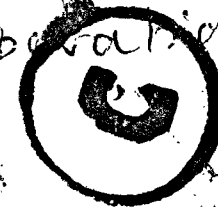


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EACH FOR ALL AND ALL FOR EACH

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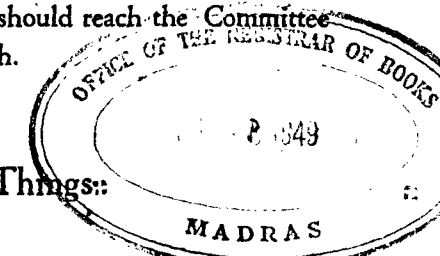
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The Re-shaping of Things:

The New Outlook :

We have entered into a new year; and the new year has virtually ushered in a new era in our Co-operative Movement. For decades the Movement had been a state-sponsored and State-directed activity affording very little scope for popular initiative and incentive. But with the advent of popular Government in the provinces, the scope for people's participation began to increase in every province but there was perceivable a lack of coordination of effort and policies of the several provinces. The formation of a National Government at the Centre helped remove this handicap. But then there was the need for an organisation armed with power and authority to receive popular sentiment and renovate it as public opinion and transmit it to the Government for sympathetic action. This function could be performed only by the Congress Organisation which the *Rashtrapathi* (Congress President), described the other day as "the service-station of the life-giving ideology of the nation."

The Congress is now, thanks to the attainment of *Swaraj*, in a position to switch on its activity from political agitation to economic regeneration. In the economic programme of the Congress, Co-operation is to play a vital role. "To-day," said the *Rashtrapathi*, the object of the Indian National Congress is the well-being



and advancement of the people of India and the establishment in India by peaceful and legitimate means of a Co-operative Commonwealth based on equality of opportunity and of political and economic and social rights, aiming at world peace and fellowship." Speaking of the reconciliation of conflicting interests, he said, "The producer and the consumer are at loggerheads with each other and both with the middleman. *And the Co-operative Movement alone represents the great reconciliation* since it raises cash from pooled credit, eliminates the middleman and distributes profits to the consumer if it is a distributive society or to the producer if it is a producing society. This co-operative principle ensures equality of opportunity as well as political, economic and social rights to all, for authority is pooled and administration is as far as possible run by groups bound together by ties of Co-operation."

Surely this is a mark of the genuine interest of the Congress in the Movement. The Congress "service-station" pumps out life sustaining doctrines from its chambers through the arteries of Government on to the nation. Co-operators may hope, therefore, that this new outlook in the nation will vitalise the Movement, invigorate popular effort and inaugurate the Co-operative Commonwealth.

A Plea for Genuine Interest:

We have in this number the fourth article in the series on Weavers' Co-operation. In it the author has dealt with the various processes of production like the preparation of the warp, weaving and finishing. These processes, still done by hand, are common to weavers throughout the province. The author has endeavoured to present the position of the weavers' coops in this respect against a back ground of the general conditions of the handloom industry. While progress in this direction is not wanting, unfortunately several defects are noticeable. The preliminary processes are still rather slow and wasteful. Peg warping boards have been supplanted by warping mills except in the remote interior; but they are not co-operatively managed. It will be in keeping with the spirit of the Movement if warping is done in co-operative mills. Co-operative action is also necessary in the matter of popularising tamarind seed powder as sizing material and producing it on a co-operative basis. The weaving process calls for improvement no less than the other processes. The designs are commonplace and often out of date at several production centres. The need for better designs on

co-operative hand-loom fabrics requires no emphasis. Calendaring is yet another matter which demands attention. Coatings, shirtings, and bleached goods can be calendared and sold easily now.

These are but a few of the lines which lend themselves to co-operative action. The Provincial Weavers' Society could take up most of the lines of development: It can install warping mills, produce sizing materials, standard reed and other appliances and accessories which are in demand from the weavers. It can even undertake to supply prepared warps to the weavers so that each weaver's family may work more than one loom and earn more per family unit.

One at times perceives a strange lack of interest in the Provincial Society even in matters of vital importance. The improvement of design is an instance in point. The Society had some cloth designers in its early years to improve designs. Subsequently their number was increased but their duties changed completely. They were required mainly to procure goods from societies. So their designation became a misnomer. Even the experimental handloom factories of the Provincial Society did little in the matter of improving design.

A large organisation like the Provincial Weavers' Society, we feel, should evince a keen interest in the technique of production and improvement of design. Here we have in our country the A.I.S.A. and the A.I.V.I.A.—institutions devoted to the development of cottage industries—vigorously and enthusiastically endeavouring to effect technical improvements in their respective fields and to popularise them. Why not the Provincial Weavers' Society take a leaf from their book of progress?

Dispensation of Rural Credit:

Experience with co-operative rural credit for over four decades has only left Co-operators and economists the more convinced that there is little room for complacency. Of course most people do agree that the rural credit movement has brought about a general reduction in the lending rates in the countryside and has afforded the small agriculturists a suitable agency for cheap credit; yet, there is, however, as Rao Saheb Palaniappan (Joint Registrar of Co-operative Societies) observed the other day, a growing feeling that the present position and working of the rural credit societies are not such as to inspire much hope that they can be made to play a substantial part in financing agriculture, much less to become the sole supplier of rural credit. During their forty years of existence, they have hardly

touched the fringe of the problem of rural finance. While the borrowings of the ryots for cultivation expenses have been estimated at Rs. 60 crores a year, the loans issued by the rural credit societies have increased from about Rs. 1.5 crores in 1939-40 to Rs. 4.4 crores in 1947-48. Where, then, do the ryots find their money from? Why, from the village moneylender. The "credit shark's den" is still the favourite resort of the agriculturists and the rural co-ops. have not yet dislodged him.

The cause is not unknown: Of the three essential characteristics of short term credit, namely cheapness, elasticity and promptness, our rural credit societies possess the first, while their rival, the moneylender, has the other two. And to the needy rural borrower it is not so much the cost that counts as the readiness with which credit is available and its sufficiency. Obviously then, if quick dispensation of rural credit could be arranged, the moneylender could be eliminated.

This entails a reshaping of the existing system of rural credit dispensation. Several organisations and individuals have endeavoured to deal with this question. We have in this issue an article on the subject from the Chief Officer of the Agricultural Credit Department of the Reserve Bank. The author has analysed the causes of the unpopularity of co-operative loans: Delay is the primary cause, its contributory factors being insufficiency of capital, multiplicity of channels through which the loan application has to pass, and illiteracy among the *Panchayatdars*. Some remedies have been suggested by numerous committees and individuals. But the author has a different suggestion to offer. His is based on the study of the short-term credit Systems obtaining in other countries. The Production Credit System of the U.S.A. has been found to be more thorough and scientific than any other system. The author has suggested that these systems may be taken as models and may be adapted to our own with modifications which suit the conditions of our country. But a change in the mental and moral outlook of the people is essential for any scheme of reorganisation.

The Co-operative Movement is now receiving increased attention the country over. Several schemes for improving agricultural production and marketing are afloat. There is an all-out effort to approach problems squarely and to build up the Movement as one touching the socio-economic life of the masses. The rural credit societies in Madras for instance are to expand their activities

and to function as multi-purpose co-ops. A co-ordinated plan of reconstruction of the rural credit movement is to be drawn up and executed in the Province. Such suggestions as the one coming from the author should, therefore, be welcome to the Government and the Co-operators, so that a comprehensive scheme which could meet the needs of the villager fully could be evolved.

A New Chapter in Rural Co-operation :

Readers of the Madras Journal of Co-operation are aware of the persistent endeavour made by Co-operators through the press and the platform to urge the Government of Madras to launch on a scheme of building up a net-work of multi-purpose societies the whole country over. Thanks to the Government of Madras, the scheme has now come up, though none too soon. The circular of the Registrar of Co-operative Societies, which embodies the scheme is published in this issue.

The main object of the scheme is to bring 50 per cent of the villages and 30 per cent of the population into the co-operative fold and to provide for them activities touching the entire life of the village. The main features of the scheme are :

- (i) intensive supervision of the existing societies, each supervisor being given charge of 20 societies, all within a radius of 5 to 7 miles ;
- (ii) the revival of dormant societies ;
- (iii) the conversion of the existing rural credit societies into multi-purpose ones within two years ; and
- (iv) the organisation of new societies.

The ushering in of the scheme brings on a new phase in rural co-operation. The life of the villagers is no more to be considered as a series of isolated activities but as an endeavour for self-improvement of the villagers as a whole. The scheme purports to promote this line of rural development.

One essential condition for the success of any scheme touching the masses is its psychological appeal. This scheme lays emphasis on this line of approach. For instance it appeals for a hearty co-operation between the central banks and the ameliorative staff since otherwise the results may not be appreciable. It also requests the central banks to give their first attention to rural societies in spite of their pre-occupation with food and cloth

distribution. Then again it requires the supervisors to create a set of co-operative conditions which will induce people to join the societies and instil confidence in their method of working.

Suggestions for the successful adoption of this line of approach are welcome to all those interested in the work. Some suggestions have been made by the Chief Officer, Agricultural Credit Department, Reserve Bank of India, in his article published elsewhere in this issue. The Officer has pointed out the need for a change in outlook on the part of the central banks, co-operative organisers and supervisors. Regarding the attitude of the central banks he has stated that they usually forget that co-operative credit is based on collective liability, that they give importance to individual security rather than to collective liability and that a more liberal outlook is essential for improving the rural credit system. On the question of organising the societies, he has stated that it is necessary to impress upon the prospective members of a society the full significance of collective liability. He has added. "It is feared that this is exactly what has been skipped over in the past by persons anxious to organise societies lest such a knowledge should scare away people from forming a society." Suggestions from other quarters may also be forthcoming for the consideration of Co-operators. What ever the actual policy that may be forged out, it must infuse new life and vigour in the masses and workers. All those in the field of rural co-operation should see that the scheme is made successful within the time limit set. We hope that the non-official and official co-operators will therefore put their shoulder to the wheel and speed up the progress of the scheme.

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Rural Credit Co-operation in the Madras Province*

RAO SAHEB A. PALANIAPPA MUDALIAR, M.A.

*Deputy Commissioner of Prohibition (Amelioration), and
Joint Registrar of Co-operative Societies.*

Gentlemen,

I am grateful to the Management of the Madura District Co-operative Central Bank for having invited me to unveil the portrait of Sri A. Ramachandram Pillai and I have very great pleasure in doing so.

Sri Ramachandram Pillai, as you all know, is one of the prominent co-operators of Tamilnad and has been closely associated with the Co-operative Movement in the Madura and Ramnad districts for the last nearly two decades. He has been connected with the working of several co-operative institutions in his own native place of Tiruppattur and the Urban Bank, the Stores, the Marketing Society and the Supervising Union at Tiruppattur owe their development and success not a little to the efforts of Mr. Pillai. His association with the Madura District Co-operative Central Bank dates back to the year 1933-34 when he became one of its Directors; and from March 1936 till October 1945, when a separate District Co-operative Central Bank was formed for the Ramnad district he continued as the President of the Central Bank. Surely, this is an enviable record of office in a premier district co-operative financing organisation. During the 10 years when he was at the helm of affairs of this Bank, the institution grew from strength to strength. His period of office was marked by an all-round improvement in the working of the Central Bank. The share capital of the Bank rose from Rs. 2.86 lakhs in 1935-36 to Rs. 4.58 lakhs in 1944-45 and its working capital from Rs. 24 lakhs to Rs. 72 lakhs in June 1945. The most striking testimony to the good management of the Bank under the Presidentship of Mr. Pillai is the steady expansion of its business and the improvement in the tone of working of the societies. Whereas the loans issued to agricultural credit societies during 1935-36 were Rs. 5.73 lakhs, the loans issued during 1944-45 amounted to Rs. 15.5 lakhs. The recoveries of loans from the societies also showed a progress. The arrears under principal and interest on

*Speech delivered by Rao Saheb A. Palaniappa Mudaliar M.A., Deputy Commissioner of Prohibition (Amelioration), while unveiling a portrait at Madura on 12-12-1948.

30-6-36 were Rs. 6.45 lakhs and Rs. 21,700 respectively, while in 1944-45 they were Rs. 44,734 and Rs. nil respectively. And it is but fitting that the members of the Bank should meet here today to record their appreciation of his invaluable services to the District Co-operative Central Bank. When a separate District Central Bank was formed for the Ramnad District, Mr. Pillai was naturally chosen as its first President and he continues as such till today. Mr. Pillai is also connected with another important co-operative organisation, viz., the Madura-Ramnad Co-operative Wholesale Stores of which he has been the President since October 1947. I need hardly enumerate the various services rendered by him to co-operative institutions in the Madura and Ramnad districts as they are too well-known to you, but permit me to say that his portrait which I am unveiling today will serve as an inspiration to others to emulate his good work for the common man.

It will not be out of place for me on an occasion like unveiling the portrait of a person who has rendered illustrious service to the rural credit movement in the district, if I refer to the importance of rural credit societies and the roll they have to play in the future development of Co-operation. Though rapid strides have been made in recent years in the field of non-credit co-operation, especially in co-operative distribution, co-operative production of handloom textiles, co-operative milk supply and dairying and co-operative housing, etc., the rural credit movement still continues to be the backbone of Co-operation in this Province. This is as it ought to be; for, ours is a predominantly agricultural province and the rural population constitute more than 80 per cent of our total population. In spite of the pre-occupation of our District Co-operative Banks with the financing of food grain and cloth procurement, there is no gainsaying the fact that rural credit societies claim their primary attention.

Our rural credit societies are formed on the unlimited liability basis with jurisdiction over one or two villages at the most. They have been in existence for over 40 years and have been providing credit to agriculturists for cultivation, payment of *kist*, domestic expenses, purchase of cattle and similar useful purposes. Their working during the past four decades, has, undoubtedly, brought about a general reduction in the money lending rates in the countryside and has afforded the small agriculturists a suitable agency for obtaining loans on reasonable terms and repaying them in convenient instalments. Authoritative Committees have given testimony to this fact

and this is indeed an achievement on which co-operators can take legitimate pride. This should not, however, make us blind to the other side of the picture. As most of you may be aware, there is a growing feeling that the present position of rural credit societies, as they are now constituted and are functioning, is not such as to inspire much hope that they can be made to play a substantial part in financing agriculture, much less to become the sole supplier of rural credit. The village money-lender still constitutes a major source of rural credit and our village co-operatives have not been established in a manner helpful to eliminate him. The membership and the size of our rural credit societies are very small and their business turnover is very limited. Despite their 40 years of existence, they have hardly touched the fringe of the problem of agricultural finance. The delay in the disbursement of loans by rural credit societies has become proverbial. Their lack of manpower, inability to meet the cost of competent staff to manage their affairs, and smallness in size are some of the factors responsible for this state of affairs. Whatever may be the reason, I think it will be admitted by all that the rural credit movement has not made much headway both quantitatively and qualitatively; for as against 51,826 inhabited towns and villages in the Province according to the Census Report of 1931, there were only 10,926 village credit societies on 30-6-39 with a membership of 5.67 lakhs. Assuming that a member represents a family of 5 persons on an average, the percentage of population served by rural credit societies in 1939 was 6.75. On 30-6-45, we had 10,792 rural credit societies with a membership of 6.37 lakhs and the percentage of population served by them worked out to 7.6. At the close of the last co-operative year, the number of rural credit societies rose to 12,056 and their membership to 8.4 lakhs; the percentage of population served by them is only 10. Though there has been a progressive increase in the percentage of the population served by rural credit societies during the last 10 years, yet there is still a good deal of ground to be covered. The borrowings of ryots for cultivation expenses were estimated at Rs. 60 crores per annum by the Madras Provincial Banking Enquiry Committee. The amount of loans issued by rural credit societies during 1939-40 was about Rs. 1.5 crores. Today the amount of credit required for cultivation expenses should have considerably gone up on account of the phenomenal increase in wages and cost of cultivation; still the amount of loans issued by rural credit societies during 1947-48 amounted to only Rs. 4.4 crores.

The total debt of the Province in 1944-45 was estimated at about Rs. 218 crores and the debt owed to agricultural credit societies and to primary land mortgage banks in 1944-45 was only Rs. 1-86 crores or about 1.3 per cent of the total rural debt. The statistics I have given you should convince any one that a revitalization of the rural credit movement in the Province as a whole is urgently called for.

Coming to the position of rural credit societies in the Madura District, I find that there are about 800 societies including Kallar societies with a membership of about 44,000. Out of 1,142 villages in the district, as many as 992 are served by rural co-operatives; but the percentage of population served is only 13, which indicates that a good number of the societies are not functioning vigorously. The total loans issued by them amounted to Rs. 25.67 lakhs during the last co-operative year. There are 403 rural credit societies in the Ramnad district with a membership of about 32,000. Only 1,349 villages in the district out of a total of 4,756 villages are served by village co-operatives. More than two-thirds of the villages are untouched by Co-operation. The percentage of population served by the village credit societies comes to about 16 which, though higher than the provincial average, falls very much below the standard of achievement expected of a Movement forty years old.

An impartial examination of the working of the rural credit societies in the Province as a whole or in one or two select districts as I have just shown now, should bring home to us, the fact that our rural co-operatives require immediate and urgent attention. The need for a vital change has been generally recognised and the All-India Co-operative Planning Committee (1946) recommended that an attempt should be made to bring 50 per cent of the villages and 30 per cent of the rural population within the ambit of the reorganised primary societies within a period of 10 years in two 5 year periods and that the membership of a primary society should be at least 50. The same question was considered by the All India Registrars' Conference held at Madras in May 1947 and the Conference, while endorsing the recommendation of the Co-operative Planning Committee regarding the minimum targets of development to be aimed at, was of the opinion that the ultimate objective of co-operative organisations should be to bring all the villages and a hundred percent of rural families within the ambit of sound and reorganised primary societies. It recommended that initial targets should, however, be fixed for each province in the light of local circumstances.

Various suggestions have been made to reorganise the rural credit societies. I shall mention a few of them. One suggestion is that co-operation should be made compulsory and that there should be statutory compulsion to make all eligible villagers, or at any rate representatives of families, members of rural co-operatives. Another suggestion is that the basis of the rural credit societies should be changed and limited liability adopted in the place of the existing form of unlimited liability. A third suggestion is that societies should function as multi-purpose societies by widening their scope of usefulness and undertaking extra business activity taking into account all aspects of the villagers' life.

There is a feeling in certain quarters that the only practicable way of promoting the economic interests of villagers is to resort to compulsion, because according to them propaganda and education are slow processes and will not accelerate the pace of progress to the extent desired at present. Another reason for resorting to compulsion is that the richer classes in the country who can raise credit elsewhere now stand aloof from the village credit society and they must be compelled to join the society and help the poor villagers by lending them their credit. This question was exhaustively dealt with by the Madras Committee on Co-operation (1939-40) and the majority view was that "compulsory co-operation" is a contradiction in terms and it was not in favour of the compulsory membership of eligible villagers in co-operative societies. The question again came under the purview of the All India Co-operative Planning Committee who categorically expressed themselves in the following words; "Planning in Co-operation does not mean a departure from the voluntary principle governing the membership of a co-operative society; the principle should be respected and no one should be compelled to form a society." They however considered that in certain activities essential for economic progress, the desired object might not be attained without all the persons concerned joining the scheme or plan and that in such cases resort to compulsion might be necessary. For this purpose they recommended that a resolution passed by the members of a co-operative society who form two-thirds of the community should be made binding by law on the non-members. They, however, added that it should be possible for responsible nation-building departments of Government by means of education, propaganda, persuasion, demonstration and denial of privileges to non-members, to bring about the organisation of co-operative activities along planned lines without resort to

compulsion. The 15th All India Registrars' Conference reiterated their recommendation and the only change suggested by it was that the resolution passed by a co-operative society should be binding by law on non-members provided a substantial majority of the economic category or group affected by the resolution accept it, instead of two-thirds of the community as recommended by Co-operative Planning Committee. Thus you will see that authoritative co-operative opinion has all along been against the introduction of compulsory membership in co-operative societies. In our anxiety to accelerate the pace of progress, we should not lose sight of the essential principle that co-operative societies are voluntary associations and that compulsion or regimentation is alien to co-operative ideology.

Coming to the question of the basis of liability for the rural credit society, here again, as most of you may be aware, there are two schools of thought on this important subject. Unlimited liability as the basis of rural credit societies has been favoured in the past by important Committees and Commissions of enquiry. It is essentially a co-operative principle that makes for collective responsibility and mutual watchfulness. Selection of members, grant of loans on security, collection of share capital, provision of reserves, *etc.*, provide the necessary safeguards for unlimited liability. It is also apprehended that the change of liability may impair the confidence of the investing public and arrest the flow of money into the Movement. There is also the danger that the men of small means with hardly any material assets to offer as security, may be left out of the Movement. On the other hand, it is pointed out that the enforcement of unlimited liability on a large scale has worked hardship on members some of whom are either non-borrowers or non-defaulters. Further it is said that unlimited liability is not of much practical utility since alienation of properties by members of societies is not prohibited; and it has not saved financing banks from writing off large sums in rural credit societies. Nor has it tended to develop collective security or mutual watchfulness in practice; on the other hand the critics say, it has scared away solvent villagers from joining co-operative societies. This is no doubt a vital question, affecting the future of the rural credit movement. The Madras Committee on Co-operation (1939-40) examined this problem and there was no unanimity of opinion among the members. The majority recommendation was that the liability of rural credit societies should be normally limited

and only in exceptional cases, unlimited, with regard to local opinion. But this recommendation was not accepted by the Government. The All India Planning Committee examined this question in 1945-46 and their recommendation was that where unlimited liability had been found to work successfully, no change was called for. In provinces where unlimited liability had not been very helpful to the progress of co-operative credit, they recommended that the liability should be limited either to the value of shares held by a member or to a multiple thereof, provided that a substantial part of the funds required by the society could be raised through share capital. In cases where unlimited liability is more appropriate, they have left the matter to be treated by the Registrar on merits with regard to local circumstances. The Registrars' Conference held at Madras in 1947 endorsed their recommendation in full. If the form of liability is to be changed, some modification to the existing structure and working of rural credit societies may be necessary. They may have to raise more share capital and tap a larger amount of local deposits; borrowings from Central Banks and non-members may have to be curtailed. I hope it will be possible to evolve soon a formula that will satisfy both the borrower and the lender and at the same time be conducive to the progress of the rural credit movement.

The suggestion that rural credit societies should function as multipurpose societies is not a new one. Our rural credit societies were originally conceived as multipurpose societies and the framers of their by-laws had made provision for the society to undertake activities other than credit such as marketing and distribution. Their objects as embodied in the by-laws are so conceived as to achieve the ideal of co-operative societies and help the village in the triple programme of "better farming, better business and better living". The germ of full-fledged multipurpose societies is already there in the existing by-laws of our village credit societies. But in practice these societies confined their activities mostly to the sphere of credit and the other forms of activities such as the supply of seed, manure, improved appliances, joint sale of produce, and joint purchase on the indent system, which the pioneers of the Movement had in view were generally lost sight of. The Madras Committee on Co-operation advocated the enlarging of the activities of village credit societies by making them discharge all the functions which are contemplated in their model by-laws. The All-India Co-operative Planning Committee also recommended that the primary credit

society should be reorganised so as to serve as a centre for the general improvement of its members and should in particular finance crop production, act as the agent for the sale of the members' produce to the nearest sale society, supply the ryots requirements for crop production like seed, cattle-feed, manure agricultural implements and consumers' goods like cloth, kerosene, salt, and matches on the indent basis or on the basis of established needs, serve as a milk collecting station and also as a centre of veterinary fund aid, maintain studbulls and agricultural machinery for the joint use of members and encourage subsidiary occupation for their members. This recommendation was endorsed by the All-India Registrars' Conference in May 1947.

Besides this recommendation and the pursuance of a resolution passed at the Conference of the Co-operatives held at Madras in October 1948 under the Presidency of the Hon'ble K. Chandramouli, Minister for Local Administration and Co-operation, Government have decided that the existing rural credit societies should be converted within a period of 2 years into multipurpose societies in character and undertake multiple activities within the frame work of their existing by-laws. For this purpose they have sanctioned in November 1948 a scheme of subsidising District Central Co-operative Banks, for meeting the cost of additional Supervisors at the rate of one supervisor for every 20 societies. The cost of the scheme for the whole province comes to about Rs. 1.27 lakhs, per annum. According to the information collected from District Central Co-operative Banks new supervisors may have to be appointed in order to reduce the number of societies in the charge of each supervisor to 20. There are at present 42 supervisors in the Madura and Ramnad districts in charge of village credit societies and the number of societies in charge of each supervisor works on an average to 22 in both the districts. Under the new scheme, two additional supervisors may have to be appointed in each district and Central Banks will be eligible for an annual subsidy equal to the cost of these additional supervisors. Besides there will be two reserve supervisors, in each Bank.

The object behind the scheme is to intensify the usefulness of village credit societies and expand their sphere of activities and then make them potent instruments of economic regeneration of the country-side. This is sought to be done by enabling each rural credit society to have intensive supervision so that it may live up to

the ideal embodied in its by-laws and embrace all aspects of the life of the village as a whole by undertaking multiple objects such as marketing of agricultural produce, distribution of essential commodities required by the villagers, dairying, social and recreational activities in addition to dispensing credit. The *panchayatdars* of village credit societies are honorary workers and they attend to the management of the society in addition to their normal business. Most of our village credit societies cannot afford to maintain a whole-time paid secretary or manager and have to be satisfied with part-time workers. In this state of affairs the need for intensive supervision is obvious. It is the local supervisor who has to play the role of the "friend, philosopher and guide" to the society. He has to rouse local enthusiasm, put the secretary and the *panchayatdars* in the way of doing things properly and keep a constant and vigilant watch over the working of the society. If the number of societies in charge of a supervisor is excessively heavy, he cannot in the nature of things be expected to bestow intensive care and attention on each society in his charge. His visits will be less frequent and stay in the village will be of much shorter duration. It is with a view to remedy this state of affairs and to give the supervisor a real chance to prove his worth that it is now proposed to reduce the number of societies in the charge of each supervisor to 20. With this reduction, it should be possible for most of the supervisors to have a compact area, visit each society more frequently and spend a longer time in each village and convene a meeting of the *panchayat* or general body during their stay and turn out substantial work.

For the success of the programme, an entirely new outlook on the part of the supervisory staff is indispensable. Besides looking upon their job as a career, they should be imbued with missionary zeal, a spirit of service and vision. They should go forth as pioneers with a message to deliver, a mission to fulfil, and a goal to attain and should not rest content till every society in their charge is completely reorganised and rebuilt and takes its rightful place in the economy of the villages. Secondly to achieve the maximum results within the time limit of two years set by the Government, a well-planned programme, central direction and careful regulation of the work of the field staff of the District Co-operative Central Banks are quite necessary. So far as the Co-operative Department is concerned, Central Banks can be quite sure of getting the maximum assistance from the officers of the department. It is proposed to associate the Special Development Officers and District Ameliorative

staff sanctioned for prohibition work with the reconstruction of rural credit societies.

Unless there is close contact and hearty co-operation between the District Central Banks and the Ameliorative staff, we cannot expect gratifying results. I am confident that these will be forth-coming in an abundant measure in these two districts where non-official co-operators have been and are noted for their cordial relationship with officers of the department. It is essential that a well-regulated programme covering the whole district should be drawn up for bringing about an expansion of the Co-operative Movement and the intensification of the activities of rural credit societies by organising new societies in places where they do not exist, by expanding the area of operation by new societies so as to bring in a larger number of persons within their fold, by reviving and rebuilding dormant societies and above all by arranging for societies to take up activities like the sale of agricultural produce, distribution of essential consumer goods, agricultural requirements, collection and sale of milk, construction of godowns introduction of thrift system through *hundi* boxes and the provision of social and recreational activities to the public at large. The Registrar will be sending detailed instructions in this regard to Central Banks in the matter and to the officers concerned. Meanwhile I should like to take this opportunity of appealing to the co-operators here present to implement the scheme from 1st January, 1949. I would suggest that a two-year scheme may be drawn up with detailed programme and targets for every six months. A conference of supervisors and the ameliorative staff may be held once in every half-year when the progress made during the last six months may be reviewed, practical difficulties and common problems discussed and fresh targets fixed for the next half year. The first target may be fixed early in January 1949 and the progress drawn up by the half-year ending 30-6-49. I have just indicated the broad outlines of the scheme and given you a few hints as to how you may set about the matter. I hope you will find them useful. It seems to me that the time we have chosen to embark upon this programme is most opportune. After the attainment of political freedom our countryside is seething with unbounded energy which, if it can only be canalized into constructive activities, will turn our villages into self-sufficient, democratic units worthy of the ancient culture of our land. Rural co-operators have a vital role to play in the economic reconstruction of our innumerable villages which constitute the soul of India. In this task, we, co-operators, have the unique privilege of serving the mother land in a very useful manner. I consider that one of the tangible ways in which you can emulate the example of the veteran co-operator of Madura- Ramnad districts whose portrait today adorns the walls of the Madura District Central Bank, is by putting heart and soul into the programme of work I have indicated, and implementing it in a manner worthy of the leader whom you are honouring today.

Quick Dispensation of Production Credit*

K. SUBBA RAO,

Chief Officer, Agricultural Credit Department, Reserve Bank of India

Introductory

The value of a loan is appreciated not so much in its cost as the readiness with which it is available and its sufficiency. Thus, the essential characteristics of short-term credit are, besides cheapness, elasticity and promptness. In India, an examination of the existing structure of co-operative credit, which, barring the moneylender, has been an important supplier of rural finance, shows that co-operative loans fall short in all these qualities. The problem of minimising the cost of credit has no doubt constantly been in the attention of the co-operators in this country and some results have been achieved at least in the bigger provinces like Madras and Bombay. But the question of promptness in giving loans for seasonal operations and the characteristic of elasticity have remained comparatively neglected aspects and unless these conditions are satisfied the time lag and the rigidity of procedure would detract from the usefulness of the loans when actually made. If co-operative societies are to displace the private moneylender, as the principal agency for short-term credit, the Movement should be able to fight him with his own weapon. The main reason why the moneylender still remains the chief source of short-term credit and is able to maintain his popularity with the borrower in spite of his exacting nature, is primarily the elasticity and promptness of his business methods—qualities which the Co-operative Movement has not been able to acquire so far. With the moneylender, several formalities which a co-operative borrower has to observe are dispensed with. The moneylender has already measured the creditworthiness of each and everyone of his clientele whom he accommodates at any time and any number of times. His interest charges are heavy but he is so able to impress the illiterate borrower with his accommodativeness that the latter, at least for the moment, does not mind a few rupees initially deducted from his loan. The farmer is so carried away by the readiness with which the moneylender places funds in his hands that he does not think much about the cost. Therefore, if the Co-operative Movement has to become the substitute source for supplying short-term funds to the agriculturist, the Movement must achieve the readiness of the moneylender coupled with real cheapness and safety. In this article, an attempt is made to show how the fixing of credit limits does not cover the entire needs of the borrower and how the delays in the disbursement of loans by co-operative societies in India have been so long, that by the time the loan reaches the borrower he has perhaps already availed himself of the immediate accommodation which the intimate moneylender has been only too willing to give. These, in fact, have been the

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chief causes for the unpopularity of co-operative loans. An endeavour has also been made to show how this question has been solved in other countries and particularly, in U.S.A., where by the system of Production Credit Associations an attempt is made "to supply complete short-term financing of an individual's business, making the funds available at the time they are needed and arranging for orderly repayment as the major farm or ranch income is received." It would be very useful if our co-operative credit system is suitably adjusted on some such model as the American system so that it can be of real relief to the farmer and would serve as an effective substitute for the moneylender.

Causes for Delay

In India, the main reasons for delay in the disbursement of loans have been mentioned in some of the Reports of the Committees on Co-operation, set up from time to time. Chief among those that have gone into this question at some length and suggested possible remedies are the Madras Committee (1939-40), the Rayalascema Committee (1945), the Bombay Agricultural Credit Organization Committee (1947) and the Gadgil Committee (1945). Besides these Reports some light is also thrown by the circulars issued by the Registrars pointing out how some practices prevalent in their provinces lead to considerable delays and how they might be rectified. The chief causes, culled from the above, have been summarised in the following paragraphs.

The primary reason for the inability of the village credit society to give a loan to a member, immediately the need for funds arises, is insufficiency of capital. It lends out at one time all the available capital and when a member needs some additional sum or asks for funds to tide over an emergency, the society is not in a position to help him. In consequence of this shortage of funds, co-operative finance becomes highly "inelastic and artificial." In such cases the members usually approach the moneylender for their normal requirements, "the loan advanced by the co-operative society being utilised to make payment to the moneylender."

The multiplicity of channels which an application has to pass through before the loan is finally sanctioned and the money advanced, has also led to inordinate delays in some cases. The following description of the procedure adopted in Bombay Province, given in the Agricultural Credit Organization Committee Report illustrates this point well: "The demands for finance required by members are assessed by the secretary of the society and consolidated in a statement which is known as normal credit statement. This statement is prepared at the commencement of the agricultural season. After the demands are scrutinized by the managing committee and approved by the general meeting of the society, they are further scrutinized by the supervisor and the executive committee of the supervising union and then they are sent to the inspector of the bank who sends them to the committee of the central bank for sanction. In case of

the provincial bank, certain types of applications for loans have to pass through the Divisional Assistant Registrar. The arrangement is obviously unsatisfactory and must result in inordinate delay and discourage good men from joining a co-operative society."

The illiteracy among the panchayatdars of societies is also a factor which affects the prompt disposal of loan applications. Most of the panchayatdars are not aware of either "the complex constitution of the corporation to which they belong" or their responsibilities as members of that body. They do not meet often in recognised offices to collect loan applications. The very existence of a society is not known in some places except when a supervising authority turns up. "Meetings of panchayats are rarely convened. The quorum for general body meetings, when held, is obtained only with great difficulty . . . Those in need of loans have often to go round to the panchayatdars and persuade them to attend meetings for sanctioning their loans."

The lack of trained staff in adequate number is yet another drawback of the co-operative system in India. It has given rise to certain practices deterring the societies from quick disposal of loan applications. For instance, one of the objectionable practices is that the accounts of the societies are written up by the supervisor, who has about 20 or 25 societies in his charge. Consequently, he can visit each society only occasionally and in between his visits, it has to remain practically inactive. Thus the working of a society is not regulated to cater for the needs of the members as they arise, but depends on the convenience of the supervisor. If a member stands in need of a loan, he will have to wait for the supervisor's arrival in the village and further for a time when all are scheduled to borrow. Moreover, due to lack of trained staff the accounts of some societies are not drawn up at all. It is not uncommon that writing up of accounts in societies is in heavy arrears.

Thus, on account of the causes mentioned above, even taking some of the most advanced provinces like Madras and Bombay as typical or representative, it can be seen that before credit limits are finally fixed and funds are made available to members there is a long process of wait and see. But while diagnosing the reasons, the Reports have also suggested some remedial measures. We may now indicate the lines of approach advocated by them for solving this problem.

Remedies Suggested

The common method suggested by several of the co-operators in India, for minimising avoidable delays, consists of a system of "forecast loans." The essence of this system lies in the anticipation of possible requirements of the members by a co-operative credit society. It estimates with a reasonable degree of accuracy the amount that the members might want and applies for a loan to the central bank for a like sum, in advance.

This is generally done before the beginning of the agricultural season, so that the society might be in a position to draw upon the amount sanctioned by the central bank. Thereupon the loans are sanctioned to the members without delay. Though the forecasting of the probable funds needed may be difficult in the initial period for a year or two, it would not be so thereafter for the executive of a society to prepare similar estimates for further years.

Another method suggested is the introduction of "cash credits" in societies. In practice, it consists of securing for village credit societies cash credits with central banks to enable the former to draw upon them as and when they require money to finance their members. This can also be integrated with the scheme of forecast loans. The amount sanctioned by a central bank against the loan applied by a credit society, based on the possible requirements, as explained above, may be given in the form of cash credits. This system of cash credits will, however, prove a success only in societies which are in close proximity to central banks through which proper arrangements may be made for quick transmission of funds.

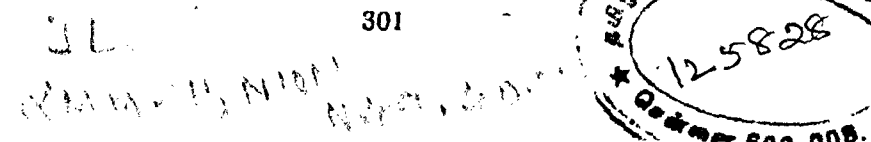
In practice, the system of forecast loans in India has not been very successful. It presupposes a certain amount of care and calculation in anticipating the needs on the part of the members of a society. Unfortunately the members do not make such advance estimates. They generally apply for the loans at the eleventh hour and expect an immediate response, which "the slow moving machinery of rural credit societies" fails to give. Therefore, the Registrar of Co-operative Societies, Madras, suggested, in a recent circular, the system of "post-sanction" loans. He considers that if the practice of obtaining the previous sanction of the central bank for the disbursement of loans is dispensed with and the system of post sanction is introduced in its stead, societies can satisfy the credit requirements of their members promptly. The principle of this scheme consists in granting to those societies which are working well and whose management can be trusted to act prudently cash credits which they may utilise in disbursing short-term loans to members as and when they are sanctioned by the panchayatdars without waiting for the approval of the bank. After nearly the whole of the cash credit is exhausted by giving loans to members, the society should prepare a statement showing the details of each transaction, to the central bank. This statement is checked by the bank, which, when it is satisfied, reimburses the society with another cash credit. Thus the society will be enabled to operate again on the replenished account as before. These replenishments may be done as many times as are required during a year but the central bank will have, however, to scrutinize thoroughly, the operations on the previous cash credit. Thus, by combining cash credit arrangement with the post-sanction of loans granted to the members of societies, the two defects viz., the lack of ready funds with the societies at all times

of the farmer and the loss of time involved in the scrutiny of applications by the central banks before the loans are sanctioned, are sought to be eliminated. A passing mention may be made here of the Gadgil Committee's recommendations in this respect. They did not lay down any line for adoption in this country as a whole, but enunciated certain broad principles of general applicability to reduce delays. They suggested the fixing of credit limit for each member and each society so that no detailed enquiries are ordinarily necessary at the time of advancing loans. While recommending the cash credit system, they also suggested the system of "running credits" to individuals. Under this, responsible officers of societies are to be permitted to sanction loans not in excess of specified amounts in an emergency. They further suggested that societies of good standing might be permitted to keep some cash in hand which could be utilised in making small loans without approaching the financing agency. Lastly, they recommended for adoption, wherever conditions permit, the system of "continuity mortgage bonds" obtaining in some parts of Madras, whereby members of co-operative societies are allowed cash credit on mortgage of unencumbered landed property upto 50 per cent of its value on "continuity mortgage bonds" so that they can draw on it as and when they require. The Agricultural Credit Organisation Committee (Nanavati Committee) appointed by the Government of Bombay have also endorsed these suggestions in full.

The above account gives an idea of the main obstacles in India that stand in the way of ready availability of loans to agriculturists and the suggestions offered for remedying the same. But before attempting to suggest any solution to the problem such as would make co-operative loans satisfy the reasonable needs of the farmer in their entirety as and when he wants them, we may usefully study the situation in other countries. The methods by which short-term requirements are met in some of them have been explained, in brief, while the system in U.S.A., has been dealt with at some length.

The Systems in Foreign Countries

In Australia, South Africa, Ireland, New Zealand and England the system that is in vogue for lending to farmers for short-term consists of an overdraft backed by security. This method is adopted in Australia by the trading banks (joint-stock banks) which are the most important sources of short-term credit for agriculture. The usual procedure is for the bank to fix a limit up to which it is prepared to extend credit to a farmer on the security of his fixed capital. It creates for him an overdraft account on which he can operate by drawing cash or cheques as and when he requires funds. Since overdrafts can be arranged before the agricultural operations begin, the inconvenience caused to the farmer by delays in the evaluation of the securities and estimation of credit limits which naturally takes some time, does



however expeditiously the work might be done, is minimised, if not eliminated. In South Africa, too, the Land Bank advances funds to individual farmers as well as to co-operative societies by a kind of overdrafts secured by "a hypothec over growing crops and crops to be grown". When once the "hypothec" is registered in the Deeds Office, the overdraft remains, should the farmer so desire, usually for a period of five years, during which the account can be operated upon. In New Zealand, the commercial banks provide a very "flexible means of finance" by overdrafts to farmers, who approach the banks direct. In Ireland, the joint-stock banks advance short-term loans "by way of uncovered personal overdrafts . . . or against the security of personal guarantors or against collateral security such as share certificates, title deeds, life insurance policies or deposit receipts". The disadvantage to the farmer from the point of view of the time factor is that this entails the presence of the borrower and possibly his sureties periodically at the bank involving loss of time when the borrower lives at a distance. In England the overdraft system has, however, proved unpopular because the bank charges created were recorded in a book open to public inspection. Thus two facts emerge from the above examples. In these countries, commercial banks have generally been extending credit to agriculture and secondly, prompt service is sought to be ensured by the overdraft arrangements.

In Brazil, where the problem of furnishing operating credit on a comprehensive basis is now tackled, the system of "small loan service" has a novelty worthy to be examined. Short-term credit for crop production is mostly granted by the State Bank, in Brazil, situated at Sao Paulo, and is now regarded as an important source for "making loans to small operators". Upto 1941, loans amounting to \$1000 or less were granted on a promissory note with only one signature in addition to the chattel mortgage. Now, a mortgage on farm equipment sometimes is also required. In some instances, the bank requires that the promissory note be endorsed by the borrower's neighbours for whom he may, in turn, endorse. A group of small farmers thus becomes a type of informal credit co-operative. The bank is enabled to grant credit before the mortgage has been established and to dispense with the crop estimate and control of operations under this system of co-operative endorsement. The bank insists that the Registrars deliver the documents (in connection with the mortgage) within 48 hours after a request is received (for a loan) and will grant credit *before* a mortgage can be established.

Production Credit System

In U.S.A., we meet with a system which has solved the problem of providing short-term funds more thoroughly and scientifically than elsewhere. Under the Farm Credit Act of 1933, a permanent machinery was set up called the "Production Credit System", with the idea that it would

ultimately be owned and operated by the farmers themselves. It was sought to remove the serious weakness in agricultural credit, namely, 'insufficient capital inadequate supervision, lack of understanding of the farming and ranching business, and dependence on local resources generally for loanable funds'. Accordingly, a suitable structure and organization was devised to realise these objectives.

The system is composed of 504 Production Credit Associations with a membership of about 400,000 farmers and ranchers, 12 district Production Credit Corporations, and the Production Credit Division in the national offices of Farm Credit Administration in Washington. The Associations advance loans to farmers, while the Corporations supervise and partially "capitalise" the Associations within their area. The functions of the Production Credit Division are to co-ordinate and supervise the activities of the Corporations. Though the activities of the Associations are supervised by the Corporations, who, in turn, are supervised by the Division, each of these institutions enjoys a high degree of autonomy, as will be explained later, consistent with soundness and efficiency.

After the completion of the organization a training course was instituted to familiarise the directors and employees with the objective of the system and to aid them in proper performance of their work. As a result of this training "the policy of decentralizing responsibilities to Associations is being carried out, enabling the Production Credit Division and the Corporations to function increasingly on a basis of counsel and guidance with a minimum of regulation". The Production Credit Associations started with almost full capital supplied by Government, in the form of stock, but the farmers, are gradually buying away the "stock" and want "to establish their own permanent short-term credit system", in due course. Thus, these developments have resulted in an improved credit system in U.S.A. A detailed description of the various organizations is given in the following paragraphs in order to have as complete a picture of the system as possible.

Production Credit Associations

A Production Credit Association is under the managements of a board of directors consisting of five members elected for a term of three years. The Secretary-Treasurer, who cannot be a director, is the managing officer of the Association. The board of directors and the officers carry on all business, "including the making, servicing and collection of loans". Two of the directors, and the Secretary-Treasurer serve as a loan committee and take final action on all applications for loans up to a specified limit.

Each Association has two classes of shares: 'A' class stock (non-voting) which is held by the Government through the Production Credit Corporations and 'B' class stock (voting) acquired by members when they take loans. The former is being gradually bought by farmers and

owned by them. A farmer-borrower is required to buy 'B' class stock at \$5 for every \$100 or fraction thereof of his loan. Each holder of 'B' class stock has one vote irrespective of the number of shares he owns. Members who have not borrowed for two years must exchange their 'B' stock, for non-voting 'A' stock. Thus the privilege of voting is limited to active members only, i.e., the borrowers.

These Associations provide short-term credit for all types of farm or ranch operations. For making their services readily accessible to farmers, there is a network of organizations throughout the country. Besides the Central Associations, there are full-time field offices and part-time seasonal offices. Further, these Associations have adjacent or joint offices with National Farm Loan Associations, which advance long-term loans, to co-ordinate the activities of both these bodies.

These Associations endeavour to supply the entire finance required for an individual's business and the funds are made available as and when he is in need of them. They carefully analyse the repaying capacity of the borrower and the cost of the loan to him with the help of specialists. The procedure adopted for making loans is best explained in their own words. "The applicant outlines his farming programme, states his credit needs, develops a plan for repaying the loan, and furnishes a financial statement and other information pertaining to his business. It is the general practice for a representative of the Association to visit his farm and obtain first-hand information concerning the farming set-up and the value of the personal property to be given as security for the loan. His credit rating and general standing in the community are determined. The application and field report are then referred to the Association loan committee. If approved the loan proceeds are made available to the applicant after necessary legal papers are signed". Loans are generally closed within a very few days since the committee meets every week. It often takes about two weeks to get the information about the farm and assets, obtain committee's approval, and finally disburse the loan. In the case of a member who has established a good credit record, the Association fixes a "line of credit", after examining his past record. The Secretary-Treasurer is authorised to close a new loan under certain conditions without further committee action in such cases. Unexpected credit needs are also met by interim advances upto a specified amount and disbursed by the Secretary-Treasurer even prior to the committee's sanction.

The loans are usually made to mature within one year, and to be repaid out of the current year's income. But if "the credit factors" remain satisfactory, easy renewals are effected in case of necessity. The Associations, however, encourage payment of debts as early as possible and advocate the use of surplus, if any, to buy Government bonds or otherwise to strengthen their financial position. A first lien on crops,

live-stock or equipment is the usual security for most loans. But the Associations do not rigidly conform themselves to the policy of advancing loans solely on the strength of the security offered. A member who has an excellent record; who is in a strong financial position and who has a well established business, may be extended credit even on an unsecured note.

The actual disbursement of loans is generally in instalments as needed by the member and as the products financed are sold, they might be repaid. This is called a "budgeted loan" and has the following advantage. "It assures the member that the funds will be available as needed to meet necessary costs; it reduces greatly the interest expense since interest is charged only for the actual number of days each dollar is outstanding; it saves time and expensive trips; it provides for orderly retirement of the loan as products are sold; and the analysis of credit requirements and repayment ability aids in avoiding over-borrowing".

Production Credit Corporations

While the loaning operations are done by Production Credit Associations, the Corporations which are Government-owned institutions have the following three functions, namely, organization, capitalisation of stock and supervision of the Associations generally. They give assistance and guidance in the "credit, procedural and membership" activities of the Associations. The training of officers and specialists is the primary responsibility of these Corporations. They sponsor plans for "the complete local ownership of Associations".

The Corporations study various phases of the operations of the Associations to aid them in solving their problems and in improving "personnel efficiency". Annually they make an analysis of the credit position of the various Associations, thus placing themselves in a position to give assistance to them for sound and constructive lending policies. Field service rendered by the field offices of the Association are also under their constant vigilance. They periodically investigate "additional contact points" to extend their field service. Where necessary, these Corporations also supply the capital for the Associations to meet the requirements of the area served by them fully.

Production Credit Division

The office of the Production Credit Commissioner was created by the Farm Credit Act of 1933 and is one of the administrative divisions of the Farm Credit Administration. It supervises the 12 Production Credit Corporations and assists them in carrying out sound policies and procedure.

Conclusion

We have seen how in several countries the systems of short-term finance are so devised that the farmer gets his funds without undue delay

and further, he gets them as and when he desires and adequate to his needs. It is true, no doubt, that the conditions, in the countries we have examined are different from those in India, but the systems prevailing may offer us models which with suitable modifications can be adapted to our own. But even as conditions exist, several useful suggestions have been offered by expert bodies in India itself. They have realised the shortcomings of the Movement and have considered the peculiar position of our country in making their suggestions. In fact, it is not the want of diagnosis of the causes or the dearth of constructive suggestions that has been holding up the technical improvements so badly needed; but the reasons are to be sought in the want of proper efforts to implement them. Though there is little new to be added to the suggestions already made by various bodies for speeding up credit sanctions to members of societies, it may be worthwhile to throw out a few more that may help to expedite the procedure.

The first and main cause for delay appears to lie in the importance given by central banks to individual security rather than to the collective liability of the members of the society. Indeed the origin of co-operative credit is based on collective liability, but in practice little value seems to be—attached to it. It was because a person's individual credit was poor or could not be assessed properly by a distant lender that such persons were asked to pool both their needs and their credit, and obtain their aggregate requirements on their joint security. With their intimate knowledge of one another the members of a society could be relied upon to correctly assess the creditworthiness of each one of them and fully conscious of their joint liability it may be assumed that they would give no more credit to a member than he was really worthy of. Unfortunately this fact does not seem to have been taken cognisance of by central banks and each time a loan is applied for by a society, there seems to be an elaborate investigation by the central bank concerned into the conditions of each individual member who is to be accommodated out of the loan before a limit is fixed for him. It is thus in practice, treated as a direct loan by the central bank to each individual. Without the intimate knowledge necessary for the purpose such investigation has naturally to be elaborate and takes time. Very often it also happens that the bank's inspector or supervisor, to be on the safer side, makes up for his lack of local knowledge by over-cautiousness and the applicant is denied his full needs.

To rely on the limits fixed by the members of a primary society among themselves implies, of course, that the members are alive to their liability and act under a full sense of it. Unless they do so they are likely to be over liberal in their recommendations and there might be risks in placing full reliance on the credit limits so fixed by them. Indeed this seems to be the true position at present. The first remedy, therefore, lies in impressing upon the prospective members, before a society is organised

in a locality, the full significance of collective liability. It is feared that this is exactly what has been skipped over in the past by persons anxious to organise societies lest such a knowledge should scare away people from forming a society. But properly explained, the people should see nothing to be alarmed at in it. The members have the full authority to fix the credit limits to any applicant and, provided they take care that the limit fixed to a member is within his powers of repayment, there is no danger in the acceptance of a liability on his behalf. The members should be told that while an abuse of the discretion left to them would involve them in trouble, a proper use of their powers would be conducive to the welfare of not only the needy members but to the society as a whole.

To ensure that every member has a voice in the fixing of credit limits, this is best done at the general meeting every year. On the very first occasion on which the members of a society meet, a statement of credit limits fixed for each of the members may be drawn up. Thereafter, the members can renew them every year without much difficulty, making only such changes as are necessary. The central banks may also guide them in the preparation of such a statement, when it is first drawn up, watching at the same time that the limits are fixed on proper basis. Once such a statement is prepared, a central bank may safely grant loans to a society on the basis of that statement and thus avoid the elaborate investigation of the limits by itself and the consequent delay.

The success of the above scheme is, however, based on the presumption that a society is operating in a small and compact area, where members know each other well and that the membership of a society is selective. In fact, when a member is admitted to the society, the general body must be convinced that he is honest, industrious and reliable. It may be useful to note, in passing, the example of Ceylon, where the societies are worked with their limited jurisdiction and unlimited liability (not formal but well understood), selective membership, with stress laid on character and industry rather than on property and influence. Before a society is started in any place, the local people are appraised of the proposal and of the implications underlying the joint and unlimited liability. Only when they understand and favourably react to the proposal a society is started. At its first general body meeting, a statement of credit limits fixed for each of the members is drawn up after proper assessment and approval of the general body. The central financing agency treats this statement as final and sanctions credit limits to the society as a whole looking for its security to the unlimited liability of the members rather than to the securities offered by individuals for their particular loans.

A second suggestion that may be mentioned is that societies should build up their own funds in order to strengthen their financial position. At present, the share capital of most of the societies is very little and even

that is deposited with the central banks. They do not keep any ready cash on hand even to grant small emergency loans to members. They have to run to the central bank every time for getting the necessary funds. One good and easy way of developing the share capital of a primary society is for the society to induce its members to add on to their share-holding by continuous monthly or annual instalments so long as they remain in the society. This is not only an obvious and effective method of promoting thrift but it would also considerably strengthen the financial position of the society. This method of building up a strong capital structure has many advantages. Firstly, it will not strain even the poorest agriculturist, who might aspire to increase his share-holding and thus improve his own standing in the society. Secondly, with the increase of a member's share capital, his stake in the institution also increases, which will have a healthy compelling effect on him to take a more active part in its development and to look to its sound working more carefully. And lastly, it will help the societies in minimising their dependence on the central financing agencies. Besides share capital, the reserve fund of a society may also be increased by transferring the profits of a society either in entirety or at least a substantial portion of it, in case some dividend is considered desirable. If thus the owned funds are strengthened the amounts borrowed from the central institution might be reduced and consequently, the interest paid on them also saved. The societies can thereafter lend out of their own funds at a low rate of interest. The ultimate objective of complete local ownership and management will, thus, be realised. It may be noted in this connection how even in America, where the Government supplied finance in the form of 'A' class Government stock at the inception of the Production Credit Associations, the members of these Associations are encouraged to buy off these Government stock gradually out of any surpluses that may be realised in the current agricultural operations, with the idea that the agriculturist members might own and operate the Associations all by themselves.

But these advantages apart, there is the fear that a few members might begin to own a large number of shares and exercise an unhealthy influence to the detriment of the poorer members of a society. This, however, may be overcome by permitting the members to increase their shares only one at a time by periodical contributions only and not by a bulk purchase of shares. This would give an opportunity for even the poorest members to keep step with the rich ones.

The building up of funds apart, each society must be asked to manage all its affairs by itself, in writing accounts, convening meetings and attending to other office routine, etc. In several villages, the present procedure is for the societies to await the arrival of a supervisor for writing up the books. The consideration of loan applications and forwarding the

same to the central agency have to wait for supervisor's arrival. And as each supervisor has got to attend to the clerical needs of several societies, he pays only occasional visits to each society. This means that loans are had only on his arrival and not when a member is in need. It would, therefore be better, if before starting a society in any place, a small set of literate people is taught office routine so that they can manage the work themselves and avoid the delay caused by the present system of dependence on an overworked supervisor. In this connection, the following quotation would show the great weight attached by the authorities of the Farm Credit Administration to the training of members of the Associations:— "We attach great importance to this training work and look upon it as a continuous part of the job. Various types of training meetings are held throughout the year In the aggregate this training work covers all phases of Association operations and its purpose is to well equip the local people to perform their various duties".

To start with, the suggestions made above may be applied as an experimental measure to a few 'A' class societies in particularly well developed areas and the results watched before proceeding further. The success achieved by America in its system of budgeted loans is due to the persistent efforts of the Government to set aright a sorry state of affairs that was witnessed in agricultural finance. The suggestions offered in this article are to an extent based on the American model. After all, trial and error will ultimately decide the shape the credit structure would take, but the sooner steps are taken to start, in earnest, improvements to mould it to our requirements, the better it would be for our agriculture.

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Weavers' Co-operatives in Madras*

PRODUCTION—PROCESSES

VISWANATHAN TEKUMALLA

Mill yarn is received by the weavers in the form of hanks or in bundles, each bundle weighing 5 or 10 lbs. In the case of handspun yarn, it is issued to weavers in hanks. The quantity issued to each weaver depends on the variety and specifications of the cloth to be produced. For instances an extract from the account book of a weaver of Eluru in West Godavari for 1930-1940 shows an average of about $3\frac{1}{2}$ knots of 60^s mill yarn for *sari* or *dhoti* of 7 yards by $1\frac{1}{4}$ yards; 30 *punjam* (3,600 ends) weighing 43 tolas nett. In respect of handspun yarn, the schedule of the A.I.S.A. shows that for a cloth of 12 yards by 50 inches weighing about 92 tolas, and consisting of 20^s yarn with $57\frac{1}{2}$ *kori* (one *kori* is 20 reeds), the yarn required is 69 hanks. At Puritigadda, a very important *khaddar* centre in the Krishna district, 120 hanks of 20^s yarn in given for 21 yards of cloth of 45 inches width and 18 *punjams*. This includes 6 hanks allowed for wastage. Formerly, both in mill and handspun yarn two or three hanks used to be allowed for wastage. But of late due to yarn scarcity and the progress of standardisation of specifications to some extent at important weaving centres, this allowance of extra hanks has been either abolished or reduced to about half or one hank per warp. The yarn received by weavers is subjected to preliminary or preparatory processes before weaving is begun. These processes include soaking, winding, warping, sizing, drawing in, twisting, and beaming. During former years, women used to play a very important part in the preparation of the warp. It has been stated that while in 1901 there were 3,84,546 actual men workers and 1,63,739 women workers in the cotton weaving industry in the Madras Province, there were in 1931 only 3,34,407 men and 83,131 women workers and that this sharp decline in women workers might be due to improved preparatory processes of warping in the home industry. As Sir Alfred Chatterton stated, the superiority of the mill textile industry lies in its quicker preparatory processes and it is confidently believed that if these processes are quickened in the handloom industry, the powerloom industry would no longer hold a superior position. J. B. Clark compares the amount of human labour employed in various processes of weaving on powerloom and handloom and shows that one person in the mill does what 195 persons do in the preparation of the warp in the indigenous way, while one powerloom weaver does the work of 16 weavers in the handloom. The following table gives the particulars:

* This article is mainly based on the Reports and other records of the Madras Handloom Weavers' Provincial Co-operative Society, Ltd., Madras and on the author's personal investigations in the subject.

WEAVERS' CO-OPERATIVES IN MADRAS

Specifications of cloth: 16^s by 16^s; 38 inches; 1440 ends, 36 picks, 10,560 yards:—

	(a) Powerloom	(b) Old handloom method, warp 25 yds.	(c) New handloom method, warp 100 yds.	
Winding ...	9 women	3,150 boys	250	(a) Powerloom.
Warping, sizing, and beaming ...	1+2 men	215 women	70	(b) Handloom with fly shuttle sley and country way of pre- paring warp.
Drawing in and twist- ing ...	2 men	210 men	52	(c) Handloom with fly shuttle and weaver's beam with hand driven bobbie wind- ing machine and hand siz- ing machine.
Weft winding ...	20 men	2,992 men	230	
Weaving ...	71 persons (1 for 2 looms)	1,135 weavers	875	
	105	7,744	1,477	

(Quoted by Dr. K. S. Venkata Raman in his *Handloom Weaving in South India*)

The preparation of warps for the handloom is therefore the crux of the whole problem and it has become necessary to effect improvements in the quality, regularity and strength, combined with a reduction in the costs of production.

The time taken for preparing warps depends on the number of ends contained in the warp and its length. In a mill yarn warp of 20 yards and 3,720 ends, the time taken and the labour needed are as follows.

Winding	8 hours	1 person
Warping	3 "	1 person
Sizing	4 "	4 persons
Twisting	10 "	1 person
Beaming	3 "	4 persons.

[Estimate of the Madras Provincial Weavers' Society]

In respect of hand spun yarn the time and labour required are as follows:

Warp of 21 yards 45" ; 18 *punjam* of 20^s yarn

Winding	16 hours	1 woman
Peg warping	16 "	1 woman
Sizing	8 "	2 men
Twisting in	2 "	1 person
Weaving	48 "	1 person

[Puritigadda *Khadi* centre, Krishna district]

Length of Warp :—Handloom warp is usually of short length since the demand for the cloth of the same variety or design is

rather small and production of long warps is uneconomical. For instance, the handlooms are better suited than the mills to weave check patterns and other cloths with solid colour borders, fine varieties of upper cloths with interlacing of gold and silver lace for weft, and also Madras Handkerchiefs, plain and embroidered with multiple colour weft designs, since all these varieties cannot be "mass-produced." The length of the warp is not uniform in all the districts, ranging from $8\frac{1}{2}$ yards in Kurnool, to 225 yards in Tinnevely. The average length in the Andhra Desa is 35 yards and in Tamil Nad 75 to 100 yards. Even in the same district the length varies in accordance with the variety of cloth woven. For instance, in South Arcot, the warp for *lungis* is 27 yards, for *dhotis* 80 yards, for towels 95 yards and for *saris* 128 yards. In some districts like the West Godavari, where there are some professional sizers, the warp is 105 yards, and it is given to weavers in bits of 35 yards each. Hand-spun yarn warp is very short ranging between 14 yards to 21 yards in most districts.

Soaking.—Yarn is soaked in water—either in cold soft water or in *kanji* water—so as to give it enough strength to withstand stretching and straining in the following processes. Mill yarn is soaked for a night, while hand spun yarn is soaked for three days and allowed to dry up for a half-day.

Winding.—The yarn is then wound on bobbins if it is warp yarn and on pirns if it is weft yarn by means of winding wheels. Tin bobbins are used by most of the weavers even in co-operatives. Wooden bobbins are used by some of the large weavers' co-operatives and by the handloom factories of the Provincial Society. All the members of the weaver's family, women and children in particular, work at the winding wheels during their leisure hours. This is common in the northern districts of the province. One woman can wind 30 knots of 40^s yarn on bobbins in a day of 10 hours. On an average 2 knots of yarn of 40^s make one bobbin. One woman can wind 15 knots of 40^s yarn on pirns in a day of 10 hours. On an average two hanks of yarn of 60^s give 5 pirns and one hank of 2/86^s gives 5 pirns. In the case of hand spun yarn one woman can wind one knot on bobbins or pirns in a day of 10 hours. One hank of 20 yarn is usually wound on 8 to 10 pirns. At times winding is done by hired labour. Hired labour is engaged chiefly in the southern districts of the province.

Double folding and twisting.—For certain varieties of cloth like bed sheets and some types of shirtings double folded yarn of counts like 2/14^s, 2/19^s, 2/36^s and even 2/42^s is used. This yarn is available in fairly large quantities. In numerous cases, however, single yarn is double folded by winding it on bobbins from two hanks at a time. For coatings and drill, twisted two-fold yarn is used. This yarn is used at many centres like Yemmiganur, Muramanda, Thiruchengode and Madras. Two and in some cases even three threads of the same colour or different colours are twisted

by means of the wheels. In the Handloom Weaving Factory of the Provincial Society situated at Basin Bridge in Madras a hand driven twisting machine was installed in 1945. It had a capacity of 100 spindles. It twisted yarn for the looms in the Factory and for outside weavers in which latter case the charge was Rs. 0-9-0 per lb. of yarn twisted. It worked only till 1947 when it was given up. The reasons for giving it up were (1) the heaviness of the machine which scared away manual labourers who undertook to turn the flywheel; (2) the absence of demand for handloom coatings due to the availability of mill coatings; and (3) the availability of twisted yarn in the market.

Warping.—Until some ten years ago, warping used to be done mainly on the peg-board. The women in the weaver's house in the northern districts warped the yarn, while in the south, hired workers did it. There were very few warping mills. Now there are warping mills in almost all the weaving centres in the province. The number of warping mills in the Province is not known; but it is stated that as early as 1943 there were at Eluru and its suburbs (West Godavari district) as many as 15 warping mills—all managed by private enterprisers. All these mills warp mill yarn only. Peg warping is done even now at places which are in the interior and where there are not many looms and where there is no mill in the neighbourhood. It is a tedious process. It is stated that a warp of 35 yards, 22 *punjams* (2640 ends) of 40^s yarn takes 3 hours for two persons on the mill and 4 days for one person on the peg board. There are two types of warping mills—the horizontal and the vertical types. The former type is common at several centres. The Provincial Society has the latter type at its factories. Of the two warping mills at the Basin Bridge Factory one warps 72 yards and the other 81 yards. For a warp of 72 yards of 2/19^s yarn for drill of 29" width and 54 ends per inch, thirty bobbins are used. The yarn of the bobbins winds round the drum going up and down the pegs thereof. The warp of 72 yards is ready when the yarn goes up and down the drum 28 times. It takes three hours. The Factory prepares two warps of 72 yards each on the mill in a day of 6 hours. Warping mills are largely in vogue due to their time saving, apart from a slight difference in cost as compared with peg warping.

In the case of handspun yarn peg warping is still the rule since mill warping may snap the yarn too often. For a warp of 21 yards, 45"; 18 *punjams* of about 20^s hand spun yarn (requiring 60 hanks for warp) the time taken for one woman at the peg board is about 16 hours. Since most of the yarn is of lower medium count peg warping is indispensable. It does not seem to have been tried so far whether fine count hand spun yarn can be warped on the mill.

Sizing.—In the case of double fold or twisted yarn, no sizing is required. The warp is stretched, pieced and beamed and weaving is begun.

This sizing is necessary only for single yarns. In the Madras system sizing consists in its elaborate brushing. The finer the yarn, the longer the warp is brushed and therefore the better the warp for weaving. Brush sizing is tedious, costly and wasteful. It is here that the handloom weaver is beaten by the powerloom. Street sizing is done through out the Province. Since weaver's wage includes the wages for winding, warping, sizing, piecing and weaving, he sizes the warp himself with the aid of his fellow weavers. In places like Palakol and Narasapur in the West Godavari district there are professional sizers who size long warps of 105 yards at a time. The Madras Handloom Weaving Factory of the Provincial Society gets its single yarn warped and sized locally for wages. The double yarn used by the Factory is not sized since it is unnecessary to size it. Since sizing involves strenuous work for half a day, the workers take rest for the rest of the day. In some centres even women are engaged in sizing.

In former years rice or *ragi* gruel was invariably used for sizing. During the past two or three years, substitutes like tamarind seed powder have come into use here and there. In December 1944, when I camped at Tuticorin, I was given by the United Forwarding Syndicate, a local firm, a sample of tamarind seed powder quoted at Rs. 40, a maund. The Textile Assistant of the Provincial Society to whom I gave a little quantity of the material felt it to be fairly useful but feared that it might not find favour with the weavers in general since they are very conservative. In June 1945 some co-operative weavers of the Godavari districts told me that they could not risk any experiments with the new substitute in view of the difficult textile situation of the times. In May 1945, the Government of Madras issued a bulletin (G. O. Misc. No. 1804, dated 4-5-1945 of the Development Department) recommending the use of tamarind seed powder as a substitute to rice and *ragi* sizing material in view of the shortage of rice and *ragi* even for food requirements. It was also stated that experiments conducted at various centres showed the relative low cost of sizing with the substitute. At the Government Textile Institute, Madras, the cost per lb. of 60^s yarn worked out to Rs. 1-1-2 for rice sizing and Rs. 0-11-2 for tamarind sizing. The time taken for preparing the material was 1 hr. 25 mts. for rice gruel and 45 mts. for tamarind powder paste. At Sankaran Koil Collective Weaving Centre, for a warp of 100 yards of 20^s yarn weighing 10.9 lbs. the cost of sizing materials worked out to Rs. 1-4-0 for rice, Rs. 1-2-0 for *ragi* and Rs. 0-13-3 for tamarind seed paste. Of late a few weavers have resorted to the use of the substitute but their number is still very small.

Due to the high cost of groundnut oil used in sizing, experiments were made with tallow as a substitute. The Collective Weaving Centres of the Provincial Society and the Saidapet Society found the substitute to be useful and economical. In August 1948 the Provincial Society recommended its use to all the weavers' co-operatives.

Since the strength of warp and the quality of the cloth depended on the sizing done, the Government Textile Institute invented the Amalsad Hot Air Hand Sizer. It was estimated that this hand sizer warp would cost Rs. 0-3-2 for sizing one lb. of 20^s yarn as against Rs. 0-4-4 which the street sizing method would cost. The Provincial Society proposed to use them in the primaries as early as 1937. Five centres were selected for the purpose; and sizing machines were installed at Melayapalyam (1937) and Adoni and Kavandapadi (early in 1938). As the primary societies had not sufficient funds, the expenses incurred towards installing and working them were met by the Provincial Society for the first half-year as permitted by Government in their Order of February 1937. A sum of Rs. 1,396-9-0 was spent on this account. For some months the Melayapalyam and Adoni machines worked fairly well. But on the whole the machines were not popular among the weavers' co-operatives. Therefore they were returned to the Textile Institute; and by 1940-41 not even one machine worked in any society.

Hand sizing is said to have a real superiority over slasher-sizing in respect of finer counts of yarn. There are no slasher-sizing machines in the Province for handloom warps except in Madura where machine-sized warps are made available to the weavers. Incidentally it may be mentioned that it is said that condemned warps of 4 to 5 hundred yards each are occasionally disposed of to handlooms by the mills and that this circumstance is partly responsible for the weavers of Madura being accustomed to machine warps. The Provincial Society suggested in its evidence to the Fact-Finding Committee that power-driven central sizing factories in respect of coarse and medium yarns might be installed for the hand weavers, provided that certain standard cloths were to be produced and taken back from the weaver.

Drawing in, Piecing and Beaming.—The sized warps are then drawn in through the eyes of healds and dents of reeds and twisted with old warps. The healds are made by Professional makers. The charges for making healds of 50 inches and 44 inches are Rs. 3-0-0 and Rs. 2-12-0 respectively in Madras. The wage includes the cost of thread used for the purpose. The reeds are made mostly of maize stalk. It is said that the reed becomes useless after weaving some ten warps. Metal reed has not yet become popular; but it is used by some weavers who have heavy frame looms for weaving heavy cloth. For instance, in the Madras Weaving Factory of the Provincial Society metal reed is used on many looms weaving drill of 2/19^s. Piecing or twisting with old warp is a slow process. It takes a quick worker about one minute to twist 10 warp threads on an average. Usually work is done at the rate of 8 threads per minute. 2 to 12 healds are employed in South India and the threads are drawn through the eyes in a predetermined order. Weavers do all the processes themselves for the wage fixed. But the Provincial Society's Factory in Madras follows a slightly different method. Through warps are locally sized and obtained, the weavers have to do the piecing and beaming themselves for the wage fixed. Consequently work is slow. It is advisable that ready warps should be given for weaving without loss of time. Formerly, due to a primitive method of beaming the warp uses to occupy a large space in the weaver's hut. Not more than one loom could be accommodated. But now beaming is done on improved lines with the result that more than one loom can be accommodated in a room without inconvenience to the workers.

Letters to the Editor

Implementation of Government's Policy Re : Co-operatives

Sir,

The Government of Madras has enunciated its policy in a G. O., dated 19-9-1946 to entrust the procurement and distribution of food grains as well as other controlled commodities to co-operative societies only unless they are found by the District Collector in consultation with the co-operative officers to be not suitable for the work. It will be interesting to find how this policy is effectively defeated in its implementation in a number of cases. Here are two illustrative instances from Tinnevely.

(1) In regard to the Udangudi Co-operative Stores in Tiruchendur Taluq, the Government acting against its own declared policy, divided the work of food grain distribution equally between the Co-operative Stores and private dealers. There was no finding of unfitness for the entire job on the part of the co-operatives. This equal division was ordered by Government on 29-10-47 and the local Collector directed the Tiruchendur Tahsildar on 5-12-1947 "to give effect to the order immediately and submit a report." The orders, however, remain a dead letter, so far, in spite of a number of petitions to the various officers by the concerned co-operative stores and any number of communications from the Government's Co-operative Department. For a full year, the local Tahsildars have been able to defeat the Government's order granting a moiety of the distribution work to the co-operative stores and to divert it to private dealers. The Tahsildar functions as the *de facto* administrator in the place of the Minister in this matter and gives his patronage to private dealers, robbing the co-operative society of even the half share allotted to it against its full loaf.

(2) In the second instance, the Collector of Tinnevely has appointed both private merchants and the District Co-operative Central Stores Society in October 1948 as a dual agency for procurement work in the same areas. This is obviously unworkable. The offer had therefore to be declined by the Central Co-operative Stores. The appointment of the private merchants as a parallel agency along with the co-operative society is clearly opposed to the Government's order, and has clearly and effectively defeated the same.

This is the way in which the Government's policy is defeated in action.

A. S. KUPPUSWAMI, B. A., B. L.,
Director, Tinnevely District Co-operative Central Stores.

Co-operatives at Work

The Mysore Co-operative Land Mortgage Bank, Ltd.

We have the Administration Report of the Mysore Central Co-operative Land Mortgage Bank, Ltd., for the year ending June 1948. The bank has shown an all round progress during the year. Its paid-up capital has increased from Rs. 3.30 lakhs to Rs. 3.81 lakhs, its Reserve Fund from Rs. 1.31 lakhs to Rs. 1.39 lakhs and its debentures have risen from Rs. 29.19 lakhs to Rs. 30.55 lakhs. The amount of loan outstanding from the Primary Land Mortgage Societies rose from Rs. 30.85 lakhs to Rs. 38.50 lakhs. The one peculiar feature about the Land Mortgage Societies in Mysore is that unlike similar societies in Madras they are permitted to issue short-term loans. During the year a sum of Rs. 21,450 was disbursed as short term loans, and a sum of Rs. 14,900 was outstanding from the Land Mortgage Societies to the Mysore Central Co-operative Land Mortgage Bank under this head. The bank has worked at a profit of Rs. 43,425.

The debentures in circulation carry interest at $3\frac{1}{2}\%$ (on Rs. 13.39 lakhs) and at 3% (on Rs. 17.16 lakhs.) The average borrowing rate on debentures is 3.22%. The rate of interest charged to the ultimate borrower was maintained at 6%. No separate sinking fund accounts are maintained as in the case of the Madras Co-operative Central Land Mortgage Bank Ltd. All collections on account of the loans are credited to the Trustee's account, presumably from which the Trustee has permitted the Bank to draw up to an extent of Rs. 5 lakhs. From the balance sheet it is seen that from this overdraft account, a sum of Rs. 4.47 lakhs has been drawn. The working of the bank is sound in every respect.

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G. O's. and Circulars

Copy of G. O. Ms. No. 6335, Development Department, dated 23-12-48.

Sub :—Co-operative Societies—Land Mortgage Banks—Central Land Mortgage Bank—Debentures—Government Guarantee—Increase from Rs. 400 lakhs to Rs. 450 lakhs—Sanctioned.

Read :—G. O. Ms. No. 3869, Dated 11-10-1946.

From the Registrar of Co-operative Societies letter No. Rc. 71665/48. J., dated 14 8-1948.

ORDER :

The following notification will be published in the Fort St. Gazette :—

NOTIFICATION

Whereas in Development Department Notification No. 672 dated the 11th October 1946, published at page 709 of Part I of the Fort St. George Gazette, dated the 22nd October 1946, the maximum amount of guarantee, given by the Government of Madras in respect of the debentures issued by the Madras Co-operative Central Land Mortgage Bank Ltd., exclusive of such debentures as the said Bank might from time to time redeem, was increased to a total value of Rs. 400 lakhs ;

and whereas it is considered desirable to further increase the maximum amount of guarantee and for this purpose the Provincial Government have consulted both the Chambers of the Madras Legislature ;

Now, therefore, in exercise of the powers conferred by section 6 (2) of the Madras Co-operative Land Mortgage Banks Act 1934 Madras Act X of 1934) His Excellency the Governor of Madras hereby increases the maximum amount of guarantee in respect of debentures issued by the Madras Co-operative Central Land Mortgage Bank Ltd., (other than the debentures which the said Bank may from time to time redeem) upto a total face value of Rs. 450 lakhs, subject to the following conditions, namely :—

- i. The debentures issued by the said Bank shall not in any case be for periods, exceeding 25 years from the date of their issue ; and
- ii. The interest on such debentures shall not exceed 5 per cent per annum.

Note :—There is no objection to the inclusion of the terms of this further guarantee in the debentures to be issued by the said Bank which satisfy the foregoing conditions.

G.O'S. AND CIRCULARS

Copy of the Memorandum No. 124807-B. I/48—2 Development Department, dated 7-12-48.

Sub :—Public Services—Madras Co-operative Subordinate Service War Service candidates who have passed the Provincial Co-operative Exemptions before recruitment to war service—Exemption.

Ref :—Letter from the Registrar of Co-operative Societies, No. Rc. 64869/48 N., dated 22-11-48.

The Registrar's presumption that the exemption given in G. O. Ms. 2019 Development dated 7-5-1948 is applicable to all ex-service-men irrespective of the fact whether they have undergone training and passed the examinations conducted by the Provincial Co-operative Union before, during or after their military service is correct.

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES,
Madras, dated 21-12-1948.

R.C. No. 16750/47-X-4.

Sri Rao Bahadur J. C. RYAN, M.A.,
Registrar.

C I R C U L A R

SUB :—Agricultural Co-operative Credit Societies—Reorganisation of—scheme for the intensive supervision and expansion of Rural Credit Societies—execution of—arrangements ordered—instructions issued.

Read :—G.O. No. Ms. 5613/Dev. Dept., dated 12-11-1948.

1. In their order cited, copy enclosed, Government have approved the Registrar's scheme for the intensive supervision of rural credit societies in the province and the expansion of their activities and have placed the necessary funds at his disposal to meet the cost of the additional staff of supervisors to be employed by the Central Banks for a period of 2 years.

2. The main objects of the scheme are :—

(i) that the existing rural credit societies should be converted into multipurpose societies within a period of 2 years, i.e., the activities of the existing rural credit societies should be expanded in all the directions provided for in their existing by-laws, and

(ii) the organisation of more such societies so as to serve at least 50 per cent of the villages and 30 per cent of the population in the province. With a view to achieve these objects, the Government have sanctioned the scheme according to which (a) the number of societies in the charge of every co-operative supervisor will be reduced to at least 20 societies from 25 to 30 ; (b) there will

be at least 2 supervisors in reserve in the service of each Central Bank to fill up leave and other vacancies; and (c) the cost of the additional staff of the supervisors required to maintain the above mentioned standard will be met by the Government. Government have sanctioned for this purpose a sum of Rs. 1,27,020 per year for a period of 2 years for payment of subsidies to Central Banks in order to enable them to meet the cost of the additional supervisors employed according to the standard mentioned above.

Appropriate steps should be taken for the expansion of the activities of the existing rural credit societies in all economic spheres and the organisation of more such societies so as to serve at least 50 per cent of the villages and 30 per cent of the population. The Registrar desires that a co-ordinated plan of reconstruction of the rural credit movement should be drawn up at once and steps taken to carry out the plan with vigour and enthusiasm so that the above objectives may be achieved. The following instructions are issued in regard to the manner in which the scheme should be worked.

3. (a) *Intensive supervision of the existing societies*:—A statement showing the additional supervisory staff to be appointed in each district under the scheme is appended. The central banks are being requested to effect a redistribution of rural credit societies among the supervisory staff in each district so as to place not more than 20 rural credit societies in charge of each supervisor and to make his territorial jurisdiction as compact as possible comprising an area not exceeding a radius of 5 to 7 miles from his headquarters. The supervisors should visit the societies very frequently, stay sufficiently long in the villages especially in the nights, study local conditions and pay sustained attention to the working of the societies. The duties of the supervisors, so far as supervision of the societies is concerned will include, *inter alia*, checking of accounts, preparing loan applications and arranging for the prompt disbursement of loans, recovering overdues, arranging for the admission of fresh members, arousing and maintaining the interest of members in common endeavour, and broadbasing the working of the societies on solid foundations and generally making the societies effective instruments of economic prosperity of the villagers. They should try to create a set of co-operative conditions in the villages which will induce people to join the societies and instil confidence in their method of working.

(b) *Revival of Dormant Societies*:—The primary function of the supervisors is, as stated above, to attend to the reconstruction of the credit activity of the existing agricultural societies. There are a large number of societies which have not

borrowed from outside. There are others, which, after an initial spell of activity have lapsed into dormancy. The supervisors should examine the circumstances which have contributed to retard the growth of these societies and take steps to weed out all elements obstructing their progress and to enlist new members for enabling them to start work afresh on healthy lines. They should, wherever possible, take steps to expand their business, enlarge their functions and generally extend their usefulness to the villagers. Societies which are not in deficit should be set on their feet again and made active after an intensive examination of their financial position. Thus, it is the duty of the supervisors to revive moribund societies, pull up bad and indifferent ones and develop those societies which are inadequately developed. The Registrar attaches great importance to the revival and reconstruction of the rural credit societies; for, unless these are rehabilitated, the progress of the Co-operative Movement in the Province will be considerably hampered.

(c) *Introduction of Multipurpose Activities*:—The main object of the scheme is the expansion of the existing rural credit societies in all economic spheres. In para 3 of their order cited, Government have stated that the object of sanctioning the scheme is that the existing rural credit societies should be converted into multipurpose societies within a period of 2 years and that if the progress of work in that direction is not encouraging, the scheme will have to be withdrawn. The Registrar considers that it is needless to emphasise the importance of this aspect of the scheme. Though the bylaws of rural credit societies contain provisions for undertaking activities other than credit, these have not been usually implemented. It is very important that village societies should cater to all the economic needs of their members and should not confine themselves merely to the supply of credit to their members. The supply of credit touches only a fringe of the life of the villagers. The proper course is to take into account all aspects of his life as a whole. This is possible only if rural credit societies undertake more activities than the mere distribution of credit. In fact, the rural credit societies should help the villagers in the triple programme of "better farming, better business and better living". The All India Co-operative Planning Committee has recommended that the primary credit society should be reformed and reorganised so as to serve as a centre for the general economic improvement of its members and should in particular (a) finance crop production (b) act as agent for the sale of crop to the nearest co-operative marketing organisation (c) supply the farmers simple needs for co-operative production like seed; cattle-feed, fertilisers and agricultural implements and also consumer

goods like cloth and kerosene, salt and matches on indent basis or on the basis of established need (d) serve as milk collecting station for the nearest dairy and as a centre for animal first-aid and the maintenance of stud bulls (e) serve as a centre for maintaining agricultural machinery for the joint use of members, and (f) encourage subsidiary occupation for its members". It is not expected, however, that every society should take up immediately all the various items of work suggested by the Committee. It should be the endeavour of the supervisory staff to see that the societies to start with undertake one or more of these activities and ultimately cater to all the essential needs of the villagers.

(d) *Organisation of New Societies*.—The scheme aims at not only the rehabilitation of the existing societies and their gradual conversion into multipurpose societies within the frame work of their existing by-laws but also contemplates the formation of new societies in fresh areas. Though the credit movement has been in existence in the province for over four decades there are still large areas which have not come under the jurisdiction of co-operative societies. The following particulars will give some idea of the ground yet to be covered by rural credit societies. As against 51,826 inhabited towns and villages in the province according to the census report of 1931, there were only 10,926 village credit societies on 30-6-39 with a membership of 5.76 lakhs. Assuming that a member represents a family of 5 persons on an average, the percentage of population served by rural credit societies in 1939 was 6.75. On 30-6-45, there were 10,792 rural credit societies with a membership of 6.37 lakhs and the percentage of population served by them would work out to 7.6. At the close of the last co-operative year the number of rural societies rose to 12,056 and the membership to 8.4 lakhs and the percentage of population served by them is only 10. Though there is increase in the percentage of population served by rural credit societies during the last three years there is yet a good deal of ground to be covered. A programme should therefore be drawn up in this behalf in each district. Societies will have to be organised in villages where none exist at present, the area of existing societies should be expanded where necessary and feasible, so as to cover new villages. Membership should be increased in existing societies so that a greater percentage of population might be brought into the co-operative field. It should be the aim that not less than 50 per cent of the families in each village are brought into the rural credit movement. In view of the fact that societies would undertake a variety of functions including social and recreational activities, it should not be difficult to induce more members to join. At the same time the Registrar wishes to make it clear that it is

not his intention that there should be any hasty expansion of the movement in the villages. The societies should be started according to a well considered plan after making necessary propaganda and preparing the ground for the formation of the societies. The two reserve supervisors should normally be assigned the work of organising new societies, except when they work in leave or other vacancies.

4. *Administrative Charge of the Scheme*.—The scheme will be given effect to from 1-1-49. The Special Development Officers will be in charge of the working of the scheme. The staff of Assistant Development Officers and the Rural Welfare Officers should be utilised for the purpose. Instructions have been issued in the Registrar's circular No. 117611/48 X 2 dated 6-12-48 regarding the training to be given to the Rural Welfare Officers in Co-operation. In Board's circular No. C. R. 5695/48 K.2 dated 15-10-48, rural credit societies have been permitted to adopt suitable by-laws enabling them to undertake social and recreational activities. With the transfer of the ameliorative work to the control of the Registrar it is intended that the ameliorative work should be carried out through the agency of village credit societies as much as possible. If village societies undertake various economic activities as also social and recreational, each village society will become a centre of economic and social progress. The ameliorative staff should therefore avail themselves of this opportunity to bring about a reconstruction of village life through the medium of credit societies by working in close co-operation with the central banks and their supervisory staff. Some of the central banks have constituted supervision committees which control and regulate the work of supervisors and attend to all matters connected with the supervision of rural credit societies. In some banks this work is attended to by their Executive Committee itself. The Special Development Officers are requested to attend all the meetings of the Supervision Committees and of the Executive Committees where the latter are entrusted with supervision work also. They should assist the committee in implementing the scheme successfully by giving them the necessary assistance. In order to keep in touch with the work of the supervisors they can obtain copies of the diaries and tour programmes of the supervisors from the central banks concerned. They should also direct the ameliorative staff to assist in this work. Each Rural Welfare Officer should be assigned a definite number of societies, say, at least half a dozen societies where multipurpose activities could be developed in the course of a half year. The Special Development Officers and Assistant Development Officers should also visit a number of rural credit societies every month—

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at least six societies each a month—besides giving necessary instructions to and supervising the work of the staff, engaged in that task. The Special Development Officers should prescribe suitable fortnightly returns for this purpose to be obtained from the Rural Welfare Officers. The Special Development Officers and the staff should attend conferences of supervisors and representatives of Central Banks and Unions and assist the Central Banks in drawing up a suitable programme. They should also attend meetings of supervising unions—either general body or governing body and see that the programme is carried out by the Unions also. Unless there is close contact and hearty co-operation between the central banks and the ameliorative staff much result cannot be achieved. The Special Development Officers will therefore keep in close touch with the Central Banks in giving effect to the scheme and ensure that maximum results are achieved. A monthly progress report in the form appended should be submitted to the Registrar so as to reach him by the 10th of every month. The first report should reach the Registrar on 10-2-49.

5. *Programme of Work.*—As will be seen from the Government Order it is the intention that an expansion of the activities of all the credit societies should be brought about within a period of 2 years. It is also expected that within the time more than 50 per cent of the villages in the Province would be covered with rural credit societies and 30 per cent of the population brought within the co-operative credit movement. For this purpose it is necessary to draw up a programme at least once in six months so that in the course of 2 years the objective may be reached. The Registrar presumes that central banks hold their conferences of supervisors and representatives of central banks and unions every half year in order to review the progress of the movement and chalk out a plan for the future. Even if any central bank has not done so it is necessary that such half yearly conference of supervisors and representatives of central banks and supervising unions should be held. The first conference may be held early in January 1949 to chalk out a programme for the half year ending 30-6-49. The programme should be for a half year. The programme should contain details of the names of villages where new societies could be organised, the names of societies whose transactions can be expanded and names of societies which are to be revived. Above all, a selection should be made of at least half a dozen societies in charge of each supervisor where "multipurpose activities" could be introduced during each half year. Attention should be concentrated on these societies with a view to expand their activities to other fields than credit. A plan of work should be drawn on the

lines indicated above for the half year ending 30-6-49 and it should be sent to the Registrar before 31-1-49.

6. The Registrar considers that though rapid strides have been made in recent years in the field of non-credit co-operation, the rural credit movement still continues to be the back-bone of co-operation in this province. This is as it ought to be, for ours is predominantly an agricultural province and the rural population constitute more than 80 per cent of the total population. In spite of the pre-occupation of the district central banks with the financing of food procurement and cloth distribution there is no gainsaying the fact that the rural credit societies should claim their primary attention. Much progress in rural credit has to be made both quantitatively and qualitatively. The scheme sanctioned by Government is designed to achieve the two objectives. The Registrar attaches the greatest importance to this work and considers that it is the primary duty of the ameliorative staff to look to the improvement of the villagers through the village societies. He trusts that the Special Development Officers will in close co-operation with the central banks concerned, see that the scheme is worked out successfully, that tangible results are achieved, according to the target that may be fixed for each district for every six months and that within the course of 2 years the object for which the scheme has been sanctioned is fulfilled.

Report on the programme made under the scheme for intensive supervision of Rural Credit Societies and their expansion in the district of _____ for the month of _____ 1949.

PART I SUPERVISION AND EXPANSION OF RURAL CREDIT SOCIETIES.

A. 1. *No. of Rural Credit Societies* in the district at the beginning of the month:

- (a) Good and active.
- (b) Bad and indifferent.
- (c) Dormant.
- (d) Total.

Note:—Of the number in 1. (d) (i) The number of societies that worked at profit on the last day of the previous co-operative year.

(ii) The number of societies that worked at loss on the last day of the previous co-operative year.

2. No. of rural credit societies registered during the month.
3. No. of rural credit societies the registration of which has been cancelled and the orders of cancellation have taken effect during the month.
4. No. of rural credit societies at the end of the month.
 - (a) Good and active.
 - (b) Bad and indifferent.
 - (c) Dormant.
 - (d) Total.
- B. 1. No. of villages in the district and their total population.
2. No. of villages in the district and their total population served by rural credit societies:

No. percentage.

- (a) at the beginning of the month.
- (b) at the end of the month.

Note :—It may be assumed that for every person admitted into the society, the number of persons served is 5.

3. No. of members in the societies and paid up share capital.

No. paid up share capital.

 - (a) at the beginning of the month.
 - (b) (i) New members admitted in the existing societies during the month.
 - (ii) No. of members admitted in the new societies registered during the month.
 - (iii) Total of (i and ii of b).
 - (c) No. of withdrawals during the month.
 - (d) No. of members at the end of the month.

C. 1. *Transactions of the societies:*

	Outstanding at the beginning of the month.	Borrowed during the month.	Repaid during the month.	Balance.	Overdues if any.
(i) Borrowings ...					
(a) From Central Banks.					
(b) From others.					
(ii) Loans to members.					
Percentage of overdues Prin.					
" " " Int.					

Note :—Classify the loans issued during the month according to the period and according to purpose.

D. Staff:

1. No. of supervisors in the district.
2. Total number of societies visited by the supervisors in the district during the month.
3. Remarks.

PART II MULTIPURPOSE ACTIVITIES.

1. No. of societies in the district which have undertaken activities other than the supply of credit within the frame work of their by-laws :—

- (a) at the beginning of the month
- (b) during the month
- (c) at the end of the month

2. Details of activities undertaken during the month.	No. of societies which undertook the activities.	No. of members benefitted.	Amount involved.	Indicate the volume of transactions, goods sold or supplied etc. by the societies to the members.
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- (i) Supply of domestic requirements.

- (a) controlled commodities.
- (b) other commodities.

- (ii) Supply of agricultural requirements:

- (a) seed
- (b) manure
- (c) implements

- (iii) Marketing:

- (a) grant of loans on the pledge of produce
- (b) acting as agent for sale to the nearest marketing or sale society.

- (iv) Collection and sale of milk.

- (v) Introduction of Thrift through Hundi boxes.

- (vi) Encouragement to cottage industries undertaken by members.

- (vii) Construction of godowns.

- (viii) Social and recreational activities.

- (ix) Other activities; specify.

Copy of G. O. No. Ms. 5613 Development Department dated 12-11-48

Sub :—Co-operative societies—Agricultural—credit societies—
Supervision—Additional Staff—Cost—Subsidy to Central
Banks—Registrar's proposals—Orders passed.

Read :—From the Registrar of Co-operative Societies
letter No. 16750/47-A, dated 14-10-37.

ORDER :—

The Registrar of Co-operative Societies has reported that in the light of the recommendations of the All India Planning Committee, the Fifteenth Conference of the Registrars of Co-operative Societies and the Provincial Co-operative Conference held at Madras in 1947 declared that the objective of rural co-operation in this Province should be the expansion of the existing rural co-operative credit societies in all economic spheres and the organisation of more such societies so as to serve at least 50 per cent of the villages and 30 per cent on the population in the Province. He has explained that the present inadequate expansion of the rural co-operative movement in the province is due to lack of sufficient supervision and that if the objective mentioned above is to be attained the charge of every co-operative supervisor should be reduced to at least fifteen societies as against 25 to 30 as at present with at least two supervisors in reserve to fill up leave and other vacancies and that the cost of the additional staff of supervisors required to maintain the above mentioned standard should be met entirely by the Government for a period of five years. His Excellency the Governor of Madras approves the Registrar's proposals subject to the modification that one supervisor should be put in charge of not less than twenty village credit societies instead of fifteen as suggested by him and that the subsidy shall be paid only for a period of two years. His Excellency the Governor accordingly sanctions an expenditure of Rs. 1,27,020-(Rupees one lakh twenty seven thousand and twenty only) per year by the Registrar for a period of two years for payment of subsidies to Central Banks in order to enable them to meet the cost of the additional supervisors employed according to the standard mentioned above. The subsidy will be payable only if the additional supervisors are employed in full strength throughout the year commencing from a date fixed by the Registrar.

2. The expenditure should be debited to "42. Co-operation C. Grants-in-aid". Necessary provision will be made in the Budget Estimate for 1949-50.

3. The object of sanctioning the scheme is that the existing rural credit societies should be converted into multipurpose societies within a period of two years. If the progress of work in that direction is not encouraging the scheme will have to be withdrawn.

4. The Registrar of Co-operative Societies is requested to submit a report on the progress made in the working of the scheme after a period of one year.

Monthly News Page

Foreign

The International Co-operative Day was celebrated on Saturday 3rd July 1948 in a larger number of countries than ever before to demonstrate to the world the unity of the International Co-operative Movement. The Manifesto of the I.C.A. was very widely and prominently reproduced and commented upon in leaders and articles in the Co-operative Press and it was made the *leitmotif* of the resolutions passed in many mass meetings of Co-operators. Apart from the meetings there were many kinds of celebrations, children's festivals, musical and theatrical performances, pageants, competitions, sports events, etc., which gave the Day colour and gaiety and made it the traditional, popular festival, which character it has retained throughout the years in spite of all adversities.

In Great Britain, besides mass meetings and festivals, there were shop window decorations displaying rainbow colours. Cabinet Ministers like Mr. A. V. Alexander and Mr. Alfred Barnes addressed large-meetings.

In Holland a special edition of the *Rainbow*, the family magazine of the Movement, was printed in 800,000 copies and circulated from house to house in many places. France, Belgium, Italy, Poland, Switzerland and Spain were some of the other European countries which celebrated the Day splendidly.

In the Americas, U.S.A., Canada and Argentina celebrated the Day enthusiastically.

Australia's special feature was the organisation of a "Basket Picnic Sports Day" for their employees by 26 Co-operative Producers and Consumers Societies in and near Brisbane.

Provincial

Rao Bahadur J. C. Ryan, Registrar of Co-operative Societies, Madras, unveiled the portrait of Rao Bahadur M. Vedachala Mudaliar, President, Co-operative Central Bank, Kancheepuram at the Bank premises on 9th January 1949. The meeting was well attended. The Registrar spoke in appreciation of the long service of the President of the Bank to the Co-operative Movement. He did a good deal to improve rural co-operative financially and to expand their activities. He also revived many dormant societies. The members present showed a deep appreciation of his service.

Resolutions expressing their deep sense of sorrow at the demise of Dr Gurumurthy, a Veteran Co-operator of the Andhra Desa on 18-12-1948 were passed by Co-operators at Nellore, and Ramachandrapuram (East Godavari District) at meetings held in the local Co-operative Banks.

Tanjore Centre.

S. No.	Name of the Candidate.	Regd. No.	S. No.	Name of the Candidate.	Regd. No.
20	Ahmed Hussain, M.	29	25	Raghavan, R.	39
21	Balakrishnan, P.	30	26	Ramaswamy, S.	40
22	Dharmarajan, R.	32	27	Srisailam, C. R.	41
23	Germans Fernando, J.	33	28	Swaminathan, P. S.	42
24	Narayanan, P.	38	29	Thomas Fernando, R.	43

Rajahmundry Centre.

30	Anjanappa, R.	46	37	Sarveswara Rao, V.	56
31	Bhogeswara Rao, M.	47	38	Satyanarayana Murty, G. L.	57
32	Ramachandra Rao, B. S.	51	39	Sree Rama Murty, B.	58
33	Ramamohan Rao, D.	52	40	Sree Rama Murty, V.	59
34	Rama Rao, S.	53	41	Subba Rao, Y. V.	60
35	Rama Rao, Y. V.	54	42	Suryanarayanamurty, N. V. S.	61
36	Sambamurthy Raju, T.	55	43	Venkatachalam, M.	62

Passed in Parts I and II.

Tanjore Centre.

1	Gnaniah, J.	...	...	34
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Rajahmundry Centre

2	Dharmaraju, G.	...	...	48
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Passed in Parts II and III.

Coimbatore Centre.

1	Subramanian, M.	...	...	28
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Passed in Part I.

Tanjore Centre.

1	Visvanathan, S.	...	...	44
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Rajahmundry Centre.

2	Hussain Sahib, L.	...	...	49
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Passed in Part II.

Coimbatore Centre.

1	Baskaran, R.	3	3	Venkatachalam, S.	26
2	Raghavan, A.	11	4	Venugopal, S. R.	28

Tanjore Centre.

5	Muthukumaraswamy, M.	...	...	36
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The Madras Provincial Co-operative Union Examination, March 1949

An examination for the students of the Tanjore, Coimbatore, Anantapur and Rajahmundry Institutes will be held at the respective Institutes' headquarters from 21st to 26th March 1949 as per programme given below.

Monday	...	21-3-1949	10 a.m. to 1 p.m.	Co-operation—Historical, General and Principles.
Tuesday	...	22-3-1949	10 a.m. to 1 p.m.	Co-operative Law.
Wednesday	...	23-3-1949	10 a.m. to 1 p.m.	Audit.
Thursday	...	24-3-1949	10 a.m. to 1 p.m.	Book-keeping.
Friday	...	25-3-1949	10 a.m. to 1 p.m.	Banking.
Saturday	...	26-3-1949	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 1948, 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-operative Law		
3	Audit	}	Part II.
4	Book-keeping		
5	Banking	}	Part III.
6	Rural Economics, Sanitation, Village Panchayats		

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. 11 for full Examination for students undergoing training in the Institutes for whom the marks obtained by them in the examination will be supplied direct to the Institutes. However, this rule does not apply to supplementary candidates to whom the fee of Rs. 2 for furnishing marks will stand. The Examination fee is Rs. 4 for each Part.

The last date for receiving examination fees is 4-3-1949.

For further particulars please apply to :

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

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ESPLANADE, MADRAS.

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