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EACH FOR ALL AND ALL FOR EACH

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

FEBRUARY 1948. No. 8, VOL. XXXIX PRICE 10 As. NET

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The Shape of Things.

Co-operation in Rayalaseema:

In our last issue we referred to the proposed Conference to be convened by Government to deal with certain recommendations of the Rayalaseema Co-operative Enquiry Committee. The Conference was held on the 16th February under the presidency of the Hon'ble Sri K. Chandramouli, Minister for Co-operation. We have published elsewhere the speech of the Hon'ble Minister delivered on the occasion. It will be noticed that the speech indicates proper appreciation of the difficulties confronting the movement in the districts of Rayalaseema and the anxiety of Government to face them with sympathy and understanding. The representatives invited expressed their views with commendable frankness. The note of the Registrar of Co-operative Societies containing his proposals formed the basis for discussion. It will be seen from the note reproduced elsewhere the Registrar of Co-operative Societies is keenly alive to the plight of the movement in Rayalaseema and his approach to the problems is real and practical. The resolutions adopted by the Conference also published elsewhere will show to co-operators that so far as the movement is concerned there is hardly any difference of opinion between the officials and the non-officials. Every one is determined to rehabilitate the movement. To emphasise the important aspects on which decisions were reached we reproduce below the main points for the information of co-operators. The Conference resolved :—

1. That the lending rate on all short term loans to the ultimate borrowers in Rayalaseema should be reduced to 5 per cent and that towards this end, Government should provide subsidies to Central Co-operative Banks, and

2. That the long term loans should be made available to ryots through Land Mortgage Banks at 1 per cent over the Central Land Mortgage Bank's borrowing rate and that the difference between the present lending rate and the reduced rate should be given by Government to the Central Land Mortgage Bank in the form of subsidies.

3. To strengthen the short term and long term credit movement in Rayalaseema, the Conference recommended that the supervising staff should be increased in number and that the extra cost should be borne by Government.

Co-operation and the Reserve Bank :

We have dealt with in the columns of the *Journal* the points raised in Mr. Subba Rao's article defending the attitude of the Reserve Bank of India towards the co-operative movement. We await Mr. Subba Rao's reactions to our criticisms. Meanwhile, Mr. Rajaratnam, Secretary of the Madras Provincial Co-operative Bank, has entered the arena. With the help of facts and figures he has shown how untenable the position of Mr. Subba Rao is. We would earnestly invite the attention of our readers to this valuable contribution and express our earnest wish that co-operators should freely express their points of view. The subject matter is not of mere academic interest. It is of vital importance to the movement as the role of the Reserve Bank of India in the agricultural

credit movement should be clearly defined. Any pretence in this regard should be exposed. We understand the Dominion Government have almost decided to set up a separate Agricultural Credit Corporation on the lines of the Industrial Financing Corporation. If only the Reserve Bank of India had played its part and enabled the co-operative financing agencies to extend their assistance to a greater degree to the agriculturists the need for a Corporation of the kind proposed would not have arisen. Even now we venture to state that the inauguration of a separate Agricultural Credit Corporation is unnecessary and the Government should explore further the possibility of assisting the movement through the existing credit agencies or the Reserve Bank of India so that co-operative credit may be available to agriculturists on easy terms. Multiplication of financing agencies will be hardly conducive to healthy development of banking, be it joint stock or co-operative.

Audit Fees :

The Government Order announcing their decision to levy fees in regard to audit of accounts of all co-operative institutions without exception has been greatly agitating the minds of co-operators. It is feared, and rightly too, that insistence on payment of audit fees from both profit and loss societies would practically lead to the winding up of all loss societies without giving them a chance to rehabilitate themselves. This fact has been impressed on Government more than once. The Registrar of Co-operative Societies has pleaded for the retention of the existing provision, sub-rule (4) of Rule XI under the Co-operative Societies Act. But the Government have remained adamant as they seem to be obessed with the idea that the expenditure on the staff required for the audit of the co-operative societies should not in any circumstances be a charge on the Provincial Revenues and therefore that all the concessions granted under Rule XI should be withdrawn. Is it the intention of Government that no society which can afford to pay for the audit fees levied at rates fixed by them should exist? It is a well known fact that an institution, be it a joint-stock company or a co-operative society, cannot always earn a profit during the beginning and unless expenditure including the audit fees incurred is debited to share capital collected, it would not be possible for any institution to find necessary funds to meet any part of the expenditure. Moreover, agricultural credit institutions which are started and worked for the purpose of providing credit to agriculturists on easy terms stand on a different footing. They need all the encouragement the State can manage to give. No audit fees should be demanded at all from these institutions. They should be encouraged to strengthen their reserves to stand them in good stead during rainy days. However, there is one encouraging sentence in the Government Order which shows even the Government are alive to the fact that there will be hard cases which will need consideration. But the Registrar of Co-operative Societies is not competent to waive audit fees even in hard cases. He can merely address the Government for remission and await their pleasure. Can he not be empowered to waive the audit fees in regard to loss societies? It is not a pleasure to continue the existence of loss societies unless their continuance is necessary and desirable. We feel the decision of Government has been hastily arrived at without proper appreciation of the difficulties of the movement. We plead for reconsideration. We reproduce below the existing sub-rule (4) of Rule XI under the Madras Co-operative Societies Act for the retention of which the Registrar of Co-operative Societies pleaded.

Sub-rule (4) of Rule XI:

> The Registrar may, at his discretion, remit the whole or any part of the charge payable under sub-rule (1) by a particular society or by a particular class of Societies for any year or other specified period.

Limit of Borrowings:

Elsewhere we have reproduced the reply of the Registrar of Co-operative Societies to our observations published in February 1947. We regret very much owing to inadvertence the publication of this valuable contribution was delayed. It will be seen our observations were not based on any misconception of the existing provisions in our province. It is conceded that in Bombay the concession to

borrow or receive deposits in excess of their normal credit limit without any limit has been given with a view to encourage savings by the public by keeping their surplus funds as deposits in co-operative institutions. Is this not a laudable object for which the co-operative institutions in our province also should afford every encouragement? The Government have been proclaiming from house-tops on the need for National Savings and no effort is being spared to promote the savings movement. Should not co-operative nstitutions lend a helping hand in promoting this national task? One cannot help feeling that most of the rules imposing restrictions on the activities of co-operative institutions are too wooden and antiquated, lacking the liberal outlook which should characterise all co-operative activities. Emphasis is more on restriction than expansion. It is high time a thorough re-examination of all our rules is made and altered suitably wherever necessary in keeping with the spirit of the march of time.

Plight of Weavers:

Handloom weavers who, in the opinion of some, perhaps wrongly, saw their hey-day for some time, seem to be hard hit again and their plight is causing anxiety to those interested in the handloom industry. Owing to heavy undisposed stocks, co-operative financing agencies, who so generously assisted the weavers' societies, have been upset by the recent trends and may even be forced to withdraw all accommodation. Will the government examine the position and take immediate steps to ward off the evils of slump?

Co-operative Farming:

Once again Bombay is taking the lead by deciding to give a province—wide trial to co-operative farming. Captain S. P. Mohite was appointed to examine the possibilities of co-operative farming and on his report the Bombay Government have announced their policy of encouraging co-operative farming experiments in all districts of the province. The Mohite report revealed that the tendency for holdings to become smaller was on the increase and unless it is checked the prospect of increasing the yield by adopting large-scale farming was gloomy. After discussing various forms of farming including the much-advertised Soviet system, Captain Mohite has come to the conclusion that under the existing Indian conditions, the soviet system is considered unsuitable. He prefers the system which combines large-scale farming with private ownership. "Joint-farming is prescribed for all occupied lands and lands held by permanent tenants as well as protected tenants. Tenant farming and collective farming are suggested for lands leased or granted to a society formed for purposes of cultivating such land". The Bombay Government have promised all possible facilities in regard to technical assistance at first free of cost and from the third year at half cost and at full cost from the sixth year. The Central Land Mortgage Bank and the Central Banks are expected to provide all types of credit required by the co-operative farming societies. If for any reason they fail to cater to the credit needs of the societies, the Government have agreed to advance loans on easy terms. Besides, the Government have agreed to provide free audit and advice by the Co-operative and the Public Works Departments. The Government also intend amending the Co-operative Societies Act to include better farming as well. The definition of "better farming" is to include development of land, better methods of cultivation by means of improved seed, irrigation, bunding, tractor ploughing, soil conservation, prevention of erosion, etc. It is also proposed to provide that if 66 per cent of the landholders in a compact area owing not less than 75 per cent of land agree to join a better farming scheme, the landlords owning the remainder of the land in that area will come under that scheme. It may be remembered the Rayalaseema Co-operative Enquiry Committee has made a similar recommendation in regard to development of land in the Project areas. Some radical measures such as those contemplated by the Bombay Government are necessary in our province as well if all land is to be brought under cultivation and obtain maximum yield.

Another feature in Bombay to which we wish to draw the attention of our readers is the presence of the Consolidation and Prevention of Fragmentation of Holdings Act on the Statute Book.

This piece of legislation together with the proposed amendment of the Co-operative Societies Act intended to promote better farming schemes is calculated to quicken the pace of consolidation of fragments of land.

We wish Madras will move in the footsteps of Bombay especially now that the abolition of Zamindaris has been practically decided. These Zamindaris are bound to contain small holdings as also large extents of uncultivated lands which may be leased or granted to co-operative farming societies to bring them under cultivation. Mere legislation is of no consequence unless steps are formulated to meet all possible problems arising out of such legislation. We trust the unbounded enthusiasm shown for legislation is diverted equally in regard to problems which will have to be faced after the enactment.

Budget:

Co-operation has not received the attention which it demands in the Budget for 1948-49. It cannot be that the Government do not realise its importance in promoting the welfare of the rural population. While other provinces have been evincing increasing enthusiasm for the co-operative method to tackle many rural economic problems, our province seems to be satisfied with what is being done and further expansion does not seem to have received the consideration which is due. According to accounts for 1946-47, receipts amounted to Rs. 7.68 lakhs while the revised estimate for 1947-48 budgets for Rs. 9.40 lakhs and the Budget Estimate for 1948-49 takes note of Rs. 8.58 lakhs under receipts. Taking the expenditure, it was Rs. 44.33 lakhs in 1946-47 and is to be about Rs. 45.67 lakhs in 1947-48 according to the revised estimate. But the Budget Estimate for 1948-49 is Rs. 37.95 lakhs. A perusal of the schemes of new expenditure for which provision has been made in the Budget Estimates for 1948-49 discloses that a grand sum of Rs. 7,000 is provided for recurring expenditure and Rs. 19,600 for non-recurring. These figures are eloquent and no comments are necessary.

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

V. VIYYANNA, B.A., B.L.,
General Secretary.

MADRAS,
10th February 1948.

The Second Provincial Co-operative Conference of Milk Supply Societies and Unions.

APPEAL

The Second Provincial Co-operative Conference of all Milk Supply Societies and Unions in this Province will be held at Madura in April 1948.

The Madura Co-operative Milk Supply Union has kindly consented to stand host and provide lodging and boarding to all the delegates.

All Co-operative Milk Supply Societies and Unions are requested to send delegates to attend the Conference.

	Delegate fee.	No of delegates to be sent.
Milk Supply Unions	Rs. 5	2
Milk Supply Societies	,, 2	1

Societies and Unions are requested to send the names of delegates sufficiently in advance to this Office together with delegate fees.

The exact date and place of meeting and the name of the President will be communicated later on. This is the first intimation.

V. VIYYANNA,
General Secretary.

The role of the Reserve Bank of India—Scheme of Agricultural Credit.

BY S. RAJARATNAM,

Secretary, The Madras Provincial Co-operative Bank, Ltd.

Although the Reserve Bank has been in existence for nearly a decade with an elaborately organised agricultural credit department, the provision in the Reserve Bank of India Act that the bank should help co-operative banks in financing agriculturists has been a dead letter and the high hopes raised at the inception of the Bank have been frustrated. While co-operators both official and non-official have been criticising the Reserve Bank, the Reserve Bank on its part has been defending its position with equal vehemence. At the last Registrars' Conference in Madras, the representative of the Reserve Bank came in for such severe criticism that the Chairman, Sir Phroze Kharegat had to come to the rescue of the "unfortunate representative".

Mr. K. Subba Rao, the Reserve Bank's representative, at the conference has since written a long article in the Reserve Bank of India Monthly Bulletin, giving a laboured apologia for the stand it has taken. In the circular, we learn that the Reserve Bank first made infructuous attempts to utilise the money-lenders through the medium of the scheduled banks for financing agriculturists. Then, it turned to the co-operative movement. It wanted that every provincial bank should prepare its balance-sheet in a particular form and submit audit notes and allow inspection of the bank by various officers of the Reserve Bank. Several provincial banks including this bank have agreed to these conditions and have been approved by the Reserve Bank and deemed fit to be financed by the Reserve Bank. As I do not know if any provincial bank has objected to prepare the balance sheet in accordance with the requirements of the Reserve Bank and submit audit notes, Mr. Subba Rao could have spared himself from expressing such elementary platitudes as "No cautious banker can or will lend to an unsound or careless person and it would be disastrous to the borrowing institution itself to be entrusted with any large funds which has shown itself incapable of administering prudently."

Another condition which the Reserve Bank required from us was that we should keep not less than $2\frac{1}{2}$ per cent of our demand liabilities and one per cent of our time liabilities. Mr. Subba Rao says these were the conditions for extending accommodation to Provincial Banks. But, in a correspondence, we had recently with the Reserve Bank, we learn that this balance is required to be maintained by us to remunerate the Reserve Bank for the free transfer facilities given to the central banks affiliated to us. In referring to this condition among others, Mr. Subba Rao says that it was conceived in the interests of financial soundness of the provincial co-operative institution and in the interests of the creditor bank itself. How the maintenance of this small reserve with the central bank was going to add to the soundness of the borrowing bank or to the safety of the funds lent, it is difficult for one not brought up in the rarefied atmosphere of the Reserve Bank to understand.

Next, the Reserve Bank has offered under Section 17(4) D of the Act to lend on the security of negotiable warehouse receipts. As there are no warehouses in India analogous to what obtains in England, this offer is of a piece with the statement of the Reserve Bank in one of its circulars that the entire psychology of the Indian villager must be changed before the Reserve Bank can be of any help to him, a remark which as Mr. C. R. Fay has commented as requiring the impossible.

"To make loans and advances without taking into account financial soundness would be bad banking" is the burden of the song of Mr. Subba Rao's article. In extending accommodation to the provincial bank, the Reserve Bank has imposed the restriction that the paper offered to the provincial bank should be only those of banks placed in Class A and B. It is well-known that banks in class A and B are able to tap local deposits at practically the same rate as the provincial co-operative bank and do not borrow from the provincial bank in normal times, *i.e.*, for purposes like financing of seasonal agricultural operations and marketing of crops which alone are offered to be financed by the Reserve Bank. Ordinarily accommodation from the provincial bank is taken to a great extent by 'C' class banks. As the Reserve Bank was so meticulous about the safety of the funds lent, we offered full cover of Government securities for the entire advance taken by us to finance central banks not coming under A and B classes. But, then turns round Mr. Subba Rao that the Reserve Bank's anxiety related not only to the safety of its advances but that it is anxious to see that the borrowers manage with the funds properly and come to no harm through the loan taken.

It is a case of protecting the borrower against himself. Advancing to 'C' class banks according to Mr. Subba Rao, will be putting a premium on inefficiency. It would not be advisable, he says to encourage bad and indifferent societies incapable of sound administration to play with large funds and come to grief thereby. Mr. Subba Rao does not realise that banks in certain areas are in 'C' class through no fault of their own. Infertile soil, treacherous weather and frequent failure of seasonal rains have made the ryots of Rayalaseema victims of hard fate. We have written to the Reserve Bank that the policy of this bank has been that the weaker the bank, the greater the help provided by it and that in our subsidy scheme, the weaker banks are given more help. As A and B class banks more or less manage with their own funds, the paper available with the Madras Provincial Co-operative Bank will be mainly of 'C' class and the restriction by the Reserve Bank to confine its discounting to papers drawn by A and B class greatly restricts the scope of the assistance offered by it. In fact, by restricting its offer to banks of A and B class, the Reserve Bank is acting Johnson's patron. "Is not a patron, one who looks unconcerned on a man struggling for help in the water and when he reaches ashore encumbers him with help?" If it is right for the Government to spend large sums for famine relief in the depressed tracts, it should be right for the Reserve Bank to take some small risk to put the much-tried ryot in those areas to stand on his feet. The provincial bank with its comparatively small resources has helped the ryots in the depressed tracts without coming to grief. The Reserve Bank should be in a much better position to do so. This is one defect consequent on the Reserve Bank not being a national institution. As Mr. Manu Subedar remarked, the only function which the Reserve Bank has fulfilled so far, has been the managing of currency which the Currency Department of the Government of India was doing very well before the advent of the Reserve Bank. The Reserve Bank must look at the problems of this country not purely with the measuring rod of the money-lender but from the stand-point of broader national interests. This will never happen, I believe, until the bank is fully nationalised and the voice of the people determines its higher counsels.

Next, Mr. Subba Rao goes on to deal with the condition that the benefit of low rate should be passed on to agriculturists. In this connection, we pointed out that if the condition were to mean that the rebate allowed by the Reserve Bank should be passed on to central banks and societies and members in the chain whose bills were discounted with the Reserve Bank, it would result in an invidious distinction between one central bank and another. We wrote that if we are assured of accommodation under the scheme forthcoming to the provincial bank freely, it would be possible for a general lowering of the lending rate at each stage. In this connection, we wish to clear a misapprehension on the part of the Reserve Bank that our average borrowing rate is much higher than the concession rate of 1½ per cent offered by the Reserve Bank. I may at once mention that our average rate of borrowing is just about 1½ per cent. As regards passing of benefit to the borrowers, I may mention that this provincial bank does not make any profit on its lending business, as will be seen from the figures, for the financing year ending 30th June 1947.

	Rs.
1. Interest earned on loans to Central Banks	5,45,000
2. Interest paid to Imperial Bank and Government for loans taken ...	2,32,000
3. Interest to depositors for the funds utilised in lending to Central Banks ...	1,65,000
4. Management expenses ...	1,66,000
5. Subsidy disbursed to Central Banks	50,000
6. Total of 2, 3 and 4 and 5 ...	6,13,000

In the light of the above figures, the Reserve Bank need not be over-anxious that the concession offered by it will go to swell the profits of the provincial bank, which, as every one knows, is not a profit-making institution. I also feel that the Reserve Bank is laying too great an emphasis on the lowering of the rate to the ultimate borrower. If the concession offered by the Reserve Bank were to result in more efficient supervision of village societies, contributing to their healthy working and prompt sanction and disbursal of loans, it will be a greater help to the ryot than the lowering of say half a per cent interest on his borrowings.

Mr. Subba Rao next explains the implication of the condition that the benefit of low rate should be passed to the ultimate borrower by giving an example. "The ultimate borrower is charged, say 9⅜ per cent, when the provincial bank borrows at three per cent; the rate should be reduced to the extent of the concession namely 1½ per cent, when the money is taken from the Reserve Bank". Here, Mr. Subba Rao has forgotten that no provincial bank at any time is

going to do business entirely with the funds provided by the Reserve Bank. Ordinarily, the amount borrowed by the provincial bank from the Reserve Bank will be a small percentage of the total working funds of the provincial bank, and therefore will not materially affect its average borrowing rate. Thus, when a provincial bank having total resources of five crores borrowed at, say 2 per cent, takes accommodation from the Reserve Bank to the extent of Rs. 50 lacs, at 1½ per cent, the average rates comes down only by .05 per cent. Therefore, for the Reserve Bank to expect the provincial bank to reduce the lending rate by 1½ per cent, *i.e.*, the extent of the concession, the moment a provincial bank takes advances from it at concession rate, is to display ignorance of figures.

Next, in dealing with the maintenance of cash balances with the Reserve Bank, Mr. Subba Rao observes that ordinarily every bank will have to keep a certain portion of deposit liabilities in cash and that the Reserve Bank has prescribed 10 per cent for the co-operative banks. Therefore, he argues that no institution need feel the strain of keeping the required minimum balances with the Reserve Bank. As pointed out by us, the Reserve Bank has missed the point that the minimum demanded by the bank is to be kept in addition to the 10 per cent which we ordinarily maintain as cash balance to meet our daily demands. Although for most part of the year, the maintain one of the minimum does not work as a hardship as we are generally having a surplus, a fact which has been noted by Mr. Subba Rao in the article referred to, the necessity to maintain the minimum at a time when we have to borrow heavily in order to finance our affiliated central banks engaged in financing movement of produce and procurement entails unnecesary loss of interest in addition to what we are perforce losing in keeping an adequate cash reserve. The cash reserve with the Reserve, Bank, as every one knows, cannot be treated by the depositing bank as part of the cash on hand to be maintained by it for meeting its daily demands. To say therefore that the minimum balance required by the Reserve Bank is only a part of the 10 per cent deposit liabilities which co-operative banks are expected to keep is to confuse the issue. The suggestion of co-operators that the Reserve Bank should be satisfied with the deposit of Government securities in place of cash is also turned down on the ground that it would be cumbersome for the Reserve Bank to calculate the day to day variation in the value of the securities lodged. The difficulty will easily be overcome by requiring the provincial bank to deposit securities for a sufficiently large value to cover all possible fluctuations in the market.

Next, the article deals with the bank's policy regarding the acceptance of debentures of the Madras Co-operative Central Land Mortgage Bank as security for advances. Mr. Subba Rao refers to the bank's view expressed some time ago that the unqualified acceptance of the debentures on the same footing as Government loans will be fatal to any hope of doing away with the guarantee system at any future time.' He complains that the Government then and the popular Government now have not indicated whether they would continue the guarantee system, for ever. I do not see why this should be necessary to enable the Reserve Bank to offer to lend on the pledge of these debentures. No one can deny that at ordinary times the debentures have been popular and have been taken up immediately on issue. There is nothing illogical on the part of co-operators, when they say that the acceptance by the Reserve Bank of these debentures as security for advances will make them more popular and increase their marketability. The provincial and central banks which are keeping large funds invested in Government securities will be inclined to keep a part of their investments in the shape of these debentures if they are assured that loans from the Reserve and Imperial Banks were forthcoming with the ease with which loans on Government securities are now available. The policy of the Imperial Bank in this regard has not been consistent. The Reserve Bank has so far not offered to freely accept these debentures as security for advances. Even in their latest circular, where they have said they are prepared to lend against these debentures, they have attached a condition that the loan can be availed of only in an emergency. We have not received a clarification from the Reserve Bank as to the type of emergency contemplated by them in which the accommodation will be made available to us; nor, has Mr. Subba Rao answered our query in his article. If as one responsible official of the Reserve Bank told me, that the emergency in which the Reserve Bank will come forward with help is one in which the entire banking structure of the country is threatened with a break-down, I can only say God save us from the help offered by the Reserve Bank.

Later, in the article, Mr. Subba Rao answers a complaint made at the last Registrars' Conference that the Reserve Bank refused accommodation even against Government securities to a provincial

co-operative bank. The advance, as per Mr. Subba Rao, was required in 1943 for enabling the members of certain societies to withhold crops for better prices, when the country was clamouring for food. This object was considered by the Bank as anti-social and contrary to public weal and public policy. What is forgotten is that at that time there was no rural rationing and therefore the societies were not withholding grain from Government or its authorised agents. It is elementary knowledge that grains are not consumed immediately they are produced, but in any civilised society, have to be stored for consumption throughout the year. It is also well-known that the price of foodgrains at the time of harvest is at its lowest and gradually rises as the year advances. Ordinarily, the benefit of the rise goes to merchants and middle-men. I do not see what was anti-social and contrary to public weal and public policy, in these co-operative societies storing the food-grains of its members and awaiting better prices later in the year.

In his concluding remarks, Mr. Subba Rao says that the Reserve Bank has "all along adopted a nursing or fostering attitude towards the co-operative movement. But, its attitude, if the metaphor may be continued, is not certainly that of an indulgent mother spoiling the child, but that of one anxious to bring up a sound and healthy off-spring". I may say that the help extended by the Reserve Bank is only through the medium of provincial co-operative banks which have in most cases attained sound and healthy adult manhood. The Reserve Bank must stop thinking in terms of providing help to provincial co-operative banks. What the Reserve Bank should get firmly into its mind is that one of its functions is to help the agricultural economy of the country. Next, it must decide as to the proper machinery or medium through which that help can be rendered. It has already confessed that it has failed to utilise the money-lender through the scheduled banks. Its efforts to utilise the co-operative societies through the provincial co-operative banks are equally deemed to failure, if it cannot trust well-organized provincial co-operative banks with responsible directorates consisting of the leaders of the province, many of whom are members of legislatures both provincial and central and some of whom have become ministers of Government. The Reserve Bank will do well to take counsel from provincial co-operative banks as to the best way in which help can be rendered to the agriculturists rather than enunciate unworkable theories which are like horses of the Sun unfit to plough the furrows of the earth.

A Scheme for Rural Development.

(Contributed).

Introduction.

The Government of Madras, have before them, a proposal for rural development in the Presidency. In fact they have already started the work. At a time when Government are contemplating ways and means of achieving the ideal before them it may not be out of place if views that might help to formulate schemes to be executed for the improvement of rural areas are suggested. It is realised that this should be done in a spirit of serving the rural public to whom every one owes a deep debt of gratitude; and so every thinking man should make an effort to formulate a scheme for improving the lot of the villagers and with this object in view a scheme is attempted to be presented for an examination and adoption if found suitable.

The important factor, that has to be kept in view, in drafting a scheme, for rural development, is the one concerning finance. No scheme can be executed without finance and a Presidency wide scheme can never be thought of except when large sums of money are available. It is therefore necessary to take stock of the present economic situation. It is an irony of circumstances that amongst plenty there is poverty. Availability of money in plenty is so commonly talked of. Then why should there be difficulty in securing enough food, let alone other things? The answer is simple. War had it ill effects of inflation and dislocation of industry and farming. The result is more money on account of inflation and less material for want of production, resulting in unbalanced conditions of economic life. Till the economic life is restored there cannot be a hopeful future either for the public in general or for the Government. Can development wait till equilibrium is restored? If improvement is likely when does it come? The answer to these questions cannot be unequivocal. Nobody can say with any definiteness what the future would be. But circumstances indicate that the present situation may not improve for a considersble period. The Government cannot certainly wait for launching schemes for the improvement of the villages and other allied matters. In fact they have pledged themselves already to such ameliorative measures, the most important of them being prohibition. The Government will be losing heavily on the latter scheme. But loss cannot be a factor that should stand in the way of achieving a scheme of social improvement of the masses, who form the back bone of the Government. Any sacrifice or cost is not too much in that connection. At the same time the Government cannot afford to face huge losses, on each and every scheme however imperative their execution

may be. They have therefore, to undertake a scheme of rural development which is not by any sense prohibitive in cost. With this end in view the following scheme is submitted.

How scheme is to be enforced.

The scheme, as I have visualised, may be enforced, to begin with, in select villages. For the present one village may be selected from each Firka. As far as possible a Panchayat Village with an Executive Officer, may be selected for the purpose. The above suggestion is made in view of the fact that the local officer, whose work is generally connected with the improvement of the village, is readily available to work the scheme, without additional expenditure to Government. In other words the scheme should be part and parcel of the Panchayat. The Panchayat is the most representative democratic unit and it may not be possible to find another body which will be more suitable to shoulder responsibility. True it is that there are may shortcomings in the working of the Panchayats, but that cannot be a valid reason to bypass a Panchayat. To do so is to ask for trouble and to sow the seeds of disaffection which may be the genesis for very bad power politics, which may in turn result in the failure of reason and social service. It is not after all very difficult to overcome the evil and extract good out of what seems bad. It is suggested in this connection that in two ways the desired effect can be achieved. Firstly the strength of the Board should be increased and fixed on the basis of the population. This step would considerably relieve competition in elections. Secondly outsiders chosen on functional basis should be nominated to serve on the Board, and the number of members so nominated shall not exeed ½ and less than ⅓ of the sanctioned strength. The nomination should be by the Board itself and where the Board fails to do so, in a fixed time, the Government will have the power to nominate. The members so co-opted shall have the rights and privileges of other members and shall cease to function, when the term of the Panchayat expires by efflux of time, if they do not resign earlier. The composition of the Board, will then be fairly big, functionally representative and sound. In a Board like this personal predilections will not come to play prominently; and it will not be too much to expect such a Board to function well and ably.

Functions of the Board.

The Panchayat Board may be required to function through Committees formed for specified purposes while all important matters of policy should be decided by the general vote of the Board. For the purpose of rural development the Board shall devote special attention to such of the matters, which are hereunder detailed under the heading development. It is enough for the present, if the communities function (1) General

Administration Committees and (2) Development Committee. The respective function of the committees will be as follows :—

I. General Administration Committee.

Taxation.
Civil Court.
Criminal Court.
Other Panchayat Powers, (Irrigation, Forest, etc.)

II. Development Committee.

Sanitation.
Town Planning.
Education.
Medical.
Roads.
Water Supply.
Cottage Industries.

Finance.

Each and every house in the village shall be taxed. As long as the owner or occupier is able bodied and is in a fit condition to do manual labour, if he is not otherwise employed, shall earn and pay the tax. The Board may, however, by an unanimous resolution exempt any person from paying tax.

Tax shall also be collected on carts, lands on acreage basis, and on notified trades such as selling of sweets, grains, etc., to be specified by Government. All other receipts now realised by the Panchayat Board will continue.

It is considered that taxes from the above sources will not be less appreciable. Something tangible can, therefore, be done out of them.

Mode of payment of taxes.

Taxes could be paid in kind or coin. Where payment is made in kind the Panchayat Board shall receive it through a co-operative society which is to be formed, specially for the Panchayat Board, after evaluating the grain etc., paid towards tax.

Panchayat to be a Co-operative Society.

As indicated above, there will be a development committee for each board. This will form into a co-operative society and act as a liaison between the tax payer and the Board for the purpose of purchasing and selling the village produce and products of villagers who approach it for sale. It shall also organise cottage industries such as khadi, spinning,

bee-keeping, carpet making, with reference to local talent and availability of raw material. Its main function shall be to provide work to each and every adult individual of able body, who is in need of such work and enable them to make payment of taxes, by the earnings they make from out of their labour.

I have just indicated above, how the financial position of the Panchayat Board can be improved and work provided to all the able bodied of the village. In the above scheme, a few important factors may stand prominently—every house or property is taxed—work is provided to enable payment—Payment is received in kind or coin. The cumulative effect is, increased finance to the Board and greater scope for improving the villages not to speak of the unemployment problem to a great extent.

Functions of the Administration Committee.

This Committee will look after the general administration including execution of works. Collection of taxes, and dispensation of justice within the limits fixed by the Government will be the work of the committee.

Development Committee.

(1) Formation of a co-operative society is for the purpose of purchasing local commodities and selling to the public imported articles. It will function as the liason between the public and the Board in general.

(2) Initiating schemes for the development of the village in respect of the following :—

1. Village planning and housing.
2. Roads.
3. Sanitation.
4. Water Supply.
5. Lighting.
6. Medical help.
7. Education.

(3) Initiating schemes for promoting cottage industries to solve problems of unemployment and finding ways and means of making the village self-supporting.

The work of rural development should be conducted on the following lines:

(1) Village Planning.

How Rural Development should be done.

The existing village is generally a blighted area. It is a cluster of houses built without plan. The site on which it is constructed, is most unsuitable—Very often it is a hill slope or water logged area, or an uneven plot of land of improper size. There is no scope for extension, either on account of wet fields surrounding it, or on account of other causes. There is often overcrowding and hopelessly unhealthy environment on account of mixed living of human beings and cattle, which are the rural wealth. Provision of a good village site to serve the future needs is the first requirement. It is often a difficult job to secure a suitable and extensive site. As the existing villages cannot be improved, except by reciting them either in part or whole, it is necessary to make provision for extensive sites where the elements of Town Planning could be enforced. In the matter of securing suitable sites, the Government should come forward to help the villages. Wherever Government vacant sites or Porambokes are available near the villages and are found suitable for the purpose of village sites, such sites should be made available, immediately, for assignment of house sites. Where such sites are not available, the Government should aid the Village Panchayats both financially and administratively, in getting suitable sites. Layouts will then be prepared for these sites and the villagers required to take these on assignment. It will not be difficult to induce persons to shift on to the new sites. Visible propaganda can be done through model houses and layouts prepared for such work. In course of time, model villages themselves would have been found, when the inducement may perhaps be necessary. When the above is done, the first prerequisite of a healthy village would have been secured.

Town planning eliminates many evils of insanitation, though it cannot totally route it out. Unless the people are literate and become health conscious it may be rather difficult to secure ideal results. Nevertheless with good layouts for villages, it is possible to aim at a certain standard of sanitation. To further improve this, it may be necessary to provide public conveniences. Enough latrines should therefore be provided.

The next in importance is the provision of water supply. Wherever there is no water facility, the question of providing potable water should be considered. It may not be very difficult to tap proper sources. The principle, that no village should exist without the provision of potable water, one of the most essential necessities of life, should be the ideal to be aimed at.

The next amenity in order, are the communications. The difficulties, the villagers are undergoing in conveying their produce to the markets, are not unknown. The country tracts are so bad and slushy in rainy season, traffic is impossible, let alone the suffering which the villagers and their dumb cattle undergo. Every village should, therefore, be provided with a suitable road to connect the nearest main or marketting road.

The provision of elementary education should come next. There must be at least one school for every village and the management of the

school should be in the hands of the Panchayat. The Government should subsidize the cost and should have power to inspect and require the Board to give effect to the suggestions, including transfer of teachers and of Government Officers.

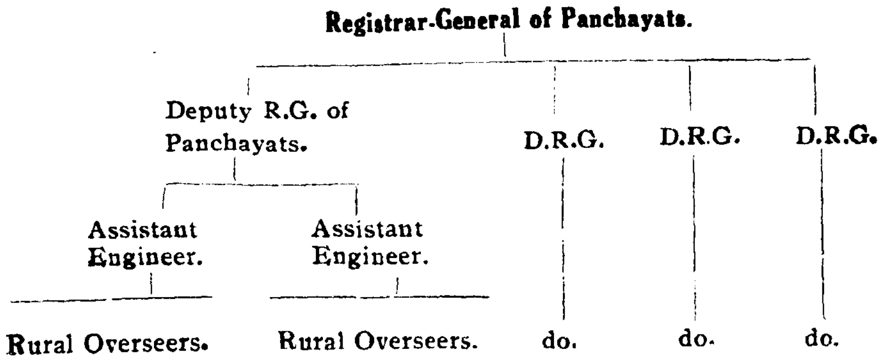
Wherever the Panchayat is centrally situated, a dispensary should be established under its control and subjected to the general supervision by Governmental Officers. The dispensary should be subsidized. Wherever possible, a Maternity and Child Welfare Centre should be established, with provision for a few beds for emergency. Women doctors may be preferred for appointment as medical officers in charge of the dispensary and Maternity Child Welfare Centres. This suggestion if accepted would prevent additional expenditure that will normally result by the appointment of one male and one female doctor for the dispensary and maternity centre respectively.

The development of cottage industries is the most important aspect of rural development and reconstruction. The ideal before us should be self sufficiency. Such of the dire necessities of life, food, cloth, house must be produceable or found by the villagers themselves. The entire food requirements may not be produced in a village; but surely every village should be able to produce enough quantity of a particular food stuff, say, paddy or cholam or Bajra or any other cereal. By a division of labour, requirements of a village could be secured by exchange through the help of the village co-operative society. If paddy is grown in one village and maize in another village near by, it must be possible to secure by exchange these two varieties of grains to serve local needs. It may be necessary that some kind of Governmental control should come into being to prevent export beyond a particular area. Surely it must be possible to have such control and when this is provided there cannot be any insurmountable difficulty in achieving the above object.

Next comes clothing. Cotton may be grown in some villages. Wherever it is grown, it should be made obligatory that the required cloth should be procured in that village. If in another village paddy is grown, cotton can be secured in exchange and cloth needed for the village made. If cotton is not grown in any one of the villages nearby cotton can be got from the nearest available spot, and wherever such import is not found economical, the production of cloth may be dropped, and concentration made, on some other industry which could pay the cost of cloth. The co-operative societies which are proposed to be created for each village, I am sure, will be in a position to work out details and plan, under the guidance of the Registrar of Co-operative Societies and its other officers for making the villages self-sufficient in respect of essential needs of life.

Execution of Works.

I next discuss the agency for executing the works such as, roads, wells, buildings. Unless there is adequate Engineering Staff, nothing tangible could be done; and when the agency is available, there should not be too much restrictions on it. The Panchayat Boards which are fully autonomous bodies should have adequate power to act with the help of the executive officers, subject to the control of their officers. Then, again there should not be too many agencies to supervise. It should however be provided that the Board should seek outside technical advice, wherever works proposed for execution are of a highly technical nature. There must be a separate Engineering Department for the Panchayats. This department should work under the administrative control of the Officers who are in charge of administration of the Panchayats (*i.e.* Inspector of Local Boards or Registrar-General of Panchayats). The illustration on the next page will indicate how the system should work.



The Engineering staff shall be paid from out of a central fund to be maintained by the Deputy Registrar-General of Panchayats. The general control of the staff will, however, be with the Registrar-General of Panchayats.

The Executive officer will continue to work under the administrative control of the Registrar-General of Panchayats and shall be subordinate to the Board. He will be the executive officer of the Panchayat Board as well as the co-operative society to be formed as part of the Board.

The above is the general outline. I am aware, that there will be lots of difficulties in implementing a scheme like this. Firstly, there may be need to amend the existing Act; secondly several unforseen, situations will have to be overcome. There may be several other organisational matters that will have to be examined and conventions established to facilitate smooth working. I consider that none of them are

beyond the competence of human capacity. Only in respect of the 1st item *i.e.* (legislation) there may be some unavoidable delay; but till then work will have to be carried through departmental orders, which are not however issued against the spirit of the existing Acts. Surely it must be possible to work the scheme to a great extent within the scope of the existing rules and regulations and necessary amendments effected in due course.

I am conscious that the scheme is not perfect. But the main consideration that prompted me in formulating the above scheme, is the all important question of finance. It was my intention that no special staff or department should be appointed or created for this purpose. Staff means endless cost. When the Government are hard hit on finance it is impossible to think of new departments, unless the need for it becomes imperative. There is already a basic staff for each Panchayat village, and there is nothing new in the Scheme, that the staff can't undertake. What is wanted is, the will to do, and get things done. The above proposal was therefore conceived with the object of preventing unnecessary expenditure. Secondly, Government aid may be required for promoting cottage industries. The savings that might be effected but the elimination of the Special staff may with advantage be earmarked for this purpose.

The next point that may have to be met with is whether progress in rural reconstruction could be achieved quickly by limiting activity to a Panchayat with an Executive Officer. The answer is in the negative. The present proposal of taking up one village in every firka may stand at a discount when compared with the Firka Development Scheme, which has already been initiated. But it is submitted that what has been suggested is a trial, and if this meets with success, which I am sure, it will, it may be extended to any number of Panchayat villages, which in turn can be notified for the appointment of Executive Officers and the adoption of the Scheme as well.

Everybody is rural minded and the present time augurs well to make a good beginning. No scheme may be perfect, but a scheme, which is based on sound fundamentals may perhaps be lasting. Given an opportunity I may not fail to produce a more specific and dovetailed scheme in all respects. The purpose of this is just to invite the kind attention of the public and the authorities, as to how it may be possible to undertake rural development schemes, that might secure real and lasting with less of expenditure, which factor must be the guiding principle in a poor country like ours.

Use of Tractors through Co-operatives.

(Contributed).

Under the auspices of the Sriperumbudur Producers Cum Consumers' Co-operative Society, Ltd., there was a Tractor Demonstration at Nazerethpet on 15-2-48 between 9 a.m. and 12 noon and the Hon'ble Premier Sri O. P. Ramasamy Reddiar and the Hon'ble M. Bakthavatsalam, Hon'ble K. Chandramouli and Hon'ble Kala Venkatarao witnessed the demonstration attended by the heads of the departments and District Officers and a large number of agriculturists and land lords from the adjacent villages. The function was got up at the instance of Sri Rao Bahadur J. C. Ryan, M.A., Registrar of Co-operative Societies, Madras. The demonstration was carried on by arrangements with Messrs. Simpson & Co., who demonstrated the different uses of the tractors. The tractor was of a medium size costing about Rs. 10,000. Sri C. N. Muthuranga Mudaliar presiding over the function explained the object of the demonstration and appealed to the Government to extend facilities for the agriculturists in bringing electricity to the villages, which is now being exclusively used to the benefit of the city dwellers. He also appealed for reduction of prices and proper distribution of crude oil the non-availability of which has seriously handicapped even the small production of food grains now possible.

Mr. D A. T. Wilson of Burmah Shell Oil Storage and Distribution Company of India, Ltd., explained the difficulty for securing large supplies of crude oil on account of America a large exporting country hitherto was now importing crude oil for its own consumption and this country has therefore to get the commodity from Persia as also the difficulties of movement which had naturally increased the price to the agriculturists. Mr. P. Reid, Director, Messrs. Simpson & Co,, Ltd., and Mr. D. P. Kelley of Ford Motor Company of India, Ltd., explained the usefulness of the tractors in agriculture and the arrangements made by contract through allied companies for regular supplies of this machinery throughout India. Mr. S. G. J. Bught of Ford Motor Company of India watched the proceedings.

The Hon'ble Kala Venkatarao addressing the gathering in Telugu explained the reasons for the short supply of food in the country as due to increasing population without the proportionate increase in the extent of cultivable land, time honoured primitive system of cultivation and fragmentation of land. He appealed to the agriculturists to take to joint farming by the use of tractors. The Priemier following explained about the village administration under ancient Hindu Rajas pointing out how the village autonomy was ensured by the villagers themselves working

for their welfare without depending much on the State, the State only attending to protection from the enemy and external policy but it was a sad disappointment today that people particularly agriculturists seemed to have no initiative even to the extent of claiming remission from land tax though the Government would come to the rescue of the agriculturists in this direction to the extent admissible. He advocated the necessity of the people joining together voluntarily to safeguard their interests instead of making representation to the Government to attend to their needs. The Government will not be in a position to satisfy their representation for 3 or 4 years more to come and it would be unwise to wait till then, allowing things to drift. It is a high time the people used the good offices of the Co-operative department in forming societies of the type of Sriperumbudur Producers *Cum* Consumers' Co-operative Society, Ltd., and purchase such costly implements like tractors for the common benefit of the members on payment of nominal rent to the society. It is economic for people to bring all their lands under joint cultivation as a ryot holding 5 acres of land is required to maintain the necessary bulls and implements and would be incurring proportionately more expenditure in the cultivation of land than a ryot holding 50 acres and keeping his bulls and machinery employed throughout the year profitably. People would have to take the warning that time would come when one should be compelled to work for his bread.

Mr. K. Chandramouli Minister for Co-operation appealed about the need to improve agriculture through co-operation stressing upon the co-operative tractor, co-operative farming, etc., to become established facts. Hon. Bakthavatsalam explained the difficulties for extending electricity immediately for the rural parts and promised consideration at the earliest opportunity to supply electric energy for baling water. He also stated that a scheme had been put into operation for availability of electricity in Trivellore, Ponneri, Sriperambudur and Saidapet Taluks.

With a vote of thanks proposed by Sri C. N. Muthuranga Mudaliar, the function terminated.

Economic Development and the Co-operative Movement in Rayalaseema.

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

Chairman, Special Committee, Kurnool District Co-operative Central Bank Ltd.

The Deccan Districts of the Madras Presidency usually known as the Rayalaseema together with the district of Chittoor are economically backward. Any movement which aims for the amelioration of the people of Rayalaseema cannot bring about any appreciable results with the present economic set-up of the people at large. Rayalaseema area covers roughly an area of 31,956 sq. miles with a population of 60.57 lakhs as per census of 1941 The percentage of literates to total population works out to 12.5. The density of population works out to 192 per square mile while the density of population for the whole presidency is 390 per square mile. The average rainfall for the whole Presidency is 44.1 " while the average rainfall for Rayalaseema is only in the neighbourhood of 26.6 ". Rayalaseema as a whole is very backward in respect of irrigation projects while Kurnool, Bellary and Anantapur are particularly backward. Owing to uncertain or inadequate rainfall coupled with absence of adequate protective irrigation works, this area is subjected to periodic visitation of famine. There has been on an average during the last quarter of the century, a famine every third or fourth year, a fact which is conclusive evidence of the very bad economic condition of the tract.

The population of Rayalaseema is very thin and this is an unmistakable evidence of the poverty and the low economic condition of the area. From this it can be seen that a determined drive to shake off the inhabitants of this tract out of this age-long lethargy and modernise and broaden their outlook on life is an immediate desideratum to bring about any perceptible improvement on the ameliorative side. Hence it is no wonder that any movement which aims to bring about the economic uplift of the people has to overcome very many hurdles. If at all the position of the people is to be improved, the present popular Government will have to concentrate immediately their attention on different irrigation projects which will increase the productive capacity of the tract.

1. The bulk of the cultivation in Rayalaseema is at present carried on in dry unirrigated land depending upon the uncertainties and the vagaries of the monsoon. Hence it is no wonder to say that Agriculture in these districts is therefore "a gamble in rain," remarked by the Madras

Famine Code Revision Committee, The Government may take up at least the following projects which may bring large tracts of land under cultivation for the present

1. Sangameswaram project (Kurnool).
2. Gazuladinne project (Kurnool).
3. Gandikota (Cuddapah and Nellore District).
4. Kurnool—Cuddapah Canal Lagoon (Kurnool District).

In addition improved methods of agriculture such as bunding and dry farming as recommended by the Famine Committee have to be introduced.

2. Absence of industrial activities on a large scale in spite of plenty of commercial crops, strikes even a casual observer. Rayalaseema is also rich in minerals which remain unexplored is also becoming evident. Intensive survey will reveal immense possibilities of making the best use of valuable minerals. At present mining is carried on a small scale.

3. Though there are possibilities of starting large scale industries, very little progress has been made so far. I hope the present popular Government will take up this matter.

4. There are ample facilities for development of cottage industries like manufacture of slates and slate pencils. The slate industry is not well organised in Cumbum and Markapur taluks of Kurnool District. We understand that slates worth Rs. 13,15,090 were exported from the said two taluks in 1944. A model slate factory may be established by the Government either at Markapur or Cumbum to improve the finish and quality of slates. It will also go to a great extent to improve the economic and social condition of the workers, namely, the slate diggers and grinders. When once high standard of economic production is set up and the products are rendered fit to hold their own against foreign competition a co-operative organisation of workers may take over the slate factory.

5. There are other cottage industries like cumbly weaving, carpet weaving, basket making, rope making which can be undertaken on a large scale by bringing them into the co-operative fold and by necessary State subsidies.

6. Next to agriculture, handloom industry forms full time occupation of some and subsidiary occupation of some of the population of nearly 3,32,840 Weavers in Rayalaseema alone. There has been increase in the formation of weavers' societies particularly during the last calender year on account of the policy of the Government to bring into the movement all the weavers. The Government at one stage was also

reported to be cosidering the question as to whether they should not stop supply of yarn to weavers who will not join the co-operarive societies. The Government have now issued instructions not to start any more Weavers' societies and they are not taking active steps for the disposal of huge stock of finished goods. Add to this the mill made cloth is decontrolled. Unless the Government realise the gravity of the situation there is likely to be a crisis for the handloom industry. An examination of the position of the weavers' societies now reveals that the present stocks may not be disposed of even at 50 per cent below the cost of production. The Government ought to help this industry by all possible means. The present market conditions have brought some of the weavers societies to the brink of collapse. The Government ought to help them to market the finished goods and help them in all other means and see that this industry is not killed.

Co-operative Movement in the Rayalaseema Districts.

With the present economic back ground it is too much to expect for the co-operative movement to make much headway in these districts. There are about nearly 5,700 villages in Rayalaseema and there are about 1314 agricultural co-operative societies. The rural indebtedness of these districts can be estimated to be about Rs. 22.17 crores based on the estimate of Mr. W. R. S. Sathinathan's estimate of average indebtedness per head to be Rs. 35.2 in the Rayalaseema. The dues of the members of all co-operative societies as on 30-6-45 was only Rs. 71 lakhs and it will be much less now. Hence the percentage of co-operative debt to total debt in Rayalaseema works to 3.2 per cent while it is 4.7 per cent for the whole of the province. The percentage of rural population brought into the movement to total population is only 0.85 per cent. These figures will speak of the popularity of the movement among the agricultural population of the area. The recommendation made by the Rayalaseema Co-operative Enquiry Committee to bring into the fold of the co-operative movement by organizing 230 societies per year may be implemented so that at least 50 per cent of the villages may be brought into the fold of the movement within a period of five years at least. The All India Co-operative Planning Committee has also recommended that at least 50 per cent of the villages and 30 per cent of the population may be brought under the fold of the movement within a period of ten years. The credit movement has been showing signs of decay and the future of the non-credit movement is also absolutely insecure. If at all the credit movement is to be expanded rural banks with wider area of operations should be started on limited liability basis or reserve liability basis with sufficient well trained paid staff. Then only the movement can be expanded. The central banks will be willing to reduce the rate of interest to rural co-operatives still further provided

the Government were to give necessary subsidy to the banks for maintaining the field staff for supervision of affiliated societies.

2 The central banks have been discharging useful function however limited their transactions may be with the agricultural credit societies. The Rayalaseema Co-operative Enquiry Committee have not appreciated the position which these banks have come to occupy in the co-operative structure of the movement with the economic setup of these dry districts. If there have been overdues in these banks, it is mostly due to the inability of the borrowers to repay their loans to the societies in time due to the circumstances over which they have no control. The last war in spite of its devastating effects on the community at large, has helped the banks to recover most of their overdue loans from the agriculturists who have been benefitted by the increase in the price of agricultural commodities.

3. Theories and postulates which can be applied to delta areas cannot be applied to an area like the Rayalaseema where nature has been unfavourable and where conditions are entirely different. As agriculturists are faced with famine almost at least once in three years, there appears to be no use of issuing short-term loans which will automatically become overdue. Hence it appears as though we have to change the policy of lending fixing the period of repayment for at least three years. This method will entail the Central banks to change their policy of borrowing either by deposits from the public or by way of loans from the Madras Provincial Co-operative Bank, Ltd. The problem is how best we can make money available at very cheap rate of interest to the agriculturists. This aspect deserves the earnest consideration of the Government.

4. The stores movement which has been expanded during the war time is likely to receive a set back on account of the policy of the present Government to gradually decontrol all food grains and textiles. The Government should arrange to give to co-operative stores at least a portion of the business by devising some ways and means. Otherwise the usual stogan that the stores are mere war babies will survive. The wholesale stores which have built up a huge reserves on account of the business done by them during the war time should not be allowed to fitter away.

Co-operation in Rayalaseema.

It may be remembered we referred in our last issue to the proposed conference of co-operators in the Ceded Districts to be held to consider some problems arising out of the recommendations of the Rayalaseema Co-operative Enquiry Committee. This conference was held on the 16th February, 1948, with the Hon'ble Sri K. Chandramauli in the chair attended by representatives of provincial and district co-operative institutions. We give below the note of the Registrar of Co-operative Societies which formed the basis for discussion as also the resolutions passed and the speech of the Hon'ble Minister on the occasion.

Copy of the speech delivered by the Hon'ble Minister for Co-operation while inaugurating the Conference of co-operators in Ceded Districts on 16-2-48.

GENTLEMEN,

Thank you very much for having responded to the invitation to be present here to-day. It is a well-known fact that the Rayalaseema area is a backward tract. Nature has not endowed it with copious rain-fall. Periodical famines and poor returns from soil are some of the special features of this area. Government have often had to relieve distress by the remission of land revenue or by the organisation of Famine Relief Works. Amid such conditions, rural indebtedness in this part, of the country has been wide and deep, and banking facilities and commercial undertakings have been meagre.

2. The Co-operative Movement entered into such an uncompromising tract, and it must be said to the credit of both official and non-official workers, that it had done as best as it could. There are now a little over 2,000 co-operative societies of all kinds in the five districts of Anantapur, Kurnool, Bellary, Cuddappah and Chittoor headed by a Co-operative Central Bank and a Co-operative Wholesale Stores in each of these districts. On the credit side of the movement, agricultural societies which are about 1,500 in all constitute the bulk as in the rest of the province; but the amount of loans they and the marketing societies disbursed in a year is only about thirty seven lakhs of rupees. The Land Mortgage Banks, of which there are eleven, disbursed about four lakhs in a year. If rural indebtedness is to be wiped out in the area and the current needs of agriculturists are to be adequately financed, much more remains to be done.

3. On the non-credit side, the co-operative stores movement which distinguished itself during the period of controls all over the province, also made a mark in Rayalaseema handling a business of about 6.5 crores of rupees. The weavers' societies expanded under the controlled supply of yarn. There are now 139 such societies with 15,000 looms producing

nearly a crore of rupees worth of goods. The Yemmiganur Weavers' Society in the Bellary district is probably the best in the Province with about 1,500 looms producing over a lakh of rupees worth of goods in a month, running a dye-house and cloth printing section and undertaking a building scheme of about 3 lakhs for housing its members. Another successful society in Rayalaseema which deserves special mention is the Koduru Fruit Growers' Society which led the way for societies of its kind in the Province and which during the war sold about 14 lakhs of rupees worth of fruits in one year.

4. In spite of a few striking successes of this kind, the co-operative movement as a whole in Rayalaseema is comparatively weak. It is to investigate into the causes which operated against the vigorous growth of the movement and to suggest ways and means of setting it on firmer foundations that Government appointed in 1945 the Rayalaseema Committee on Co-operation, under the distinguished Chairmanship of the Hon'ble Sir N. Gopalasami Ayyangar. That Committee, one of whose members is with us to-day (Mr. R. Suryanarayana Rao) conducted elaborate investigations into the working of the co-operative movement in these districts and made far-reaching recommendations. Indeed they had as many as 142 recommendations covering 11 aspects of co-operative activity in this area.

5. Action has been taken by Government on some of the recommendations. For instance, eight Senior Inspectors have been sanctioned for a period of two years free of cost to improve the marketing societies in the districts of Cuddappah, Kurnool, Bellary and Anantapur. A Forest Ranger has been appointed to work up the Atmakur Chenchu Sale Society in the Kurnool district. The other recommendations are still under the consideration of Government.

6. The basic recommendation of the Committee, however, is the one relating to the provision of credit both short-term and long-term on reasonable terms consistent with the economic conditions of the area. Cheap credit has been indicated as the greatest need of the tract, and we have met here to devise methods of providing it under the existing mechanism of the co-operative movement with proper safeguards. The Registrar has submitted a scheme to Government in this behalf and a copy of it is before you. Before passing orders on that scheme, Government desired to call for a Conference of the Co-operators intimately connected with the Rayalaseema area with a view to consider the Registrar's scheme in all its aspects. The members invited for the conference represent the Provincial Co-operative Bank, the Central Land Mortgage Bank, Presidents of Central Banks and Land Mortgage Banks, some Legislators representing the Ceded Districts and persons interested in the development of the co-operative movement in the Rayalaseema area. Government

will be grateful if you can give them the benefit of your views and suggestions to place the co-operative movement in this area on a stronger footing.

Copy of Registrar's Scheme.

Sub :—Financing banks in Rayalaseema—Short-Term and Long-Term—Reorganization of.

1. The most far-reaching recommendations of the Rayalaseema Co-operative Enquiry Committee relate to the financing of agriculturists for long-terms and short-terms. In the case of long-term loans the Committee has recommend that the primary land mortgage banks should be abolished and that the Central Land Mortgage Bank should finance agriculturists direct. In the case of short-term loans the Committee has similarly recommended that the Co-operative Central Banks should be abolished and that the primary co-operative societies should be financed by the Madras Provincial Co-operative Bank direct, opening branches if necessary. The recommendations relating to these subjects are extracted below. The chief reason for these far-reaching recommendations is that fhe cost of the loan to the agriculturists should be cheap.

A. Abolition of the Central Co-operative Banks and Financing Co-operatives from the Provincial Co-operative Bank. Direct.

Recommendation No. 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.

Recommendation 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 the local committees is recommended. The strength and functions of these committees in each case to be fixed by the Madras Provincial Co-operative Bank in consultation with the Registrar of Co-operative Societies.

Recommendation No. 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. 3.10 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.

Recommendation No. 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.

Recommendation No. 94.

The Madras Provincial Co operative Bank should made funds available to the primary societies at not more than 3 per cent.

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.

Recommendation No. 95.

If the branches of the Provincial Co-operative Bank cannot ensure this low rate of interest, the State should stop in to subsidize the central financing agency to meet any loss that the latter may incur in providing finance at this rate.

B. Abolition of Primary Land Mortgage Banks and Financing by the Central Land Mortgage Bank Direct.

Recommendation No. 98.

On grounds of convenience and utility the primary land mortgage banks in Rayalaseema should be abolished.

Recommendation No. 99.

Cental Land Mortgage Bank to undertake financing of borrowers directly.

Recommendation No. 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.

2. The Madras Provincial Co-operative Bank has expressed itself against the abolition of the central banks and against the financing of primaries by the Madras Provincial Co-operative Bank opening branches. Their executive committee resolved as follows on 5-7-47 :

> "There will be no saving in expenditure. On the other hand, there will be no contact between the Provincial Bank and the borrowing banks and there will be no chance of proper supervision. Therefore the proposal of opening branches of the Provincial Bank and abolition of Central Banks cannot be accepted."

3. The Central Land Mortgage Bank has expressed itself against the abolition of primary land mortgage banks ~~and its financing~~ individual

borrowers direct. The following resolutions were passed by a sub-committeee appointed by that Bank on 18-1-47.

(1) "The Committee regrets its inability to agree that either convenience or utility justifies the abolition of the land mortgage banks in the Rayalaseema districts;

(2) Nor does it think it would benefit its borrowers or save appreciably any expenditure by attempting their direct financing;

4. No one will deny that the co-operative credit movement, both long-term and short-term, is weakest in the Ceded Districts of this Province including Chittoor. The chief reason for such weakness is not any defec in the co-operative principle. It rather lies in the fact that the Ceded Districts are an economically backward tract where the co-operative principle cannot be applied with as much success as in other parts of the Province. Periodical famines, poor returns from the soil and lack of sufficient human material account for the comparative failure of the co-operative movement in those tracts. Having thus diagnosed the disease, the remedies lie in the following directions:—

(1) State help should make good the deficiency caused by famines and poor soil. As observed in resolution No. 25 of the XVth Registrars' Conference, "Government should make special efforts to increase the income of the cultivator in these backward areas by providing the necessary facilities." This alone will improve their capacity to repay co-operative loans. In addition, Government should provide credit facilities out of their own resources at a price which will not be burdensome to the ryot. They should also be prepared to write off such loans as are not recovered on account of famines.

(2) The second remedy for the disease is to make up for the poor human material by strengthening the number of supervisors and appointing an official controlling staff.

5. One method of applying this dual remedy is to constitute an Agricultural Credit Corporation which will be a quasi-state organisation run on business lines and not as a branch of any Government Department. It is with this view and having the Ceded Districts in my mind that I agreed to the idea of an Agricultural Credit Corporation when I was a member of the All India Agricultural Finance Sub-Committee. The constitution and functions of the Agricultural Credit Corporation are described by the Agricultural Finance Sub Committee in its recommendations 22 to 40. These were considered by the XVth Registrars' Conference. My notes on the subject are at pages 34-38 of the Agenda for the Conference. The Conference passed two resolutions on the subject: Nos. 21 and 25:—

Resolution No. 21.

The Conference has considered recommendations Nos. 22 and 23 of the Agricultural Finance Sub-Committee relating to the formation of Agricultural Credit Corporations and ***Recommends*** (*a*) that the functions proposed for the Agricultural Credit Corporations should be performed by the Provincial Co-operative Banks which may be reorganised for the purpose, if necessary; (*b*) that they should be given the same measure and type of aid by the State as that recommended by the Committee for the Corporations, *i.e.*, the State should contribute a part of the share capital and provide funds to enable the bank to advance loans at low rates of interest, and (*c*) that the Provincial Banks should ordinarly make advances to central banks and in special cases to primary societies, but should not land ordinarily directly to individual borrowers. If however any particular Province or the management of a particular Provincial Bank wish to experiment with direct loans to individual borrowers, it should be free to do so.

Resolution No. 25.

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

6. Co-operative opinion in this Province is not in favour or constituting an Agricultural Credit Corporation It prefers instead that the functions assigned to the Agricultural Credit Corporations and State help provided for it, might be given to the existing co-operative financing organizations. ***I agree that this may be tried.*** In doing so, certain principles will have to be observed.

(1) Unlike the Agricultural Credit Corporation, short term and long term credit should, as now, be dealt with by separate financing organisations, the Central Banks dealing with short term credit and the land mortgage banks dealing with long term finance.

(2) The existing co-operative system of dispensing credit through primary co operatives (rural credit societies in respect of short-term loans and primary land mortgage banks in respect of long term loans) should be preserved. On this basis, a new scheme has to be drawn up detailing the kinds of State help required by the central co-operative banks in the Ceded Districts and the primary land mortgage banks in these districts. If Government agree with this view, I suggest that a Conference of Co-operators in Ceded Districts may be held under the Chairmanship of the Hon. Minister for Co-operation. To this Conference will be invited one representative for each of the five Central Banks, one representative of the primary land mortgage banks for each of the Ceded Districts, one representative from the Madras Provincial Co-operative Bank and one from the Central Land Mortgage Bank besides such other representatives as Government may decide. In this Conference the following subject will be considered.

I. Short-term Co-operative Credit in Rayalaseema.

1. Provision of a clean slate.

The bad debts of central banks act as a dead weight on the banks and clog their progress. It has been reported that the bad debts were mainly due to adverse seasons and famine conditions prevailing in the area and arose out of the conditions beyond the control of the borrowers. The following is the position with regard to bad and doubtful debts, and reserves and the Conference may consider if State help should be given to wipe out these net bad and doubtful debts.

Name of the Central Banks.	Bad debts.		Doubtful debts.				
	Living Societies.	Liquidated Societies.	Living Societies.	Liquidated Societies.	Total.	Bad debt Reserves.	Excess of bad and doubtful debts over bad debts reserve.
	Rs.	Rs.	Rs.	Rs	Rs.	Rs.	Rs.
Anantapur ...	16,708	21,751	22,842	8,515	69,816	65,126	4,690
Hospet ...	46,074	4,791	400	11,613	62,878	75,362	Nil.
Chittoor ..	5,621	39,512	11,355	11,296	67,784	17,776	50,608
Cuddapah ...	11,057	88,260	3,486	6,250	109,053	2,697	106,356
Kurnool ...	21,606	35,491	3,416	16,525	77,033	76,949	89
	101,066	189,805	41,499	54,199	386,569	237,310	161,743

2. ***Subsidies to reduce rate of interest.***

Government may subsidise the 5 central banks to the extent of the difference between their present lending rate and the fair rate at which

they should lend to primary agricultural credit societies and sale societies so as to enable them to lend to the ultimate agricultural borrowers at $4\frac{1}{2}$ per cent. During the year 1946–47 the total loans issued to agricultural credit societies and sale societies were:

		Rs. in lakhs.
Anantapur Central Bank	...	8.54
Hospet Central Bank	...	5 44
Chittoor Central Bank	...	7 58
Cuddapah Central Bank	...	11.89
Kurnool Central Bank	...	2.44
		35.84

Assuming that the banks issue double this amount as a result of intensive a activity, the total loans will amount to Rs. 71.68 lakhs in a year The central banks now get deposits or loans from the Madras Provincia. Co-operative Bank at 3 per cent. They can pass on the loan to agricultural credit societies and sale societies at the same 3 per cent and the latter can lend at $4\frac{1}{2}$ per cent if the central bank is given a subsidy of $1\frac{1}{2}$ per cent on the amounts lent by them to these societies. The amount of subsidy works out to Rs. 1,07,520 per year as per details below :—

		Rs.
1. Anantapur Central Bank	...	25,620
2. Hospet Central Bank	...	16,820
3. Chittoor Central Bank	...	22,590
4. Cuddapah Central Bank	...	25,670
5. Kurnool Central Bank	...	7,820
Total	...	1,07,520

The subsidy may be given for a period of five years.

3. Free Co-operative Sub-Registrar Secretary.

To ensure that the State Aid given is utilised in an effective manner, it is necessary to depute to each of the banks a Co-operative Sub-Registrar free of cost to serve as their secretaries.

4. Nominated Directors.

As an additional help, Government might nominate two gentlemen to the Board of Management of the banks. Provision may be made in the by-laws of the bank to this effect.

5. Subsidy for supervision.

In my remarks on Recommendation Nos. 89, 90, 110, 111 and 112 of the Rayalaseema Co-operative Enquiry Committee I have suggested that the supervisors might be appointed in this backward area at the rate of

12 societies for each supervisor with two supervisors as leave reserve in every district and that the extra cost on this account might be borne by the Government I have also suggested the deputation of a Co-operative Sub-Registrar free of cost to each of the banks to do duty as its Executive Officer to control and regulate the work of the supervisors and to see that the expansion of the movement proceeds on safe and sound lines. The subsidies in this behalf work out as follows :–

1. For extra cost of supervisors :—

		Rs.
Anantapur Central Bank	...	11,388
Bellary Central Bank	...	13,140
Chittoor Central Bank	...	6,908
Cuddapah Central Bank	...	6,132
Kurnool Central Bank	...	12,264
Total	...	49,832

2. Cost of 5 Co-operative Sub-Registrars at the rate of 1 Co-operative Sub-Registrar for each of the Central Banks ... 10.833

II. Long-Term Credit.

The Central Land Mortgage Bank has stated that long term loans can be made available to the borrower at 4 per cent only if Government agree to imburse the bank to the extent of the difference between 4 per cent and the ordinary lending rate, *i.e.*, 1¼ per cent. The resolution passed by the Sub-Committee appointed by the Central Land Mortgage Bank has stated :— " This bank has repeatedly urged on the Government the need for reduction in the rate of interest chargeable to the agriculturist in the Province including the Rayalaseema and is in agreement with the Committee on the need to make credit available to the ryot in Rayalaseema at 4 per cent. But this can be achieved only if the Government agree to reimbnrse the bank to the extent of the dtfference between 4 per cent and its ordinary lending rates ". During the year 1946-47, the loans issued amounted to Rs. 4.03 lakhs Assuming that the bankdoubles the business the total loans issued will be Rs. 8.06 lakhs. At 1 per cent the subsidy will amount to Rs. 6,746 a year. This subsidy may be given for a period of five years. This will mean that all long term loans disbursed during the next five years will have to be subsidised for 20 years. The total bill to Government will be Rs. 6.75 lakhs, as per statement appended. This subsidy will be in accordance with Recommendation No. 57 of the Agricultural Finance Sub-Committee of the Government of India which reads as follows :—

> " Long-term mortgage finance to the agriculturist should be made available at a rate of interest not exceeding 4 per cent and the Government should subsidize the Land Mortgage Banks to enable them to do so ".

Statement showing the subsidy to be paid by Government to the Central Land Mortgage Bank.

		Rs.
1. Annuity on a loan of Rupee 1 repayable in 20 years at 5 per cent	...	81,95,228
2. Annuity on a loan of Rupee 1 repayable in 20 years at 4 per cent	...	73,58,175
3. Difference ...	...	08,37,053
4. On a loan of Rs. 8.06 lakhs	...	6,746 10 4

Year.	On the loan Issued.																	
	1st year.			2nd year.			3rd year.			4th year.			5th year.			Total.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1	6,746	10	4															
2	6,746	10	4	6,746	10	4										6,746	10	4
3	6,746	10	4	6,746	10	4	6,746	10	4							13,493	4	8
4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4				20,239	15	0
5	6,646	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	26,986	9	4
6	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
7	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
8	6,746	10	4	6,746	10	4	6,746	10	4	6,747	10	4	6,746	10	4	33,733	3	8
9	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
10	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33.738	3	8
11	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
12	6.746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
13	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
14	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
15	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6.746	10	4	33,733	3	8
16	6,746	10	4	6, 46	10	4	6,746	10	4	6.746	10	4	6,746	10	4	33,733	3	8
17	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
18	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
19	6,746	10	4	6,746	10	4	6.746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
20	6,746	10	4	6,746	10	4	6 746	10	4	6,746	10	4	6,746	10	4	33,733	3	8
21				6,746	10	4	6,746	10	4	6,746	10	4	6,746	10	4	26,986	9	4
22							6,746	10	4	6,746	10	4	6,746	10	4	20,239	15	0
23										6,746	10	4	6,746	10	4	13,493	4	8
24													6,746	10	4	6,746	10	4
Total.	*			*			*			*			*			6,74,664	9	4

* 1,34t932-14-8. or Rs. 6.75 lakhs.

Copy of resolutions passed at the Conference of Co-operators in Ceded Districts held on 16-2-48.

1. The Conference supports the recommendation of the Registrar that Government should subsidise the five Central Co-operative Banks upto Rs. 1,61,743 subject to the condition that this subsidy should be passed to really deserving primary societies after a through examination of ihe doubtful debts and bad debts they owe to the Central Banks concerned.

2. With regard to a short term loans, the Conference considers that the lending rate to the ultimate borrowers in Rayalaseema may be fixed at

5 per cent that the subsidy from Government should be at least 1 per cent and that the Central Co-operative Bank will retain a margin of $1\frac{1}{2}$ per cent made up of $\frac{1}{2}$ a per cent from the primary societies and 1 per cent from the Government

With regard to long term loans, the lending rate in primary land mortgage banks in Rayalaseema to the ultimate borrowers should be one per cent over the borrowing rate of Central Land Mortgage Bank and the difference between this rate and the present rate of $5\frac{1}{4}$ per cent should be paid by Government to the Central Land Mortgage Bank whether it is $1\frac{1}{4}$ per cent or 1 per cent.

3. The Conference is of opinion that it is enough that each Central Bank should be given a Co-operative Sub-Registrar free of cost to function as the Executive Officer of the Bank leaving the present Secretary to be in charge of the Banking section.

4. The Conference agrees to the nomination of 2 gentlemen by Government to the Board of Management of each of the Central Banks

5. The Conference accepts the proposal of the Registrar regarding subsidy from Government for supervision.

The scale of pay of Supervisors of Central Co-operative Banks in Rayalaseema on which the subsidy has been worked (*viz.*, Rs. 40 plus Rs. 18 dearness allowance plus Rs. 15 Travelling allowance) should also be made applicable to the Supervisors employed by the primary land mortgage banks and their pay should be met by the Provincial Government.

6. Loans given by primary land mortgage banks need not be in the ratio of 40.60 in respect of dry lands and wet lands, and may be given exclusively on rain-fed dry lands. Again loans may be advanced on the security of rain-fed dry lands to the extent of 40 per cent of the value of these lands.

Mahatma Gandhi.

Meeting of the Members and Staff of Co-operative Institutions and other Co-operators held under the auspices of the M. P. C. Union, on 12-2-1948.

To Express the deep sorrow at the passing away of Mahatma Gandhi.

Dr. Sri P. Gurumurty of Rajahmundry presided over the meeting of Co-operators convened by the Madras Provincial Co operative Union on 12-2-1948 at 6 p. m. in the absence of the Hon'ble Sri K. Chandramouli, Minister for Development. who was to preside over the meeting as scheduled.

Sri A. Venkatachalam Pantulu, B.A., B.L., recited slokas one from each of the 18 chapters of *Bhagavat Gita*.

Prominent Co operators of the City attended the meeting Messrs. J. C. Ryan, A. Palaniappa Mudaliar, G. Harisarvottama Rao, A. Venkatachalam Pantulu and C. Tadulingam Mudaliar have addressed the gathering and appealed to one and all to follow the principles of *Mahatmaji*. Mr. V. Viyyanna, in a short speech moved resolution which was seconded by Mr. C. Tadulingam Mudaliar and passed unanimously Mr. Viyyanna said :—

Mahatmaji is a true Co-operator, who always pleaded for true brotherly—co-operation between all classes and communities inhabiting India and nay of the World. His mission and preachings embodied the true principles of co operation.—Each for all and all for each—Truth, Ahimsa, equality, fraternity, non-exploitation by the rich and powerful of the poor, uplift of the poor rural masses that form the back-bone of the Nation. The villager and the agriculturist and the Harijan were his sole concern and he strived for their uplift. He pleaded for the revival of Panchayat Raj. To the rural people his death is the greatest loss. India and the World lost a Great Man, a Saint among saints. Though the mortal body of Mahatma Gandhi is no more, his soul has become Eternal and will be a daily and constant reminder to the people of India, of the great principles for which he gave his life. God is one, be He Krishna, Allah, Christ. Different religions are but different roads that lead to God. *Mahatmaji* combined in him all that is good in every religion.

The Greatest Man of the World is gone, but his light shines over the World for ever We, the Co-operators of Madras, have lost the greatest of Co-operators—the torch bearer of the principles of Co-operation—Truth, Honesty, Equality and service to humanity.

RESOLUTION.

"This meeting of Co-operators of Madras pays Homage to *Mahatma Gandhi* and mourns his loss to the World and to Co-operators in particular, whose principles and ideals, viz., Truth, Honesty, duty, Love and Equality between man and man, and Non-violence, he the *Mahatma* is the greatest exponent. This meeting calls upon all Co-operators in this Province and in India to pledge themselves to follow the Teachings of *Mahatmaji* and uphold the ideals of Co-operation and serve the Nation."

The following are some institutions which placed on their record their profound sense of grief on the Mahatma Gandhiji's death :

1. *Pullampet Weavers' Co-operative Society* :

    Opened a reading room and library on Gandhiji's name. Booklet giving Gandhiji's teachings were freely distributed to the audience at the meeting.

2. *Madras Government Servants' Co-operative Bank* :

3. *Madras Electric Tramway Co-operative Society* :

4. *Tiruvarur Co-operative Stores, Ltd.* :

    Three Scholarships amounting to the value of Rs. 150 were sanctioned to three deserving Harijan Students of the High School classes out of the Common Good Fund commencing from 1948-49 in Gandhiji's rememberance.

5. *Virudhunagar Co-operative Stores* :

    All the local Co-operative Institutions went round procession in silent manner. This was represented by co-operative staff, directors, employees of local institutions. A photo of Mahatma headed the procession.

6. *Andhradesa Co-operative Union, Rajahmundry* :

    The meeting of the above Union was presided over by Sri U. V. Gopala Rao, Deputy Registrar. Directors of several institutions, staff and employees of the Deputy Registrar's office were present. Some prominent people spoke about Gandhiji's life and his teachings.

7. *Periyakulam Co-operative Urban Bank, Ltd,* :

    The Co-operators' of this place representing the various local institutions held a memorial meeting and passed a resolution on Gandhiji's death.

Consumers' Co-operation.

REVIEW FOR DECEMBER 1947

BY THE REGISTRAR OF CO-OPERATIVE SOCIETIES.

Co-operative Wholesale Stores.

2. *Members and Share Capital.*—The total number of members at the end of Debember, 1947 was 10,666 and the paid up share capital amounted to Rs. 34.42 lakhs as against Rs. 34.28 lakhs in the previous month.

3. The owned capital of the Co operative Wholesale Stores was was Rs. 45.87 lakhs comprisine share capital of Rs. 34.42 lakhs and Reserve fund of Rs. 11.25 lakhs. The total borrowed capital was Rs. 204.77 lakks of which Rs. 196.13 lakhs represented loan and cash credits from Central Banks and the balance of Rs, 8.64 lakhs from others. Thus the total working capital as on 31-12-1947 was Rs. 250.44 lakhs as against Rs. 274.64 lakhs in the previous month.

4. *Business.*—During the month under review the total purchases and sales of the co-operative wholesale stores amounted to only Rs. 108.00 lakhs and Rs. 151.14 lakhs as against Rs. 154.65 lakhs and Rs. 134.78 lakhs respectively in the previous month. The purchases have decreased in value, While there has been an appreciable increase in the sales. It is hoped that all co-operative whole sale stores will spare on pains to make sustained and strenous efforts to develop their business by opening various departments.

5. *Sales to Primaries.*—Out of the total sales of Rs. 151.14 lakhs, Rs. 60 67 lakhs represented sales to primaries which works out to a 40 07 as against 32.6 per cent in the previous month. This is still not upto the mark and has to be improved. It is time that active steps should be taken to ensure better co-ordination between the co-operative wholesale stores and primaries in order to strengthen their business relations and which alone can enable them (wholesales as well as primaries) to compete with the private traders during this de-controlled and derationed period and survive.

Primary Co-operative Stores.

6. *Members and Share Capital.*—There were 1,752 stores with a membership of 5.79 lakhs and a paid up share capital of Rs. 101.76 lakhs as against Rs. 100 92 lakhs in the previous month. The total working capital for the month under review was Rs. 203.64 lakhs as against Rs. 213.18 lakhs in the previous month.

It is evident that the paid up share capital of primary co-operative stores is static and has not been improved at all. Further all Deputy Registrars are requested to take snitable steps to lauuch a vigorous drive for collecting more share capital. They will please make it a point to furnish up to date figures without adopting old figures on a large scale.

7. *Business.*—The total purchases and sales were Rs. 161 71 lakhs and Rs. 172.21 lakhs respectively as against Rs. 169 42 lakhs and Rs. 176 33 lakhs in November 1947. Both purchases and sales have decreased. This is not satisfactory. The stores have to be vigilant especially during the present transition period when controls are being withdrawn rapidly. They should endeavour to convert their erstwhile customers into regular members and ensure normal business whether there is control or not. Because of decontrol they should not lose customers and in this lies the salvation of Stores societies.

Special consumer activities.

8. *Handloom and mill-made cloth.*—The total purchases and sales were Rs. 12.13 lakhs and Rs 12.06 lakhs respectively as against Rs. 12.21 lakhs and Rs. 16 81 lakhs in the previous month. It is regrettable to note the poor progress for the past two months. Now that control over Handloom and mill cloth has been lifted, it should be possible for stores societies to develop cloth trade considerably. Action should be pursued by all Deputy Registrars to see that better progress in this line is shown in future.

Consumer goods.—It is also unsatisfactory to note the sudden fall in this line of business. The total purchases and sales in consumer goods amounted to Rs. 1 48 lakhs and Rs. 1.58 lakhs respectively as against Rs. 1.98 lakhs and Rs 1.89 lakhs in the previous month. All Deputy Registrars are requested to give suitable instructions to the special staff and see that vigilant steps are taken for the developmet of business in consumer goods and non good lines which alone can stand them in good stead new that controls are removed and competitive trade is gradually being restored.

Processed food-stuffs.—The total purchases and sales under this item were only Rs. 1,454 and Rs. 1,660 respectively as against Rs. 11,296 and Rs. 19,049 in the previous month It is disquieting to note the sudden fall in this line of business. Processed foodstuffs play an important role in the urban life and it is surprising that the stores (espacially urban) should be unable or rather negligent to push up this trade. There was clamour for licences to deal in these when distribution was controlled and it is beyond comprehension that this line of busines should be allowed to die by Co-operative Stores when processed food stuffs are freely available. The stores societies should shake the complagency and take things seriously and try to develop all lines of trade in right earnest and in their own interest.

Agricultural implements.—The total purchases and sales were only Rs. 35 and Rs. 435 as against and Rs. 10,626 and Rs. 17,167 respectively in the previous month. This is very poor. All Deputy Registrars all requested to take immediate steps and see that the rural and semi-urban stores take up this line of business.

General.—It is unsatisfactory to note that no progress has been made during this month in any single lines of special consumer activities. The urgency and need for broad basing their trade should be realised by stores and sincere efforts made. All Deputy Registrars are requested to see that the special staff for supervision of stores take pains to improve the state of affairs of the stores in general. This is the erucial time for consumers' societies and they have to be rightly guided and advised in time. The responsibility of the Deputy Registrars and the special staff is very great now and they should acquit themselves well of their charge.

Correspondence.

Sub:—Co-operative Societies-Central banks—Maximum Credit limit—observations in the Madras Journal of Co-operation.

Ref:—Your editorial note under the head " Limit of borrowings " in the February 1947 issue of the Journal.

While publishing my letter D 20047/46-A, dated 28th January 1947 in the February issue of the Journal, you have observed that you have not been enlightened on the point whether any precautions such as those imposed by the Bombay Government are taken while granting permission to Central banks to borrow in excess of their normal credit limit and whether restrictidns 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.

2. In the first place I wish to point out that there are fundamental differences between the relaxation of credit limit permitted by the Bombay Government and that of the Madras Government. The Bombay Government notification permits all co operative banks, central provincial and other Urban banks, to borrow or receive deposits in excess of their normal credit limit without any limit whereas in this province Government have permitted only the central and provincial Banks to borrow in excess of their normal credit limit and have also fixed that the total liabilities shall not exeeed 20 times the paid up Share Capital plus Reserve Fund Again, from the Bombay notification it seems that the purpose for which the relaxation is permitted is different from that for which the central financing agencies in this Province have been permitted to borrow in excess of their normal credit limit. In Bombay the concession seems to have been granted with a view to encourage savings by the public by keeping their surplus fundr as deposits in co-operative institutions, as may be seen fore the condition that the excess borrowings by Co-operative banks should be invested in Government securities or deposited with the Provincial or Central banks, as the case may be. The banks do not, therefore, appear to be at liberty to use the excess borrowings for their normal business, *viz.*, financing their members. But in Madras the purpose is different. The banks during the last few years have been feeling the need for large funds to meet the demands of their affiliated co-operative institutions which have under taken procurement and instribution of food grains and other controlled articles. The central financing agencies sometimes find it not possible to meet these demands within their normal credit iimit. Hence the relaxation was ordered and that too for a temporary period.

3. As regards the point whether any conditions have been imposed on the banks while permitting the relaxation, the position is that the entire borrowings in excess of the normal credit limit should be utilised only for financing the procurement work of the affiliated co-operative societies. Of course, the Central banks prescribe their own terms and conditions in making advances to societies and take the necessary business precautions.

4. Sections 32, 33 and 34 of the Madras Co-operative Societies Act and Rules VIII and VII-A framed thereunder deal with the general principles governing borrowings and investments in all Co-operative Soeieties including financing agencies According to Section 33 of the Madras Co-perative Societies Act co-operative societies can receive deposits and loans only to such extent and under such conditions as may be prescribed by the rules or the by-laws. So far as the limits are concerned Government have fixed the maximum limit up to which various types of Co-operative institutions can borrow and receive deposits. They have not imposed any other conditions such as rate of deposits, etc., as in the case of Bombay. But the co-operative institutions themselves as you know frame suitable subsidiary by-laws or rules of business which govern deposits and borrowings. It does not appear necessary to feter the discretion of the banks to regulate their deposits in any rigid manner. Matters of common banking policies and practices are discussed, as you may be aware at periodical Central Banks conference convened by the Madras Provincial Co-operative. This system has been working satisfactorily in the Province. The central financing agenctes, the central and provincial Banks, which receive large amounts as deposits from the public are sufficiently strong and enjoy the confidence of the publie. They have gained experience in conducting their business on sound banking principles and at this stage it is neither desirable nor necessary to prescribe or enact detailed rules governiug their borrowings. In fact, these banks have been able to secure deposits at competitive rates of interest.

5. As regards investment of funds, the co-operative financing agencies have framed their own by-laws consistent with the provisions of the Act and Rules and they are taking necessary precautions in the matter of advancing loans to their affiliated societies and also in the matter of investment in various other securities prescribed in the Act.

6. We have been working the rules in this Province for some decades now and no difficulty has been felt by the central banks or the Madras Provincial Co-operative Banks in raising funds. The relaxation of the normal credit limit in exceptional cases is only a war-time measure designed to help the food economy in so far as co-operative agencies are concerned.

Order.

G.O. No. Ms. 225, Development Department, dated 16th November 1948.

Sub :—Acts and Rules—Co-operative Societies Act—Rules—Rule XI Levy of audit fees—draft amendment—published.

Read the following :—G O. No. Ms. 5127, Development, dated 4th November 1947. From the Registrar of Co-operative Societies, letter No. 4082/45-L., dated 3rd December 1947.

ORDER :—

The following notification and explanatory note will be published in the *Fort St. George Gazette* :—

NOTIFICATION

The following draft of an amendment to the rules published with Development Department Notification No. 264, dated the 1st August 1933, at pages 1178 and 1185 of Part I of the *Fort St. George Gazette*, dated the 1st August 1933 as subsequently amended, which it is proposed to make in exercise of the powers conferred by Section 65 of the Madras Co-operative Societies Act 1932 (Madras Act VI of 1932) is hereby published for the information of all persons likely to be affected thereby as required by sub-section (3) of the said section.

Notice is hereby given that the draft will be taken into consideration on or after the 16th February 1948 and that any objection or suggestion which may be received with respect thereto from any person before that date will be considered by the Government of Madras.

DRAFT AMENDMENT.

For Rule XI of the said rules, the following rule shall be substituted, namely :—

"XI-(1) Every registered society shall pay to the Government a charge for the audit of its accounts for each Co-operative year in accordance with the scale fixed by the Registrar with the provide approval of the Government in respect of the class of soeiety to which it belongs :

Provided that this sub-rule shall not apply to any society which has its accounts audited at its own expense.

(*a*) by the staff of an audit union in existence on the 9th July 1932 ; or

(*b*) under an arrangement approved by the Registrar and in force on the 9th July 1932 ; or

(*c*) by a person authorised by the Registrar to audit the accounts of the society under Section 37 of the Act if such a person is willing to furnish the statement of accounts prescribed by Rule V and in the forms required by the Registrar.

(2) The charge payable by the society under sub-rule (1) shall be paid into the nearest Government Treasury within six months of the close of the Co-operative year to which the audit relates.

Explanatory Note.

The Government have passed orders that with effect from 1st January 1948 the expenditure on the staff required for the audit of accounts of co-operative societies should not in any circumstances be a charge on the provincial revenues and that all the concessions granted in Rule XI of the rules made under the Co-operative Societies Act should be withdrawn from that date. It is proposed to amend Rule XI of the rules issued under the Madras Co-operative Societies Act accordingly.

2. The Government do not accept the proposal of the Registrar to retain the existing snb-rule (4) under Rule XI of the Co-operative Societies Act. The Registrar of Co-operatioe societies may address the Government for remission of audit fees in really hard cases.

The Madras Provincial Co-operative Union Examination, 1948.

An examination for the students of the Tanjore, Coimbatore, Anantapur and Rajahmundry Institutes will be held at the respective Institutes' headquarters **from 22nd to 31st March 1948** as per programme given below.

Monday	22-3-1948	10 a.m. to 1 p.m.	Co-operation—Historical, General and Principles.
Tuesday	23-3-1948	10 a.m. to 1 p.m.	Co-operative Law.
Wednesday	24-3-1948	10 a.m. to 1 p.m.	Audit.
Thursday	25-3-1948	10 a.m to 1 p.m.	Book-keeping.
Tuesday	30-3-1948	10 a.m. to 1 p.m.	Banking.
Wednesday	31-3-1948	10 a.m. to 1 p.m.	Rural Economics, etc.

Candidates who failed to pass in the previous Provincial Co-operative Union Examinations held during 1942 to 1947 are hereby informed that they can also sit for the above examination.

Candidates who underwent training in the Institutes prior to 1941 have to appear and pass Part III of the examination under the new regulations for eligibility for a certificate.

In view of the subject 'Banking' having been included under Part III from the year 1945, candidates who have passed Part II in previous years need not appear for 'Banking' under Part III this year. It will suffice if they sit for 'Rural Economics, Sanitation, Village Panchayats, etc.' only.

The examination comprises of III parts:—

1	Co-operation—Historical, General and principles	Part I.
2	Co-operation—Law	Part I.
3	Audit	Part II.
4	Book-keeping	Part II.
5	Banking	Part III.
6	Rural Economics, Sanitation, Village Panchayats	Part III.

Candidates who have failed in any one of the subjects of any part have to sit for the subjects comprising that Part or Parts.

The examination fee is Rs. 10 for full examination, Rs. 4 for each Part.

The last date for receiving examination fees is 5-3-1948.

For further particulars, please apply to the SECRETARY;

The Madras Provincial Co-operative Union, Esplanade, G. T., Madras.

BUSINESS NOTICE.

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

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

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

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

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

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

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The General Secretary,

The Madras Provincial Co-operative Union,

Esplanade, Madras.

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