unit, they may have reasonable chances of survival or success in the normal times. This is a possible alternative to their voluntary or statutory liquidation.

2. Again, there are stores with very poor share capital; their share capital structure needs to be strengthened.

The following table indicates the share capital position of the primaries that have reached the minimum share capital prescribed by the Registrar :—

Type of Stores.	Amount fixed.	No. of stores that have reached the minimum as on 30-6-1946.
Urban Stores	Rs. 10,000	56
Semi-Urban stores	" 5,000	147
Rural stores	" 2,500	486
		689

It is clear that the remaining stores—which constitute about 50 per cent of the total—have not reached the standard fixed. There are still 28 stores which have less than Rs. 1,000 share capital. It has often been pointed out in the reviews that the weak stores should shake off their indifference and take advantage of the present opportunities afforded them through procurement, etc., and strengthen their share capital position. Only

61 per cent of the rural stores, 48 per cent of the semi-urban stores and 27 per cent of the urban stores have reached the targets fixed for them.

The number of stores which have sustained loss are also increasing year after year as may be evidenced from the comparative figures given below :—

Year.	No. of stores that sustained loss.	Amount involved
1943-44	301	Rs. 28,949
1944-45	457	„ 3,82,517
1945-46	502	„ 5,85,122

The causes for an increase in “loss societies” are not far to seek. The following among other things are the chief causes for losses :—

- (i) Heavy establishment and contingent charges ;
- (ii) Huge or undue deficits or shortages in stocks ;
- (iii) Limited business only in controlled commodities ;
- (iv) Heavy depreciation and pilferage by dishonest staff.

It has been noticed that even stores which made huge sales, sometimes suffered losses. The need for an examination of the causes for such losses, a curtailment of expenditure consistent with efficiency, a reduction in deficits in stock by making the necessary godown repairs and exercising proper control over the staff and recovery of value of undue deficits, from persons responsible, etc., have repeatedly been impressed on the stores societies.

It is in respect of such weak stores the suggestion as to amalgamation has been made. If, in spite of repeated efforts, it is found impossible to pull them up, their amalgamation into strong business units may help them to work economically and efficiently. It is difficult to lay down in any general terms in what cases amalgamation is possible or desirable or whether or not it would achieve the desired objective. These are matters which have to be decided with due regard to local conditions. Amalgamation may often prove beneficial and this alternative deserves consideration before liquidation is thought of. When through amalgamation one of the independent societies at a place disappears, a depot or branch of the amalgamated society may be opened at the place and economically managed.

3. An average retail stores, it is estimated, would require a minimum expenditure of Rs. 120 per month under establishment and contingencies. To make the stores self-supporting, it is considered that the annual sales turnover should be about Rs. 45,000, or Rs. 120 per day. Judged from this standard it is obvious that many primaries, especially those in the surplus districts with poor turnover or restricted trade in a few controlled commodities, have to go a long way to reach this target. In such cases, amalgamation may be resorted to if distance, local opinion, possibilities of

CIRCULARS

business efficiency and success, etc., favour it. It may lead to efficient management with less cost. The difficulty, however, is to devise means of effectively catering to the members of all the villages scattered over a wide area. This can be done, as has just been indicated, by the amalgamated stores opening depots or branches in all suitable villages and ensuring adequate supervision and control over them. If the area is contiguous and compact, the work should certainly be easy. Even if all circumstances are in favour of amalgamation, local feeling and sentiment may be opposed to it. It is hoped that such feelings will be subordinated to considerations of business efficiency, and eventual extinction of such weak stores will not be preferred to their survival in a strong amalgamated organisation. Representation of all villages may be ensured in the board of management of the amalgamated stores through suitable provision in its by-laws.

4. This subject (No. 21) was considered by the Business Conference of the representatives of co-operative wholesale and select primary stores, and the following resolution has been passed :—

Resolution No. 21 : “The Conference accepts the principle of amalgamation in the circumstances described in the note and suggests that it may be given effect to wherever desirable and necessary.” (The circumstances have been described in the foregoing paragraphs.)

5. The Deputy Registrars are requested to try amalgamation of weak stores with neighbouring ones, wherever possible, before recommending them for liquidation. This is one of the methods of the post-war consolidation, stability and reorganisation of consumers’ co-operation in the Province. The co-operative wholesale stores and the central banks may be consulted in all such cases.

III

R. C. 538/47. J.

Dated, 27-1-1947.

Sub :—Primary Land Mortgage Banks—Model by-laws—amendment to by-law No. 49.

Read :—1. Registrar's Circular No. B. 1. 4621/33, dated, 16-4-34.

2. „ B. 1. 2230/34, dated, 27-4-34.

The model by-law No. 49, of the primary land mortgage banks, runs as follows :

By-law No. 49 :—If a borrower is in arrears in respect of any instalment, the whole loan may, without any reference to the rate fixed for payment of future instalments and at the option of the directors, become recoverable. The board shall, however, exercise the option at once to recover either the overdue instalment or the entire loan if the default continues for more than three months. If the board does not in such a case choose to exercise the option of recovering the entire outstanding loan, but is inclined, for satisfactory reasons, to waive it, it may do so, provided it

collects all arrear interest due from the borrower and obtains the previous permission of the President, Central Land Mortgage Bank, and informs the Registrar that such permission has been obtained. It shall also communicate its decision to the mortgagor. In such a case it may file a suit or proceed otherwise, as laid down in the Madras Co-operative Land Mortgage Banks Act, 1934, to recover instalments in default without suing for or taking steps to recover the entire outstanding loan. The board shall not exercise the option and waive the default and sue to recover the instalments in default after the lapse of the period fixed in the bond for payment of the entire loan. On all not exceeding 15 days.

Where a loan is closed the Central Land Mortgage Bank and Registrar of Co-operative Societies. In short; the bank cannot exercise its option to waive the closure of the loan account unless and until the interest portion of the instalment that is due has been recovered.

2. It has been represented that the condition imposed as regards the recovery of interest has worked hardship on the borrowers because under the system of repayment of equated instalments which includes both interest and principal, the interest portion in the first ten years of a 200-year loan is larger than the principal portion. It has been suggested that it would be hard for the borrower to repay a larger portion of the instalment when he is not in a position to do so and that the provision to recover the interest portion may be deleted. The Board of Directors of the Central Land Mortgage Bank which has been consulted, has agreed to the deletion of the following provision in by-law No. 49 of the model by-laws of the primary land mortgage banks :—

“ provided it collects all arrear interest due from the borrower and obtains the previous permission of the President, Central Land Mortgage Bank, and informs the Registrar that such permission has been obtained. It shall also communicate its decision to the mortgagor.” The Registrar agrees with the Board of Directors of the Central Land Mortgage Bank and commands the deletion of the provision by the primary land mortgage banks.

Working of Co-operative Societies

in regard to Procurement of Foodgrains in the Province

By the Registrar of Co-operative Societies, Madras

One of the several measures the Government of Madras have taken to meet the difficult food situation in the Province, is the introduction of intensive procurement, the object of which is to secure all the available surplus foodgrains, from producers and to prevent their entering into black markets and to check their being hoarded by the ryots themselves. The procurement operations in the Malabar district are governed by the Malabar Foodgrains Procurement Order and in the other districts by the Madras Foodgrains Procurement Order.

Under the scheme of intensive procurement of paddy and millets, every person who, whether as landholder, occupier, tenant, sub-tenant or lessee, or in any other capacity, cultivates any land with paddy or with millets, viz., cholam, cumbu, ragi, korra, samai, varagu, or who receives any portion of such paddy or millets as rent or interest or repayment of loans in kind is required to sell the surplus foodgrains, after retaining the necessary stock of foodgrains to meet his domestic consumption and agricultural needs, to the Collector of the district or to an agent appointed and notified by him in this behalf. The Revenue authorities fix the levy on the basis of village accounts, i.e., the quantity of surplus produce to be tendered by each ryot, the ryots are precluded from selling surplus produce to anyone except the authorised procuring agent. If the surplus is not voluntarily surrendered, recourse is had to the requisitioning of stocks. In arriving at the surplus of a ryot the following factors are taken into account :—

- (i) Consumption by the cultivator and his family at the rate of 1 lb. per day per head ;
- (ii) payment of rent or interest in kind ;
- (iii) advances to the tenant for agricultural expenses where it is usual to make such advances.
- (iv) payment to a village artisan or other person entitled to receive it as customary remuneration ; and
- (v) seeds for cultivation and wages to labourers employed.

A scale for the allowances to be made for seeds and wages is determined according to local conditions by the Collector in consultation with the Agricultural Department and is communicated to the subordinate officers for guidance. Where persons cultivate lands in more than one village, they are required to file a declaration of the areas under food crops cultivated by them or on which they receive rent and the village from which they wish their requirements to be deducted in computing the surplus.

Preparation of Demand lists :—After an enumeration of acreage cultivated by each ryot with food crops and an estimate of the yield therefrom, the Revenue officials deduct the requirements of each cultivator and arrive at the surplus of foodgrains which he should sell to the authorised procuring agents. A list of such ryots with the quantity of surplus foodgrains available with them is then drawn up according to villages and copies of the lists are supplied to the procuring agents for collecting the foodgrains.

Delivery of surplus foodgrains :—The surplus foodgrains are required to be delivered by the producers to the agent appointed by the Collector in the village and at prices notified by him on or before a prescribed date. The authorised agents—whether they are Co-operative institutions or private individuals—purchase the surplus according to village demand lists. Producers can also sell foodgrains to the agent even in the absence of demand lists and the quantities so delivered will be deducted from the surplus that has to be procured from them according to the demand lists. The surplus is purchased from smaller cultivator soon after the harvest and from bigger ryots in instalments not exceeding three but not later than six months after the harvest.

Fixation of prices and release of stocks :—Village site prices of paddy and millets are fixed by the Collectors. They are either paid on the spot by the purchasing agents or obtain payment from the sub-treasuries on production of the delivery note duly receipted by the procuring agent or sub-agent. Similarly, wholesale issue prices are also fixed by the Collectors under instructions from the Commissioner of Civil Supplies after taking into account the reasonable incidental charges and allowing a margin of profit to the procuring agent or the wholesaler. The procuring agents get the paddy milled, store it in godowns and release them under instructions from the Revenue authorities to the retail ration shops for distribution to the public. The Collector and the District Supply Officer can move the stocks from one taluk to another according to local needs. In respect of surplus districts the stocks of foodgrains in excess of the requirements of each village are procured by an authorised agent for purpose of export to deficit districts under instructions from the Revenue authorities.

Role of Co-operative institutions in the scheme of intensive procurement of foodgrains :—Co-operative stores—both primary and wholesale—which have been playing their part in the equitable distribution of all the controlled and essential commodities under the schemes of statutory and informal rationing, have been reorganised as agencies for procurement of foodgrains also. While ensuring the interests of consumers, Co-operative societies also look to the interests of producers by using fair weights and measures refraining from unauthorised deduction and mamools, that generally characterise private trade in foodgrains. During the Co-operative year ended 30-6-46 fifty-seven primary or retail Co-operative stores have been entrusted with procurement of paddy and rice and they have opened 107

WORKING OF CO-OPERATIVE SOCIETIES

depots for the purpose, while 49 stores undertook procurement of millets and opened 32 depots for the collection of foodgrains. The following table shows the extent of their procurement work during the year 1945-46 :—

	Value of stock procured during the year Rs. (in lakhs)	Value of stock released during the year Rs. (in lakhs)	Value of stock on hand at the end of the year Rs. (in lakhs)
Rice and paddy ...	20.66	15.15	10.46
Millets ...	7.36	7.02	0.43
Total ...	28.02	20.15	10.89

These figures are exclusive of those relating to the procurement operations of the District *wholesale stores*, co-operative sale or marketing societies, marketing federations and other types of societies entrusted with procurement work. Thirty-eight of the primary stores which carried on procurement work worked at a gross profit of Rs. 3.68 lakhs and a net profit of Rs. 2.40 lakhs. The value of foodgrains procured by co-operative marketing federations during the year was Rs. 7.55 lakhs.

Of the 21 district co-operative wholesale stores in the province, 15 wholesale stores have been entrusted with procurement work in their respective districts. The South Kanara District Co-operative Wholesale Stores, Mangalore, enjoys the unique honour of being the first wholesale co-operative organization to be entrusted with *monopoly procurement* of foodgrain in the entire district of S. Kanara. It has been appointed as the sale procurement agency for the entire district for three successive seasons. Two other C. W. S. which have recently been entrusted with districtwide procurement are the Tinnevely District C. W. S. and the Vizianagaram Central Co-operative Stores (in the Vizagapatam district.) The value of foodgrains procured by all C. W. S. during the year was Rs. 280.41 lakhs and stocks worth Rs. 280.24 lakhs were released by them on the authorization of the Collectors concerned. The services of primary or retail co-operative stores and credit societies are being utilised along with those of approved private dealers for retail distribution of both the imported and procured foodgrains to the public. To facilitate procurement operations these C.W.S. have established 423 depots or reception depots for storage of foodgrains procured by them.

Duties and responsibilities of co-operative societies which undertake procurement :—Every co-operative institution entrusted with procurement work is required to execute an agreement in the prescribed form in favour of the Collector binding itself to observe the following conditions :—

(i) to purchase all the notified foodgrains that are available in the area allotted to it at the rates to be prescribed from time to time by the Commissioner of Civil Supplies or an officer authorised by him in this behalf ;

(ii) to store the notified foodgrains purchased by it in proper godowns and to be responsible for their safe custody.

(iii) to sell the notified foodgrains to the persons to whom it is directed to sell at such rates as may be determined from time to time :

(iv) to make a deposit with the Collector at the rate of Rs. 250 for each depot opened subject to a maximum of Rs. 1,000 if there are more depots than one ; and

(v) to forego the whole or a portion of the deposit for any breach by it or by any person acting on its behalf or failure on its part to comply with or to secure compliance with the abovementioned conditions, regulations and duties prescribed from time to time under the Madras Foodgrains Procurement Order. (While private merchants entrusted with procurement work are required to make a security deposit upto a maximum of Rs. 5,000 the maximum amount to be deposited by co-operative institutions has been reduced to Rs. 1,000. The agreement to be executed is exempt from stamp duty).

It is hardly necessary to state that procurement is a more difficult and responsible job than either importing of foodgrains or distribution. The task of collecting foodgrains opening reception depots, or sub-depots in production centres, paying the ryot on the spot, getting the paddy hulled into rice and stored in central godowns and transported to centres of consumption according to the directions of the Civil Supply authorities, etc., are some of the difficult operations connected with procurement that would tax the resources of even well-established concerns. That the co-operatives, managed as they are, by honorary workers most of them, amateurs in business, have, at short notice, come forward to undertake such onerous responsibilities is a testimony to their spirit of service and their willingness to assist the authorities in solving the food problems facing the province.

Milling operations and storage :—The paddy procured by co-operative institutions appointed as procurement agencies has to be got hulled into rice before it is released to retail ration shops for distribution to the public. Except in South Kanara where the conversion of paddy into rice is carried on as a large scale cottage industry in the countryside and the landholders usually deliver rice, the producers in the other districts generally deliver paddy to the agents. The co-operative institutions arrange for milling by hiring rice mills which they have so far been able to secure by negotiations without the intervention or requisition by Collectors. The milled rice is then stored in godowns located at important consuming centres in the districts selected in consultation with the Revenue authorities. In certain rural areas, paddy as such is distributed to the consumer and there the need for hiring mills does not arise.

Transport :—Transport of foodgrains is a difficult problem. Many of the centres are not connected by rail, and even where they are served by the railways, the congestion of traffic is too heavy to permit quick movement of foodgrains within the district. The co-operative institutions have therefore to rely on road transport. Some of the co-operative wholesale stores own lorries. Some others have entered into contracts with local motor transport companies for the movement of rice. For short-distance transport, bullock carts are used.

Finance :—It will be obvious that large funds are required by co-operative societies which have undertaken schemes of intensive procurement. In all cases the institutions are being financed by local District Co-operative Central Banks which, in their turn, borrow from the Madras Provincial Co-operative Bank, whenever needed. The credit limits of the societies have been temporarily relaxed by the Registrar and they have, subject to certain business safeguards, been permitted to borrow in excess of the normal credit limit of eight times the owned capital in respect of primary stores and ten times the owned capital in respect of District Co-operative Wholesale Stores. Co-operative Wholesale Stores have made special efforts to build up their share capital with a view to enhance their normal credit limit. This will be evident from the fact that their paid-up share capital on 30-6-46 amounted to Rs. 29.18 lakhs as against Rs. 16.49 lakhs on 30-6-44. The usual maximum credit limit of District Co-operative Central Banks is ten times their owned capital (share capital plus reserve fund). In order to enable the banks to adequately finance the co-operative agencies which have undertaken food procurement and distribution, the Government have, as a temporary measure, empowered the Registrar to raise this limit to twenty times, and in all necessary cases, the Registrar has been enhancing the limit.

Staff :—Co-operative organisations have necessarily to employ a large staff of agents at reception centres, godown-keepers, clerk, accountants and special supervisors for work connected with procurement. There are Co-operative Sub-Registrars already working as Secretaries or Managers in almost all the District Co-operative Wholesale Stores and they carry on the work with the help of additional non-official staff. The audit of accounts relating to procurement presents a problem and one auditor is often unable to cope with the work. Some of the co-operative wholesale stores have therefore taken more than one auditor. The South Kanara Co-operative Wholesale Stores, for instance, employs a team of 10 audit inspectors for the concurrent audit of the accounts of its Head Office and 150 reception depots.

General :—With a view to render the food administration more effective and to associate non-officials with the work, Government have, early in June 1946, ordered the constitution of Village, Taluk and District

THE MADRAS JOURNAL OF CO-OPERATION

Committees in every district. They are entrusted with administrative functions connected with procurement operations, such as scrutiny of demand lists, checking the strength of families, issue of ration cards, etc.; they are expected to get the actual procurement work done through co-operative organisations wherever they exist and are willing to undertake it or wherever they can be organized. In other places private agencies are employed.

As the Government were keen on speeding up and intensifying arrangements for procurement of all available foodgrains and as the need for co-operative agencies to undertake the work was felt, co-operative sale or marketing societies, co-operative agricultural improvements societies and co-operative credit societies have also been allowed to take up the work after suitably amending their by-laws.

Village co-operative credit societies have been permitted to undertake procurement only for local consumption, and being based on unlimited liability they are allowed to invest money in such business to the extent of their paid up share capital plus reserve fund.

In Malabar, over 100 producers-cum-consumers' societies consisting of both producers and consumers have been started for purposes of procurement and distribution of foodgrains. There is great enthusiasm for these societies and they have, within a short period of 3 months, collected more than Rs. 40 lakhs as share capital. It is proposed to entrust the distribution of both procured and imported foodgrains to these societies besides the distribution of other controlled articles such as steel and iron, cloth, sugar, kerosene, etc. Government have very recently directed the formation of 200 similar societies in the four Circar districts of East Godavari, West Godavari, Kistna and Guntur. These schemes are being worked by the District Food Reorganisation Officers with the assistance of a special staff sanctioned for the purpose.

The Madras Co-operative Milk Supply Union, Ltd.

Organised for the twin purpose of procuring pure and wholesome milk for the citizens of Madras and of providing a suitable subsidiary occupation for the agriculturists of the surrounding villages, the Madras Co-operative Milk Supply Union and its feeder societies were started by the end of 1927. With but 13 feeder societies as its suppliers and a paid up capital of Rs. 242 to start with, the beginning was quite humble for the union, now reputed to be the biggest venture of the kind in India with its annual sales exceeding Rs. 30 lakhs.

2. In spite of all the careful nursing and frugal management, the results of the first few years were most discouraging. The first balance sheet covering the period up to 31-3-1928 showed that, having transacted business to the aggregate of about 20,000 Madras measures the union had incurred a loss of Rs. 1,800. Another year of good business till increased

the loss to Rs. 9,100 although the union had commanded sales to the extent of 1.64 lakhs Madras measures. The transactions nearly doubled during the third year and with it, the losses went further up to Rs. 9,450. The losses were partly recouped during the next two years. It was the sixth annual balance sheet as on 31-3-1933 that disclosed a net profit and the shareholders received a dividend on their investments for the first time. Bonus on a small scale was also distributed to the producers.

3. The heavy losses which the union suffered during the earlier years, are attributable to the heavy cost involved in transporting milk to the city. Transport was a problem. The union purchased two lorries by taking a Government loan of Rs. 15,000 but their cost of running and maintenance was not profitable as the quantity handled was small. The union had also to contend against several odds and its march of progress was consequently slow, halting and painful. There was the inveterate opposition from the vested interests in the city—the professional and hereditary milkmen who were mostly illiterate and unscrupulous in their ways. In the villages, there was the proverbial lethargy and conservatism of the agriculturists. It needed no small amount of patience and persuasive skill on the part of the early organisers to get them take to this new occupation and, what was more difficult to make them bring all the animals to a common yard and milk them at untimely hours of the day and the night under proper supervision. If the reputation of the union for the quality of the milk can be attributed to any single factor, it is this practice of common-milking unrelentingly enforced from the very start in every society.

4. The members in the remotest societies brought their animals to the common yard between 2 a.m. and 3 a.m. and again between 2 p.m. and 3 p.m. to ensure timely supplies to the city. They had to be very scrupulous and unflinching in this matter all the days of the year, in fair and foul weather. The obvious trouble involved in taking the animals to the yard during the dark and deadly hours of the night deterred many a villager from joining the organisation. They would not submit themselves to this serious inconvenience for love of money. Only those who were willing to suffer all the discomforts contributed to the steady growth of the business. Matters were, however, made easy for all of them, after a lapse of nearly 12 years, when the installation of the pasteurisation and cold storage plant in 1939 enabled the union to revise the timing for the milking of the animals. The animals are now milked between 6 and 7 a.m. and again between 6 and 7 p.m.,—normal and convenient hours for the villagers. The consignments of milk reach the factory at 10 a.m. and 10 p.m. respectively. Pasteurisation is over within an hour or two thereafter and the milk is ready for delivery to the customers far in advance of the usual hours of demand. What is cooled and treated and put in cold storage in the forenoon is distributed in the afternoon and, similarly, the night's stock is used

the next morning. Any unsaleable surplus is carried over making use of the cold storage for preservation.

5. The union suffered also from the consequence of defection by some of its members during the early years. The union volunteered to supply milk to the city, State hospitals, in an attempt to secure bulk and steady customers. Milkmen in the city were organised into societies for the purpose, as nothing but fresh milk drawn in the presence of the hospital staff would be accepted by them. These milkmen were loyal to the union for a time; but they staged a strike all on a sudden, won over by private contractors who viewed the entry of the union into the field as a serious menace to their interests. The reputation of the union was thereby affected for a time and it had also to pay heavy compensation to the Government for the failure to supply the milk, constituting a breach of contract. The milkmen realised their folly soon and rallied round the union once again. They have been faithful ever since and, as a result, the position of the union as supplier to the State hospitals is rather unassailable now. It is the sole contractor for all the 9 hospitals in the city. There have been no other competitors at all or the rates quoted by them have not been acceptable compared with those of the union. Before the advent of the union, the hospitals were paying for their supplies 3 to 4 annas per Madras measure more than the prevailing market rates; they are now paying just the market rates and, what is more important, the quality of milk supplied has been incomparably superior.

6. After many shifts from place to place, first in Triplicane, and then in George Town, with reference to its expanding volume of business, the union decided finally on securing an accommodation of its own. It acquired at Ayanavaram, till recently an outskirt of the city, a plot of about 7 acres of land by outright purchase and a contiguous plot of about 4 acres was taken on lease. It put up the necessary buildings, consisting of a block for use as its office, another for the installation of the plant and machinery and a third for storing cattlefeed, besides cattle sheds in 3 rows, and extensive milking platform and other minor constructions. An oil engine, an ammonia compressor set, a vertical steam boiler, a pasteurising plant and a cold storage room with insulated walls form the factory for the treatment and preservation of milk. The cost of the plant and machinery including freight charges from England and installation expenses amounted to nearly Rs. 57,000. The total investment of the union in plant, machinery, buildings, lands and other equipments aggregated to about Rs. 1 lakh according to pre-war estimates. The pasteurisation plant was the most improved type of plant then available, the first of the kind to be set up in India. Since the installation of the plant, the union invariably pasteurises all the milk collected from the mofussil areas before distributing it to the general public, the hospitals, etc. Milk drawn within the city is usually disposed of as raw

milk. The union has since attracted hundreds of visitors from India and abroad, and it has been the pride of the Movement in the province.

7. The erection of the plant and the commencement of the supply of pasteurised milk formed a land mark in the history of the union. The production of milk within the city and outside increased fast thereafter. The total quantity of milk handled by the union during 1941-42 amounted to 7 lakhs Madras measures. The union had also opened depots covering almost all the parts of the city. But, during the evacuation of the city on account of the threatened Japanese attack, that followed immediately, all the depots failed for want of customers and the production of milk within the city also fell for want of suppliers. At the instance of the Government, the union undertook to run an emergency scheme on a small scale for the production of milk at Minjur by organising the few Madras milkmen who had settled there temporarily. The scheme was closed down recently, when the Government felt that the emergency was over. In spite of all efforts on the part of the union, the production was steadily falling on account of the abnormal conditions that prevailed in the city and outside during the two years, 1942-43.

8. The reconstruction of the business was taken up vigorously early in 1944, when the contract for supply of milk to the Military was offered to the union. It undertook the contract availing itself of the facilities granted for the purpose, viz., interest-free advances to the extent of Rs. 2 lakhs, free motor transport for carrying the milk from the production centres, supply of necessary containers, free accommodation for the animals, installation of a heating plant, compensation against death of cattle from contagious disease, appointment of additional staff at Military cost, etc. The required quantity of 2,000 measures a day was soon built up. The supply was commenced in March 1944 and was continued satisfactorily till the end of March 1946. The total quantity of milk supplied to the Military, for the duration of the contract amounted to 58 lakhs of lbs. valued at nearly Rs. 18 lakhs. The quality of the milk supplied was uniformly far richer than the standard prescribed in the contract. The percentage of fat in the milk was normally more than 6 per cent, while, according to the contract, the Military was entitled to get milk containing $4\frac{1}{2}$ per cent fat. Any private supplier would have easily toned down the milk to the required consistency without the Military having any grounds for protest. The union did not do so. The rich milk was passed on to the Military in the purest form. The money value of the benefit that accrued to the Military on this account was Rs. 1.5 lakhs on a modest estimate. The Military officers had been taking samples frequently and testing them. They invariably found the quality thoroughly acceptable. The following note of an Inspecting officer of the Military will speak for itself:

21-10-1945. Morning.				
L.R.		Fat	S.N.F.	Total solids.
30.	...	6.2	8.88	15.08

This test which was done by me without the slightest notice of my coming to this premises this time of the day speaks quite clearly of the rigid system the Co-operative Milk Supply Union has organised to safeguard the quality of milk from the time it was produced by natural benefactor "the cow" to the time it is consumed by the needy millions of the area.

9. After the termination of the supply to the Military, the 2,000 measures per day was made available for free supply to the children of the Corporation schools. The cost of the milk was paid for by the Government and the distribution was entrusted to the Corporation. During the period of the summer vacation, when the schools remained closed, the milk was given over free to charitable institutions and poor houses approved by the Government for distribution to their inmates. The supply of free milk to the school children was discontinued by the Government from 1-8-1946.

10. The local Government sanctioned two schemes last year for the production of more milk, one to meet the requirements of the general public, and the other to provide free supply of milk to expectant and nursing mothers and children of less than 2 years. Both these schemes are, however, entrusted to the union for execution, aided by a special staff consisting of a Deputy Registrar, 3 Co-operative Sub-Registrars and 22 inspectors. An allotment of Rs. 5.40 lakhs as interest-free loan for the purchase of milch animals, free veterinary aid, compensation against death of cattle from contagious diseases are some of the important facilities provided for under the schemes. As a result of the combined operation of these schemes, the total daily production of milk under the control of the total increased to about 9,000 Madras measures a day which is about one-fifth of the total requirements of the city. There has been a fall recently now on account of weather conditions and as a sequel to the prevalence of cattle disease in the city and outskirts. It is hoped that the production will soon be stepped up to the original level. Of the total production, nearly two-thirds is drawn from the mofussil areas and the remaining one-third from the city.

11. Under the scheme for free supply of milk to expectant and nursing mothers and children, generally referred to as "priority consumer's scheme" the Government had ordered the distribution of 3,000 measures a day through the Corporation child welfare centres. Commencing with a daily supply of 250 measures on 1-5-1945, the quantity was gradually increased by the union as and when the Corporation wanted an enhancement with reference to the demands of the various centres. The maximum limit was reached and the priority consumers were served through 40 centres scattered over the whole city. The total quantity supplied was however reduced to 2,000 measures a day, when there was an acute scarcity of milk during the hot months. The scheme, however, was terminated on 31-12-1946 by Government. A portion of the quantity was delivered to the Corporation in the form of fresh drawn cow's milk. The Corporation made its own arrangements for getting this quantity heated. The remaining quantity

was a mixture of cows' and buffaloes' milk delivered at the factory of the union as pasteurised milk. The Corporation had its own motor transport arrangements for carrying the milk to all the distribution centres. The responsibility of the union for the quality and quantity ceased with the delivery of the milk at the production yard or at the factory. The milk was transported therefrom in sealed cans accompanied by Sanitary Inspectors. The Lady Doctors in charge of the welfare centres were responsible for the actual distribution to the mothers and children who called at the centres at the appointed hours in the mornings and evenings. Each of the recipients was provided with a ration card for identification. The mothers were required to consume the milk on the spot in order to prevent any abuse of the milk. In the case of children, the milk was permitted to be taken home, so that the children might be fed at suitable intervals during the day or night. The quantity usually supplied to the adults was 12 ounces and that for the children was 8 ounces.

12. A number of new societies have been registered and started in the mofussil and in the city in execution of the schemes referred to. The bigger societies amongst them are in charge of one Inspector each. Smaller societies are grouped together in 2's and 3's to provide adequate work for an inspector. The Union had on 31-10-46, 171 feeder societies and individual members on its rolls and its paid up share capital had amounted to Rs. 91,808. Seven of the societies are situate within the city and six others at the fringe of the city limits. The remaining societies are mostly studded along the three principal roads leading to the city. The Reserve Fund and the pasteurisation reserve of the union amounted to Rs. 25,080 and 81,339 respectively. The value of the milk handled every month exceeded 2½ lakhs.

13. As already explained previously, insistence is placed on the milking of all animals of a society at a common yard under the supervision of a Government inspector or a supervisor appointed by the union in order to provident adulteration at the source. The milk is pooled in sterilised cans and sealed in the presence of the supervising staff. They attach a slip to every can showing the quality and quantity of milk and the slips are signed by them in token of the milk having been drawn and packed in their presence. The milk is transported to the factory in motor lorries under the charge of a responsible clerk of the union. Every can of milk is tested at the factory by qualified dairy experts both for adulteration and acidity (sour condition). Normally, the milk is passed for quality with reference to its specific gravity as ascertained by using a lactometer. But a large number of samples are also chemically analysed every day, as it is a more conclusive test. Any consignment not up to the standard is returned to the supplier or passed on to the by products section, the supplier forfeiting the value thereof in full or in part. The milk is reweighed at the factory and the quantity as determined thereby is given credit for in the accounts of the concerned supplier.

14. The dairy expert attached to the factory examines each consignment before issue and gets the cans sealed in his presence. The cans are thereafter transported in motor vans to the various depots, where distribution takes place. Sales are made at the depots for cash or coupons. Coupons are to be had in booklets of 60 leaves on prepayment of value. The customers must go to the depots or send their servants to get their milk during the hours of sale—usually from 6 to 7-30 a.m. or 4-30 to 6 p.m. The system of house to house delivery on cycles has also been introduced in some areas. A monthly additional charge of Re. 1 is levied on every customer who is so served. These arrangements for house delivery could not be extended or perfected for want of the required facilities like bottles and light vans. The union is taking necessary steps to provide itself with these requirements. The total number of depots now maintained is 48 and the number of cycle boys employed for house delivery is 20. One of the inspectors on special duty is sent round to contact the house delivery customers at frequent intervals and ascertain if the supplies are satisfactory. He draws samples from the cans of the delivery boys by surprise for verification if the quality agrees with that of the consignment supplied to them by the union. Similarly, two inspectors visit the depots by surprise to ascertain if the clientele are satisfied and if the vendors are honest on their ways.

15. The Government did not control the price of cattlefeed. The prices were soaring and the stocks were scarce. There was, therefore, a persistent clamour from the producers for increasing the cost of milk to a corresponding extent. With a view to afford relief to these producers without putting up the price for the consumers, proposals have been submitted to the Government for subsidised distribution of cattlefeed. The members of the milk supply societies submit themselves to a strict discipline in the matter of quality control and are paid a uniform rate throughout the year irrespective of seasonal demands and variations in production.

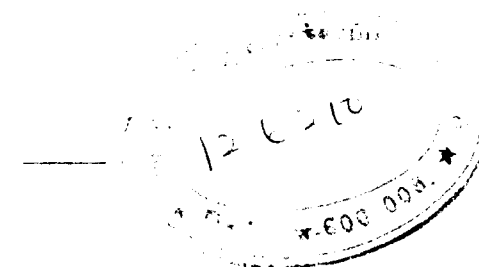
By way of assisting the members in securing their requirements of fodder and concentrates, the union has opened a cattlefeed stores. Stocks are purchased at wholesale rates and are sold to the members on credit at the cost price, charging a small commission to meet overhead expenses. A committee of three members has been formed to ascertain the needs and to arrange for the purchases from time to time. The normal turnover under this head ranges from Rs. 1½ to 2 lakhs per annum.

16. Recently, the Government sanctioned the opening of three veterinary first-aid posts to help the members in tending their sick animals promptly and effectively. Those centres are located at convenient points, viz. Basin Bridge, Ayanavaram and St. Thomas Mount, whereabouts large herds of milch cattle are maintained by the members. A veterinary attender with practical experience is always in charge of each of these centres to attend to all emergent cases. The District Veterinary Officer and the Veterinary

Assistant Surgeon visit these centres at regular intervals to examine the animals and arrange for treatment or advice. The cost of these posts, including the salary of attenders, the expenditure on medicines and equipments, is partly borne by the Madras Government and partly by the Madras Milk Supply Union. The inconvenience and expenditure which they would have been put to, if the animals had to be taken to other veterinary dispensaries in the absence of these centres are thereby saved. The milkmen appreciate this service and the posts are becoming more and more popular.

17. The scheme for milk recording has been introduced in 6 societies working in the city. A certain number of animals of well-defined breed, such as Ongole and Sind, are selected for the purpose in each society. Animals of non-descript types are also included if they are fairly heavy yielders. The selection is done by the Government Dairy Expert in consultation with the Veterinary Assistant Surgeon. Three clerks on this duty at the cost of the Government are in charge of two societies each. They enter in the prescribed registers the daily yield of each of these selected animals. Prizes are to be awarded to the owners of the animals that yield the maximum quantity of milk during the period of one year from the commencement of the scheme. If any of the animals go dry or are sold away during the period of one year, new animals will be enrolled, to keep up the total number. The number of animals, for which the milk recording is now done is 120 for all the six societies. The scheme is in operation for nearly ten months. Three prizes will be awarded in each society in the order of merit, the value of prizes being Rs. 40, 30 and 20. It is hoped that with this encouragement, the members will be induced to purchase and maintain animals of really good breed.

18. The Madras Milk Supply Union is an outstanding example of the successful application of the co-operative method to the solution of the problems of milk supply. It is the biggest single organisation handling large quantities of milk in the province. It is estimated that the union has been handling about one-fifth of the total requirements of the milk of the city. The union has on hand schemes for the salvage of dry animals, construction of cattle yards, at select centres, distribution of cattlefeed to the members and is thus devoting attention not only to the supply of milk but to the improvement of animal husbandry.





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Photo taken at the time of the visit of His Excellency SIR ARCHIBALD NYE, Governor of Madras, with LADY NYE, to the Co-operative Town Bank, Ltd., Dharmavaram, on 8th January 1947

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