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THE

Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

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

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The Shape of Things.

Co-operative Education:

We have reproduced in this issue the report of the Bombay Committee on Co-operative Education together with a summary of their recommendations. In view of the importance of the subject, we beseech our readers to study the report carefully. Madras, too, has yet to formulate and adopt a system of Co-operative Education and the Bombay report should prove a valuable guide.

The report rightly begins with an admirable summary of the existing co-operative structure in the province and, in doing so, the Committee divides the period of development into four stages, and describes the growth of co-operative activity in each stage. According to the Committee, the period of World War II, 1939-1945, saw a boom and the Consumers' Movement, in particular, received a great fillip. It will be agreed the same can be said of Madras also. The number of societies in Bombay rose in 1944-45 to 6,653 with a membership of 1,191,791 and a working capital of Rs. 25,67,21,248. The needs of various types of co-operatives are then assessed and the existing arrangements for the provision of the necessary trained staff have been discussed. As the Movement has advanced rapidly, the provision of trained staff has not kept pace with the increasing number of co-operatives. Moreover, the arrangements for training are not in the hands of one central institution. Nor have the arrangements for the education of panchayatdars and members been satisfactory. The Committee has suggested that future arrangements for co-operative education and training should be on (*a*) district, (*b*) regional, and (*c*) provincial basis and the work of the proposed institutions has been definitely demarcated to avoid overlapping. Suggestions for the diffusion of co-operative knowledge among co-operators and the general public have also been made. The work of giving intensive training for the paid whole-time personnel as also propaganda for the spread of co-operative ideas and ideals, is to be entirely in the hands of the Bombay Provincial Co-operative Institute, which is to be provided with funds by the co-operatives contributing one to two per cent of their net profits and the Government undertaking to bear the deficit.

We hope the Government of Madras will also carefully study the report, formulate a policy on co-operative education and training in consultation with non-official opinion and entrust the work to the Madras Provincial Co-operative Union. We have more than once pleaded that there should be one agency for training the co-operative personnel. The present system of both Government and the non-official bodies running different institutions, though calculated to serve the same purpose, must be abandoned.

Training of Panchayatdars.

We have also published a review of the working of the training classes for panchayatdars and members of co-operatives conducted by the Co-operative Institutes. The Registrar of Co-operative Societies reports that the training classes have become popular and successful in almost all centres. We regret, we cannot share with the Registrar his optimism. Nor do we feel that the response is commensurate with the trouble and expense involved. We have more than once expressed our misgivings. Now, that the period of extension granted to the present scheme has expired and the question of either continuing or formulating a new scheme should be settled almost immediately, we invite the attention of the Government to the Bombay Report already referred to. To effect any real change and produce the necessary atmosphere in which the co-operatives can come into existence and thrive, the propaganda should be continuous and sustained. The holiday method in which the personnel of the Institutes are required to conduct peripatetic classes for a short period in certain centres cannot yield satisfactory results.

Writing about the needs of the Rayalaseema, the Registrar of Co-operative Societies gave an account of the system now in force in the province and was himself of the opinion that "with a view to develop the movement in these districts and make it useful for a larger number of people, there should be an agency set up for carrying on intensive propaganda and education amongst the villagers." The existing agency for propaganda is described by him as follows:

> "According to the present scheme of training and education to the members and panchayatdars of co-operative societies, the superintendent and the two lecturers of each of the four mofussil co-operative training institutions take up two districts in the area of the institutes concerned during the period from 1st April to 30th June every year and hold classes at two centres in each of the district selected by the Committee of the local Central Bank. The classes at each centre are held for a period of fifteen days and the members and the panchayatdars of co-operative societies in and around the centres chosen assemble at these centres. Lectures are delivered on the working of co-operative societies, maintenance of accounts, etc. These classes are enlivened by magic lantern shows, musical entertainments, etc. Officers of other Departments are also invited to deliver lectures on subjects relating to their departments which will be of interest to the villagers. Prominent co-operators also address the classes on subjects of interest."

We note from the report of the Rayalaseema Co-operative Enquiry Committee, the Registrar's proposals for intensive propaganda, through the agency of the Government staff, have been considered and rejected. The Committee opine that, "associated as the Department is with supervision, audit and control, the officials of the Department are *prima facie* unfitted for effective propaganda as they cannot be expected to move freely with the people, identify themselves with their lot or inspire the confidence and trust which are essential for the success of any propaganda. Moreover, official propaganda is more costly and the results less satisfactory. We feel, as far as propaganda and education are concerned, it should be in the hands of non-officials who may, in the beginning, be given all the assistance they need." We heartily endorse these observations. What then is the method to be followed for the education of members and panchayatdars? We would invite the attention of the Government to the recommendations of the Bombay Committee. It is as follows:

> "Within each district, classes should be organised for training secretaries of agricultural credit societies, and similar small

organisations and for imparting co-operative education to the Committee members of such societies and organizations. This should be done through the appointment of whole-time, permanent and well-qualified educational supervisors in all districts."

We may also reproduce for the benefit of our readers the recommendations of the Rayalaseema Co-operative Enquiry Committee on propaganda and education. Though the recommendations related to a particular backward tract, where the progress of the Movement has not been satisfactory, we feel they are equally applicable to other areas as well. After all, propaganda and education are important in all areas so that our gains may be consolidated and the progress made may not only be sustained but the Movement may also grow from strength to strength.

Propaganda and Education:

1. Propaganda should be continuous and sustained.
2. To arrange for continuous and sustained propaganda a separate organization consisting mainly of non-officials should be set up and such an organization should be provided with adequate funds for the purpose.
3. There should be a local propaganda union operating over a small area and the local propaganda unions should be federated into District Propaganda Unions.
4. Towards the cost of maintenance of the District Unions Government should grant subsidies, and societies should be required to make contributions from out of their common good fund.
5. The local union to be subsidized by the District Unions and a portion of the common good fund of societies to be paid to these institutions.
6. To ensure co-ordination between the District Unions and to provide a common propaganda front, a Board consisting of representatives of District Unions may produce the propaganda literature in co-operation with the Rayalaseema Co-operative Institute.
7. Propaganda and education should be in the hands of non-officials who should, in the beginning, be given all assistance they may need.
8. The expenditure incurred in connection with propaganda and education should be borne by Government for a period of five years.
9. The courses of studies in the Rayalaseema Co-operative Institute should be reorganized so as to provide facilities for training the personnel required for propaganda purposes also.

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10. The training imparted in the Institute should be free and the posts of propagandists should carry an adequate salary, and incumbents should be eligible for promotion to posts in the Co-operative Department.
11. Panchayatdars' training classes should be conducted as now and these classes should be run under the auspices of the District Union.

We hope the Government will review the whole question of propaganda and education, and will, in consultation with non-official co-operators, formulate a scheme both for extensive and intensive propaganda. The Madras Provincial Co-operative Union should be recognised as the agency for this purpose and it should be encouraged and strengthened to play its part in this all-important task.

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THE MADRAS JOURNAL OF CO-OPERATION

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Limit of borrowings:

In reply to our observations under the above topic, in our C... er issue, the Registrar of Co-operative Societies has sent a reply which we have published in this issue. In our comments on this topic we reproduced with approval a Bombay Government notification dealing with the limits of borrowings. We also said at the time that we are not sure if the permission to exceed the borrowing limits hereis given on any particular basis. The Registrar's letter does not give any indication of the basis on which increase in borrowing limits here is allowed. The only condition insisted upon is the enhanced credit limit over and above the normal credit of 10 times the owned capital is utilised exclusively for issue of loans and advances to societies for undertaking food procurement and distribution work. Our point was whether any precautions such as those imposed by the Bombay notification are taken. On that we have received no enlightenment. We are not also told if restrictions of the kind imposed by the Bombay Government even in regard to borrowings either in the shape of deposits and loans from the Apex Bank, are in force. In view of the importance of the subject, the Registrar of Co-operative Societies will be doing real service if rules governing borrowings and investments of financing agencies are clearly laid down so that the investing public may take advantage of the co-operative institutions to a greater degree.

Rayalaseema Enquiry:

We have reproduced elsewhere a summary of the recommendations of the Rayalaseema Co-operative Enquiry Committee. A careful examination of these will show that the Committee's efforts were directed towards the solution of problems relating to a backward tract. But it cannot be denied some of the recommendations can with benefit be adopted in other areas as well. Instead of following the beaten track and remaining content by tinkering with the problems of the tract, the Committee have not hesitated to challenge some co-operative ways and suggest radical reforms. We know the Committee's report has created a flutter among some co operators. The article on the subject by Rao Sahib P Kesava Rao is an instance in point. One of the points mentioned by him on the recommendation for the abolition of the central banks is their abolition will deprive the movement of local deposits. Deposits can as well find their way into the branches of the Apex Bank and the security offered by the Apex Bank is certainly much more substantial and its credit-worthiness is much more real than that of the existing central banks in Rayalaseema. Reasons there may be, and there are for retaining the central banks elsewhere. On their retention or abolition there is room for honest difference of views. We have only made a passing reference to one of the recommendations of the Committee. There are many others of equal importance which need to be examined with sympathy and understanding taking into account the special circumstances prevailing in Rayalaseema. Conditions differ and remedies also must differ. What is good for a particular tract, the set-up of which is different, may not be suitable to another tract where conditions radically differ. Therefore we invite special contributions from co-operators in Rayalaseema on the Report and we have every hope the recommendations will receive their careful and unbiassed consideration.

Bombay again forges ahead :

As we were going to the Press, we have read the following announcement which is of interest :

"As a result of the recommendations of the Committee appointed by the Bombay Government in April last, with Sir Janardhan Madan as Chairman, the Bombay Government has prepared a new plan regarding co-operative education in the Province in future. According to it, henceforward the Bombay Provincial Co-operative Institute, a non-official organisation, will be in sole charge of imparting co-operative education and training to both official and non-official workers in the co-operative field. The plan will come into operation in June."

Will Madras follow suit, adopt the Bombay scheme and place co-operative education and training to both official and non-official workers in charge of the Madras Provincial Co-operative Union which, in this province, occupies the same place in the non-official co-operative world as the Provincial Co-operative Institute, Bombay? Let us not forget it is the Hon. Mr. V. L. Mehta, the veteran co-operator, who is sponsoring this scheme of co-operative education and propaganda (in Bombay).

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 short-term course (3 months) in the Co-operative Institutes of Coimbatore, Tanjore, Rajahmundry and Anantapur and who have come out successful in the Examination conducted by the Union in September 1946.

FIRST CLASS.

Coimbatore Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate.	Regd. No.
1.	Arunachalam, C. M.	4	2.	Gopala Pillai, T. G.	8

Tanjore Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate.	Regd. No.
3.	Govindarajan, T.	28	4.	Malai, V. S.	31

Rajahmundry Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate.	Regd. No.
5.	John, S.	55	7.	Suryanarayana, T.	67
6.	Sree Ramulu, K. (Kothapalli)	64			

Anantapur Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate.	Regd. No.
8.	Mathews, K.	79	9.	Sundar Rao, P.	85

SECOND CLASS.

Coimbatore Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate.	Regd. No.
1.	Abdul Malik.	1	8.	Robert John.	18
2.	Armughan, P.	3	9.	Saidalavi, M.	19
3.	Ayyaswamy, P.	5	10.	Srinivasan, C. V.	20
4.	Charles Jesudasan.	6	11.	Sundarajan, P.	21
5.	Krishnaswamy, H.	11	12.	Swamy, A. V.	22
6	Kumaraswamy, R.	12	13.	Venkataraman, A.	23
7.	Mahadevan, C. D.	13	14.	Visveswaran, S.	24

Tanjore Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate.	Regd. No.
15.	Antony, K. S.	25	23.	Ramaswamy, L.	37
16.	Arumugam, M.	26	24.	Santhanarajan, T.	38
17.	Krishnamurthi, R.	29	25.	Simxon Peter, A.	39
18.	Murugayyan, R.	32	26.	Srinivasan, T. G.	42
19.	Muthuvelu, N.	33	27.	Subramanian, K.	43
20.	Narayanaswami, G.	34	28.	Subramanian, P.	44
21.	Paul David, S.	35	29.	Sundaram, K. R.	45
22.	Ramalingam, M.	36	30.	Vinayakamurthi, T. R.	47

Rajahmundry Centre.

S. No.	Name of Candidate.	Regd. No.	S. No.	Name of Candidate	Regd No.
31.	Abel, K.	48	38.	Paul, D. S.	59
32.	Aseervadam, K.	49	39.	Ramulu, M.	61
33.	David Raju, D.	50	40.	Sarveswara Rao, K.	62
34.	Gangadhara Rao, Y.	51	41.	Sree Ramulu, K. (Koppalu)	63
35.	Ganapathi Rao, B.	52	42.	Stanley, A. J.	65
36.	Kondal Rao, K.	56	43.	Sudarsanam, V.	66
37.	Namberumal, M.	58	44.	Venkataratnam, K.	68

Anantapur Centre.

45.	Adinarayana, T.	69	50.	Sheik Abdul Rahim	81
46.	David, S. G.	72	51.	Seshagiri Dass, V.	82
47.	Devasahayam, M.	74	52.	Sesha Reddy, G.	83
48.	Joseph John, N.	75	53.	Sitaramiah, A.	84
49.	Kadiri Reddy, V.	77	54.	Syama Rao, B.	86
			55.	Vadivelan, K. G.	87

PASSED IN PARTS II & III.

Coimbatore Centre.

1. Jayathirtham, P. V. 10

Tanjore Centre.

2. Mohammad Saliya, N. 30

Rajahmundry Centre.

3. Jeevarathnam, K. ... 54 | 4. Moses, D. N. ... 57

PASSED IN PART II.

Coimbatore Centre.

1. Mulley, W. S. ... 15 | 2. Rangadas, P. S. ... 17

Tanjore Centre.

3.	Chellappan, V.	27	5.	Veerayyan, A.	46
4.	Sourirajan, R.	41			

Rajahmundry Centre.

6. Raja Rao, K. ... 60

Anantapur Centre.

7. Bhimappa, P. ... 70 | 8. Dayanand, P. N. ... 71

PASSED IN PART III.

Coimbatore Centre.

1.	Albert Samuel.	2	3.	Michaelswamy, S. M.	14
2.	Dhanaphal Brough.	7			

Rajahmundry Centre.

4. Gopala Rao, G. 53

Anantapur Centre.

5. Janardhan Singh, S. 76

Land Mortgage Banks.

BY MAHESH CHAND, *Allahabad University.*

An ordinary co-operative credit society should not engage itself in long-term finances because the deposits and loans secured are for short term. Also, if, sometimes in a credit society, a large sum becomes overdue, it may be desirable to pass it to an institution which can wait for a longer period. These two reasons point to the necessity for organising what have come to be known as land mortgage banks.

Membership.

The membership of a land mortgage bank may include non-borrowing and even distantly situated persons. There are two reasons for this. Firstly, if the membership is limited to the poor, it shall not be possible to offer a sufficient security or attraction for long-term funds from outside. Secondly, the management of the bank calls for a knowledge of finance, law and economics, and this may not be available with the poor. It is, however, desirable that the membership should not be made compulsory for every land-owner in the area of operation of the bank. Of course, no credit is to be allowed to one who is not a member. Also membership should not be understood to mean that as an applicant for loan the member shall be accommodated to the full extent of his demands.

As regards the share capital, one view has been that, as in the original Landschaften of Germany, there should be no shares so that the necessity to declare a dividend may not arise. But it is argued that the would-be borrower must furnish some capital and should have an interest in the land mortgage bank. To satisfy these requirements, it should be enough if the borrower has purchased at least one share of the society. It is, however, possible that, in a certain country, there may be a fixed ratio between the share capital and the credit allowed to any member. This may be justified on two grounds. Firstly, it shall restrict the extent to which credit may be allowed to any member. Secondly, the bank may be obtaining its funds from a central institution, and the credit that it can secure bears a ratio to the share capital. Thus if a bank can get from a central land mortgage bank funds exceeding twenty times the share capital, it may demand of its member the maintenance of the same ratio. But if the bank can raise funds otherwise, this may be done.

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about the payment of the balance of the loan. The responsibility shall be that of the insurance company. The premium may be collected by the bank for the insurance company. The policy may be for the whole amount of the loan, in which case the successor may even get some money after paying the balance due to the bank. Alternatively the policy may be for dismortgaging, so that the insurance company shall be responsible only for the balance of unpaid loan. In so far as it promotes thrift, the suggestion may be adopted where possible. Two difficulties may be mentioned. The farmer may not be insurance-minded : and he may be unable to pay the loan instalment as well as the premium simultaneously.

Before passing on to the question of securing funds, it must be mentioned that the policy of not issuing small loans is not necessarily always right. If the members are likely to need or to borrow in small amounts, long-term loans in small amounts should be advanced. The delay in advancing loans should be minimised. Any difficulty regarding the applicant's title to land may preferably be dealt with by adopting the system of a summary enquiry followed by a public notice requiring any contestant to raise objections within a stipulated time.

Raising Funds.

As regards funds, these may be raised by accepting deposits by taking advances from local authorities and by issuing debentures. It may be mentioned that deposits from non-members should be discouraged. These are likely to be for short periods, while the funds of the bank are expected to be locked up for a long period. It may, therefore, be difficult to repay the short period deposits. If the public is doubtful about the success of the bank, the deposits may be low and the debentures may not sell. The State can no doubt guarantee the repayment of the debentures, but it shall be preferable that a central land mortgage bank or the central banking institution of the country may guarantee the debentures against undue fluctuations on account of changing political situation. A minimum limit of time must be set before which no debentures shall be redeemed and a maximum limit, when every debenture shall be redeemed. If there is no minimum limit, long-term investors may not invest in these debentures because of the probability of early repayment.

State-aid.

Like every other society the land mortgage banks shall also have to look to the State for help. Firstly the bank can be given

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certain rights. Thus the bank officers may be given the title of State officers so that they may be in a position to get full information about the property offered for mortgage speedily. The bank may have a first charge on the produce of the land and other movable goods: in case the member is also a member of a primary society, the first charge may be that of the primary society and the second charge of the bank. The bank may also have the right to foreclose on a property without having to go to the courts, and collect arrears of instalment as arrears of land revenue.

As already mentioned, the bank may be allowed to call for all details from the title-holders merely by a public notice, and be given the legal authority to ask the creditors to take payments in person.

Secondly, the State can reduce the delay on account of red tape due to the co-operative department being a bridge to be crossed before a loan is sanctioned.

Thirdly, the State can guarantee the payment of the principal and interest on the debentures floated by the bank. Whether this is always desirable has already been discussed. The debentures and bonds can even be declared to be trustee securities.

Fourthly, the State can grant the bank exemption from stamp duties and registration fees.

Fourthly, the State can make available the services of its surveyors and other valuation experts to the land mortgage bank.

Sixthly, the State can even grant subventions and subsidies to help the struggling banks.

Lastly, it is true that land mortgage banks can become an important source of long-term finance both in the rural and urban areas. In the urban areas they may be formed to grant loans to individuals, as also to public bodies such as municipalities and district boards for the construction of hospitals, roads, etc. (like the Credit Fonciers of France). But the problem of urban credit can be solved by other methods as well. However, two great hurdles to the progress of land mortgage societies must be stressed at the end. Firstly, the system of keeping the record of rights and maintaining it up to date may be defective and inefficient. If so, the record would be inaccurate. Secondly, the income of the agriculturist may be irregular and indeterminate on account of uncertainty of the harvest. In this case the pre-requisite shall be improvement of the condition of agriculture through proper attention to, say, irrigation, crop marketing, etc.

It may be argued that a person may borrow money from an outside agency, use it to purchase a share of a land mortgage bank, then secure a loan and pay off the outside agency out of it. Should this happen, it would mean that money worth the value of a share has been deducted from the loan advanced by the bank. In other words, that a certain sum has been advanced by the bank without any share capital. But such argument is not quite relevant because the loan advanced has a security in the mortgage offered. Though, therefore, there may not be any objection to funds being secured by the bank from outside, the above is no reason for justifying attempt to dry up possible source of finance to the borrower from outside agencies. Besides, the attempt cannot be successful.

Liability.

Unlimited liability was previously preferred in the land mortgage banks. This kept away the well-to-do people and in order to win their support the emphasis changed to guaranteed liability. In India these banks are organised on the basis of limited liability, and we may stick to it in order to attract the well-to-do.

Granting Loans.

The loan granted may be on the basis of both the value of land and the repaying capacity. The latter can be judged in the short period, but for long period purposes it is not suitable as it depends on a number of factors over which the borrower has no control. We cannot also be sure of the productivity of land over a long period of about twenty years. The valuation of land on the basis of the market value is also undesirable as it will be subject to fluctuation due to various factors, such as speculation and capitalisation of current net income. Yet this is a more practical basis. As a safeguard the valuation may be revised from time to time, and the borrower may be liable to give additional security, if asked for.

As regards the ratio of the debt to the value of the security, one-half would be a very safe limit, two-thirds would be preferable but three-fourths would be rather excessive. In India it is generally seventy to seventy-five per cent.

The period of the loan should neither be too short nor too long. If it is ten or fifteen years, it may not be possible to repay the loan on account of insufficiency of the return from the use made of the loan. If it is a long period like forty years in Germany, the loan

may not be repaid in the lifetime of the borrower. A period of twenty to twenty-five years should be suitable.

The repayment of the loan must not be left to the borrower. The instalments and the due dates for the same must be fixed by the land mortgage bank. This shall not inconvenience the borrower: at the same time the bank shall be in a position to build a sinking fund and repay its debenture and bondholders at the right time.

As regards the rate of interest, in Germany no margin of profit has been left between the borrowing and lending rates of interest. But a fair return must be allowed to capital and to the workers for efficiency. Although, therefore, there should be no hankering after profit, a certain margin of profit is necessary.

The loan may be granted for productive purpose and even repayment of old debt. The use of the loan money for the repayment of the old debt shall be productive indirectly if the new rate of interest is lower, if the repayment is in instalments spread over a long period of time. and if the new arrangement shall mean less dishonesty and less exploitation of the borrower. Before, however, old debts are thus repaid, it may in certain cases be desirable to investigate whether in view of the past payment by the borrower, dishonesty by the money-lender and the present economic condition of the debtor, the outstanding debt should be scaled down. The debts may be scaled down by mutual negotiation through conciliation boards of the land mortgage banks or compulsorily through boards established by the State. It may be noted that both types of boards should not be allowed to work simultaneously in a region; also if boards are established by the State, they may work in co-operation with the land mortgage banks. Loans may be arranged by the boards from the land mortgage bank to repay the reduced debt.

In the case of loans for productive purpose, they may not necessarily be for land improvement. Any long-term paying proposition may be considered: it may relate to irrigation, reclamation, electrification, rural industries or land improvement. If the holdings be small and scattered, it may sometimes be possible to make consolidation of holding a condition for the grant of the loan or those with consolidate holdings may be given a preference.

It has been suggested that there should be a security to the loan given by the land mortgage bank in the form of an insurance policy. Should the borrower die, the successors shall not be bothered

Co-operation in Rayalaseema

BY RAO SAHIB P. KESAVA RAO, B.A., B.L.,

Agricultural Credit Societies :—

The recommendations made by the Rayalaseema Co-operative Enquiry Committee, with regard to the rehabilitation of agricultural credit societies aim at the conversion of the existing societies into multi-purpose societies and starting of fresh multi-purpose societies on limited liability basis. Though unlimited liability is said to be not suitable with reference to the local conditions, it may be stated without any hesitation, it is certainly the basis on which the entire strength of the movement depends. But for the fear of unlimited liability the debts in agricultural credit societies, particularly those in liquidated societies, could not have been collected. Instances are not also wanting to prove that debts often have become bad on account of the negligence of some of the well-to-do panchayatdars from whom ultimately the debts have been collected to pay off the dues of the financing banks. When it is not possible to get people to work even a single purpose society, it is the height of optimism to expect the proper functioning of multi-purpose societies. The present by-laws of agricultural credit societies have enough provisions to undertake all functions envisaged in a multi-purpose society. Hence, I am not in favour of the conversion of existing societies into multi-purpose societies on limited liability basis. The mere fact that a few multi-purpose societies are working well in other parts of the presidency is no reason for enunciating general principles for districts of Rayalaseema, where conditions differ radically from other parts of the presidency. The Department, being fully aware of this position, have some time back suggested that in some of the select societies introduction of multi-purpose objects in their by-laws and our experience in the working of these objects has not been very encouraging. Multi-purpose societies may, however, be started as an experiment in select areas where no credit societies are existing at present.

Financing Banks :—

The Committee has recommended the abolition of Central Banks as autonomous institutions and suggested the opening of branches by the Madras Provincial Co-operative Bank for financing

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the primary co-operative societies in Rayalaseema. The main arguments that have been advanced by the Committee are:

(1) "The credit which the rural societies are able to obtain from these Central Banks is neither timely nor cheap and the suggestion for their abolition is founded mainly on the consideration that the ultimate borrower will thereby be enabled to obtain his finance at rates substantially lower for the present."

(2) "When supervision is taken by Government, the main prop of the argument for the retention of semi-independent Central banks in the hierarchy of co-operative institutions disappears."

The whole argument of the Committee centres on one important point, namely, to make credit available to the ultimate borrower at a rate not exceeding 4½ per cent. The Committee, in making a reference to the recommendations of the Madras Committee on Co-operation (1939-40), dealing with financing banks in general, has observed that the problem of providing cheap credit to the ultimate borrower has not received from them as much attention as it actually deserves. We reproduce below the words of the Rayalaseema Committee in this connection.

> "The Madras Committee on Co-operation dealt with it at some length and recommended the continuance of the District Central Banks. We have given the arguments adduced by them the anxious consideration which they deserve. We are however, pursuaded that the Madras Committee failed to attach sufficient importance to the imperative need that exists for cheapening credit to agriculturists."

The Madras Debt Relief Act has fixed the maximum rate of interest as 6¼ per cent and co-operative societies have, on the advice of the Government, reduced the lending rate to the ultimate borrower as far as practicable to justify the exemption given to the co-operative societies. It is not known why the Committee should be so very solicitous of the agriculturists in Rayalaseema to provide credit at a rate not exceeding 4½ per cent except from the point of low economic plight of the agriculturists in Rayalaseema. Provision of cheap credit will not by itself improve the economic position of the agriculturists though it is essential. We are not aware of any district where credit is being extended to the ultimate borrower by any co-operative society at 4½ per cent.

Let us examine the statement of the Committee that the Co-operative Central Banks are mere intermediaries in the present structure of the co-operative movement. The Madras Committee on Co-operation has dealt at considerable length with this subject and was of opinion that Central Banks should exist as at present as much as the present structure of the co-operative movement in our presidency has been cited as ideal for adoption by other provinces. The Central Banks in Rayalaseema, like other Central Banks in other parts of the Presidency, have been able to finance the societies mostly out of local deposits supplemented by occasional borrowings from the Madras Provincial Co-operative Bank. The borrowings of these Central Banks from the Madras Provincial Co-operative Bank form only a small fraction of their working capital. While the percentage of borrowings from the Madras Provincial Co-operative Bank of all Central Banks in the Presidency to the working capital is 8.8 as on 31-12-45 and the percentages for Central Banks in Rayalaseema is 15.6. Hence, to say that the Central Banks derive major portion of their funds from the Madras Provincial Co-operative Bank and pass on to societies at a higher rate of interest is not correct. The percentage of borrowings from the Madras Provincial Co-operative Bank to the total working capital of banks in Rayalaseema is more than the presidency average in view of the increase in transactions due to stores societies.

When Central Banks are converted into branches of the Madras Provincial Co-operative Bank it was argued by the Committee there will be reduction in the cost of management and that it may be possible to issue loans to the ultimate borrower at a rate not exceeding 4½ per cent inasmuch as the Madras Provincial Co-operative Bank will be able to raise deposits at its branches at the same rate as at the head office. If we consider the volume of business of these Central Banks it can be said that it is fairly large and it is also bound to increase. We are very doubtful of any kind of savings in expenditure by conversion into branches in view of the fact that the Madras Provincial Co-operative Bank will have to spend the same, if not more, for the employment of adequate staff to work the branches and supervise them.

The so-called Advisory Committee to be set up for day-to-day consultation by the branches in the place of the present directors of

the Central Banks will never evince as much interest in the growth of the movement in the district as the normal directors. It may also be possible that the branches of the Madras Provincial Co-operative Bank may not attract deposits from the local public as an independent Central Bank. Day-to-day contact between the financing bank and the societies, which is an essential factor for the success of the movement, is likely to disappear. The Committee on Co-operation (1939-40) has also pointed out that the existence of Central Banks as intermediate agencies will serve to distribute any unexpected losses evenly that may occur in the primaries owing to any widespread economic depression instead of on one Provincial institution and that the failure of the provincial Banks in Burma and the Central Provinces was mostly due to direct financing to primaries. The successful working of the Central Banks, in spite of several vicissitudes during the periods of economic depression, commanding the confidence of the investing public, must at least be a sufficient justification for their retention as autonomous units. The Committee has cited in the course of their report that in Bombay the financing of primaries is being done by the branches of the Bombay Provincial Co-operative Bank in certain parts of the presidency. In Bombay presidency, there are Central Banks and also branches of the Provincial Bank with clear demarcation of functions, namely, that the branches are financing societies where there are no Central Banks functioning. So, in Bombay, no attempts have been made to replace the present structure of the movement by the Apex bank to take the place of the existing Central Banks. Hence what is aimed at by the Committee is to replace the existing system of financing primaries unlike in Bombay Presidency. Let us not also take the instance of the Sind Province where financing of primaries is done by the branches of the Provincial Bank in view of the experience of Burma and Central Provinces.

The Reserve Bank of India, the highest banking authority in India, has suggested that the Central Banks should have at least 2 per cent margin between borrowing and lending rates, if they are to build up sufficient reserves to meet any unexpected losses, and at the same time the Central Banks have also been advised to make credit available to the agriculturists at a cheap rate of 4½ per cent. The question whether the Central Banks can reduce their borrowing rate further is a thing which will have to be decided by taking local conditions into consideration. The Committee instead of making out a strong case for strengthening the financial position of the banks by liberal subsidies from the Government or the Madras Provincial Co-operative Bank have made out a case for abolition of the Central Banks. The Committee has also suggested that the Provincial Bank may avail of the concession rate offered by the Reserve Bank of India for advances. The bank may avail of this concession rate of 1½ per cent and pass on the same to the Central Banks without any margin which may in turn be passed on to the ultimate borrower at 4½ per cent through the primaries at 3 per cent. Inasmuch as the Madras Provincial Co-operative Bank can maintain itself without any margin of interest from the Central Banks in Rayalaseema it can bestow serious attention to this suggestion.

The incidence of rural indebtednes is also low in Rayalaseema when compared to other parts of the presidency. When such is the case, it is not beyond the capacity of the Madras Provincial Co-operative Bank to offer loans at a concession rate. The figures quoted in the report show that only 5.52 lakhs and 5.53 lakhs have been disbursed as loans by all Central Banks in Rayalaseema to agricultural credit societies during 1938-39 and 1944-45, respectively. Though these figures cannot be taken as the standard in view of the period having synchronised with the inflation of currency and consequent rise in the price of agricultural commodities, it can safely be said that the average borrowings of primary credit societies from Central Banks cannot be more than Rs. 15 lakhs in any year. The Provincial Bank may have to step in to advance the said amount at a concession rate to the banks in Rayalaseema, if the ultimate borrower is to be charged only 4½ per cent or, in the alternative, if the Provincial Bank is not agreeable, the Government must subsidise the Central Banks for a period of five years at best to finance the societies at 3 per cent.

Having dealt with the position of the Central Banks, it will not be out of place if we say that the members of the Committee evidently thought that the agriculturists will be ushering into a millennium by more provision of cheap credit to them. Provision of cheap credit is not a panacea for all the unfavourable circumstances in which the agriculturists live. The economic position of the agriculturists will have to be tackled as a whole, if at all there is to be any perceptible improvement in their position. Agriculture being a deficit economy, it will be impossible to bring about any substantial improvement in the standard of living of the agriculturists unless they are made to understand improved methods of agriculture. As the agriculturists have to lead a life of forced idleness for at least six months

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suitable subsidiary occupations will have to be provided for them. Apart from these, the State will have to tackle the problem of rural indebtedness, uneconomic holdings, and incidence of land revenue. When all these things are necessary to improve the economic position of the agriculturists, mere issue of cheap credit alone will not solve the problem. The Committee has not suggested any concrete proposals in this regard.

Regarding the delay in the sanction of loan applications and disbursement of loans to members, it may be stated that certain minimum delay is essential for any institution, whether it is the Central Bank, or a branch of the Provincial Bank. No man will issue credit by mere asking without enquiring into the antecedents of the proposed borrower. The Committee has also not made concrete suggestions for quick disbursement of loans.

Supervision :

The Committee has suggested that supervision of societies should be done by the Government instead of by the financing banks. The abolition of district federations and vesting supervision in the financing banks was done after mature consideration having agreed to the principle that financing and supervision should be under one agency. The interest, which our outside agency will have to supervise the societies, is very little. The Central Banks are the best fitted agencies to supervise the societies financed by them as the creditor alone will be able to suggest measures calculated to safeguard the financial interest of the bank. The criticism that the supervision by Central banks is at present slack is due to lack of adequate staff and the large number of societies in charge of each supervisor. Consequent in the fall of transactions of agricultural credit societies, there has been considerable reduction in the demand under supervision fund. Even during normal years the banks have been contributing large amounts from general funds for maintenance of staff even beyond the capacity of the banks and, more so, for the last 3 or 4 years owing to the sanction of dearness allowance and revision of scales of pay of the staff. Instead of entrusting supervision to Government and entrusting 10 to 15 societies to each junior inspector as recommended by the Committee, the Government may grant liberal subsidies to the Central Banks for the employment of adequate staff for supervision under their direct control, or allow the junior inspectors posted to work directly under the control of the executive officer of the bank. For a period of five years at least the services of a Co-operative Sub-Registrar should be lent to each of the five banks free of cost for the said period to be employed as executive officer. There has been a general demand for de-officialising of the movement and even the little control that is being exercised by the financing banks by way of supervision is proposed to be taken away by the Government by this recommendation. Hence it is not advisable to entrust supervision to Government agency.

Co-operative Farming Societies:

The Committee have recommended the formation of co-operative farming societies and that when two-thirds of the owners of the land in a village or unit form a society, the remaining owners should be compelled to join the society if necessary by suitable legislation. The recommendation is against the very basic principles of co-operation as it aims at bringing into the co-operative fold more members by compulsion when the question of joining members into a co-operative society is purely voluntary. Where the Government exercises compulsion to bring out a pooling of the lands of a group of small cultivators, it would surely be inappropriate and misleading to speak of "Co-operative farming." The real problem is not to replace individual enterprise in agriculture through co-operative farming but to set individual enterprise free from the unfavourable environment. As long as the present framework of agriculture remains the same neither co-operative nor individual enterprise can achieve much. Drastic ills require only drastic remedies and not mere palliatives. The crude methods by which the average agriculturists carry on their occupations, the incidence of land revenue, uneconomic holdings and chronic indebtedness are some of the problems which will have to be tackled by the State, if at all the present standard of living of the agriculturists is to be increased.

The other recommendations are sound and no comment seems necessary.

Rural Co-operative Stores.

By C. S. Ramachandran.

Though the co-operative movement has been in existence in South India for many decades, it is a matter for regret that the man in the street is ignorant of the movement. It is only after having practical experience in this line that I have become an enthusiastic adherent. When in the beginning of 1945, the idea of starting a co-operative stores in my village, Chandrasekarapuram, was mooted, I hesitated as I had absolutely no knowledge of the principles of co-operation. However, my friends insisted, and it was with diffidence that I started to make the necessary arrangements. I must also admit that I was ignorant of the requirements of the villagers, since I had been a townsman for over twenty years.

Once I had acceded to the demand of my friends with regard to the stores, I started in right earnest. I went round and convinced the people of the village and the neighbourhood about the desirability of having our own co-operative stores. I am glad to say that, within a short time, about hundred members came forward to make this a practical proposition.

In rural areas my experience has been that it is not very easy to convince the people about the advantages of any new undertaking, as the average villager is very conservative in his outlook. I had to overcome many obstacles before the stores was successfully launched. I am tempted to draw the conclusion that these problems are not confined only to a local area, but is common to any village one cares to name.

I was not in the least worried about these initial difficulties. The conviction that it was to the good of the people gave me the strength to proceed. I was and am still of the opinion that once your sincerity of purpose is understood by the general public, the undertaking is well on the way to success.

The stores was formed, registered and started in April 1945, in the village of Chandrasekarapuram, Papanasam taluk, Tanjore district with a capital of Rs. 3,000. Though this village is a small one, there are many adjoining villages with more population. The area of operation extends to within a radius of five miles.

When the stores was started all the Directors were quite new in the line of trade and the subject of co-operation was indeed foreign to all. But, all the Directors were unanimous in their earnest desire that, having started the stores they should somehow run it on proper lines and make it a model one. All the Directors gave me every encouragement without interfering in the matter of administration. The responsibility being thrust upon me, I had no other option but to learn everything. Before the actual commencement of business, I went round and saw the working of some of the stores in the district and I was inquisitive to learn every item of work from weighing to accounting. I was not ashamed to do all odd jobs and, within three months, I learnt every detail in the matter of purchase, sales and salesmanship and also accounting.

The post of the Secretary is no doubt an onerous one in any co-operative institution and the success or failure entirely rests in his hands. So, every Secretary, unless he devotes a major portion of his available time in the stores by looking into all the details himself personally, no institution can come up to expectations. Above all, the Secretary by his action should show to the members of the staff, co-directors and the general public that he is absolutely selfless and then only he can command respect from one and all.

Bearing this principle in mind, I accepted the post of secretaryship and entered on my duties with the solemn resolve to make the institution a model one in the district, nay, in the province. Having settled down in the village, I thought and, even now, I think in the same way, there cannot be a better hobby for any man than to serve the masses by doing service. I spend all my time in the stores premises whenever I stay in the village. My desire is to make the village self-sufficient and supply all the needs of villagers so that they need not go to nearby towns to make any purchases whatsoever.

First of all, the stores began to supply provisions only and we paid greater attention in the matter of purchasing the best material irrespective of cost. Naturally, people are attracted by the quality of the goods you supply. The keynote of success in dealing in provisions is that, if the quality is good and clean, people will certainly choose a co-operative institution in preference to a merchant. Further, every one should bear it in mind that so far as provisions are concerned, though generally gentlemen come and make purchases for their homes, the ladies in the houses alone are your customers and they should be pleased with the articles you supply. When once they are satisfied with the quality you supply,

you may rest assured they would not allow things to be bought from outside your stores. They should not be made to clean the articles once over. Our provisions section attracted the general public even from distant places and our daily sales in provisions alone exceed Rs. 200. There is a good number of private merchants in and around the locality and we are not in the least affected. Every one should also remember that we must always be in a position to supply the demand of each and every article. We must always take precautionary measures in the matter of purchasing provisions consistent with the demand. We must impress upon the minds of the people that the stores will always supply their requirements. If, for instance, a customer brings a list for 50 items of articles, we must see to it that all the articles contained in the list are made available and he must not be made to go to other places.

The progress in sales in the provisions section has been very encouraging since the commencement of business and, with a view to expand the line of activities, the Directors resolved to deal in cloth also. Licence was obtained to deal in cloth—mill-made and handloom—and the cloth section was opened on 1st September 1945. We were getting adequate supply of mill cloth and we made arrangements to get supply of handloom cloth from any of the weavers' co-operative societies. Care should be taken before placing orders for handloom cloth and we should see that the variety of cloth alone is purchased for which there is a great demand from the public. It goes without saying that the handloom cloth of co-operative societies are not only cheaper, but also very popular in the market. I wish to take this opportunity of requesting all co-operative stores, who have not been carrying on business in handloom cloth, to take immediate steps to deal in that also in addition to the mill goods. Apart from the question of profits, we owe a duty to popularise the movement.

Gradually, we expanded our line of activities in all directions and we are proud to state that, within one and half years, we were able to supply all the requirements of villagers, *viz.*, provisions, cloth, consumer goods, stationery, vessels and also cycles and spare parts. We are shortly opening a cycle repair department. Our daily sales exceed Rs. 500 and I am confident of achieving still higher results. Membership has increased to 500 and the share capital has exceeded Rs. 9,000. We have not so far borrowed any money from the Central Bank and the members of the stores are investing monies in fixed deposits. We have since raised the authorised capital from Rs. 10,000 to Rs. 25,000 to enable every villager to become a co-operator.

Now, I can confidently state that the movement has gained strength and our stores is bound to work successfully even after the controls are removed. It is really unfortunate that there are only a few stores in our taluk. We are contemplating opening branches in 3 or 4 important centres. There should at least be half a dozen stores for each and every taluk and there should be co-ordination between one store and the other. It is my honest conviction that stores movement has got a great future, particularly in rural areas, provided a group of villagers join together and tackle the economic problem of villages.

Now I wish to point out the fundamentals which, in my opinion, helped a great deal to the success of this institution.

(*a*) Preferably a terraced building with rat and rain-proof godowns, centrally situated and accessible to all communities, be chosen for the location of the stores and greater attention to be devoted to this aspect before venturing to start a stores.

(*b*) Make seasonal purchases of all grains, millets and other foodstuffs from the producing centres in large quantities, of course, consistent with demand.

(*c*) Bear in mind that every co-operative stores, particularly primary stores, is independent and you should always stand on your own legs whether you get assistance from the wholesale stores or not.

(*d*) As co-operators, we are bound to be loyal to the wholesale stores but that does not mean that you should always be dependent on them.

(*e*) Purchase first rate quality, irrespective of cost, and supply articles, which require cleaning, duly cleaned. Keep in constant touch with the market and follow the ruling prices as far as practicable.

(*f*) Be prepared to supply all the requirements in the line you deal, and your inability to supply a certain commodity will only prove your incompetence in the matter of administration.

(*g*) Devote particular attention in the matter of shop-keeping which should be made attractive.

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(*h*) Be polite and courteous to all the members and the general public and there must be no discrimination in the matter of distribution of articles.

(*i*) Select capable, qualified, and honest men for responsible posts, *viz.*, accountant, clerk, etc., and energetic men as salesmen. Pay them adequately and then only you can extract work from them. Do not show communal differences in selecting employees. Disqualify applicants who are relations of any of the Directors.

(*j*) Fix the working hours of the stores to not less than 8 hours per day and on no account should there be even a minute delay in the opening time. If the employees are compelled to work overtime give them overtime allowance.

(*k*) Any one of the Directors should try to be in the stores premises during working hours.

(*l*) Don't depend upon the members of the staff for any information and don't fail in your duty to deal with all matters personally.

(*m*) The employees of the stores are as much responsible as you are and they should not in any event be allowed to attend to any of your private matters. Directors may come and go but the employees should be so trained that they should run the institution for ever on sound lines. Treat them as your own brothers.

(*n*) The accounts of each day should be completed the following day and there should not be any arrears of work for more than 24 hours.

(*o*) Follow the departmental instructions carefully and do not fail to take monthly stock of the main godown and retail sections. If not taken regularly every month, you are certainly failing in your duty.

(*p*) Do not trouble the authorities for all minor matters and approach them for help only in matters of great importance. Be prompt in sending your progress reports.

(*q*) Watch the daily progress of sales and if there is any fall in sales during a particular month, find out the reasons and try to remedy the defects, if any. If there is any fall in the sales, more often than not, there is something wrong in the administration.

(*r*) Do not all be satisfied with your present turnover and you must try to achieve better results by aiming at enlisting all the residents in the area of operation as members of the stores.

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(s) In rural areas, the ideals of a co-operative stores should not be confined only to the matter of supplies, but should also include reconstruction of villages.

(t) Do not confine your activities only to the distribution of controlled commodities and running ration depots.

We are now having a qualified accountant, a godown keeper, a clerk, a bill clerk for the provisions section, five salesmen in the provisions section, and one in the cloth section. Our establishment charges come to Rs. 3,000 per annum and our monthly turnover is about Rs. 15,000.

Some of the Hon'ble Ministers of our Province have come and visited our stores and this stores, I am proud to say, has been universally acclaimed as a model one. Every department is giving us its valuable assistance in the successful working of this rural stores.

When the stores was started, I never even dreamt that the stores movement would attain its present position in a rural area in such a short time. I am now emboldened to appeal to all co-operators that the economic conditions of each and every village can be improved to a very great extent by starting co-operative stores and societies.

Report of the Committee on Co-operative Education and Training.

CO-OPERATIVE STRUCTURE OF THE BOMBAY PROVINCE.

1. Before we set down the conclusions, which we arrived at, as a result of our discussions and deliberations over the evidence tendered before us, it may be useful to have a general view of the co-operative structure of this province about the educational and training requirements of which we have been asked to make recommendations.

2. The co-operative movement in this province, as in others, was introduced soon after the enactment of the Co-operative Credit Societies Act (India Act X of 1904). This Act provided for the formation of the credit societies only. Eight years later, the Government of India widened the scope of the movement, by providing under Act II of 1912, for organisations of non-credit societies. In the year 1919, co-operation was made a provincial and a transferred subject and in 1925 was enacted the Bombay Co-operative Societies Act, which, at present, governs the working of the co-operative societies in this province.

3. The progress of the co-operative movement in the province of Bombay may be divided into four stages. The first stage covers the fifteen years ending with the introduction of the Montague-Chelmsford Reforms (1904-1919). At the end of this period, there were 2,083 societies, with a working capital of nearly two crores and membership of less than two lakhs. During this period, there was a low but steady expansion of the movement and an all-round progress in the working of the societies.

The second stage, from 1920 to 1930, covers the decade following the introduction of the Reforms, when Co-operation became a transferred subject. At the end of this period, there were 5,734 societies, with 575,616 members and a working capital of Rs. 12,81,38,592. The progress during the period was very rapid and covered many new fields of co-operative activities, but perhaps, at some stages during this period, it was not possible to devote the same attention to the quality of the co-operative organisations, as was paid to the increase in their number and variety.

The third stage of the movement covers the period from 1930 to 1938, when the world-wide economic depression brought to fore,

Co-operative Marketing Organisations.

10. Next in importance to the credit societies are the co-operative marketing organisations, which include the cotton sale societies of Gujerat and Karnatak and various taluks and district purchase and sale unions. The number of such societies on the 30th June 1945 was 372 of which 7 were district purchase and sale unions, 180 taluka purchase and sale organisations, and 184 were multi-purpose societies. At the top is the Provincial Co-operative Marketing Society organised in Bombay.

11. Apart from the increase in the number of co-operative marketing organisations, there has been, in recent years, a remarkable expansion in their volume of business. Almost all the sale societies and sale unions have been utilised as agencies for distribution of commodities, whose supply and distribution have been controlled by Government, *e. g.*, foodgrains, seeds, oilcakes, cloth, kerosene, iron, steel, etc., and in some districts, like Belgaum, the annual business done by a single District Purchase and Sale Union is in the neighbourhood of a crore of rupees. This increase in their work has imposed a strain on the limited staff of these societies, In many cases, relief has been given by the deputation of officers of the Co-operative Department on loan or free of cost, but it is desirable that these institutions should have a well-trained and efficient staff of their own. Besides, many inexperienced members of the staff who had to be appointed to cope with the rapid expansion of work, have also to be trained, not only in co-operation, but in marketing and trade practices.

Co-operative Organisations for Improvement of Agriculture.

12. The most important co-operative agency in the province for demonstrating the use of modern improvements in agriculture and providing practical assistance in their application, is the taluka development association. These associations, which arrange propaganda for better methods of agriculture, demonstrate the value of quality seeds and supply improved agricultural implements on hire, have contributed, in no small measure, to the raising of the level of agricultural production in this province. Their number on the 30th June 1945 was 117.

13. In recent years, in addition to taluka development associations, attempts have been made to organise better farming societies, with areas of operation restricted to a village or a compact group of villages, to carry out intensive work or introduce certain special improvements. The number of such societies was 59 on the 30th June 1945.

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14. In addition to the above, there are 55 crop protection societies and a few cattle-breeding, land improvement and dam construction societies.

15. All these organisations have got staff, which requires to be trained in technical aspects of agriculture and also in co-operation and general secretarial work. We suggest that the technical training of this staff may be carried out with the assistance of the Agricultural Department, while co-operative and secretarial training should be provided at the various centres to be set up by the Institute. The staff of the taluka development associations will have to be trained at the proposed regional schools, but it should be possible to train secretaries of other societies at the classes to be held for training village secretaries.

Co-operative Industrial Organisations.

16. Among the non-agricultural producers' societies, the most important are the weavers' co-operative societies, which have received a fillip during the recent scarcity of cloth. The policy of Government to distribute yarn through the agency of these societies has increased their popularity with the weavers. There are at present District Industrial Associations subsidized by the Government of India and 95 weavers' societies. Amongst the societies for promotion of small-scale industries, other than handloom weaving, the most important are the societies for bee-keeping, sandalwood carving, coir-weaving, bamboo marking, etc., in North Kanara and a few tanners' societies in other parts of the province. In all, these small-scale industrial co-operatives number 54. Their number, however, is likely to increase very considerably under the post-war schemes of the Co-operative Department and they will require a large staff, both technical and managerial. As in the case of the societies aiming at improvement of the standard of agriculture, we suggest that the technical staff of industrial co-operatives should be trained in collaboration with the technical department concerned, while the managerial staff should be trained at the centres, proposed to be set up for other co-operative organisations. The secretaries of District Industrial Associations should be trained at regional schools while secretaries of weavers' societies and other small industrial

various difficulties and weaknesses of the co-operative societies and the movement received a setback. This period was utilised mainly for rectification and rehabilitation of the movement. At the end of the period, there were 5,093 societies with a membership of 607,837, and a working capital of Rs. 15,59,35,899. Even allowing for the fact that in 1936, owing to the separation of Sind, 1,050 societies with 68,067 members and a working capital of Rs. 3,26,10,897 ceased to be counted in the provincial total, the increase in the number of societies, etc., during this period seems to have been very small.

The last phase of the movement covering the period of 1939-45, was attended by a boom created by the conditions of World War II, which gave a powerful fillip to the co-operative movement in general and consumers' movement in particular. The period was also taken advantage of, to broaden the basis of many rural credit societies, by allowing them to undertake functions other than credit. The need for developing co-operative marketing also received greater attention and resulted in the establishment of quite a network of co-operative marketing organisations. At the end of the co-operative year 1944-45, the number of societies was 6,653, with a membership of 1,191,791 and a working capital of Rs. 25,67,21,248. The classified list of societies as on 30th June 1945 is printed as Appendix B.

Rural Credit Organisations.

4. As in other parts of India, the agricultural credit societies form the bulk of the co-operative organisations in this province. The number of such societies as on the 30th June 1945 was 4,160. These societies provide short-term and intermediate-term credit to the agriculturists, and usually cover a village or two. In recent years, the Department has encouraged the better-managed village credit societies to broaden the basis of their working with the result that many of them are multi-purpose in practice, if not in name, and apart from provision of credit, are supplying foodgrains and other requisites of their members, and even the villagers in general.

5. Another co-operative agency which provides credit to the agriculturists is the multi-purpose society. These societies work within a radius of five miles and generally cover 5 to 6 villages. They are usually organised at places where marketing facilities are available and include in their objects, supply of normal cultivation needs of members, arrangement for sale of marketable produce and supply of domestic requirements and agricultural requisites. The number of such societies was 184 on the 30th June 1945.

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6. The affairs of the village credit and multi-purpose societies are looked after by managing committees, but detailed day-to-day work is done by the secretaries, who have to be suitably trained. Besides, these societies have been federated into for taluka supervising unions, which carry out their work of supervising over rural societies, through 146 supervisors who, since 1st April 1946, have been taken over as Government servants, and who also require thorough training in their most responsible work.

7. The rural societies partly raise their funds through share capital and deposits, but the bulk of the money advanced by them is obtained from the central financing agencies consisting of 11 central banks and 1 provincial bank. These banks have a working capital of nearly 12 crores, and maintain a big staff of bank inspectors, agents, branch managers, godown inspectors, etc., whose number is likely to increase with the extension of the Bombay Agricultural Debtors' Relief Act, and who require training in co-operation, marketing, banking, accountancy and kindred subjects.

Land Mortgage Banks.

8. The long-term credit to the agriculturist is provided through the co-operative land mortgage banks, of which there are 16 in the districts, in addition to the Provincial Land Mortgage Bank in Bombay. The Provincial Land Mortgage Bank pays 3¼ to 3½ per cent. interest on its debentures and lends at 4½ per cent. to the primary land mortgage banks, which in turn advance loans to the agriculturists at 6½ per cent. The land mortgage banks are intended for advancing money to the agriculturists for (1) payment of old debts and redemption of mortgages, (2) installation of costly agricultural equipment, (3) purchase of lands in special cases, and (4) land improvement. With the amendment of the Bombay Agricultural Debtors' Relief Act these banks are expected to play an important role as the amended section 55 of the Bombay Agricultural Debtors' Relief Act provides for passing of the awards in their favour and provision is made for issue of the bonds of the Provincial Land Mortgage Bank in favour of the creditors in payment of their dues.

9. The institutions for long-term credit, have to maintain, apart from managers and clerical staff, land valuation officers, who are at present provided by Government and who have to undergo a special course of training.

co-operatives should be trained at the classes to be set up for training of village secretaries.

Urban Societies.

17. So far we have dealt with the rural or semi-rural side of the movement, but co-operation has made substantial progress in cities, and the staff of the urban societies will also require appropriate training. The urban credit movement, unlike the rural movement, did not suffer a setback in the last world-wide depression, and has been making steady progress all along. The urban credit organisations include full-fledged urban banks, smaller urban credit societies, salary earners' societies, communal societies and labour societies. The number of full-fledged co-operative urban banks having a share capital of Rs. 20,000 and above and doing banking business of all kinds was, at the time of the last annual report, 87, with a membership of 83,508 and working capital of about Rs. 7 crores. Besides, there are salary earners' societies for the employees of different departments of Government and other institutions. The number of such societies is 473. The other types of urban credit societies are the communal societies catering to the needs of particular communities and societies for labour, *viz.*, mill or factory workers. On the 30th June 1945, their number was 126 and 144 respectively.

18. Apart from the banking and other credit institutions in the cities, there has been a large development of consumers' movement in recent years. On the 30th June 1945, there were 456 co-operative stores with a membership of 125,788 and working capital of Rs. 48,25,566. The total sales of these stores amounted to Rs. 5,22,13,183, and they made aggregate profits of Rs. 9,31,978.

19. The housing movement has also made fairly good progress in urban areas, particularly in Bombay and Ahmedabad. The number of such societies as on the 30th June 1945 was 126 with a membership of 1,078 and working capital of Rs. 95,47,564.

20. The higher staff of all these institutions will require training, and we suggest that special courses to suit the requirements of different types of societies be prescribed at Bombay and other regional schools which we have proposed in the course of our recommendations.

Bombay Provincial Co-operative Institute.

21. In addition to these co-operative societies, which are numerous enough to be grouped under various heads, there are other important organisations, which have staff and personnel, requiring training. For example, as the main mouthpiece of the co-operative movement and principal organisation for carrying on co-operative education in the province is the Bombay Provincial Co-operative Institute, which, according to our scheme, will be having, in all districts, Educational Supervisors, who will have to be given a special course of training.

Miscellaneous

22. Besides, there are other organisations like the Bombay Co-operative Insurance Society, Education Societies, etc., for which it is neither possible nor necessary to provide separately. They will have either to fit in with the scheme we have put up, or make their own arrangements for the training of their staff with the help of the Bombay Provincial Co-operative Institute.

Co-operative Department.

23. Apart from the staff of the various co-operative organisations, the staff of the Co-operative Department will have to be trained. This staff which until recently consisted almost entirely of Auditors and Sub-Auditors, has expanded very considerably in recent years. At present, apart from the audit staff, the Department has been provided with administrative staff consisting of District Co-operative Officers, Assistant District Co-operative Officers and Assistant Co-operative Officers, who work under the control of the Divisional Assistant Registrars. In addition, for work in connection with co-operative marketing, regulation of markets, standardisation and grading, a separate cadre of Marketing Inspectors has been created. Recently, Government has issued orders placing the supervision staff consisting of Superviors and Assistant Supervisors of supervising unions, under a cadre of temporary Government servants. In view of the steps taken or contemplated to implement the various post-war schemes of the Co-operative Department, a further increase in the departmental staff under various categories is visualised.

24. Needless to say, all the new and the untrained staff of the Department will have to be trained and refreshers' courses will have to be arranged for those who have already undergone training.

(5) With regard in the finance of the whole scheme, the Committee has made the following recommendations—

(a) All the co-operative organizations in the province declaring a dividend of 4 per cent or more should contribute one to two per cent of their net profits towards the educational fund of the Bombay Provincial Co-operative Institute.

(b) The balance of expenditure should be borne by Government

(6) The Bombay Provincial Co-operative Institute should determine, in consultation with the Registrar of Co-operative Societies and the organizations, representative of the main categories of co-operative societies in the province, as to what should be the minimum training prescribed for the staff—especially the key personnel of various societies. The Co-operative Department should make efforts to see that the staff gets the prescribed training.

(7) The Co-operative Training College should also work as a Research Bureau and undertake investigation and research in co-operation and allied subjects.

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Report of the Rayalaseema Co-operative Enquiry Committee 1945-46.

(Madras Province.)

Secretary's Summary of Recommendations.

CHAPTER V.

AGRICULTURAL CREDIT SOCIETIES.

Recommendation No.		Paragraph No.
1	Existing village primaries should be gradually converted into full-fledged multi-purpose organizations. Besides dispensing credit, they should be linked up more actively with production, marketing, distribution and consumption. They should encourage thrift and savings among members ...	132
2	All new societies in Rayalaseema should be established on multi-purpose basis ...	132
3	Where separate societies are constituted in villages for particular communities such as weavers, they should be organized also on multi-purpose lines catering to all the needs of their members ...	136
4	As far as possible every endeavour should be to establish a multi-purpose society for each village. Where an individual village is unduly small in size and the primary in that village continues to function only for credit purposes, the non-credit needs of the village may be provided for by organizing a multi-purpose society for a group of five or six villages and a depot being established for meeting the non-credit requirements of the village societies affiliated to it. This arrangement should, however, be temporary, and should give way when properly functioning multi-purpose societies come to be organized in each of the villages	134
5	The multi-purpose societies to be established should be based upon liability limited to a maximum of ten times the paid-up share capital. The existing primaries with unlimited liability may continue to function on the same basis until they are converted into active multi-purpose societies, or until their members choose to get the liability changed under section 5 of the Madras Co-operative Societies Act ...	133
6	Every village society should have a recognized place of business with a sign-board. The office should be open during week days or at least on specified days in the week and at or during specified hours ...	135
7	There should be a paid employee for each society, full-timed or part-timed according to the size of the society and the volume of business transacted. The amount needed for expenditure in this connection up to a maximum to be fixed in each case should be	

Summary of Recommendations.

The main recommendations of the Committee are as under :—

(1) Existing arrangements for separate training by the Bombay Provincial Co-operative Institute and the Co-operative Department should be replaced by a scheme planned as a whole and functioning under the aegis of the Bombay Provincial Co-operative Institute. The departmental staff should also be trained at the centres, to be set up, for training the staff of non-official institutions. A whole-time Executive Officer should be appointed by the Institute for looking after its educational activities, and district and divisional organizations should be set up or reorganized to assist the Institute in carrying out its work.

(2) Future arrangements for co-operative education and training have been classified into three categories, *viz.*:

(*a*) District

(*b*) Regional

(*c*) Provincial

(*a*) Within each district, classes should be organized for training secretaries of agricultural credit societies, and similar small organizations and for imparting co-operative education to the committee members of such societies and organizations. This should be done through the appointment of whole-time, permanent and well-qualified Educational Supervisors in all districts.

(*b*) Four regional schools should be set up—one at Bombay and three in the three linguistic divisions of the province, *viz.*, at Poona, Dharwar and a suitable in Gujerat. At these schools thorough training should be given to the lower staff of the Co-operative Department and co-operative institutions, in particular, Supervisors, Bank Inspectors, Assistant Co-operative Officers and Secretaries of big multi-purpose societies and small taluka purchase and sale organizations.

(*c*) A Co-operative Training College should be established at Poona, which should arrange for training of higher departmental staff and persons holding key positions in co-operative institutions.

Under (*a*), (*b*), and (*c*) above, there should be arrangements for holding special classes for the personnel of special types of societies and for holding refreshers' classes.

(3) Apart from the intensive training of the paid, whole-time personnel, it is necessary to provide for diffusion of co-operative knowledge among co-operators and the general public, through—

(*a*) Introduction of suitable lessons on co-operation and select co-operative organizations in text-books for schools.

(*b*) Periodic talks on co-operation and other allied subjects through the Rural Broadcasting Section of the Bombay Station of the All-India Radio.

(*c*) Spread of co-operative knowledge in rural and urban areas through talks and lectures, especially those illustrated with the help of magic lanterns, cinema films, maps, charts, gramophone records.

(*d*) Periodic holding of conferences and taking full advantage, for the spread of co-operative movement, of celebrations during the Co-operators' Weeks and Co-operators' Days.

(*e*) Opening of libraries, containing books on co-operative and allied subjects at the regional schools and in all places where there are co-operative memorial buildings, like Sir Lallubhai Samaldas halls.

(*f*) Arrangement of extension lectures on co-operation and allied subjects in schools and colleges.

(4) The Bombay Provincial Co-operative Institute should have a well-planned scheme for preparation and publication of co-operative literature. It should be provided with adequate funds for the purpose. It should aim at—

(*a*) Preparation of text-books for persons who are to be trained at the various institutions.

(*b*) Preparation of small pamphlets on special subjects like industrial co-operatives, etc.

(*c*) Publication of magazines in English and regional languages of the province. The three magazines in regional languages should be renewed at a very early date.

Recommendation No.		Paragraph No.
	advanced by Government in the first instance and recouped after audit from the profits of societies either wholly or in part as the case may be, provided that in no case shall the amount so recovered exceed 20 per cent of the net profits of the society. Present model by-law 30 has to be deleted and model by-law 55 relating to appropriation of profits to be suitably amended	135
8	The services of village school teachers to be availed of for running and writing up accounts of societies where the volume of business cannot justify full-timed staff	135
9	In view of the low economic condition of the area and the poor return from agriculture, the rate of interest on loans to borrowers in agricultural credit societies should not exceed 4½ per cent ...	137
10	Immediate steps should be taken for the reconstruction of the credit work of the existing agricultural societies before equipping them for the conversion into active multi-purpose societies ...	138
11	In view of the existence of a large number of moribund, deficit and loss societies in Rayalaseema where many of the debts due by members are frozen, it is suggested that societies should scale down the debts of the members so as to be within their repaying capacity within a specified period. The application of the principles of the Agriculturists' Relief Act for scaling down debts due from members to societies is recommended.	
	Provision should also be made for a corresponding scaling down in the amounts due from societies to central banks	
	Where as a result of this policy the financial position of any central bank is prejudicially affected to a serious extent, Government should make good the amount necessary for the Bank to stabilise its finances ...	138
12	Such debts as would remain uncollected after the process of scaling down should be written off ...	138
13	Societies which refuse to be rehabilitated after all measures towards rectification and consolidation are exhausted, should be liquidated ...	138
14	In the scheme for the revival of societies, the policy of denying further loans to defaulters should be avoided. After debts are scaled down and a fresh period for their repayment is fixed, the defaulters should be enabled to fulfil their revised obligations by the grant wherever possible of fresh short-term loans for cultivation purposes	139

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Recommendation No.		Paragraph No.
15	The need for fixing individual borrowing power in the by-laws of societies with reference to share capital or at an absolute amount is not apparent when the conditions governing the sanctioning of a loan, *viz.*, legitimate need, security and repaying capacity are satisfied	140
16	In fixing the maximum borrowing power of societies with unlimited liability on the basis of property statements of members, it is suggested that the full value of properties, whether immovable or movable, should be taken and the credit limit of the society fixed at one-fourth of the net assets of members ...	140
17	To arrange for the timely disbursement of loans the introduction of the system of cash credit is recommended. Within the credit limit fixed for each member by the financing bank, it will be competent for the panchayatdars to sanction and disburse loans to members subject to post scrutiny by the financing bank of such loan disbursements. The disbursement of loans should be by means of cheques drawn on the financing bank. Where in the opinion of the financing bank a loan has been irregularly disbursed, the financing bank shall have power to order the summary recovery of the loan. In case of non-recovery, the financing bank to have power to proceed against panchayatdars who sanctioned such loans.	
	This system however may be tried in a few selected societies to begin with and that if the results are good, it might later be made a general rule amongst all societies	141
18	The fixation of limits for loans under short term and medium term in the case of agricultural credit societies in Rayalaseema is unnecessary. The panchayatdars of societies should have discretion to regulate the loans under these two categories with reference to the nature and availability of funds and the needs of borrowers	143
19	The maximum period for short-term loans should be two years and that for medium-term loans five years.	142
20	Application to and mortgage bank for long-term loans should be made through village co-operatives of which the applicants are members. If so required, the societies would act as agents on behalf of the financing land mortgage bank for the disbursement of loans and the recovery of loan instalments ...	143
21	Loans to be granted to members under continuing guarantee bond system ...	144

Recommendation No.		Paragraph No.
22	Loans for cultivation expenses should be granted under controlled credit system and their disbursements should to the extent possible be in kind in the form of seed manure and the like ...	144
23	To ensure repayment of loans taken for cultivation expenses, every borrower in a village credit society should be required to hypothecate his crop to the society by necessary indenture bond, subject always to the prior claims of the State ...	144
24	The societies should own or arrange for godowns under their control to secure custody of the pledged produce when harvested, and State-aid to be made available for societies having large business in this line to build godowns of their own ...	144
25	In respect of commercial crops like cotton and groundnut pledged to the village society, arrangements should be made for the marketing of the produce through the nearest co-operative marketing society.	144
26	During years of drought and scarcity and parallel to such relief as may be granted by the State either in the form of suspension or remission of land revenue, co-operative societies should automatically grant extension of time to their members and financing banks in their turn should grant similar extension of time to societies	
	If as a result of the granting of such concessions the position of the financing banks is likely to be jeopardised, the apex bank should go to the rescue of such banks to the extent of relief granted ...	145
27	Remittances of amounts by co-operative societies to be arranged through village headmen who should be required to receive such moneys and remit them into Government sub-treasuries to the credit of the concerned financing bank. Such remittances to be made under triplicate chalan system, one chalan to be retained in the treasury, the second to be sent to the financing bank and the third to be with the society which will serve as a sort of advice of remittance. For this purpose financing bank to open accounts with the various sub-treasuries	146
	No interest should be allowed to accrue against the borrowing society from the date of the collection being handed over to the village headmen.	
28	The panchayatdars shall be elected by the general body of the societies as per the by-laws. Where however it is found that a society is not functioning properly and if in the opinion of the Registrar an increase in the strength of the panchayat would lead to efficient	

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Recommendation No.		Paragraph No.
	management, he may nominate not more than two panchayatdars as an addition, for a temporary period, to the sanctioned strength of the elective panchayat. In making these nominations, the Registrar should have due regard to the interests of smaller and less influential section of the members ...	148

CHAPTER VI.

Urban Banks and Scheduled Classes Societies.

Urban Banks.

Recommendation No.		Paragraph No.
29	The rate of interest charged on loans to members should not be more than 2 per cent over the rate for borrowings and that ordinarily it should be less ...	150
30	In regard to the fixation of limits for loans under short-term and medium-term loans, the circumstances of each bank should be taken into account before fixing the limits in consultation with the banks concerned. With due regard to the resources and the availability of funds urban banks should be free to regulate their loan transactions ...	151
31	Urban banks to be permitted to lend to their members on the pledge of their produce and if possible and practicable the marketing of such pledged produce to be arranged through the loan and sale society having jurisdiction over the area. Towards construction of godowns for providing necessary storage facilities, Government to grant liberal subsidies ...	152
32	Urban banks to be permitted to lend to other co-operative institutions, area to be delimited by the Registrar of Co-operative Societies ...	153
33	The system of granting cash credit to individuals under continuing guarantee bond should be encouraged and popularised	154
34	Urban banks to be permitted to undertake lines of commercial business which will extend their sphere of usefulness to their members. The Registrar of Co-operative Societies to advise the banks to refrain from undertaking activities which in his opinion would be hazardous for the banks to undertake ...	155

Scheduled Classes Societies.

Recommendation No.		Paragraph No.
35	The abolition of separate societies for scheduled classes except in areas and circumstances where the necessity for such separate societies exists is favoured. Special efforts should be made to get these members admitted into village societies and steps taken to satisfy the economic needs of this community ...	156
36	Subsidiary occupations to be provided for the members of scheduled classes in co-operative societies ...	157

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Recommendation No.		Paragraph No.

CHAPTER VII.

PRODUCERS, MARKETING AND CONSUMERS' CO-OPERATIVES.

Producers' Societies—Weavers' Societies.

37	Appointment of a special Deputy Registrar with necessary staff for the development of handloom industry in Rayalaseema for a period of five years is recommended ...	159
38	The employment of paid managerial staff recruited preferably from the officers lent by the department for a period of five years at the cost of Government or till such time as the societies are able to stand on their own legs, whichever is earlier, is recommended.	160
39	To enable the societies to purchase fly-shuttle looms, Government to make grants on the recommendation of the Registrar of Co-operative Societies. At least a part of the cost to be in the shape of a subsidy and the balance as a loan on easy terms ...	161
40	Advice regarding designs, markets and other cognate matters should be provided by the Department of Industries and the Madras Handloom Weavers' Provincial Co-operative Society ...	161
41	Weavers' societies to undertake multi-purpose activities such as provision of credit and articles of consumption for their members	162
42	A system of compulsory provident fund should be established to which both the member and the society should contribute equally	162
43	Loans or cash credit on the pledge of finished products should be allowed to the societies in addition to the ordinary credit provided for in the by-laws ...	163
44	The Madras Handloom Weavers' Provincial Co-operative Society should undertake the marketing of the products of a weavers' society when a request is made to it in this regard	164
45	On the security of goods thus deposited with the Madras Handloom Weavers' Provincial Co-operative Society, financing agencies should provide accommodation if required	164
46	The link existing between the weavers' societies and the co-operative stores in the matter of sale of cloth should be maintained and strengthened ...	164

Sheep Breeding Societies.

47	Facilities should be provided for the members of sheep-breeding societies to improve the breed of sheep and adopt better methods of shearing and grading ...	167

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Recommendation No.		Paragraph No.
48	These societies should be provided with suitable grazing grounds	167

Milk Supply Societies.

49	The measures suggested by the Special Officer appointed by the Government of Madras in connection with supply of milk to Madras City may be adopted in respect of milk supply societies in Rayalaseema ...	168

Marketing Societies.

50	Marketing societies provided with godown accommodation might be started in market centres ...	170
51	The construction of godowns out of groundnut fund at other marketing centres in Rayalaseema is recommended	170
52	Before a marketing society is started, its lines of business, the facilities it has for godown accommodation, the personnel of its staff should be settled ...	170
53	To enable the societies to construct godowns the present limitation of the grant of 25 per cent of the estimated cost should be raised to 50 per cent and the balance should be advanced as a loan without interest repayable in a period of 20 years in instalments	170
54	Marketing societies to be provided with cash credit accommodation by the financing banks for enabling them to lend to their members promptly ...	171
55	The conditions governing loans in respect of produce stored in pits should be the same as those for grains stored in godowns	172
56	The assigning to the financing bank of bonds executed by borrowers in loan and sale societies is unnecessary	173
57	The linking of the marketing societies with stores societies is recommended	174
58	Sale of produce under auction system is recommended for adoption	175
59	The services of departmental officers of the grade of senior inspectors should be made available to the societies free of cost for a period of five years ...	176
60	A special officer of the grade of a Deputy Registrar should be appointed for Rayalaseema for the purpose of surveying the possibilities of establishing marketing societies in the area	177

Consumers' Co-operatives.

61	The abolition of the primary stores and the opening of branches of the wholesale stores in urban and semi-urban areas is recommended. Such of the stores in	

Recommendation No.		Paragraph No.
	urban areas as are functioning well may be allowed to continue. In rural areas the village co-operatives should undertake the work of distribution as part of their multi purpose activities ...	179
62	Sales to non-members in all stores whether they remain primaries or become branches of the wholesales may continue for a period of five years ...	180
63	Stores should undertake the sale of consumer goods to satisfy as far as possible every need of the consumer.	181
64	Processing and production activities may be undertaken with advantage where circumstances are favourable.	181
65	The creation of a Provincial Wholesale Stores is recommended	182

Other Co-operatives.

Recommendation No.		Paragraph No.
66	For the development of the Atmakur Chenchu Purchase and Sale Society in Kurnool district, an officer of the Forest department with necessary co-operative training may be put in charge of the society ...	183
67	The following suggestions are made for the development of the Sugalimetta Cattle Breeding Society— (*a*) Encourage the habit of thrift among members. (*b*) Surplus milk secured from the herds of cows to be pooled and marketed ... (*c*) Subsidiary occupations to be provided for the members ... (*d*) The services of a co-operative inspector to be lent to the society free of cost for a period of five years	184
68	The services of a whole-timed inspector to be made available to the Lepakshi Multi-purpose Co-operative Society in Anantapur district to assist the society in the conduct of its activities ...	185
69	The possibilities of fruit culture on co-operative lines should be explored by the Co-operative department in co-operation with the Agricultural department ...	186

Miscellaneous.

Recommendation No.		Paragraph No.
70	Regular and punctual repayments by members of societies should be encouraged by cash rebates. This system may be tried in some societies in the first instance and extended to others if successful ...	189
71	The system of awarding prizes to two or three of the best conducted societies in each year in a district or taluk is also worth considering ...	189
72	No director or panchayatdar should continue in office for more than two terms in succession and necessary provision should be made in the rules under the Madras Co-operative Societies Act ...	190

Recommendation No.		Paragraph No.
73	Where the working of a co-operative society has been rendered unsatisfactory and its working brought to a standstill on account of the presence of a few recalcitrant and undesirable persons on the panchayat or board, the Registrar of Co-operative Societies shall, after obtaining a report made after a personal enquiry by a Deputy Registrar of Co-operative Societies, have power to remove these members who in his opinion are undesirable and are responsible for the stalemate without superseding the entire panchayat or board. The places thus rendered vacant may be filled up by the remaining members of the panchayat or board as the case may be by co-option for the unexpired portion of the period. The expelled member or members should be declared ineligible either for co-option or for re-election for a specified term of years	191
74	In view of the extreme poverty of the tract co-operative societies should be granted full exemption from the payment of registration fees in respect of documents executed by members in favour of societies and that encumbrance certificates also should be granted without charging search fees... ...	191
75	The following recommendations of the Madras Committee on Co-operation (1940) is re-emphasized— "To prevent alienation of properties by members, no member of a society ordered to be liquidated should be free to alienate his property to the prejudice of the society during the pendency of an appeal to the Government and within 15 days thereafter."	193
76	A rule should be made fixing the maximum period within which the liquidation proceedings of a society should be completed. If in rare cases extension of time is necessary, the competent authority to sanction it should be the Government	195
77	Frequent transfers of officers should, as far as possible, be avoided	196
78	A knowledge of the languages spoken in Rayalaseema is necessary for the officers posted to this tract ...	197

CHAPTER VIII.

COTTAGE INDUSTRIES.

Recommendation No.		Paragraph No.
79	Hand spinning to be encouraged as a spare-time occupation on co-operative basis	198
80	All irksome conditions which affect the hand spinning industry in Rayalaseema should be withdrawn by the All-India Spinners' Association and the handwoven cloth prepared out of the handspun yarn should have a free market	198

Recommendation No.		Paragraph No.
81	For imparting training in improved methods of tanning and leather industry, pottery and other cottage industries undertaken by the Department of Industries and Commerce, the number of peripatetic parties should be increased and a permanent training centre for tanning and leather industry should be established in a place like Lepakshi ...	200
82	State-aid for the development of societies formed for cottage industries should be freely forthcoming ...	210
83	District Collectors should be empowered to grant assistance to cottage industries societies up to a limit on the recommendation of the Deputy Registrars. For this purpose special amounts earmarked for the specific purpose should be placed at the disposal of Collectors in Rayalaseema as part of their discretionary grants ...	200
84	An up-to-date survey of cottage industries may be made for Rayalaseema, and a priority list of cottage industries may be drawn up so that a definite plan of action can be formulated and carried out ...	201
85	Special staff is necessary for the purpose and it should be under the Co-operative department ...	202
86	Technical training may be in the hands of the Department of Industries while the follow-up must rest with the Co-operative department which should recruit the necessary staff for the purpose of supervision and control ...	202
87	A technically qualified person to be in charge of development of cottage industries other than handloom weaving and he should be assisted by inspectors to organize the industries on co-operative lines, to assist the societies in the production and marketing of finished products ...	202
88	Financing bank to accommodate the societies with necessary funds ...	202

CHAPTER IX.

FINANCING BANKS.

District Co-operative Central Banks.

Recommendation No.		Paragraph No.
89	The function of the financing agency should be confined to raising money as cheaply as possible and making it available at as low a rate as possible to the primary societies and therefore to the ultimate borrower. They should be relieved of the responsibility for supervision ...	207
90	The best policy would be to entrust supervision entirely to Government agency in a backward tract like Rayalaseema ...	207

Recommendation No.		Paragraph No.
91	The abolition of central banks in Rayalaseema as autonomous institutions and their conversion into branches of the Madras Provincial Co-operative Bank under managers appointed by the latter assisted by local committees is recommended. The strength and function of these committees in each to be fixed by the Madras Provincial Co-operative Bank in consultation with the Registrar of Co-operative Societies ...	207
92	The scheme will involve the Provincial Co-operative Bank taking over the assets and liabilities of the central banks. In the central banks at Anantapur and Cuddapah, the estimated bad and doubtful debts exceed the amounts held to the credit of these specific reserves. The difference which works out to Rs. 31.0 lakhs should be made good by the Government so as to make it easier for the Madras Provincial Co-operative Bank to take over the business of central banks...	208
93	The State-aid recommended above should be made available to the central banks especially those at Anantapur and Cuddapah even before a decision on the question of the abolition of central banks is taken.	210
94	The Madras Provincial Co-operative Bank should make funds available to the primary societies at not more than 3 per cent ...	205
	If it finds any difficulty in doing so, it might take advantage of the offer which the Reserve Bank of India has made to sanction advances of large amounts to Provincial Co-operative agencies at specially low rates of interest ...	204
95	If the branches of the Provincial Co-operative Bank cannot ensure this low rate of interest, the State should step in to subsidize the central financing agency to meet any loss that the latter may incur in providing finance at this rate ...	205
96	The interests of those who participate in the working of primary and other co-operatives in the local area to be given an opportunity to influence the purely financing activities of the branches of the Provincial Co-operative Bank by being represented on the advisory committees proposed to be attached to the branches. ...	211
97	After gaining experience in the working of the branches if it is considered desirable to give local co-operative interests some voice at the centre, arrangements to be devised for these advisory committee sending representatives to the deliberative body to which the executive of the Provincial Banks is responsible ...	211

Recommendation No.		Paragraph No.
	Land Mortgage Banks.	
98	On grounds of convenience and utility the primary land mortgage banks in Rayalaseema should be abolished.	219
99	Central Land Mortgage Bank to undertake financing of borrowers directly ...	219
100	The Central Land Mortgage Bank should confine loans only to members of rural credit societies ...	215
101	A borrower of a short or medium-term loan from a village society should be enabled to borrow long-term loan from the land mortgage financing agency and *vice versa* on a second mortgage of the same property.	215
102	It is recommended that the period for the encumbrance certificates should be limited to 12 years unless there are insuperable legal difficulties ...	216
103	With due regard to the economic condition of the tract, it is recommended that loans may be safely granted up to 75 per cent of the estimated value of wet and irrigable dry lands and 60 per cent in respect of rainfed dry lands in Rayalaseema ...	217
104	Loans may be granted on the mortgage of rainfed dry lands ...	218
105	Biennial instalments to be fixed in the case of loans taken from the Land Mortgage Bank ...	218
106	During lean and bad years extension or postponement of loan instalments is recommended ...	218
107	The cost of the staff employed for work connected with scrutiny of loan applications should be borne by Government for a period of five years after which the position may be reviewed ...	220
108	The Central Land Mortgage Bank to reduce its lending rate to enable the ultimate borrower to get long-term finances at not more than 4 per cent ...	221
109	The posts of the Deputy Registrars for Land Mortgage Banks may be abolished and the administrative control over these banks to be vested in the District Deputy Registrars ...	222

CHAPTER X.

SUPERVISION.

Recommendation No.		Paragraph No.
110	The financing bank should be relieved of the responsibility for supervision, which should be entirely taken over by Government ...	224
111	In view of the backwardness of Rayalaseema and the low standard of co-operative work therein, it is imperative that the State should undertake not merely to take	

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Recommendation No.		Paragraph No.
	over responsibility for supervision but to meet the entire cost of the machinery required ...	224
112	There should be one Junior Inspector for every 10 societies and no inspector should have more than 15 societies for intensive supervision. He will be responsible for all items of work except audit and other statutory duties for which there must be a separate staff as at present ...	226
113	Qualified and efficient supervisors and bank inspectors in the employ of central banks may be given preference for appointment as Junior Inspectors in the department ...	226
114	The adoption of a five-year plan for the expansion of co-operative movement in Rayalaseema is recommended so as to bring 50 per cent of the villages within the ambit of co-operative movement at the end of five years ...	227
115	If as a result expansion of the movement the work of the District Deputy Registrars increases in volume, they should be given such assistance as would be justified from time to time in the interests of efficient administration ...	228

CHAPTER XI.

PROPAGANDA AND EDUCATION.

Recommendation No.		Paragraph No.
116	Propaganda should be continuous and sustained ...	230
117	To arrange for continuous and sustained propaganda a separate organization consisting mainly of non-officials should be set up and such an organization should be provided with adequate funds for the purpose. ...	232
118	There should be a local propaganda union operating over a small area and the local propaganda unions should be federated into District Propaganda Unions ...	232
119	Towards the cost of maintenance of the District Unions, Government should grant subsidies and societies should be required to make contributions from out of their common good fund ...	232
120	The local union to be subsidized by the District Unions and a portion of the common good fund of societies to be paid to these institutions ...	232
121	To ensure co-ordination between the District Unions and to provide a common propaganda front, a Board consisting of representatives of District Unions may produce the propaganda literature in co-operation with the Rayalaseema Co-operative Institute. ...	234
122	Propaganda and education should be in the hands of non-officials who should in the beginning be given all assistance they may need ...	235

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Recommendation No.		Paragraph No.
123	The expenditure incurred in connection with propaganda and education should be borne by Government for a period of five years ...	237
124	The courses of studies in the Rayalaseema Co-operative Institute should be reorganized so as to provide facilities for training the personnel required for propaganda purposes also ...	238
125	The training imparted in the Institute should be free and the posts of propagandists should carry an adequate salary and incumbents should be eligible for promotion to posts in the Co-operative Department...	238
126	Panchayatdars' training classes should be conducted as now and these classes should be run under the auspices of the District Unions ...	239

CHAPTER XII.

PROJECT AREAS.

127	Every village in the area should have a multi-purpose society and there should be a drive for getting into the membership of the society all the agriculturists whose lands will be commanded by the project ...	244
128	The society should arrange for the financing of its members for short-term, medium-term and long-term needs ...	244
129	An adequate staff should be mobilized for overhauling the existing co-operative credit societies in the project area and of converting them into multi-purpose societies, for establishing new multi-purpose societies and for bringing all of them into active condition. This task should be completed within a period of five years ...	245
130	The special staff to be appointed for work connected with project area should investigate the need for the establishment of marketing societies for the commercial crops that will be grown in the area and take steps for establishing them ...	245
131	For the intensive work involved, it is suggested that six taluks—four in Bellary and two in Kurnool districts—which will be brought under this Tungabhadra Project may be formed into a new co-operative district under a Deputy Registrar with the necessary staff. ...	245
132	Effective measures should be taken immediately for relieving the agriculturists in the area from the burden of prior indebtedness ...	246
133	In computing the value of immovable properties offered as security for loan their prospective value after the improvements are carried out, to be taken into account ...	247

Recommendation No.		Paragraph No.
134	Loans given for cultivation expenses during the first two years should be treated as medium term for purposes of repayment ...	247
135	The maximum period for the repayment of medium term loan taken at the commencement of irrigated cultivation might be fixed at 10 years ...	247
136	Loans for cultivation expenses should be disbursed as far as possible in kind ...	247
137	With a view to encourage the speedy development of the project area the rates of interest on loans to be as low as possible ...	248
138	A system of co-operative farming under which ownership of lands vests in the society, the members contributing labour and entitled to wages and a share in the net surplus of produce is recommended ...	252
139	The co-operative farming society should function as a multi-purpose society catering to all the economic needs of its members ...	252
140	When two-thirds of the owners of the land included in the village or a unit agree to the establishment of a co-operative organization, a co-operative society should at once be established and the remaining one-third of the owners should be compelled to join the society. Suitable legislation may be enacted in this regard ...	253
141	Every co-operative farming society should have the services of an agricultural graduate with necessary co-operative training to function as its executive officer. He should be given the assistance of such trained personnel as may be found necessary from time to time ...	255
142	Until the principles both of agricultural planning and execution and of co-operative activity are fully understood, and translated into practice it is necessary that the control and guidance by the higher officers in the departments of Government should be made available to these societies and their officers ...	255

Panchayatdars' Training Classes.

A REVIEW BY THE REGISTRAR OF CO-OPERATIVE SOCEITIES.

Pdl. 4/46. N, *dated, 17th January 1947.*

The scheme of training classes for the training of Panchayatdars and members of rural co-operative societies sanctioned in G.O. No. 1277, Development, dated 22nd March 1944, was introduced in the year 1944-45. The first set of training classes began in the year 1945. The second set was conducted in the year 1946 during the period, 1st April 1946 to 30th June 1946.

2. *Centres*:—The following centres were chosen by the Central Banks concerned for the conduct of these training classes by the co-operative institutes situated at Tanjore, Coimbatore, Anantapur and Rajahmundry. The classes were held in each of the centres for a period of 15 days. The number of persons who attended the classes is indicated against each centre.

Tanjore Institute.		Coimbatore Institute.	
Madras ...	27	Coimbatore ...	16
Uttiramerur ...	33	Perundurai ...	25
Viruddachalam ...	25	Dharapuram ...	15
Kallakurichchi ...	30	Ootacamund ...	15
Mayavaram ...	25	Badagara ...	25
Pattukottai ...	26	Trithala ...	24
Perambalur ...	29	Kalianur ...	24
Lalgudi ...	29	Puttur ...	23
Theni ...	36	Trichengode ...	25
Paramakudi ...	25	Hosur ...	20
Srivaikuntam ...	19	Arni ...	43
Koilpatti ...	35	Tiruvannamalai ...	34

Rajahmundry Institute.		Anantapur Institute.	
Rajahmundry ...	24	Anantapur ...	20
Amalapuram ...	26	Hindupur ...	16
Tenali ...	25	Thavanampalle ...	25
Guntur ...	25	Hospet ...	25
Penugonda ...	25	Tirupati ...	25
Ellore ...	25	Tiruttani ...	25
Bezwada ...	21	Rajampet ...	25
Masulipatam ...	25	Rayachoti ...	25
Venkatagiri ...	25	Bellary ...	25
Nellore ...	24	Adoni ...	25
Vizianagaram ...	28	Pedapally ...	25
Chicacole ...	25	Kurnool ...	25

3. *Staff*:—The classes were conducted by the staff of the Institutes.

4. *Non-official Lecturers.*—The staff of the institutes who conducted the training classes were assisted by the non-official lecturers recognised under the scheme.

places which were visited by the trainees in the neighbouring centres are given below :—

1. Hagari Agricultural Dry Farm, Bellary.
2. Tungabhadra Dam site.
3. Government Vegetable Farm, Nagari.
4. Andhra Paper Mills.

5 & 6. Live-stock Research Station and Sericultural Farm at Hosur.

7. & 8. Forest Research Station and Sandalwood Factory at Denginikota.

9. Coonoor Nutrition Research Laboratory.
10. The Government Vegetable Farm at Tudialur.
11. The Dalmiahpuram Cement Works.
12. Dr. T. S. S. Rajan's Farm, Tiruvengimalai.

11. *Good results attained at centres.*—The scheme of panchayatdars' training classes has become popular and successful in almost all centres. Some of the centres were successful beyond expectations. The following centres deserve special mention as quite suitable centres for such classes: Anantapur, Lalgudi, Hosur, Coimbatore, Ooty, Amalapuram, etc. Besides the stipendiary students selected for the classes, outsiders also attended these classes. Out of 48 centres selected this year, 22 are old ones. Of the remaining 26 centres, 22 centres are reported to be suitable for conduct of such classes in future years also. The details of four centres reported to be unsuitable for such classes are given in the next paragraph. The intention of the scheme is to establish in course of time suitable centres as permanent auxiliaries to the co-operative institutes concerned. The centres which have proved to be suitable for these classes should be continued in the subsequent years also. In order to make the classes interesting to the trainees throughout, various entertainments were provided. At Coimbatore and Hosur, elocution competitions were arranged at the end of the classes and silver cups and medals were awarded to the best speakers. It is to be appreciated that panchayatdars and members of certain centres, such as Arni, Tiruvannamalai, Uttiramerur, etc., took keen interest in these classes. The response to these classes this year was much better than in the previous year.

12. *Poor centres.*—The following few centres selected for the conduct of these classes were found unsuitable mostly due to lack of accommodation and facilities for the trainees who gathered there:—1. Thavanampalle, 2. Tirupati, 3. Peapally and 4. Srivaikuntam. In this connection, it is suggested that if no suitable accommodation is available, the premises of local schools, that will be closed for summer holidays, may be engaged for the conduct of the classes with the help of the authorities concerned. Such unsuitable centres may be given up and fresh centres may be selected for the conduct of classes for the next year.

5. *Lecturers of the Co-operative Department.*—At some of the centres, officers of the Co-operative Department like the Deputy Registrars, Co-operative Sub-Registrars and Senior Inspectors assisted the institutes' staff in the conduct of the classes. The class at Ootacamund was inspected by the Joint Registrar and the Registrar. At Tiruvannamalai centre, Sri V. S. Thangasami, Co-operative Sub-Registrar, Vellore, in charge of liquidation himself sang songs specially composed by him for these classes on co-operation, thrift, marketing, etc., and explained their implications. This was appreciated. Prominent non-official co-operators also helped the classes with talks on co-operation and allied subjects. The Dairy Expert of the Co-operative Department visited four centres in each of the Coimbatore, Rajahmundry and Anantapur areas and five centres in Tanjore area, And gave lectures and magic lantern shows on dairying and other co-operative subjects.

6. *Lecturers of other departments.*—The staff of the institute was also assisted in the conduct of the classes by officers of other departments, such as Revenue, Agriculture, Industries, Veterinary, Public Health, Education, Fisheries, Rural Recreation, Electricity, Registration, Textile, Judicial, etc. Educational institutions took an active part in entertaining the classes with amusements and sports.

7. *Attendance.*—According to the scheme, the recruited number of stipendiary candidates for a class is 25. It may be seen from the statement furnished in paragraph 2 above that in thirteen centres the required number of candidates did not attend the classes, even though in some such centres the classes were carried on successfully. However, it should have been seen that the required number of stipendiary candidates attended the classes and benefitted by the instruction imparted.

8. *Subjects taught.*—The subjects taught in all these centres related to rural credit societies, supervising union, sale societies, central banks co-operative stores, co-operative milk-supply unions, fruit-growers' co-operative societies, land colonisation societies, cottage industries societies, weavers' societies, land mortgage banks, the "Grow More Food Campaign" and the problems of Post-war Reconstruction, as detailed in the syllabus drawn up by the Madras Provincial Co-operative Union.

9. *Amusements.*—In order to make the training classes attractive, amusements were made a normal feature at every centre such as *Kalashepams*, *Harikathas*, dramas, rural games, etc.

10. *Villages visited.*—The trainees were also taken to villages adjacent to the centres for practical study of the working of the co-operative societies and other institutions. The Anantapur Institute arranged for visits to about 12 villages; the Tanjore and Coimbatore Institutes, to 3 villages each, and the Rajahmundry Institute, to six villages. Some of the interesting

Correspondence.

D. 20047/46A, *dated, 28th January 1947.*

Sub:—Co-operative societies—Central Banks—Maximum credit limit relaxation.

Ref:—Your editorial notes under the Head "Limit of Borrowings" in the October 1946 issue of the *Madras Journal of Co-operation.*

Sir,

In the editorial notes referred to above, you have observed that you are not sure if the permission to exceed the borrowing limits of Central Banks is given on any particular basis and that in most cases it is the need which governs the increase in limits.

2. You may perhaps be aware that the normal maximum credit limit for Central Banks fixed by Government is ten times their paid up share capital *plus* Reserve Fund. This has been found to be quite sufficient in normal times. In view of the increasing demand for funds by Central Banks for financing procurement and distribution schemes entrusted to Co-operative Societies Government have empowered me to enhance the maximum credit limit of Central Banks upto 20 times their owned capital. This enhancement is generally ordered by me on the application of the Central Banks and subject to the condition that the enhanced credit limit over and above the normal limit of ten times the owned capital is utilised exclusively for issue of loans and advances to societies for undertaking food procurement and distribution work. It will thus be seen that the enhancement of maximum credit limit is permitted for a specified purpose and under certain conditions purely as a temporary measure to provide the large funds needed for procurement operations.

N. S. ARUNACHALAM,
Registrar.

The power to register amendments to by-laws.

Two things have more than anything else encouraged me to voice forth my feelings in the above matter. They are that the destinies of the co-operative movement are now in the hands of a popular minister who can, if willing, rise up to the occasion and that you have yourself given a lead by expressing the popular feeling in the matter through the editorial note in the issue of the journal for July.

The Registrar of Co-operative Societies has for purpose of discharging the responsibility of administering the movement been invested with varied powers under the co-operative statute, so as even to reduce a movement that is essentially democratic and non-official, to be a matter for departmental administration. The power to register amendments to

Regd. No. M. 1284.

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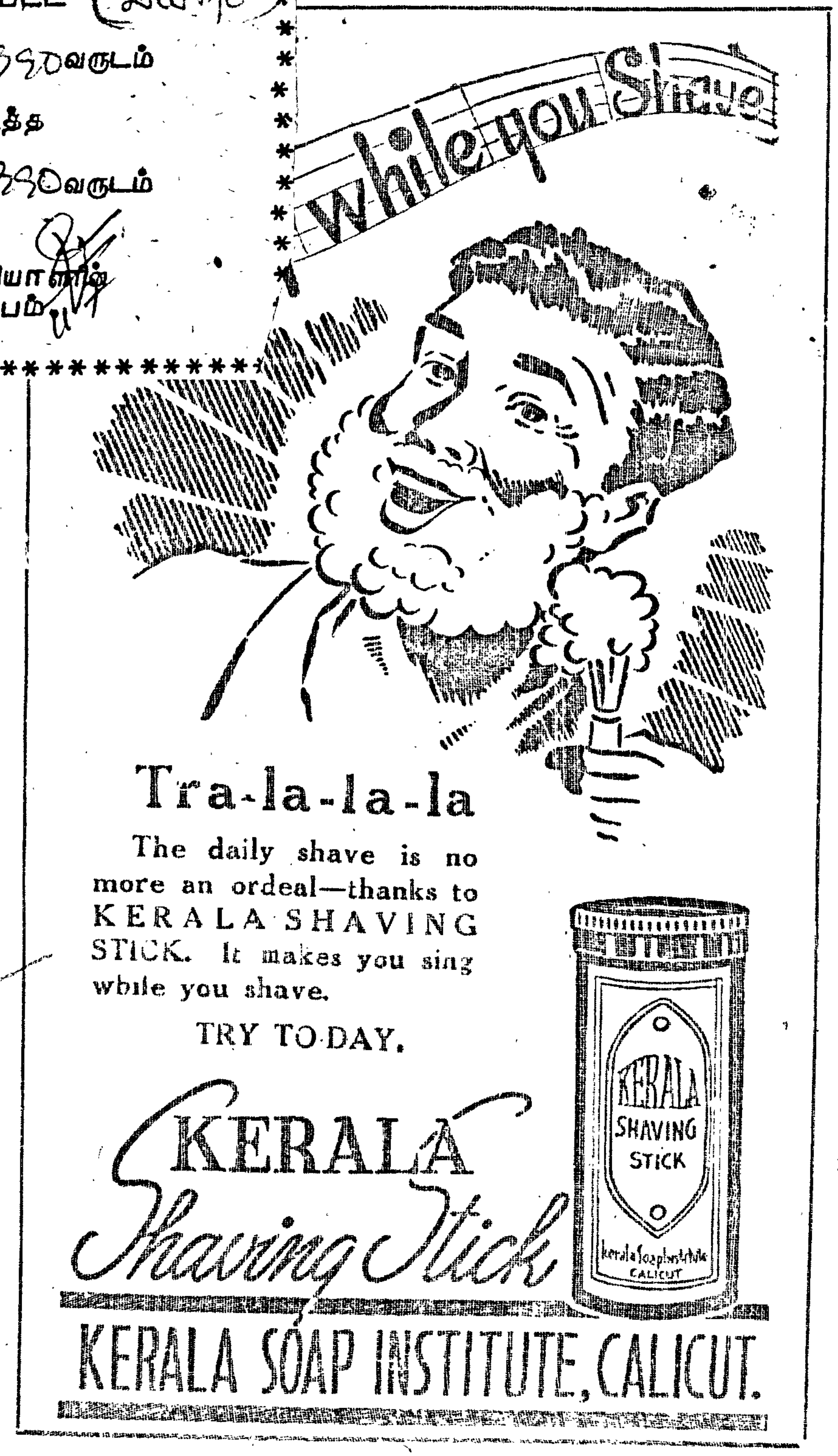
by-laws has, more than any of his other powers, made the department all powerful in the movement. War conditions have pulled down the non-official and added to the strength of the Department. The present day Registrar is not what Messrs Thomas Wolf and Hemmingway want him to be. He has no need for the brain of the co-operation of the non-official. He is confident he can get on with any society with the aid and services of a paid Inspector of the Department, with a nominal non-official at the head. No society can, as conditions are at present, hope to do anything useful, without the sympathy and support of the Department.

It is with this back ground we have to scrutinise the law in regard to the exercise of the power of registering amendments in reference to the welfare and progress of the movement. Section 12 of the Madras Co-operative Societies Act VI of 1936, provides for registration of amendments to by-laws. The by-laws of a society is its legislation in regard to the means and method to be employed in regard to administering the society. It is only natural that in a progressive institution, the need for legislative changes and adjustments often arises in the march of time. The best authority competent to decide in the matter will be the Board of Management and the General Body of the society. Strictly speaking there ought to be no control or limitation of that power. Section 12 provides, however, that no amendment contrary to the Act or rules thereunder shall be registered, evidently with the view that co-operative organisations do not step out of co-operative field. As a result of this provision, the Registrar should ordinarily register all amendments that are not opposed to the Act and the rules thereunder. It is not however so. The use of the word "may" in the section has lead to contrary results. The orders passed by the Registrar from time to time on amendment proposals show that he is dealing with them as if absolute discretion is vested in him in the matter. No society can, therefore, achieve any progress by changing its laws unless it is able to enlist the sympathy and support of the Registrar. It is the Registrar's will and judgment that counts and not that of the society however well considered or thought out that may be. This state of things can hardly lead to progress of societies. This must change if the societies are to be a sovereign body in regard to its affairs, subject only to such limited power of veto in the Registrar as may be necessary to ensure co-operative nature of the activities of the society. That there is to be a Provincial Conference of the co-operators shortly is an opportunity for proposing an amendment to section 12, as may be needed for securing the object. I would propose that the Government be approached for getting section 12 amended as follows:

> In clause (2) of the section the words "or to any accepted or enunciated principle of co-operation" may be added after the words "or to the rules" and before the comma following and that the word "may" there-after changed into "shall".

It can be contended that even as the section stands the word "may" should from the context and other considerations be interpreted to mean only 'shall', but it will be a matter of contention fit to be taken to a court of law for decision. My proposal would obviate all such troubles and unhealthy activities.

E. S. GANAPATI [illegible]



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தவணைத்தாள்.

சே. எண் :

ப. எண் :

வழங்கிய நாள். (1)	திரும்பிய நாள். (2)	வழங்கிய நாள். (1)	திரும்பிய நாள். (2)

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