160

The Madras Journal

of co-operation

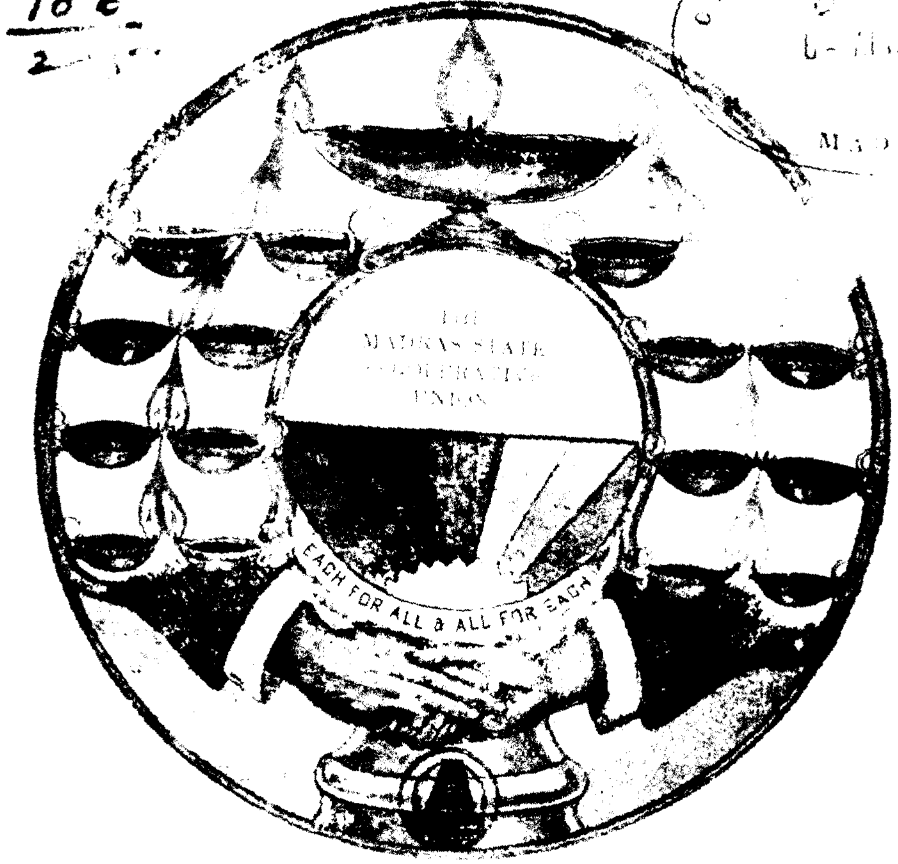
1954 - December.

VOL. 46. NO. 6

186

The Madras Journal of Co-operation

186
2



[illegible] NATES.N, M.B., B.S.

C. M. [illegible]NARTHANAM, B.A., B.Com.

Vol. XLV[illegible] [illegible] 1954 [No. 6

CONTENTS

8

THE 160

Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

Journal of the Madras State Co-operative Union, Esplanade, Madras 1

ECEMBER 1954 No. 6, VOL. XLVI PRICE As. 12 NET.

The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month. Reproduction of the articles or other matter of this journal in other journals, etc., either in English or translated into other languages is permitted, provided the source is acknowledged.

Thought for the Month

Two tasks are imperative : WITHIN THE MOVEMENT—to administer the enterprises with diligence and also with some inventive spirit, at the same time to train and instruct co-operators and to instill in them a sense of individual and collective responsibility; OUTSIDE THE MOVEMENT—to give Co-operation the radiance that it deserves, and to manifest to those who are ignorant about it—what are its principles and methods, and the goal towards which it leads mankind.

DR. FACQUET.

Editorial Notes

RURAL BANKS

With the dawn of the New Year 1955, new ideas are taking shape and newer Co-operative Institutions are beginning to emerge pulsating with fresh energy. One such idea is the Rural Bank. A workable scheme of Rural Banks, prepared by Sri A. Palaniappa Mudaliar, Registrar of Co-operative Societies, Madras was recently discussed by the Madras State Co-operative Advisory Council.

It is being increasingly realised that the formula " one society to one village and one village to one society " has failed to serve the requisites of a sound, healthy and dynamic credit system, as visualised by the early pioneers. It has failed, because its underlying assumptions have proved incorrect. Those assumptions were that mutual knowledge would help to determine and honorary service help to operate, Rural Credit. In actual practice, however, the compactness of size has not been accompanied by any of these features. Thus the necessity arises to reorganize the rural credit structure by the replacement at the primary base of "honorary services" by competent paid staff and of the small uneconomic turn over by large units of business. Thus the recent trend of Co-operative opinion is in favour of establishing agricultural credit societies with wide jurisdiction and on the basis of limited liability or guaranteed liability.

" We recommend that the future line of development of co-operative credit at the level of the village should be unhesitatingly in the direction of bigger societies covering larger areas. In other words, primary agricultural credit societies should hereafter be established, so as to cover, according to local conditions groups of villages, with a reasonably adequate share-capital. The headquarters of a larger-sized primary credit society, new or reorganised should be conveniently located for the people of the villages comprised in its jurisdiction. If there is a marketing centre in the area, it should, if possible be located at that centre. As a rule, the area of operation of the Society should be such as to provide it with adequate business ". This is the picture of a Rural Bank as portrayed by the All India Rural Credit Survey Report.

In fact, the idea behind the reorganisation of Rural Banks is to rationalise the rural credit system, so as to be in conformity with

the concept of modern banking and an expanding and changing rural economy. The essential features of a Rural Bank are larger membership, wider area of operations, adequate share-capital, a more effective mobilization of thrift and savings, a quicker dispensation of adequate credit, larger turnover and greater margin and a staff of qualified-paid personnel. As the Rural Bank has to operate in a fairly wide area, within a radius of 3 or 5 miles, the idea of unlimited liability has to be changed to suit the new conditions. Emphasis has been placed upon limited liability. The Madras scheme contemplates " guaranteed liability basis " i. e. liability being limited to 5 times the paid-up share capital, guaranteed by members. On the whole, the scheme promises to be a more effective instrument for dispensing rural credit than the Raiffeisen Credit Co-operatives.

We shall presently deal with a special feature of the Rural Banks as envisaged by the plan discussed at the Madras State Co-operative Advisory Council Meeting. The Madras Scheme lays emphasis on only one aspect of the three types of credit—short-term, medium-term and long-term—namely the medium-term credit. It has been argued that the Rural Banks should not take upon itself the task of dispensing short-term credit, for it has been stated that the business of the existing Rural Credit Societies should not be affected.

It may be mentioned here that according to Sri K. Subramaniam Naidu, Registrar of Co-operative Societies, Andhra, a Rural Bank is expected to provide the following credit facilities :

(a) Short-term and medium term loan on personal surety or mortgage of immovable properties.

(b) Loans on the pledge of agricultural produce, gold jewels, approved securities etc.

(c) Cash Credit loans to deserving select agriculturists, upto carefully fixed individual credit limits on continuing mortgage bonds, in order to avoid delays and to provide prompt credit.

But Sri K. Subramaniam Naidu's scheme comprehends an integrated short-term and medium-term credit. He even envisages the prospect of amalgamating the existing rural credit societies into one powerful Rural Bank. Therefore the working of the scheme may involve certain administrative problems, which he has discussed.

But the Madras model of " Rural Bank " has a specialised function to perform namely the dispensing of medium term credit, extending from 15 months to 60 months. In conformity with the task of dispensing medium term credit, the Bank will advance loans on mortgage security or on continuing mortgage bonds. The Bank is expected to lend money on pledge of produce or jewels. It may even engage itself in subsidiary activities like the distribution of cattle-feed, fertilisers, better seed, agricultural implements etc. In order to mobilize local savings and to encourage thrift, the Bank shall accept fixed deposits, savings deposits, current deposits and chit funds. The funds for the Bank will be made available through the Central Banks and the State Bank by the Reserve Bank of India and the Government of India. Though the establishment of Rural Banks of this type may not create organizational problems like the problems of amalgamation of Rural Credit Societies, etc., the question of an adequate turn-over of medium term loan business is a serious one.

We are aware, that there has been, doubtless, a demand for medium term loans. As a consequence of the amendment of the Reserve Bank of India Act, the Reserve Bank of India has sanctioned a loan Rs. 40 lakhs to the State Bank to be issued as medium term loans to Central Banks for agricultural purposes. This will be in addition to Rs. 40 lakhs, which the State Bank will issue from out of its own resources. The Central Banks have been issuing medium term loans from their own resources and in 1953-54, they issued medium-term loans to the tune of Rs. 64.76 lakhs for agricultural purposes. Moreover, recently the Government of India has come out with an offer of Rs. 24 lakhs of medium-term funds for 1954-55. Besides the Reserve Bank of India, as a part of its development work may remove the present over-all limit of Rs. 5 crores per annum as well as the restriction relatable to the owned funds of the State Co-operative Banks with regard to the issuance of medium term loans. All this will mean an increased rate of flow of medium-term funds through the channel of Co-operatives. But curiously enough, the rural credit system presents a paradoxical picture, in that it is not in a position to absorb the increased flow of medium-term funds and distribute them to the borrowers. Even now, the State Co-operative Advisory Council is faced with the problem of distributing Rs. 24 lakhs of medium term loans offered by the Government of India at 3-3/4 per cent. The Council has recommended that only a sum of Rs. 6 lakhs may be absorbed by the credit system upto March 1955.

It behoves on us to analyse the causes of this paradoxical co-operative credit resistance and then evolve methods, which will

render the flow of credit easy and flexible. An effective credit drive must be launched on a State-wide scale and more and more credit worthy members should be brought within the credit system. Every District Bank, as a part of an annual programme of work should launch a Co-operative Drive with three-fold objectives :—

(a) Join a Co-operative and increase membership.

(b) Invest in a Co-operative and increase share capital, reserves and deposits.

(c) Do business with a Co-operative and increase the turnover of the Co-operative.

The key slogan should be—" Build co-operatives stronger and faster " The Drive should be carefully planned and the results of the Drive i.e., Increased Membership, More Business and Larger Investments should be widely publicised.

And there are hopeful portents too ! Hitherto, the small rural credit Societies were dispensing medium-term credit and they were handicapped by their set-up to perform this task satisfactorily. But the Rural Banks designed as they are to dispense medium-term credit, are bound to prove an effective agency of medium-term credit. The operations of Rural Banks may increase the demand for medium-term credit and may thus ensure adequate business for themselves. To add to it, the increased medium term credit facilities offered by the Reserve Bank of India and the Government of India may go a long way to enhance the volume of medium-term credit. We are sure, that, if the present rate for medium-term loans is brought down to 1½ per cent as in the case of short-term loan, the prospects of an increased volume of medium-term business may become bright.

We hope that this new institution of medium-term banking would be safely rooted in the co-operative soil and would provide a much—needed service i.e. medium-term credit to the rural people, with the increased participation of the members, with the active and energetic assistance of the Governments—both the Central and the State and with the careful nursing of the Reserve Bank of India.

Principles of Co-operative Law*

Miss Margaret Digby

History

The first point to note about co-operation and the law is that co-operation came first. It was the law which adapted itself to co-operation, not co-operation to the law. The Rochdale Pioneers opened their store in 1844 and prospered. Others followed them in the course of the next few years. These were all unincorporated groups of men and women, for at that time there was no law in Great Britain under which they could conveniently have incorporated themselves. Such a position had serious risks and inconveniences, both for the members themselves and for those with whom they did business, whom they employed and from whom they bought or rented property. Among the friends of the early co-operative movement in Britain, were lawyers and Members of Parliament who, after a good deal of effort, succeeded in securing and passing, in 1852, of the Industrial and Provident Societies Act, under which British Co-operatives of all kinds have been incorporated ever since. It was based not upon company law, but upon the Friendly Societies Act of 1793. This had been passed in order to give legal form to, and ensure the honest administration of mutual societies and clubs, the object of which was to provide working people with a form of insurance against sickness and death. Co-operation was thus considered not primarily as a business organisation, but as mutual organisation aiming at im proving the conditions of the working class.

Fifteen years later, in 1867, thanks to the efforts of Schultze-Delitzch, also a lawyer, Member of Parliament and friend of the Co-operative movement, the first German Co-operative Act was passed in Prussia, extended to the North German Confederation a year after, and to the German Empire in 1871. The amended and revised version of 1889 remains the basic co-operative law of Germany to-day. An Austrian Imperial Law, based on the earlier German law, was adopted in 1873. It remains the basis of Austrian co-operation to this day, and at least up to the end of the second World War, was to a large extent preserved in the co-operative legislation of Czechoslovakia, Poland, Yugoslavia and some of the other Balkan countries. Poland was also influenced directly by the German law and by the Russian

* With kind courtesy of Sri M. Arulanandam B.Com. (Hons.), Secretary, The Madras Co-operative Milk Supply Union, who has placed at our disposal this report of Miss Digby's lecture. This lecture was delivered under the auspices of Danish Group Training Course on Co-operation, held in 1953, which was attended by Sri M. Arulanandam.

law of 1915, all of which had to be taken into account in drafting the Polish National law of 1920, which had to provide for societies registered under all the three. Later, various aspects of the German law were to influence Japanese co-operative law, and in a lesser, but quite noticeable degree, that of India and other territories under British influence.

The history of co-operative legislation in France has been more complex and discontinuous. Under the influence of Napoleon II's policy of conciliating the workers and promoting their interests, the Commercial Code was modified in 1867 (the year of the first Prussian Law), in order to allow for the incorporation of co-operative societies. In 1884, the law authorising the formation of syndicates or professional organisations led to the registration in this form of what were virtually agricultural co-operatives. Agricultural co-operative credit was facilitated by a special Act of 1899, and the legal basis of agricultural co-operation as a whole was revised by an Act of 1920. Finally, after an interval of semi-Fascist legislative experiments by the Vichy Government during the second World War, the legal position of co-operatives of all kinds was once more over-hauled and systematised under an Act of 1945.

In contrast to this prolonged effort to evolve a perfect co-operative law, many countries where co-operation flourished have made little or no legal provision for it. In Switzerland, Belgium, Hungary and the Netherlands co-operatives at least until the last few years, all came under sections of the Commercial Code. In Switzerland the Code was, after long deliberation, specially amended in 1937.

In Italy, there was a mass of Facist decree law having some bearing on the co-operative movement, and in 1947, a comprehensive Co-operative Law was at last brought into effect. There has been a Dutch law on co-operatives since1876, but by no means all co-operatives have made use of it. In New Zealand, co-operatives are incorporated under the Companies Acts. There is no co-operative law in Norway and Denmark. Norwegian co-operatives are registered under the Commercial Code. Danish co-operatives are generally unregistered and unincorporated. Swedish co-operatives are registered under a Law on Economic Association, passed in 1911 and brought up to date in 1951.

Co-operative legislation outside Europe falls into two main groups. In the first place there is the legislation specially drafted to meet the needs of the peasant countries of Asia and Africa. The Japanese Law of 1900, with frequent amendments, has already been noted for

its debt to German experience. It also owes something to France, especially in dealing with the relations between Co-operation and the State. The Egyptian law is even more closely modelled on that of France, as are, naturally, the laws governing co-operation in overseas countries under direct French administration. The first Indian co-operative law, passed in 1904, was partly based on the British Industrial and Provident Societies Act, but was modified by an intensive study of Continental, and especially German co-operative law and practice. It was further developed by experience of Indian conditions, substantially revised in 1912, applied during the next 30 years to most of the British Colonial territories and in 1946 taken as a basis for a model Co-operative Ordinance, which was sent to the Governors of all British non-self-governing territories, with a recommendation for its adoption.

The other group of laws are those applying to the countries of European settlement overseas. It is perhaps remarkable that none of the three federal States, the United States, Canada and Australia, have national co-operative laws. The federal legislation of the United States takes note of the existence of agricultural co-operatives, by exempting them (under the Clayton Act of 1914) from the operations of the Federal Anti-Trust Law and further elaborating (under the Capper-Volstead Act of 1922) the principles which they must observe if they are to be so exempted. Later Acts set up a Co-operative Marketing Division in the Department of Agriculture, and made loans available to agricultural co-operatives through the Federal Farm Board, and afterwards through the Farm Credit Administration. Incorporation, with all that it means in fixing the form and functioning of co-operatives was however, left to the State legislatures, though many in fact, adopted what was known as the Standard Marketing Act, drawn up in 1921 by the legal advisers of the Co-operative Movement. The position was the same in Canada, where the Provinces all adopted their own co-operative laws, mostly between 1920 and 1926, and in Australia, where State legislation was usually a decade earlier. South Africa began on the same principle, with separate Act for two of its Provinces, but these were consolidated in an Act applying to the whole Union in 1922.

Analysis

What is the object of a co-operative law? In the first place, it gives a co-operative society corporate existence or "legal personality" its members cease to be a chance-come collection of individuals, and their obligations and rights, in relation both to one another and to outside persons and corporations are defined. In the second place it lays down, sometimes more closely, sometimes less, what kind of corporate body a co-operative is. It may do this by definition or by laying down objects and rules of operation. Thirdly, it may, and in many but not all cases does, lay down a special relationship between the Co-operatives and the State.

Incorporation may perhaps be taken for granted, remembering that it involves formalities of registration and dissolution, written rules or articles of association, and in most countries, some form of annual report to an appropriate authority. Some societies are also registered not indefinitely, but for a stated number of years. It should also be remembered that the Danes get along very well without any registration at all. Interest centres rather on the attempt to express, in law, what a co-operative is, and how it should behave.

Definition of Co-operation

Few of the earlier Acts attempted to define a co-operative in any significant way. The Industrial and Provident Societies Act merely says that " A Society which may be registered under this Act is a society for carrying on any industries, businesses or trades specified or authorised by its rules ". Even the word " co-operative " is not mentioned, ant it was not until 1939 that its use was restricted to genuine co-operative societies. The German law of 1898 (still in force) is not much explicit, in speaking of " Association with open membership which seek to promote the industry or trade of the members through joint economic action ". It does, however, introduce one new idea, that of open membership. The recent French law defines co-operative as special civil societies with variable capital and member ship, and makes clear that their objects are of an economic character. The Capper-Volstead Act of the United States, in defining the types of association which were to be exempt from the provisions of the anti-trust laws, laid down that they might be " corporate or otherwise, with or without capital stock PROVIDED, HOWEVER, that such associations are operating for the mutual benefit of the members thereof, as producers, and conform to one or both of the following requirements .. that no member is allowed more than one vote ... or ... that the association does not pay dividends .. on capital in excess of 8 per cent per annum". The British Model Colonial Ordinance merely speaks of " a society which has as its object the promotion of the economic interests of its members in accordance with

co-operative principles". When the Act goes on to say that the word " co-operative " shall form part of the name of every society, and that no person other than a registered society shall carry on business under a name in which this word is included, it would appear that a certain amount of circular argument is involved.

At this point it may be better to cease exploring legal definitions and try to arrive at some acceptable description of co-operative principles, afterwards returning to see how far these have been built into any or all co-operative laws. Two or three have been suggested already—open membership, democratic control, limitation of interest on capital. These indeed are fundamentals if, with the negative " limitation of interest on capital ", is taken the positive " distribution of surplus in proportion to business done with the society". One or two other provisions or modes of working have been widely, if not universally accepted as essentially co-operative. These are (1) approximately equal contribution to the capital of the society, (2) limitation of business to members, and (3) obligation of members to do all their business with the society. Included in the so-called Rochdale Principles, but less widely accepted, are political and religious neutrality, cash trading, and the use of funds for educational purposes.

Membership

The first point which all laws have to decide is, who shall be members of a co-operative, how many of them shall there be and whether they may leave the society at will. Most laws lay down that membership shall be open and that the capital of the society shall be variable. Members are also free to resign, though they may retain certain financial liabilities for a stated period after resignation. Membership, however, is not completely unregulated. Almost invariably there is a minimum number—in Great Britain 7; in India and the Colonies 10, in the United States 20—and a society which falls below this number usually has its registration cancelled. Members must also be over a certain age, usually 18. There may also be an actual or implied maximum, as in the case of Indian agricultural credit societies, for which it is laid down that all members must live in the same village. It is also reasonable to limit membership in, say, a housing society, where the building site itself is limited. In the Indian Acts, it is laid down that members should be of the same tribe, class, caste or occupation. Some societies do not allow membership by their own employees. All this does not, however, mean that capital has ceased to be variable. Under the legislation of some

American States, however, it is possible to incorporate a co-operative society with fixed capital, and so automatically, with restricted members. This is recognised as unsatisfactory by American co-operators. A further question arises: If members are free to come in, are they also free to stay out? All the older co-operative legislation says yes, but there are a few co-operative laws, that of the Union of South Africa, for instance, which provide that, in certain circumstances, non-members may be compelled to sell their produce through an existing co-operative society. In several countries it is not easy to draw a clear line between voluntary co-operatives and democratically controlled but compulsory marketing boards. In others, membership of a co-operative is compulsory, because there is no other method of participating in an essential service. This is particularly likely to occur in communist countries, but it is also a common feature of co-operatives for irrigation and drainage, in which membership goes with the ownership or tenancy of land.

Control and Management of Co-operatives

The law does not always make detailed provision for the internal government of co-operative societies. In Great Britain, this is left entirely to the rules. Even the principle of one man one vote is nowhere to be found in the Act, although it is understood that a society which drew rules involving plural voting, would find difficulty in securing its registration. In most other countries, including the U.S.A. and British Colonies, "One man one vote" is written into the Act, The principle is not, however, universal, and there are co-operatives in the overseas countries of European settlement, which allow additional votes, generally strictly limited in number and acquired in proportion to the volume of business done with the society. It is also usual, in cases where one society is member of another, to allow the member society a plurality of votes, based directly or indirectly on the number of its own individual members. Some countries allow, and some forbid, voting by proxy and voting by post. Some laws including the original German, and the latest French Act, go much further, and introduce into the law itself detailed regulations as to the holding of annual meetings, including in some cases delegate meetings, the election of committees, the period for which their members hold office, and the conduct of meetings. Germany and the countries which have drawn their legislation from Germany, include a third organ, the Supervisory Committee, which is unknown to co-operative law and practice elsewhere. Some countries include in the law, and

others in the rules, the procedures by which the rules can be amended, or the co-operative itself voluntarily dissolved or amalgamated with another co-operative or converted from a co-operative into some other type of corporate body.

Finance

(1) Liability-Limited, Unlimited, or Contingent,

The legal provisions for covering the financial structure of co-operatives introduce a number of interesting points of principle. In the first place, LIABILITY. In the early German co-operatives, in many agricultural credit co-operatives, and in most Danish co-operatives today, the members' liability for the debts or losses of the society is unlimited. This has been extolled as a moral principle of the highest value, since it calls for absolute solidarity, a good deal of mutual vigilance, and a serious understanding of the duties of membership. It is also probably the only condition on which co-operatives of small peasant farmers without clear title to their land, can borrow money. In any case as a form of extended or collective character guarantee, it is a more suitable security for a short term loan than is a mortgage on land. It is not always realised, however, that it was not adopted by Raiffeisen so much for moral or economic reasons, as because, when he started organising, limited liability was not a conception recognised by German law. In England the Act authorising joint stock companies with limited liability, was passed in 1844, the year of the Rochdale Pioneers, and profoundly influenced the thought of Anglo-Saxon countries on this subject—so profoundly, that it is extremely difficult, even if it is legal, to form a co-operatice in these countries with liability which is not limited to the contribution, actual or promised, which each member has made to the funds of the society. Germany and certain other countries also recognise an intermediate form, that of contingent liability, which means that the member is liable up to, for example, five times the value of the shares he has actually subscribed. In some ways this differs little from subscribed capital of which only one-fifth has been paid up. The difference is that subscribed capital may be called up at any time that the society requires more capital in the course of its operations contingent liability only in the event of liquidation.

(2) Shares and Revolving Funds

The law usually lays down that the society should, in the first instance, be financed by the subscription of shares on the part of all the members. The value of these shares, and the minimum number which each member may hold, is usually left to the rules- as is the decision whether shares should be partly or fully paid up. In some co-operatives particularly agricultural co.operatives, shareholding is in proportion either to the acreage of the farm, the number of cows, the quantity of a given product which the member expects to market through his co-operative, or the volume of credit which he is about to obtain from it. Even when the principle of one man one vote is written into the law, there is often some anxiety lest a preponderence of capital should be held by one man, or a small group of wealthy men, and it is usual to insert a limitation on individual shareholding. This may be, as in Great Britaian, an absolute figure, or as in most other countries, a proportion of the total share capital. The maximum figure in Great Britain has been twice increased in the course of the century during which the Act has been in operation, but has always been somewhere in the region of a year's salary of a well paid skilled worker. Under British law shares are freely withdrawable. Under the Colonial and many other laws, they are only transferable with the consent of the committee. Shares almost invariably remain at par, but this is not so much a legal provision as a result of the obligation to issue new shares, at par, to new members, which automatically checks the inflation of value. Some laws allow, but others restrict, the right of a co-operative to repay share compulsorily.

There is, in the United States and some other countries, provision for the formation of co-operatives without share capital, the so called non-stock associations. In some cases an entrance fee is charged, but it is usually small. The real financial basis is the pledge of the members to do business with the society, in most cases to market their produce through it. On the strength of which the co-operative is able to borrow sufficient money to see it through its first year's operations. Thereafter, funds are gradually built up from the margin between prices received from or paid to the public, and prices paid to or received from the members of the co-operative.

All co-operatives, whether based on shareholding or not, aim at accumulating funds. It is frequently laid down in the law, or if not in the law, in the rules registered under the law, that a fixed proportion of the surplus at the end of each year shall be carried to reserve, either indefinitely or until the reserve is equal to, or a multiple of, the share capital. It is usually laid down by law that reserves are indivisible, even on the dissolution of a society, and that in such an event, they must be applied to some purpose

of public utility in the district. This is intended to remove from members the temptation to dissolve a society merely in order to share substantial reserves among themselves. Among the unregistered Danish societies, however, it is customary to dissolve a society at the end of a fixed period, distribute the assets and then reconstitute the society. The reason for this procedure will appear in a moment.

Where there is no share capital, the accumulation of capital out of current revenue is all the more urgent, but the result does not always take the form of a reserve fund. In Canada and the U. S. A. an alternative device has been found in the revolving fund. This may be regarded either as an allocated reserve, in that it is retained by the co-operative, but credited to the individual member in proportion to the business he has done with his society, or as profit distributed to the member and simultaneously returned by him in the form of a loan to his society, or even as a trust fund. In any case it is the property of the member, not of the society, and is returnable to him either at the end of a fixed term of years or (especially in Canada) on his reaching a stated age or retiring from farming. Hence the term revolving fund. The legal implications of this method of capitalisation have been of considerable interest to American corporation lawyers, not least from the point of view of taxation. If it is a reserve, the co-operative is taxable. If it is a bonus on business done, the co-operative is not taxable, even if the bonus is immediately transferred to a loan account in the member's name.

There is one problem which was not adequately foreseen by those who drafted co-operative laws, namely, the position of the man who holds shares in a co-operative but does not do business with it. It was not foreseen, partly because early co-operative legislation was influenced by the consumers' society, and consumers do not retire, nor are their shareholdings usually taken up with a view to investment. The position in an agricultural society is rather different. Shareholding is often larger, and conveys some profit to the holder. Farmers, especially in the more prosperous overseas countries, frequently retire. A co-operative of 30 or 40 years standing (and there are many such) many easily find itself with a large proportion or even a majority among the milk producers of New Zealand, are called "dry" shareholders. It has required a special amendment to the law of that country, as well as a legally appointed committee of assessors, to make possible the compulsory repayment of such shares and to decide their value. Alternative methods are the Danish system of dissolving a co-operative after 20 years, and starting again with active members only. and the Canadian and American method of accumulating capital by means of revolving funds, and only in a minor degree through subscribed shares. Another alternative is to create a class of debentures or preference shares which do not carry voting rights. Voting shares are automatically converted into debentures when a member retired or died and leaves his holding to his heirs. Some co-operatives in North America also sell non-voting debentures to the public. There is nothing to prevent this occuring in Great Britain, but in fact it is not done, though deposits are accepted, especially by consumers' societies, and larger loans contracted when necessary, especially in the form of bank overdraft.

Division of Profits

It is one of the fundamental principles of co-operation that surplus shall not be used primarily to reward investors. This is almost universally recognised in the law by a provision that the interest on capital should not exceed a fixed rate. This may be tied to the bank rate or may be fixed percentage which appeared reasonable when the law was drafted. The rate of 8 per cent was selected, for this reason, when the Standard Marketing Act was drafted in the U.S.A. in 1921, and has since proved needlesly high. Curiously enough, the British law contains no such provision, the distribution of profits being left entirely to the rules, which do, however, have to pass scrutiny before registration. In the Colonial law, a rate of 5 per cent is laid down in the rules annexed to the enactment. In German law the payment of interest on shares is actually forbidden, but in practice, a bonus related to shareholding may be allocated out of surplus.

It is usual to state, either in the law or the rules, that a percentage of the surplus which remains after meeting interest on share capital and contribution to reserve, may be used for an educational or charitable purpose, and that a bonus may be paid to employees. This leaves a variable surplus which, according to accepted co-operative principle, should be divided among members in proportion to business done with the society. In some countries—France, for example—this practice is legally enforceable, but by no means in all. Great Britain and Germany, for example, leave the matter to the discretion of the co-operative. In some countries provision is made for the use of surplus for objects of mutual benefit, the so-called " socialised dividend, "

Limitation of the Trading of Co-operatives & their Members

In some countries, particularly those deriving their law from the German, societies are forbidden to trade with non-members. This raises several awkward problems. A prospective member may wish to sample the services offered by a co-operative, before committing himself. Where the prohibition is rigidly observed, rival traders may cause much inconvenience by provoking careless breaches of the regulation. Most important of all, every trading co-operative is both buyer and seller. Goods sold to members are in the great majority of cases, bought from non-members, while produce marketed on behalf of members is almost invariably sold to the general public. Thus, although it is generally recognised that a small group of people making profits by buying from or selling goods to others would not be a true co-operative, it is probably better if the law is not too strictly drawn on this point. In the United States, provided co-operatives only handle the produce of non-members to a stated and strictly limited extent, they are entitled to reliefs in taxation. This seems to indicate the right attitude for the law to take up.

There remains the alternative proposition that members should only do business with their co operative, to which must, of course, be added the proviso " in those lines of business with which the co-operative is concerned ". All co-operatives stress the desirability of " loyalty ". Apart from the general advantages of consolidarity and enthusiasm in any organisation, there are two specific economic arguments :

(1) If a co-operative has invested in plant and buildings to handle a given volume of business, it is necessary that the business should continue to flow steadily if the co-operative is to be economic.

(2) A marketing co-operative, in particular, is like a trade union, a bargaining organisation, though it may be other things as well. Its bargaining power is weakened if there are blacklegs ready to break an agreed price by selling outside the co-operative.

In the case of processing co-operative, of which the creamery is perhaps the type, it has always been customary to provide for the first difficulty by a marketing contract, which may be inherent in membership or may be separately concluded, indefinitely or for a term of years. British law requires a separate contract and a limited period of the obligation if it is not to be legally in restraint of trade. Thirty years ago the argument relating to bargaining power attracted a great deal of attention, particularly when agricultural prices were falling. From this period dated much of the overseas legislation providing for binding contracts to deliver agricultural produce to co-operatives. It also gives rise to a new economic form, the agricultural marketing board, sometimes referred to as compulsory co-operation, of which more will be said hereafter.

Political and Religious Neutrality

Though the majority of co-operatives include political and generally also religious neutrality in their rules, as did the Rochdale Pioneers, it is not, in most cases, legally enforceable, and there are important exceptions. The consumers' movement of Belgium and Great Britain, for instance, are allied with the Labour Parties of those countries. The leading agricultural movements of Belgium, the Southern Netherlands, Italy and Spain are allied with the Catholic Church.

Conclusion

Between 130 and 140 States have passed co-operative laws which with their amendments and supporting decrees number several thousands. This is a formidable body of legislation. Perhaps its most striking feature is the ways in which methods of orgnisation and business which have developed spontaneously and proved successful, have afterwards, though not necessarily in the same area, been given a strictly legal form. The law itself shows a growing understanding of what are the most desirable co-operative practices, and an increasing precision in the expression of co-operative principles. It is clear that, during the course of the present century, the value and wide application of co-operation have been progressively realised and that profiting by one another's experience, more and more States have taken pains to place it on the most satisfactory legal foundation it is in their power to provide.

The Co-operative Movement in Israel*

HARRY VITELES
Hebrew-University, Jerusalem

The main problem confronting the Jewish co-operative movement in Israel, centres around the questions of voluntarism, democratic control and political neutrality. The stabilisation of the co-operative movement depends, to no small extent, on the type and rate of future immigration. The State has to decide whether the co-operative movement shall continue as one of the economic sectors of the country and the permissive extent of domination or control by government and/or other third parties. There are influential and vocal groups in the three main socialist parties who wish to convert at least the larger co-operatives into party or State enterprises. They consider this a necessary preliminary step to the realization of a Socialist State which, in their opinion, must include the nationalisation of most of the economic activities. A number of years will very likely go by ere it will be possible to make a definite prognosis about the future of the co operative movement in Israel.

Historically, there are records of Jewish saving clubs in Jerusalem for the development of residential suburbs between 1860 and 1891. These resembled the "KOOS" (MUJINS) in Japan which Mr. Robertson Scott in his book "The Foundations of Japan" (pp. 184-185) described as follows:

> "A KOO is a number of people who agree to subscribe a certain sum monthly and to divide the proceeds monthly by ballot ... The monthly paying in and paying out continues for fifty months and all the subscribers get their money back........"

There were also approximately fifty other co-operative groups with roughly 2,000 members operating on the principles of the Raiffeisen credit societies, most of which were organised between 1904 and 1910 and financed by the Anglo-Palestine Company (now the "Bank Leumi Le-Israel, B.M."). These bodies had no existence in Ottoman Law, and could neither sue nor be sued in their own name.

Of the pre-World War I unregistered co-operatives, there are still active: the Pardess, the largest primary citrus marketing co-operative in Israel, founded in 1900; the Vigneronne Wine Cellars of Rishon-Le-Zion and Zichron Yaacob, converted into a co-operative in 1906; the rural credit societies in Zichron Yaacob and in Rechovoth; and Kibbutz Degania "A", an integral agricultural co-operative settlement (Vollgenossenschaft) established in 1910 or 1911, and

*From a Reprint of the article, appeared in the 'Social Service', Vol. 29; Number 2 dated April 54.

generally considered as the first Kibbutz in the Holy Land of modern times. (The Essenes of the Bible also are believed to have established integral co-operative settlements.)

Among the first Ordinances which the Mandatory Government enacted was the Co-operative Societies Ordinance of 1920. This deviated from its Indian prototype, the Bombay Co-operative Act of 1912, by expanding the purposes for which co-operatives could be registered. The Registrar was made

"a passive observer and did not help in the actual formation of Societies or in the propagation of the Co-operative Movement. ...His function was limited to registering societies and ....to ensure that their rules accorded with the Ordinance." (A Survey of Palestine prepared in December 1945 and January 1946 for the Anglo-American Committee of Inquiry—Volume I, pp. 117 and 358.)

While the Registrar, under the new Ordinance, exercised his authority to propagate co-operatives among the Arabs, in the case of the Jewish co operatives he continued to act as a friendly guide without interfering with their internal management. Unlike the 1920 Ordinance, the 1933/34 Ordinance permitted the registration of central financial and non-financial co-operatives. It is generally agreed that the Mandatory Government's attitude was friendly to and helped in the development of the Jewish co-operatives, which at the end of 1951 numbered 2,400 with 6,00,000 members. Since the same individuals, particularly the farmers, are members of more than one co-operative, the 6,00,000 members include about 350,000 individuals, out of a total Jewish population of over 1,400,000. There is no published data as to how many of the co-operatives reported as being active DE JURE were active DE FACTO.

Most of the records dealing with the Arab co-operatives apparently disappeared during the War of Liberation of 1947-48. In 1934, the Mandatory Government began to implement the recommendations made by Mr. C. P. Strickland in his 1930 report on "The Possibility of Introducing a System of Agricultural Co-operation in Palestine." The Arab Civil War (1936-1939) and the Second World War made it difficult to organise Arab co-operatives. At the end of 1946 the civil disturbances increased and the Co-operative Department of the Mandatory Government practically ceased to function. At that time there were 244 Arab co-operatives on the Register. Of these 183 with circa 12,600 members were active. Among them 137 Raiffeisen rural credit societies, which are reported to have had nearly nine thousand members and about LP. 45,000 capital and reserves. Immediately after the reorganisation of the Co-operative Department

by the State of Israel a special section was created for Arab co-operatives. At the end of July 1953, the Registrar reported that there were 131 active Arab co-operatives. Of these 55 were agricultural marketing societies, 26 workers' productive co-operatives (crafts, services and transport societies owned, operated and managed by the workers); and 36 consumers societies (retail distributive stores).

A draft for a new Co-operative Societies Ordinance and Regulations was under study by the Co-operative Advisory Council in 1953, to have been submitted to the Knesoeth (Parliament) in the Fall. Unlike the present Ordinance, the above draft proposed to make it compulsory for every co-operative to become a member of an Audit Union (Federation of Co-operatives for Auditing, Organisation and Instruction). At present, 80 per cent of all of the Jewish co-operatives ars members of one or more of the ten Jewish Audit Unions and about 60 per cent of the Arab co-operatives are affiliated with the single Arab Audit Union. The present Ordinance permits only one class of members in co-operatives; the draft Ordinance provided for a special class of of members (central organisations). These would enjoy 50 per cent of the votes in the Committees of Management and/or at the General Meetings of the co-operatives on such proposals as they may consider to affect "co-operative principles."

The proposal to permit a special class of members with majority voting rights vitiates the principles of voluntarism, democratic control, and neutrality. The International Co-operative Alliance in 1952 did not approve the applications for membership of the Central Co-operative Societies in Poland, Hungary and Albania, because voluntarism and democratic control were no longer operative in these countries.

The draft Co-operative Societies Ordinance, now under consideration in Israel, would not minimise the following weaknesses which were revealed in an analysis made of all Jewish "dead societies," i.e. Jewish co-operatives which had been struck from the Register after they had been liquidated (1921-1951).

Precisely 1,016 or 29 per cent of the 3,534 societies which were registered as co-operatives (1921-51) were "dead" at the end of 1951. Another 118 were in liquidation, and 2,400, or 68 per cent of all co-operatives which had been registered during the 30 years, were still considered as "active" at the end of 1951. (At the end of July 1953 the Registrar reported 2,520 active Jewish societies, 160 in liquidation and 1264 "dead.") The following table shows the reasons for liquidation which were found in the records of 950 of the 1,016 " dead societies." (Comparison with other countries is inadvisable because of the special conditions prevailing in the Holy Land, and now in Israel, with a " Co-operative Movement in the making in a country in the making.")

TABLE 1

Reasons for Liquidation	No.	Per Cent
A. Co-operatives that, though registered, did not commence operations ...	338	36
B. The Registrar ordered liquidation because		
(1) members voted for and requested liquidation ...	199	21
(2) societies were inactive ...	141	15
(3) unco-operative practices and failure to comply with the Ordinance	121	13
(4) creditors requested liquidation since co-operatives did not pay their debts ...	15	1
C. Co-operatives amalgamated ...	121	13
D. Co-operatives converted into and registered under the Companies Ordinance ..	15	1
Total ...	950	100

Credit, agricultural and consumers (distributive) societies, account for 95 of the 121 co-operatives, for which amalgamation was reported as the reason for liquidation. Generally speaking, amalgamation of these three types of co-operatives is a desirable process. It would seem that a stricter implementation of the Ordinance should make it possible to determine whether applicants for the registration of co-operatives (a) had considered sufficiently the need for the co-operatives which they wish to organise; (b) whether there was a genuine recognition on the part of the applicants that a need existed for the co-operatives; (c) that the co-operatives would really improve the position of the members joining; and (d) whether there was sufficient " know-how " among the applicants for registration of the co-operatives. Such investigation by the Registrar's staff would reduce the number of " still born " co-operatives.

In only fifteen cases was " request of the creditors " given as the reason for liquidation. Actually the number of creditors, who asked the Registrar to liquidate co operatives which did not pay their debts, was much larger. Most of the creditors who found it difficult to collect their debts from the co-operatives withdrew their applications for liquidation and resolved their difficulties with the societies. There were only two liquidations where the creditors suffered appreciable financial losses. One of these was the largest Histadrut

Labour contracting society, one of the first co-operatives to be organised. The second case concerned one of the larger non-labour urban credit co-operatives.

Too many co-operatives, particularly workers productive societies (crafts, services and transportation) have been organised for and not by those concerned. This procedure accounted for "the relatively large number of " still born " co-operatives among the " dead societies." Organisation from the top is also reflected in the large number, both absolutely and relatively, of " dead " co-operatives among the productive societies where the reason for liquidation was reported either as " still born " or as " requested by the majority of members." Of the 950 " dead " societies at the end of 1951, 304 or 32 per cent were productive co-operatives; of the 338 " still born " co-operatives 94 or 29 per cent and of the 199 societies liquidated at the request of the members 79 or 41 per cent were co-operative productive societies. Careful selection of members is especially important in the case of productive co-operatives because the members spend all of their working hours together. Thus mutual confidence and trust are absolutely essential. The element of selection is lacking when the co-operatives are organised FOR and not BY the workers and as a means of combating unemployment or hastening the absorption of immigrants.

Of the 149 " dead " housing and sub-urban development societies, 66 or 45 per cent were " still- born " and 41 or 30 per cent were liquidated at the members' request. Many housing and suburban societies are organised for specific purposes and others on the initiative from the " top " or of a small interested group.

The section in the present Co-operative Societies Ordinance that only societies registered under the Co-operative Societies Ordinance may use the word " co-operative " in their name is not enforced. Therefore, the actual number of organisations labelled as co-operatives exceeds the 2,400 active co-operatives which the Registrar reported at the end of 1951. About half of these 2,400 active co-operatives were registered since the establishment of the State in May 1948.

Of the 2,400 Jewish active registered co-operatives reported at the end of 1951, 2,320 were primary societies i.e., most of their members are individuals. The other 80 (including 10 Audit Unions) were central societies; i.e., nearly all of the members are primary co-operatives. Both primary and central societies operate either in one community, or in a district, or on a country wide basis. For instance, every individual joining the Histadrut (General Federation of Jewish Labour) also must simultaneously join the primary co-operative "Hevrat Ovdim" (General Co-operative Association of Jewish Labour in Eretz-Israel, Hevrath Ovdim Ltd.) which is country wide in scope. The half million members of the "Hevrath Ovdim" are identical with the half million Histadrut members. On the other hand, all of the six active central water supply co-operatives at the end of 1951 delivered water to the installations of the primary water co-operatives which operated in relatively small districts. The primary water co-operatives distributed the water to their members' land within relatively small areas.

Among the 2,400 active registered co-operatives at the end of 1951 were 70 central societies (exclusive of 10 Audit Unions). Only one of the 70 was a central credit society (Bank Serubabel). This is only central financial institution in Israel which is fully owned, administered by and doing business solely with the co-operatives. The Co-operative Wholesale Society ("Hamashbir Hamerkazi," Ltd.) is the only co-operative of its kind, and services the labour primary and district consumers co-operatives, the Kibbutzim, the Moshavei Ovdim, i.e., small holders settlements and, to a relatively small extent, the Histadrut institutions. There were 44 central agricultural co-operatives at the end of 1951. Of these 19 were general agricultural co-operatives, 7 were central marketing societies, 12 for the transportation of produce from labour co-operative agricultural settlements (Kibbutzim and Moshavei Ovdim) in that many districts, and 6 district central water supply co-operatives.

TABLE 2. ACTIVE REGISTERED JEWISH CO OPERATIVES IN SPECIFIED YEARS.

Type of Co-operative	1921	1931	1941	1951	1953 (July)
A. *Credit*	5	69	107	96	99
B. *Agricultural* (general, marketing purchasing, insurance and water)	2	46	207	274	808
C. *Agricultural Settlement*					
1. *Kibbutzim*	1	22	150	230	229
2. *Moshavei Ovdim* (Small Holders Settlements)	—	17	94	218	289
D. *Housing* & Suburban Develop	4	81	155	458	478
E. *Workers Productive*	—	49	126	480	428
F. *Consumers* (Distributive)	1	14	100	256	256
G. *Pension & Provident Funds*	—	—	—	366	411
H. *Miscellaneous*	—	4	12	17	67
I. *Audit Unions*	—	1	6	10	10
Total	18	808	967	2,400	2,520

The number of active co-operatives in specified years as shown in Table 2 below, include only registered co-operatives. Actually the number of co-operative organisations was larger. For instance, the table shows that at the end of 1921 there were 13 active registered co-operatives. These 13 societies did not include any Moshavei Ovdim and included only Kibbutz. At the end of 1921 there were already nine Kibbutzim and 2 Moshavei Ovdim established and functioning. The difficulty in adopting the rules of the Kibbutz and the Moshavei Ovdim to the Co-operative Societies Ordinance delayed their registration as co-operatives. Mutual Provident and Pension Funds were operating for a decade before a special Ordinance permitted their registration as co-operatives. The first 11 Co-operative Provident and Pension Funds were registered under the Co-operative Societies Ordinance only in 1943.

The credit, agricultural, housing, and consumers co-operatives and the Audit Unions in Israel differ very little in form and in method of operation from their prototypes in other countries. But the credit co-operatives in Israel have a larger percentage of borrowing members and a larger percentage of non-member depositors and deposits than have the credit co-operatives in most other countries. If the Kolkhosim are excluded, because they lack the elements of voluntarism, democratic control and neutrality, then Israel has a larger number of integral co-operative settlements than has any other country. The basic philosophy of the Kibbutzim is that of Abbe Morelli ("Code de la Nature" 1753):

> "each would labour for the community according to his ability and share according to his needs."

Until about two years ago, only the left wing socialist Kibbutzim ("Hashomer Hatzair") were political as well as social and economic units. Today, a condition of membership for pratically all of the Kibbutzim is allegiance to the same political party. The human relationships in the Kibbutzim are based on equality in the broadest sense of the word. Until a few years ago self-labour was a basic and rigid principle. During the last few years there has been an increase in the use of wage labour. At a recent meeting of one of the sectors of the Kibbutzim (Ichud Hakibbutzim Vehakvuzoth—the right Socialist wing), it was decided to eliminate all wage labour during the next two years. All of the Kibbutzim have centralized housing and education of the children, though there are a few Kibbutzim, which permit the children of certain ages to spend the night in their parents' quarters. Central services such as dining room, laundry, clothing, etc., are the rule. Private property is limited to personal belongings. Members of the Kibbutzim do not receive wages and are not required to pay entrance fees or share capital. A member leaving the Kibbutz has no right to claim a share of the property ; all of which is legally vested in the Kibbutz. There is a strict family code.

Since 1951, the number (230) and population (68,000) of the Kibbutzim has remained practically stationary. The majority of immigrants, since 1949, are from non-European countries and do not have the social, economic and cultural background for the integral co-operative form of living. The Kibbutzim, except for the absence of a hierarchy, resemble the co-operative groups (generally referred to as Utopias) which thrived in the U.S.A. in the 18th and 19th century. An important difference between the Kibbutzim and the integral co-operative settlements in the United States is in the attitude towards manual labour. In the case of the Kibbutzim, labour is still considered as an organic part of the creed. But in the integral co. operative settlements in the U.S.A, labour was a necessary evil or a means to an end. Charles Gide after his visit to the Holy Land in 1925 described the Kibbutzim as " a system of government and not merely a political one," (COMMUNIST AND CO-OPERATIVE COLONIES. p. 189.) The relative static position of and the sharp political differences within the Kibbutz movement cannot yet be considered as evidence that the Kibbutzim will gradually disappear or that they have ful. filled their " historical mission. "

The Moshavei Ovdim (small holders settlements) differ from co-operative farming communities in other countries because they require of those applying for membership : not to employ any wage labour without the consent of the Committee of Management ; to trade only with and through the co-operative(s) ; and to participate in all co-operative undertaking which the general meeting, from time to time, may approve. Mutual aid is part of the creed of the Moshavei Ovdim. The new immigrants, who have been settled on the land, seem to prefer the small holders settlements because it combines individualism and initiative with co-operation and mntual aid. Nearly 8,000 of 9,000 immigrant families who settled on the land between the end of 1948 and July 1952 are organised into 117 small holders settlements. Of the 8,000 immigrant families, comprising 33,000 individuals, 7,490 families are members of 110 small holders settlements where practically all of the people emigrated from non-European countries.

TABLE 3. IMMIGRANT SMALL HOLDERS SETTLEMENTS

Country of Origin	No. of small-holder settls.	No. of families.	Total population
Yemen ...	45	3,202	14,568
Tripoli ...	14	1,073	5,040
Other North African countries ...	22	1,321	5,970
Iraq ...	15	865	3,949
Other *non*-European countries ...	14	918	3,845
Bulgaria ...	7	494	1,960
Total ...	117	7,869	35,332

The development of light industry, service trades, and passenger and good road transportation in the Holy Land started in the early twenties. Vested interests had not yet appeared in these branches. The hope of the Histadrut, that labour co-oberatives in industry and in service trades would become an important factor in these branches has been realised only to a small extent. But in the passenger and good road transport, the labour co-operatives in Israel—as in certain districts in Mexico—enjoy A DE FACTO monopoly of inter and intra urban bus transportation.

The workers' productive societies in Israel, unlike those in England and France, accept as members (shareholders) only those who actually work in the co-operatives. There are, however, also wage workers in these co-operatives who are not members. Further, there is a tendency for some of these societies to become closed co-operatives. The trend in Israel seems to be for Histadrut industrial enterprises to replace the larger workers productive societies. The Histadrut would supply the capital, own the means of production, and control the technical, commercial and financial management. Labour would be organised into Commandites or labour contracting societies, such as those which have existed for over one hundred years in France, particularly in the printing industry. These Commandites do not have any share in the ownership of the means of production and their participation is confined to the labour consumers and agriculture co-operatives may gradually replace the technical side of the industry. The labour service societies, particularly in the food industry. Co-operative Copartnership Productive Societies (like those in England),a partnership of labour, trade.union, and consumers co-operatives may be the form of the future workers productive societies in Israel.

Agricultural co-operation, particularly purchasing and marketing, is as highly developed in Israel, as it is in the Scandinavian countries. Generally speaking, about 80 per cent of all agricultural products are marketed co-operatively, three fourths of these by the labour agricultural marketing societies. In the case of eggs, poultry, fish, fruit and, to an increasing extent also with milk, other dairy products and vegetables, the agricuitural marketing co-operatives enjoy almost a monopolistic status. Consumers co-operatives do not participate in the price fixing policy by the agricultural marketing co-operatives.

The consumers co-operatives which are affiliated with the Histadrut serve about one third of the total population, including the new immigrant agricultural and urban settlements in which the consumers co-operatives, strictly speaking, are buying clubs. The non urban consumers movement is much more developed than is the urban. The labour consumers societies and the labour agricultural marketing co-operatives still have to find a common language and to resolve their difference of opinion about production and the methods of marketing agricultural products. There is a partial agreement with regard to production and processing of foodstuffs and the marketing of cereals and grains. But there is as yet no agreement with regard to the prority which the consumers co-operatives ask for in the marketing of agricultural products.

There are visible signs of what Desmond Flanagan (Librarian of the Co-operative Union—Manchester), described as the dangers of the co-operatives becoming "institutionalized" in their form and adminstration, Are the co-operators in Israel sufficiently cooperative minded to fight the hierarchies within the movement ? Will the rank and file of the co-operative movement fight those who wish to convert the co-operatives into instruments of the State and of the political parties? Or will the co-operators continue in their efforts to make a reality of Thomas Carlyle's philosophy, that :

"a wise humanity will advance from competition in individualism to individuality in co-operation".

Socialist Relationships in Yugoslavia's Co-operatives.*

Co-operation has a long tradition in Yugoslavia. The first Co-operative in this country was established as early as five years after the inauguration of the world's own first Co-operative—that of the Rochdale pioneers.

Although its development coincided with difficult periods of history, Yugoslavia's co-operation made such strides that it rose to the rank of a powerful movement. This is all the more notable since the wars for the liberation and unification of the Yugoslav peoples (the Balkan War of 1912), the First World War of 1914-18 and the Second World War of 1939-45 had left their stamp on the progress of co-operation, too.

Especially the last war brought serious damage to Yugoslav Co-operatives. The occupation authorities destroyed more than 50 per. cent of the co-operatives. However, with the victorious conclusion of the Peoples' Liberation War and of the Peoples' Revolution, the co-operators proceeded to the rehabilitation of their co-operatives, and at the same time it came to the mass establishing of new co-operatives even in many villages where there had been none before.

In the new conditions—marked by the existence of a new peoples' authority and a mighty socialist economy—co-operatives assumed an entirely new character. They became the property of the broadest strata of villagers and simultaneously they came to represent a firm pivot of the new revolutionary authority in the struggle for the development of the economy in the rural districts. It goes without saying that co-operatives have been developing in harmony with the over all evolution in the Yugoslav social community. The greater became the strength of the socialist sector of the economy in the country, and the more headway did socialist democracy make in the life of the country, so much the stronger was the progress made by socialist relationships in co-operatives.

The idea of socialist relationship implies determinate relationships among people in the political, economic and social sense. In the case of the co-operative as an economic organisation, such relationships have to be considered through three basic elements : through the system of management, through the material basis and through the

*Vide : Bulletin of Information and Documentation Vol. II No. 4, 1953 Glaon Zadruzni Saves FNRJ, Belgrade.

relationship of the social community as a whole to the co-operative. However, it would be too onesided to view the co-operative as an economic organisation alone. For although it was created for economic reasons and its principal task consists in the solving of the economic problems of its members, the co-operative possesses its political and social role also.

Viewing a Yugoslav agricultural co-operative through the aforesaid three elements, let us analyse the socialist relationships within it.

SYSTEM OF MANAGEMENT.—The fundamental issue here is the extent of democracy, i.e., whether the co-operators manage quite sovereignly their co-operative, and not merely from a point of view but from an essential one. The basic principle which dominates Yugoslav co-operation is that of full voluntariness both in the connection with the joining of the co-operative and with leaving it. In itself, this secures the possibility that co-operators can create such co-operatives which suit them best and that they possess the sovereign right of management of their co-operatives. This principle is secured by the State legislation and the regulations of each co-operative also.

The supreme authority in the co-operative is the assembly of all co-operators and its decisions are binding for each member of the co-operative, as well as for the co-operative's managing organ. In the assembly, each co-operator is entitled to one vote only, irrespective of the share amount he has subscribed to the co-operative. The co-operative's assembly elects the managing board which conducts the co-operative between two meetings of the assembly and attends to all tasks pursuant to the decisions of the assembly and the co-operative's regulations. It is responsible for its work to the assembly of co-operators. The director of the co-operative and the rest of its personnel represent the co-operative's employees and for their work they are responsible to the Managing Board. The assembly of co-operators may always remove from office the whole Managing Board or the individual members thereof, if they should be failing to meet their tasks. The Managing Board of the co-operative may pass decisions of a material nature only within the framework of the powers granted it by the assembly of co-operators. Otherwise, all major questions of a material nature are decided by the assembly of co-operators.

Each member of the co-operative is entitled to elect the organ of the co-operative and to be elected thereto, and all members enjoy equal rights and duties in the co-operative.

By this method is secured a perfectly democratic form of management which makes possible the establishment of healthy social relationships in the co-operative.

THE CO-OPERATIVE'S MATERIAL BASIS.—The socialist development of the co-operative finds itself secured through its regulations. Namely, the co-operative organises its material operation upon the principle of extended re-production. A certain sum is set aside each year for the purpose of expanding production. Thanks to this principle of operation, from year to year the co-operative is able to accumulate important production resources which make for radical changing of the social relationships within the co-operative. Such resources are used mainly toward investment projects designed to secure the expansion of production, such as the construction of production projects and different workshops, procurement of agricultural machines and pedigree stock, the establishment of fruit or vine nurseries and of other projects for the promotion of agricultural production. As a result of such proceeding, the social resources in the co-operative which bind co-operators economically and encourage their interest in the further strengthening of the joint production resources keep gaining in strength ever more.

THE RELATIONSHIP OF THE SOCIAL COMMUNITY TO THE CO-OPERATIVE.—The social community takes a positive stand toward co-operatives. It assists them both morally and materially, and the country's laws secure the full influence of the co-operative movement upon the policy of the country, primarily the policy pertaining to economic development.

Co-operative organisations are recognised as economic organisations having identical rights as all the other economic organisations and enterprises to elect their representatives, through their meetings, to the assemblies not only of local organs of authority but to the assemblies of autonomous provinces, regions and people's republics, as well as to the Federal Peoples' Assembly. The Constitutional Law provides for two houses of the Peoples' Assembly: the Federal Council and the Council of Producers. Industrial enterprises, too elect their representatives to the latter, together with all the economic organisations, inclusive of the co-operatives themselves. The peoples' deputies in the Council of Producers participate in the adoption of all laws and by-laws, as well as in the consideration of and establishing of the economic development plan for each year. In this manner the

Yugoslav co-operators are able to participate in the decisions referring to social tasks in the highest organ of the peoples' authority—in the Federal Peoples' Assembly—also.

The material assistance which the social community extends to co-operators follows three directions. On one side, funds are allocated toward the building of industry, which is necessary to the village and agriculture, and on the other credits granted to co-operatives on very favourable terms. Lastly, the third takes the form of concessions to agriculture in that the means of production and reproduction can be purchased at prices lower than are their production costs in factories, since the State meets the difference between the two.

Already now huge funds are invested in the industry which works for the rural requirements and which produces today agricultural implements and machines, from the smallest tools to tractors. Next a powerful chemical industry has been built, which includes the manufacture of biological preparations, whose production comprises all kinds of fertilisers, pesticides, serums, vaccines and other. Under the existing 10-year agricultural development programme, a further 152 milliard dinars will be invested into this industry over the next decade.

In accordance with their needs, co-operatives are granted both the investment and working credits on very convenient terms. Investment credits are of a designate character and they are extended on the free demand of co-operatives toward the promotion of stock-breeding, the building of orchards and vineyards, the procurement of machines, improvement schemes and other purposes. All investment credits are offered at 2 per cent interest and on exceptionally suitable terms. For instance, the credits for the construction of projects are repayable within up to 30 years, for the procurement of pedigree stock within up to 5 years, for agricultural machines within up to 7 years, for the building of orchards and vineyards within 15—20 years, within the proviso, in the letter case, that the first annual instalment shall coincide with the year when the orchard or vineyard begins to bear fruit. As can be seen, the credit policy pertaining to co-operatives is such that repayment is made easy through its resting upon the exploitation of completed projects. According to the 10-year agricultural programme, during the next years will be invested about 490 milliard dinars into production projects for the improvement of agriculture and the greatest portion of such credits will be utilised by agricultural co-operatives.

The co-operative has to meet two basic conditions in order to obtain credit, viz., it must be credit-worthy and the investment a credit is intended for should be profitable. The co-operative is bound to offer to the bank due documentation on the subject.

The third form of assistance to agricultural producers occurs in connection with the reduced cost of the means of production and reproduction. For the greatest part this assistance is utilised by co-operative organisations. Only during this year 11,200 million dinars were granted with that object in view and 10,000 million dinars had actually been expended by last October. Thanks to this assistance, co-operatives are able to purchase the means of production and reproduction at a 50 per cent to 60 per cent reduction as compared with the normal trade prices. For instance, a thrashing-machine, whose cost price is 1,200,000 dinars, is made avilable to co-operatives for 520,000 dinars, while they can obtain tractors at 640,000 dinars per unit, which compares with a cost price of 2,000,000 dinars per unit. Petrol which is used for production purposes in agriculture is paid by co-operatives 26 dinars per litre, as against 66 dinars per litre in connection with ordinary consumption. Co-operatives can have fertilisers at 5—6 dinars per kilogram, as against the normal market price of 15 to 19 dinars per kilogram, and so on.

Analysing these material facilities for the development of agricultural co-operatives, it clearly follows that the latter are able to prosper and that the socialist elements must necessarily be growing in them. In fine, the social property in co-operatives is experiencing a constant rise, with the result that the relationships within co-operative are also evolving in a socialist sense.

The New Yugoslavian Decree on Agricultural Co-operatives*

The Federal Executive Council adopted a new Decree concerning agricultural co-operatives on 26 January 1954. The object of the Decree is to adapt the regulations governing co-operatives to the present stage of economic development, and to bring them into line with the Government's new economic policy. The main provisions of the Decree are summarised hereunder.

General Provisions

Agricultural co-operatives are concerned with the organisation and development of agricultural production and also carry on other related activities.

Farm labour co-operatives for the joint cultivation of rented or communally-owned land form a special class of agricultural co-operatives.

In the field of its activities an agricultural co-operative may set up indepedent economic undertakings such as shops or other establishments for the management of which it is responsible and to part of the financial surplus of which it is entitled. Under the Decree the relations of such undertakings with the parent co-operatives are determined by its regulations or by a special contract.

An agricultural co-operative carrying on economic activities may be constituted as an economic undertaking. The creation of agricultural co-operatives is optional and cannot be made compulsory.

Constitution and Regulations

The following requirements must be met for the constitution of an agricultural co-operative: the agreement of at least ten adult agriculturists to the creation of a co-operative; the holding of a constituent assembly, the members of which must agree to the creation of the society; the drafting of regulations; and the registration of the co-operative. The regulations must contain all necessary particulars regarding the organisation and operation of the co-operative including; its name and headquarters; its purpose; its relations with economic undetakings it has established; the manner in which its funds are used; the composition and functions of its committees, etc; conditions governing membership and rules for the loss of membership; the rights and obligations of members,

*Vide Co-operative Information: Vol No. 4, 1954.

including the nature aud value of their contributions, particularly as regards property placed at the disposal of the society by the public authorities.

Membership and Withdrawal of Membership

A co-operative is open to all agriculturists provided they fulfil the requirements laid down in its regulations. Admission to membership of the co-operative can only be granted by the management committee; the co-operative's founders become members on its registration. Membership is lost by death, voluntary withdrawal or exclusion, and no one may be retained as a member of the co-operative against his will.

Property and Capital

The property of the co-operative belongs to the community. It includes the goods produced by the co-operative, as well as all articles or rights acquired on constitution or during its business existence. The co-operative may not be deprived of its property in any circumstances. It is liable with the whole of its income, irrespective of source, for its obligations towards the public authorities It is required ro pay land taxes on the land cultivated by it.

The co-operative's surplus is distributed among the members who take an active part in its operations.

Administration and Supervision of the Co-operative

The new Decree contains strict provisions concerning the administration of the co-operative and the composition of its main organs namely the general assembly and the governing body. The regulations provide for the establishment and functioning of a supervisory committee.

All co-operatives are required to manage their affairs efficiently, for which purpose a manager or director must be appointed, according as to whether it carries on economic activities or is created as an "economic undertaking". The People's Committee of the district in which the co-operative's headquarters is situated is responsible for the supervision of the co-operative and of its various organs, particularly in matters related to the implementation of the State economic plan.

Dissolution

An agricultural co-operative may be dissolved for the same reason as any other undertaking: it may also be wound up if its membership fails below the statutory minimum of ten.

Other Provisions

Agricultural co-operatives may form unions at the district, regional and national level. Thus. unions may be formed, according to need, to include agricultural co-operatives in the same district, in a Federated Republic, or in the whole country.

Social insurance provisions are applicable to agricultural co operatives and to undertakings established by them, in so far as is provided by special regulations.

A Short Summary of the All-India Rural Credit Survey Report.

[After a fifty year record of work Co-operation has failed ; but Co-operation must be made to succeed. This is the verdict and the hope, that underlines the All-India Rural Credit Survey Report, which has been just released to the Press. We hope that Co-operators would read carefully the report, discuss it widely and send their criticisms to us.—EDR.]

Major reorganization of co-operative credit, agricultural marketing and a sector of commercial banking for the benefit of the rural areas, and especially the smaller cultivator and handicraftsman, is recommended in the Report on the All-India Rural Credit Survey just published by the Reserve Bank. Emphatically rejecting the more orthodox positions of previous committees, the Committee in charge of the Survey advocates effective partnership of the State in both co-operation and banking as the only means by which the weaker rural producer can be freed from the shackles of powerful interests and helped to develop in strength and prosperity. Among the many important proposals made by the Committee is the establishment of a State Bank of India in which the major interest will be held by the Government of India and the Reserve Bank. Into this institution are to be fitted, by amalgamation, a number of banks, including the Imperial Bank, which even now are associated in different degrees with the policies of the State.

The Survey was conducted under the auspices of the Reserve Bank of India. The field enquiries covered 1,27,343 families in 600 villages selected in 75 districts all over the country. Investigations were also held in several other rural and urban places which were the centres of marketing or seats of administration. To this study of rural credit and allied economic activities, on a hitherto unprecedented scale, was added a careful analysis of the views which the Committee had elicited from experienced officials and non-officials. The Committee consisted of Shri A. D. Gorwala (Chairman), Prof. D. R. Gadgil and Shri B. Venkatappiah (Members) and Dr. N. S. R. Sastry (Member Secretary).

Among the more startling revelations of the Survey is the magnitude of the inadequacy of Governments and co-operatives as sources of rural credit. At the current level of borrowing, which makes little allowance for the planned increase of agricultural production, the All-India figure for the loans obtained by the cultivator from all sources may be broadly placed at Rs. 750 crores per annum. Out of this amount, Government supplied as little as 3.3 per cent and co-operatives the equally insignificant proportion of 3.1 per cent. Even more disturbing is the fact that, of this very little, the larger part went to the bigger agriculturists and only a minor fraction percolated to the smaller cultivator. Most co-operative societies lent on the security of land, and neglected as "non-creditworthy" those who could not offer such security. In other respects too, such as ensuring the productive purpose of the loans, Government finance and the co-operative system—with rare cxceptions—failed to come up to the standard of a satisfactory system of rural credit.

The Survey reveals that the private creditor—the professional moneylender, the agriculturist moneylender and the trader—still reign supreme in the field of rural credit, supplying 70 per cent or more of the total requirements. Although he meets a felt need which the State itself has not so far unduly exerted itself to fulfil, the moneylender, who is also often the trader, is certainly no help to larger production or more equitable distribution of rural wealth. While as moneylender he charges exorbitant interest wherever he can, as trading creditor, he has a grip over the processing and marketing of the produce of the cultivator. He and others like him have a virtual monopoly of credit and economic power in the village; and, what is important, they have besides all the support they can derive from a whole series of financially powerful urban institutions, such as indigenous bankers, commercial bank, trading concerns and import and export firms. People of this kind have not only opposed co-operative enterprise by various methods of unfair competition, wherever it suited them to do do so, but have in some instances even succeeded in entering the co-operatives and controlling them to their own advantage. Pitted against forces of this kind, it is no wonder that co-operative credit has failed to make any but the most insignificant progress. While the private interests of trading-cum-moneylending themselves strong, derived further strength from the whole superstructure of urban trade and finance, the co-operative societies whether of credit, processing or marketing, have had little help from the federal structure of co-operation which in many cases was no more than a reflection of the weakness and want of organisation at the bottom. From the State itself, on 'orthodox' co-operative principles, co-operative institutions have until recently neither looked

for nor obtained anything much more than advice, control and supervision.

Although co-operative credit has on the whole failed, as it could not help failing, in these conditions, the Committee believes that there is no alternative to the co-operative form of association in the village for the proper promotion of agricultural credit and development. Co-operation must, therefore, be enabled to succeed. The Integrated Scheme of Rural Credit is designed to create the conditions necessary for such success.

One of the features of the Scheme is major State partnership in co-operative institutions at different levels of the organisation. Along with such partnership by State Governments is envisaged greater collaboration between those Governments and the Reserve Bank, and very considerable financial assistance from the Reserve Bank. In consultation with the Bank, each State would prepare a phased plan of co-operative development. The share capital of State Co-operative Banks and Land Mortgage Banks would be expanded on the basis of 51 per cent of the shares being held by the State; similar partnership through the apex institutions is provided for in the central banks and even larger-sized primary institutions. Wherever necessary, funds for such participation are to be provided by long-term loans made by the Reserve Bank to State Governments out of a National Agricultural Credit (Long-term Operations) Fund to which the Bank would make an initial allocation of Rs. 5 crores, and further annual allocations of Rs. 5 crores. The fund would be utilised also for making medium term loans to the State Co-operative Bank, long-term loans to land mortgage banks, as also for purchasing "special development debentures" connected with specific projects of irrigation.

Closely related to this is the scheme for the planned development of co-operative marketing and processing on the one hand and storage and warehousing on the other, again on the basis of major State partnership at different levels. A planning and financing body, in the form of a National Co-operative Development and Warehousing Board is to be set up by the Government of India and an annual allocation of Rs. 5 crores made to it in connection with two funds—(a) the National Co-operative Development Fund and (b) the National Warehousing Development Fund. From these funds long-term loans would be advanced or subsidies given to the State Governments and to certain institutions. The State Governments would be concerned with the extension of co-operative marketing, co-operative processing, etc. The development of storage and warehousing would be the special function of a statutory body called the All-India Warehousing Corporation, supplemented by the State Warehousing Companies, in all of which the State, i.e. the Central Government and the State Governments, would have the predominant interest.

In recommending the establishment of a State Bank of India, the Committee extends the concept of State partnership to an important sector of commercial banking. The bank would have a country-wide network of branches provided by the amalgamation of different "State-associated" banks, including the Imperial Bank. As a strong, integrated, State-sponsored institution, it would be able to provide vastly extended remittance facilities for co-operative and other banks, and thus stimulate the further development of those banks. Moreover, in its loan operations, in so far as these have a bearing on rural credit, the State Bank of India would follow a policy which, while not deviating from the canons of sound business, would be in effective consonance with national policies. According to the Committee's recommendation, the amalgamating banks are to be: the Imperial Bank, the State Bank of Saurashtra, the Bank of Patiala, the Hyderabad State Bank, the Bank of Bikaner, the Bank of Jaipur, the Bank of Rajasthan, the Bank of Baroda, the Bank of Indore, the Bank of Mysore and the Travancore Bank. The share capital of the new bank so constituted would be expanded; the additional shares which would be non-transferable and eligible only for restricted dividends, would be allotted exclusively to the Reserve Bank and the Government of India. These two together would then hold 52 per cent of the total share capital. While effective State control would thus be assured, the Committee emphasize that the essentially autonomous and commercial character of the institution should be safeguarded. The State Bank would be expected to follow a programme of rapid expansion of branches to district headquarter places and to even smaller centres, but any losses arising from such expansion are to be met from an "Integration and Development Fund", created within the institution out of the dividends payable to the Central Government and the Reserve Bank and of further contributions made by both these as and when necessary. This is, therefore, to be no reduction in the scope for earning the profits normally available for distribution among private shareholders.

The General Report now published forms Volume II of a series of three volumes. The other two volumes are the Survey Report and

the Technical Report. These are yet to be released. Besides containing the recommendations very briefly outlined above, the General Report gives the Committee's observations and suggestions on a number of other aspects of policy connected with rural credit, such as the stabilization of agricultural prices, the control of forward markets, the development of village roads and the reorganisation of the administrative set-up in so far as it is related to rural development. Thus, a very important part of the Committee's proposals is concerned with the training of personnel. The Committee draws attention to the need for right selection and right training and emphasizes the supreme importance of building up a body of workers, official and non-official, who, in implementing the programmes of Government, would not only be skilled, honest and efficient, but also, and in particular, be sympathetic in their understanding of rural conditions and responsive in their endeavour to fulfil rural needs.

Proceedings of the 19th Congress of the International Co-operative Alliance at Palais*

The 19th Congress of the International Co-operative Alliance was held in the magnificent red and gold Concert Hall of the Palais de Chaillot, Paris, from the 6th — 9th September under the Presidency of Sir Harry Gill. The delegates, numbering 611 from 24 countries, were warmly welcomed in the name of all the French Co-operative Organisations by Mr. Marcel Brot, President of the National Federation of French Consumer Societies.

Recalling that it was in this same Hall that, three years before, the President of the French Republic, Mr. Auriol, had addressed a fervent appeal to the Great Powers to work together for peace, Mr. Brot expressed the hope that the representatives of millions of Co-operators who were now meeting there could reach understanding and organize themselves for peace.

INAUGURAL ADDRESS

Sir Harry Gill began his Inaugural Address by paying tribute to the contribution of the French Co-operative Movement, particularly on the cultural side, to the work of the I.C.A. The World Co-operative Movement, he went on, was facing problems as great as any in its history. If the world was to escape from the present unrest and distrust, with a consequent race in armament production for mass destruction, Co-oporation had to play a part in removing the causes. "To-day," he declared, "particularly in the underdeveloped countries, countless millions are living in a state of under-nourishment, with home conditions which are a disgrace to civilisation. We cannot allow this position to continue." "We have," concluded the President, "a glorious heritage; we have also a great responsibility."

After the distinguished guests including representatives of the British, Danish, Italian and U.S.A. Governments, as well as of various U. N. auxiliaries, had been introduced by the General Secretary, Congress turned to survey the Report of the Central Committee on the work of the I.C.A, from 1951-1954. Delegates from the U.S.S.R, quickly made this an opportunity for attacking the I.C,A.'s "despotic and discriminatory" policy and pressed for consideration of the applications for I.C.A. memberships by the Co-operative Movements of

*Vide Review of International Co-operation, November 1954.

Poland, Albania, Hungary and the German Democratic People's Republic. The President intimated that a vote would be taken at the end of the discussion.

No Discrimination

For the motion it was argued that the applicant Movements were free and democractic and that no I. C. A. delegation had ever carried out an on-the-spot investigation.

Those arguments were vigorously countered by Mr. R. Southern and Mr. Barbier on behalf of the Executive and Central Committees, The issue said Mr. Southern, was whether the I.C.A. should continue as the representative World Organisation of free and voluntary co-operatives. "Co-operation" today had different meanings in different countries. "We in Great Britain and the I.C.A. are concerned with that form which springs from the principles of the Rochdale Pioneers."

This was strongly supported by Mr. Voorhis, of the U.S.A., who said it was not a matter of discrimination if a Trades Union Federation decided not to admit an association of manufacturers. Similarly, it was not discrimination if an organisation of free and voluntary co-operatives decided it could not admit to membership organisations which had an essentially different basis.

After several others had spoken the President intervened to say that if the resolution were adopted, the original purposes and practices of the Alliance would disappear,

The Resolution was defeated by 671 votes to 366.

Auxiliary Committees

Congress than resumed discussion of the Report. An Israeli speaker suggested that the Central Committee should find an appropriate form for a broader consideration of the recommendations of the Auxiliary Committees and Conferences. Mr. Albin Johansson (Sweden) said it was obvious that the work of the Rationalisation Committee was far from complete. He was strongly supported by Mr. C. A. Anderson, also of Sweden.

A Czecholosvak delegate noted that since the establishment of the Liaison Committee between the I.C.A. and the International Co-operative Women's Guild collaboration had improved, but more, she felt, could be done within the National Movements. On the question of finance Mr. Baart (Holland) said that his delegation could not accept a position where the work of the Alliance was handicapped through inancial considerations. He regretted the Report had not offered a practical solution even if that meant increased subscriptions. Mr. Ulcek (Czechoslovakia) felt the real answer lay in increased membership.

The Alliance's publications came in for a certain amount of criticism. Mr. Taylor (Great Britain) called for a more positive message through the medium of the *Review*, with more emphasis on the human spirit. Mr. G. Tolino (Lega, Italy) thought it worked in isolation, A call was also made for the researches of the I.C.A. Economic Department to be published in the *Review*.

Several delegates spoke on the palce of women with in the Movement. Mrs. C. Ancion (Belgium) said that several practical consequences had resulted from the Seminar at La Breviere. Mrs. G. Ziegler (Switzerland) noted with satisfation the increasing recognition of National Women's Co-operative Organisations, whilst Mr. Barbier, also of Switzerland, said that the La Breviere Seminar had caused many Movements to examine their consciences; but the problem of the full employment of all available forces still remained.

Mr. Serwy (Belgium) regretted that it had not yet been possible to carry out the aims, save in one respect, the International School, of the Henry J. May Foundation.

Several delegates spoke on the section of the Report delealing with the I.C.A. and the United Nations.

A Soviet speaker Mr. A. S. Evdokimov called for increased representation at U.N. Mr. E. Green (Great Britein) said that the I.C.A. had helped to bring UNESCO's policies down to earth and urged the National Movements to make contract with UNESCO's National Commissions. This latter point was strongly emphasised by two Swiss speakers. Mr. H. Dietiker and Mr. Barbier. Mr. Barbier said that only seven National Organisations had representation, and then not always direct representation, on the UNESCO Commissions.

Replying to the discussion the I.C.A, Director gave instances of how the "REVIEW" was used to publicise the researches of the Economic Department. He added that if National Organisations observed the Rules and appointed National correspondents the present isolation in which the REVIEW was produced could be altered. Fuller participation in the activities of the United Nations was prevented by lack of available funds ; present representatives could only be employed part time.

The Report of the Central Committee was then approved unanimously, as were the Reports of the Auxiliary Committees. The request of the Rationalisation Committee for authority to continue its work was agreed.

Peace Resolution

Congress turned next to the Peace Resolution submitted by the Central Committee. It was introduced by Mr. Brot, who said there were also two other resolutions standing, one in in the name of the Japanese Consumers' Co-operative Union, asking for specific action against atomic weapons, and the other in the name of Centro-Co-op, Roumania. Both of them, he stressed, were covered by the main resolution and he appealed to the respective delegations to withdraw the resolutions after they had gone on record.

The Japanese agreed to the suggested course but the Roumanians insisted that their resolution, which in effect sought to tie the policy of Congress to that of the U.S.S.R., should be put to the vote. It was overwhelmingly defeated and the way was cleared for the unanimous adoption of the Central Committee's Peace Resolution.

Delegates from the East and the West found themselves in complete accord in discussing the resolution put by Mr. T. Odhe on behalf of K. F. (Sweden). It urged affiliated organisations to secure the removal or re-adaptation to existing needs of State regulations which prevented the Consumers' Co-operative Movement from making the fullest use of technical progress in rationalising distribution.

The Report on future Policy was introduced by Dr. Bonow (Sweden). The discussion that followed revealed some differences of opinion between East and West over the question of introducing a new form of membership — associate membership — to meet the needs of young co-operative organisations which where at present developing with State assistance.

The Eastern delegations rejected the idea but Congress approved the Future Policy Report by 669 votes to 310.

The recommendations concerning external policy were summarised in the following paragraphs :

1. The removal of all legislative and administrative hindrances to the normal growth of co-operative enterprise and the development of inter-co-operative relations on the national and international level;

2. The progressive abolition of government restrictions on enterprise and on trade ;

3. The coordination of economic policy on the international level to facilitate multilateral exchanges and payments to liberate forces making for an expanding world economy and to employ their human and material resources to the full and thereby benefit by a continuous rise in their standards of living;

4. Collaboration with international authorities concerned with basic problems of world economy, e.g. nutrition, so as to promote solutions which proceed on co-operative lines from the study of consumers' needs to the adjustment of production to consumption;

5. The stabilisation of world prices of staple commodities through long-term international agreements;

6. The representation of the interests of consumers and primary producers on the authorities set up to establish and administer new economic communities;

7. The access of all countries to raw materials through the formation of governmental and non governmental enterprises inspired by co-operative principles;

8. Full support for the United Nations implementing the Universal Declaration of Human Rights;

9. The promotion, in conjuction with UNESCO, other international and non governmental Organisations, of education making for international understanding, a sense of human solidarity and an acceptance of the responsibilities of world citizenship.

Speech of French Minister

Shortly after the opening of the discussion on the request of the Central Union of Consumers' Societies, Roumania, for a change of status from individual to collective membership, Congress was honoured by the presence of Mr. Anjoulat, France's Minister of Labour, to convey the greetings of his Government.

Mr. Anjoulat said that in such a Congress the fundamental principles of international collaboration could be built because in such an assembly it was not a question of simply discussing techniques but techniques placed at the service of mankind. He was deeply interested in the progress of Co-operation in the under-developed countries and particularly Africa. He agreed that the difficulties were many; but there was a magnificent field for new efforts. With the idea of Co-operation he associated the idea of liberty—both working for peace.

When the discussion was continued, supporters of the Roumanian claim argued that every member was entitled to choose for itself its

own status. Mr. Southern (Great Britain) said there was strong objection to the extension of the State Co-operative sector in the I.C.A. The attitude of the Central and Executive Committees to the Roumanian request was exactly the same as their attitude towards appeals against rejection of applications for membership from certain quarters. The rejection of the Roumanian request by 634 to 372 was a clear indication that that view was widely held amongst delegates.

International Trade

The President then called upon Mr. J. Roos (Holland) to introduce the first of the two special Papers which Congress was to discuss.

Mr. Roos introduced his Paper, on "The Possibilties of Practical Collaboration between National Organisations and its Development by the Alliance." with only a brief speech. He pointed to the necessity of getting down to hard facts; all endeavours to reach closer collaboration would fail if the appropriate climate were not first created. He had tried to analyse the spheres in which the I.C.A. should try to foster the necessary interest among the member organisations to reach a stage were action could be taken—and not one of them required any elaborate organisation.

Mr. G. Dahrendorf (Germany) formally moved the resolution appended to the paper and explained that a special sub-committee would be appointed and would call a conference of interested wholesale organisations and members of the Trading Sub-Committee and the Rationalisatlion Committee to consider how practical implementation of the Resolution could be undertaken. He emphasised that the practical work would fall chiefly upon the wholesales.

A Japanese resolution which deplored discrimination against Japanese trade was then moved by Mr. S. Tanaka (Japan), but was subsequently withdrawn.

A striking similarity of views characterised the subsequent discussions. Mr. D. Carlson (U.S.A.) said that emphasis should be put on exchanges of managerial information and on meetings of top management personnel. Mr. Efholm (Denmark) said that success of any scheme depended upon the economic advantages offered to participants. Projects should be handled by internationally-minded men and an immediate start could be made with coffee and dried fruit. Mr. Melvin (Canada) throught Mr. Roos had brought the matter down to earth whilst Mr. Malikov (U.S.S.R.) said Centrosoyus was prepared to trade with any Co-operative Organisation, irrespective of political regimes.

Some Doubts

Mr. J. Papart (Belgium) regretted the omission of any reference to Benelux. Lord Williams (Great Britian) throught Mr. Roos had not dealt adeqùately with the question of inter-co-operative trading between the Consumers' Movement and the Co-operative Producers of various countries. The C.W.S. had now agreements with co ope rative producers in Denmark, Australia and New Zealand. The possibilities of similar developments with the U.S.A. and Co-operative Fishermen in Canada were under discussion. The first requisite in his opinion was closer contact between the wholesales. He wanted fuller clarification about the sub-committee.

Dr. H. Kung (Switzerland) and Mr. Cerreti (Lega, Italy) both supported the idea of regional associations.

Mr. Roos received further support from Mr. A. Korp (Austria), Mr. A. Johansson (Sweden)—who pleaded strongly for the abolition of all frontier barriers against goods, and found himself in agreement with Lord Williams—Mr. C. Mateesco (Roumania) and others.

Mr. P. Soiland (Norway) hoped that the new Sub-Committee would only exist to find out the best way of achieving collaboration. Mr. G. Gaussel (France) also expressed doubts about the functions of the Committee.

After the President had personally reassured those who had reservations about the Committee, Mr. Roots replied to the discussion. He regretted that only a few speakers had addressed themselves to the point that it was first essential to create a climate in which economic collaboration could be achived. Although he might not have made the position absolutely clear, he fully agreed with the points made by Lord Williams, Dr. Kung, Mr. Soiland and Mr. Gaussel.

Underdeveloped Countries

Discussion on the second of the Special Papers, "Co-operative Development in the Under-developed countries, with Special Reference to the Activities of Inter-Governmental Organisations" presented by the I.C.A. Director Mr. W. P. Watkins, was lengthy and pertinent.

Introducing his paper, Mr. Watkins quoted General Smuts' remark "Mankind has struck its tents and is once again on the

march". In underdeveloped countries this process was manifesting itself in a desire to be rid of alien rule and to benefit from modern technological developments. There was a danger that they would try to progress too quickly. Higher living standards had to be achieved without the human misery of the Industrial Revolution. Hence the significance of Co-operation in relation to the problem.

He drew attention to the Technical Assistance projects of the Special Agencies and emphasized that Co-operative action must be co-ordinated with that of the inter-governmental bodies.

He suggested a study of conditions in each of the 5 great under-developed regions, and said that finance would be needed to send trained people from Europe to those areas, and to bring people from there to work in Europe, and to provide visual aids and simple leaflets in vernacular tongues.

International Fund

Mr. Efter (Israel), then rose to move the following Resolution: "This Congress resolves to establish an international fund under the auspices of the I.C.A. to foster, encourage and develop Co-operative activities and enterprises in the underdeveloped countries."

The President immediately informed Congress that the principle of Mr. Efter's Resolution had been accepted.

After Mr. Tanaka (Japan) had proposed the formation of an Asian Regional sub-committee of the I.C.A. Mr, Serwy (Belgium) underlined the importance of educational programmes and the preservation of community traditions—a point that was also emphasized by Mr. Breen Melvin (Canada).

Mr. Lincoln (U. S. A.) thought that by a combination of science, agricultural mechanisation and industrial production, hunger and disease would be eradicated, but Co-operators would have to put more work behind their faith and more money behind their work.

Mr. R. G. Gosling recalled the work of the British Government in Colonial Territories and warned that plans must not bear the stamp of charity. The approach must be that of fellow-workers. A complaint was made by Mr. Van Netten (Holland), that the initiative was still largely in the hands of the ILO and FAO whilst the Alliance was still without a plan or funds. Supporting Mr. Watkin's proposals, Mr. A. S. F. Evdokimov (U. S. S. R.) said the I. C. A. should cash in a recent ECOSOC Resolution stating that all Governments were ready to help the Co-operative Movements in these countries.

Mr. Hirschfeld (France) recalled French achievements in North Africa, Algeria, Tunis and Moroco, but felt the time had come for xpansion on the international plane. A plea for the etablishment of redit unions came from a U. S. delegate, whilst Mr. R. L. Marshal Great Britain) stressed the importance of equality of relationships etween developed and underdeveloped peoples.

Swiss Contribution

Mr. F. F. Rondeau (U. S. A.) suggested that individual Co-operaors should be asksd to contribute to the Fund.

Mr. A. Vuilleumier (Switzerland) was happy to inform Congress hat the Swiss Union of Consumers' Go-operatives would contribute 0,000 francs to the proposed fund. With Swiss experience in aiding alpine village communities in mind he pressed for quick action without waiting for the fund to reach a million.

Whilst Mrs. A. Ridealgh (Gt. Britain) said that certain scholarhips not being taken up in her country could be offered to Colonial tudents. Mr. Clemens Pedersen (Denmark) mentioned the training ourses for foreign students sponsored by his Government. The inancing of these was part of the Danish Government's contribution o U. N. Technical Assistance work.

Mr. Crews (U.S.A.), a former I. L. O. worker in Burma, appealed or a co-ordinated effort so that the I.C.A. should have the resources o do the job.

In his reply Mr. Watkins said Mr. Tanaka's suggestion would have to be considered with others. He agreed entirely with Mr. Serway and welcomed Mr. Lincoln's suggestions. In reply to Mr. Van Netten, he said not A plan but the BEST plan was wanted and that would be achieved by consultation. He remarked on the good work of the General Association of French Co-operation for overseas mentioned by Mr. Hirschfeld. He stressed the importance of providing propor training facilities in territories in which students lived and said that the defect of government control was to prevent organisations from gaining experience from their errors.

Congress unanimously approved the Resolution welcoming the action of the inter-governmental organisations, which is giving a valuable impetus to the progress of Co-operation in under-developed countries.

It considered, however, that since the ultimate goal is the establishment of independent co-operative organisations, there should be close consulation between the inter-governmental organisations and the I. C. A.

Closing Stages

It emphasized the obligation upon every member of the Alliance to supply every kind of aid and encouragement to co-operative pioneers and newly formed Organisations in the uuderdeveloped countries, and directed the authorities of the Alliance to draw up a programme of action and to consider ways and means of providing the necessary finance.

In the closing stages of Congress delegates listened to an eloquent tribute from Mr. C. H. Barbier to the great Co-operator, Dr. Fauquet who died 2 years ago. The Executive and Central Committees in awarding the Jubilee Triennial Prize to his works had, in the words of Mr. Barbier, " wished to show their affection and loyalty to a friend and to express their admiration for the writer and his work."

Mr. Barbier concluded his tributes by handing over to the I.C.A. in the name of the French and Swiss Co-operative Movements a portrait of Dr. Fauquet.

The President thanked Mr. Barbier and asked delegates to stand in silence to the memory of Dr. Fauquet.

After Congress had approved of certain changes governing the future awards of the Triennial Prize and endorsed a recommendation of the Conference on Co-operative Education held on September 1st, urging National Movements to ratify the UNESCO agreement of February 1949 to facilitate the international diffusion of audio-visual material of an educational character, the President thanked all who had in any way helped to make the 19th Congress a success and wished delegates a safe journey home.

Jaggery Manufacturing Co-operative Societie' Conference.

Proceedings of the meeting of the Representatives of Palm Jaggery Manufacturing Co-operative Societies held on 29-10-1954 at the office of the Deputy Registrar of Co-operative Societies, Tirunelveli, under the Presidentship of Sri A. Palaniappa Mudaliar, M.A., Registrar of Co-operative Societies, Madras.

A meeting of the representatives of Palm Jaggery Societies in the Tirunelveli District was held on 29-10-54 at Tirnuelveli to consider certain matters of common interest to Palm Gur Producers. Thirty two representatives of the primary Jaggery Manufacturing Co-operative Societies and three representatives of the Tirunelveli District Jaggery Co-operative Marketing Society attended the meeting. The Registrar of Co-operative Societies presided. The Deputy Registrars of Tirunelveli and Tuticorin were also present.

The delegates considered various subjects of importance such as the raising of share capital of Jaggery Manufacturing Co-operative Societies to atleast Rs. 500 with a view to enable them to obtain the necessary credit from the Central Bank, the encouragement of thrift among members by enforcing by-law 16 (b) and requiring them to contribute 6 pies in the rupee on sale proceeds of jaggery to a thrift fund, the lease of palm trees of Government poramboke lands on the average rentals of the previous 3 years, the need for exempting the societies from the payment of commission agency licence fees for carrying on the sale of members jaggery on agency basis, representation to jaggery Manufacturing Co-operative Societies on the Taluk Prohibition Committees, the extension of concessions to societies in the matter of obtaining fuel from forest contractors and the issue of tapping licences on cards to facilitate easy handling. The delegates selected Vembar as one of the centres where the Tirunelveli District Co-operative Marketing Society might open a branch in the scheme of expansion of its activities and Udangudi as a centre for carrying on demonstrations in various lines of palm gur development. They selected Vadokkankulam Jaggery Manufacturing Co-operative Society to work a scheme for providing house sites to its members by taking over Government or other lands for the purpose. They emphasised the importance and utility of such periodical meetings and decided to hold similar meetings atleast once in a half year to discuss matters of common interest.

INAUGURAL ADDRESS

Sri. A. Palaniappa Mudaliar, M.A.,
Registrar of Co-operative Societies, Madras.

Brother Co-operators!

I have great pleasure in associating myself with this meeting of the representatives of the Jaggery Manufacturing Co-operative Societies and of the Jaggery Co-operative Marketing Society of this district today. You have all assembled here to discuss questions relating to the development of an industry, which is an ancient one, dating back to more than 4000 years. India is rich in palm wealth and it is estimated that there are about 6 crores of palm trees in our State itself. Your district occupies a very peculiar and privileged position in the State not only in the matter of palm wealth but also in the matter of palm gur production and consumption.

2. The industry in this State received a great stimulus after the introduction of Prohibition. With a view to provide alternative employment to the tappers thrown out of work, Government permitted in various parts of the State the tapping of palmyrah, cocoanut, date and sago trees for sweet juice for jaggery manufacture and, in some select areas for sale as beverage. For this purpose the Ex-toddy tappers were organized into Jaggery Manufacturing Co-operative Societies. Government have sanctioned a special staff of 83 Senior Inspectors for the organisation and supervision of these societies. These Senior Inspectors are authorised to issue licences to the tappers of societies for sweet juice tapping and they assist the societies in the marketing of their production also. On 30-6-54 there were 1536 jaggery manufacturing cooperative societies with a membership of 1.87 lakhs of whom 1.51 lakhs were Ex-toddy tappers. Their paid up share capital was Rs. 6.34 lakhs. During the year 1953-54 they produced 31.69 lakhs maunds of jaggery worth Rs. 104.15 lakhs. The jaggery manufacturing Co-operative Societies in the Districts of South Kanara, Coimbatore and Ramanathapuram and in your own District have formed themselves into District Organisations to undertake and develop the marketing of the production of their members.

3. Side by side with the organisation of the industry on Co-operative lines steps were taken to improve the methods of production also. A scheme for giving State-wide training to the ex-tapper members of jaggery co-operative societies in improved methods of jaggery manufacture was launched about the end of 1949 and it is being continued year after year. There is a special staff of 20 palm gur

instructors trained in the Central Palm Gur Training School, Cuddalore. These Instructors conduct demonstrations and train the tappers in the use of improved furnaces and implements and the production of jaggery on scientific lines. In order to provide an incentive to the tappers to use improved methods 1000 sets of improved gur making equipment were supplied to ex-tappers free of cost in the first year of the scheme. In the subsequent years, such sets were given at half cost. Government have sanctioned a sum of Rs. 6000 for this purpose for the current year.

The Palm Gur Instructors are also giving training to the ex-tappers in the manufacture from palm gur of edibles like toffee, sweet meats etc., and Government have sanctioned a sum of Rs. 2,400 to meet the cost of equipment and contingent charges for the purpose.

4. Apart from providing the means of living for the tappers the industry has a national importance also. It is said that 50 palms can release one acre of fertile land which is now under sugar cane cultivation. In view of the importance, the industry occupies in the national economy, it is included among the schemes drawn up by our State Government under the First Five Year Plan and I am sure it will also be included under the Second Five Year Plan. There is a Special Officer functioning as Palm Gur Adviser to the Government of India, to look after the development of this industry throughout the Indian Union. The All India Khadi and Village Industries Board has since been entrusted with the scheme for the development of palm gur industry and the Board is taking a keen interest in the matter. I need hardly say that all this augurs well for the further development of this useful and ancient cottage industry.

5. The future development of the industry should be in the direction of (a) increasing production (b) adopting improved and scientific methods of production (c) encouraging the production of other edibles from palm jaggery, (d) organising marketing and (e) developing business in other palm products.

(a) There is large scope for increasing production in your district in view of the extensive palm groves and the long ex-perience of the tappers in this District. More and more ex-tappers will have to be brought into the Co-operative Societies so that the palm wealth of the District may be fully exploited.

(b) The need for adopting improved methods of manufacture cannot be over emphasised. Despite the various facilities afforded by

Government, the extappers are still slow to adopt the improved technique of jaggery production. It has been shown by actual demonstration that the construction of improved furnaces results in the saving of fuel and the quickening of production and that the use of improved utensils helps to produce improved quality of jaggery. It is for you, delegates of societies here, to carry on continuous propaganda among your members, so that before long, all the tappers may adopt the improved methods.

(c) The undertaking of production of edibles from palm gur is no less important as it will enable the tappers to engage themselves profitably during the off-season. The tappers will therefore do well to get themselves trained in this work taking advantage of the facilities provided by Government.

(d) The full benefit of the industry will be enjoyed by the Ex-tappers only when the marketing of their production is well organised. Government have recently ordered that the surrender of jaggery to the jaggery manufacturing co-operative societies should be made a condition for the issue of licences to members for the tapping of sweet juice and they have also agreed to give financial assistance to deservin g societies which undertake marketing of their members' production. Real progress in this direction can, however, the made only if marketing is tackled by a Central Organisation at the District level. The need for a central organisation for marketing has already been recognised in your district and the Tinnevelly District Jaggery Marketing Society has been found for the purpose. The example of your district has been followed by other districts and we have such central societies in the Coimbatore, South Canara and Ramnad districts also. Your marketing society has a membership of 248 jaggery societies and 248 individuals with a paid up share capital of Rs. 15,358. During 1953-54, it purchased 27,371 maunds of jaggery for Rs. 1.74 lakhs and sold 27,734 maunds for Rs. 2.25 lakhs. It also exported 423 tons of palmyrah jaggery to Ceylon. For the current year, it has received an export quota of 350 tons of jaggery. The society has since formulated a scheme for the development of its marketing activities. Under this scheme, the society will have 7 branches besides its Head Office at the District Head Quarters. Each branch will be manned by a Senior Inspector while the Head Office will be in charge of a Co-operative Sub-Registrar. The society will construct godowns at the Head quarters and at the branches for the collection and storage of the jaggery produced by the members of the affiliated societies in the area and it will be provided with a lorry, for the transport of jaggery from the production centres to the branches and from the branches to the marketing centres. Government have been requested to provide the staff, to sanction loans and free grants for the construction of godowns, to provide funds for the purchase of a lorry for the use of the society and to sanction other recurring and non-recurring expenditure incidental to the working of the scheme. With the above facilities the society will be in a position to handle large quantities of jaggery, find a better market for it and enable the tappers to get a larger share of the profits of the industry.

(e) Besides jaggery, the marketing society is doing business connected with the palmyrah fibre and stalks also. During the year 1953-54, it purchased fibre for Rs. 24,544 and sold fibre for Rs. 35,860. Its purchases and sales under stalks amounted to Rs. 31,831 and Rs. 35,999 respectively. The society exported 30 tons of stalks to the United States of America. It has also done some business in the purchase and sale of palm leaf products. The manufacture of fancy and utility articles made out of palm leaves will provide work to extappers and the members of their families during the off-season and in their own interests the Ex-tappers should undertake such production. Training may be given to the tappers wherever necessary by employing suitable Instructors.

6. The production of white sugar from palm trees is a line in which the palm gur industry can usefully develop. The Nanjundapuram Jaggery Manufacturing Co-operative Society in the Coimbatore District has recently been permitted to undertake the manufacture of white sugar from palm juice by purchasing the necessary centrifugal machinery and crystallisers. It has been suggested that palm jaggery refineries may be started for the production of white sugar from palm jaggery. This is being examined.

7. Before I conclude, I wish to mention that the All India Khadi and Village Industries Board has decided to open Pilot Demonstration farms at 4 centres—one for each of the 4 varieties of palm and that the centres for palmyrah and cocoanut have been selected in our State. You will be happy to hear that Udangudi in the Tirunelveli District has been selected for the palmyrah demonstration farm.

8. Gentlemen, I thank you once again for having given me this opportunity to be in your midst and to inaugurate the meeting.

Sri A. D. Balasundara Mudaliar, Director, Central Marketing Organization of All-India Handloom Board passed away at 1-30 A.M. on 28th November 1954. He was a shrewd business administrator and a great friend of the Weavers. He died in harness, serving the cause of the Handloom Industry.

Condolence Meeting.

To condole the sudden demise of Sri A.D. Balasundara Mudaliar, Director, Central Marketing Organisation, All-India Handloom Board, a public meeting was held under the presidency of Sri P. T. Rajan, M.L.A., at the premises of the Madras State Handloom Weavers' Co-operative Society, 34 Pantheon Road, Egmore, Madras on 16th December 1954 at 6 P.M. The Meeting was thickly attended by both officials and non-officials. Among those present were Sri A. Palaniappa Mudaliar, Registrar of Co-operative Societies, Dr. V. K. John M.L.C. P. D. Swaminatha Mudaliar, M. Somappa. M. P. Nachimuthu, T. M. Narayanaswami Pillai, T. Chengalvorayan, Sri R. Kolandaivelu and others.

Welcoming the audience, Sri M.P. Nachimuthu Mudaliar said that the death of Sri A. D. Balasundara Mudaliar was a severe loss to the Handloom Industry, more particularly the State Handloom Society. For eight years, he piloted the affairs of the Society with such deligence and skill, that today it has become the foremost institution representing the handloom weavers and has become a bulwark of strength to the Handloom Industry. Sri A. D. Balasundara Mudaliar, even though he had joined the Central Government, he was helping us with advice. "To me, it is a great personal loss," he said.

Sri P. T. Rajan presiding over the meeting said that the death of Sri A. D. Balasundaram struck a note of poignancy. I knew him as a young officer of the Co-operative Department. One of the qualities, which struck him even then was his great zeal for work and his supreme integrity. I knew how he rescued the State Handloom Co-operative from the impending threat and built up the institution to its present stature. He gave his entire energy skill and time to the cause of handloom Industry and it is rather unfortunate that God should have cut off his life prematurely. I appeal to the Co-operators assembled here to think out plans of relief to his bereaved family and put them into action.

Sri A. Palaniappa Mudaliar said that in the death of Sri A. D. Balasundara Mudaliar he had lost a valued colleague and friend. He joined the Co-operative Department as a Lower Division Clerk and by dint of hard work and merit, he rose up to the rank of the Joint Registrar. As the Business Executive of the State Handloom Weavers' Society, he had mastered all the problems of the Industry, with thoroughness. He was a great Business Administrator and combined in him the rare knowledge of a business man and the drive of an administrator. His reputation as a good administrator was high in the Central Government circles.

Sri T. Chengalvorayan said that Sri A. D. Balasundara Mudaliar exemplified that type of officer, who is most required by our National Government to execute its development plans. He was an honest and hard working official; but he was also popular and persuasive. His death has created a void which is very difficult to fill in.

Sri T. M. Narayanaswami Pillai recalled Sri A. D. Balasundara Mudaliar's work as a Deputy Registrar in building up the credit movement in Thiruchirapalli District. He had always instilled new hope and brotherliness among those he worked.

Sri M. Somappa said that he was struck by Sri A. D. Balasundara Mudaliar's honesty and upright conduct. He was ever keen to work for the stabilization of the Handloom Industry. He would have been a great source of strength to the Handloom Weavers in the trying times ahead. Sri P. B. K. Raja Chidambaram, M.L.A., spoke about the kind temper of Sri A. D. Balasundara Mudaliar. He has never seen him in an angry mood. Even as an officer, he was kind to his subordinates. He only guided them, but not domineered them.

Messrs M. S. Majid, V. V. Raman, W. T. Masilamani Mudaliar, E. S. Thiagarayan, Janakiram and others spoke.

With a vote of thanks, the meeting terminated.

OBITUARY.

SRI M. G. PADMANABHA MUDALIAR,

We regret to report the death of Sri M. G. Padmanabha Mudaliar, Joint Registrar of Co-operative Societies and Business Manager, Madras State Handloom Weavers' Co-operative Society on 24th December 1954. He was aged 53.

Sri Padmanabha Mudaliar had gone to Salem on official work where he had a sudden attack of cerebral haemorrhage on Wednesday. He was brought back for treatment to Madras, but he died without regaining consciousness. He joined the Co-operative Department as a Senior Inspector, 28 years ago. He worked as the Deputy Registrar, Secretary of the Madras Provincial Co-operative Bank between October 1949 to October 1950. He was for sometime a lecturer for B. Com. (Hons.) students. He was a veteran officer of the Co-operative Department and his death has deprived the Co-operative Department of an able officer.

G. O's. and Circulars

Circular of the Registrar of Co-operative Societies, Madras

SRI J. C. RYAN, M.A., I.A.S.,
Registrar.

D. Dis. 111454/54-A. Dated 8—10—1954.

SUB: CO-OPERATIVE CENTRAL BANKS—Loans to depositors on the Security of their deposits in the Central Bank—clarification of the term "loans"—Instructions—Issued.

Under the model bylaw No. 22, Central Co-operative Banks can grant "loans" to members and non-members on the security of their deposits on the Central Bank, not exceeding 90 per cent of the amount of such deposits and on the security of the debentures of the Madras Co-operative Central Land Mortgage Bank, not exceeding 80 per cent of the market value of such debentures for periods not exceeding one year. Some of the Central Co-operative Banks seem to be under the impression that the term "loans" occuring in this by-law does not include "overdrafts". The term "loans" is generally considered to cover "advances" including "overdrafts". All central co-operative banks are therefore informed that subject to the limits laid down in their by-laws, they may grant "overdrafts" also to members and non-members either on the security of their deposits in the Central Bank or on the security of the debentures of the Madras Co-operative Central Land Mortgage Bank.

2. The above instructions will apply to all other societies which have provision in their by-laws to grant loans to members and non-members on the security of their deposits in the society and on the security of the Madras Co-operative Land Mortgage Bank debentures.

J. C. RYAN,
Registrar.

COMPULSORY THRIFT DEPOSIT

Circular of the Registrar of Co-operative Societies, Madras

SRI A. PALANIAPPA MUDALIAR, M.A.,
Registrar.

R. C. 43165/54/B Dated 24—10—1954.

SUB: Co-operative Societies—Employees Co-operative Societies—Withdrawal of compulsory Thrift Deposit for payment of Insurance premium—Instructions issued.

The South India Co-operative Insurance Society Limited, Madras has represented to the Registrar that employees' co-operative societies might encourage life insurance among their members and that they may for this purpose, be permitted to act as its agents under its special agency scheme. Under the Insurance Act, the minimum life

insurance business that is required for a special agency to be effective is Rs. 50,000 with full annual premium received thereon during the calendar year but the minimum business is Rs. 10,000 only in the case of co-operative societies taking up special agencies of Co-operative Life Insurance Society. A co-operative society which acts as a special agent is paid over-riding commission at 15 per cent and 7½ per cent on ordinary and special plans respectively on first year premium income and also 2 per cent from the second and subsequent years towards collection charges. To enable the members of employees' societies who take up policies to pay the premium on the policies without difficulty, the South India Co.operative Insurance Society Ltd., has suggested that the premium due may be permitted to be paid out of the compulsory thrift deposits of the members concerned in the societies.

2. The Registrar has examined the suggestions. He considers that there is no objection to the utilisation of compulsory thrift subscriptions for payment of insurance premium on the policies taken out by the members if they so desire since insurance is also a form of thrift. There is also no objection to co-operative societies of employees taking out special agencies of the South India Co-operative Insurance Society Limited to promote co-operative life insurance among their members. But the Employees' societies should adopt amendments to their by-laws as specified below before they undertake this business.

(1) Add the following as clause (3) under by-law No. 2 of (i) Public Servants Co-operative Society (vide page 265 of Co-operative Manual Vol. III and (ii) Municipal Superior Employees Co-operative Society (vide page 291 of the Co-operative Manual volume III) renumber existing clause (3) as clause (4) and delete the word "and" in clause (2).

(4) To promote Co-operative Life Insurance among members in conjunction with a Co-operative Life Insurance Society or societies registered under the Madras Co-operative Societies Act and to act as agents of such society or societies to serve this object, subject to the approval of the Registrar of Co-operative Societies and (ii) By-law No. 4 (A).

Add at the end of by-law No. 4 A of

(1) Public Servants' Co-operative Society Limited (page 266 of Co-operative Manual Vol. III) and (2) Municipal Superior Employees Co-operative Society Limited (page 292 of Co-operative Manual Vol. III).

"Subject to the following conditions, a member may be permitted to withdraw from the thrift deposit to his credit in the society such amount as may be necessary for the payment of insurance premium due by him on a policy taken by him in the South India Co-operative Insurance Society or any other Co-operative Insurance Society registered under the Madras Co-operative Societies Act.

(i) The member should make arrangements with the Insurance society concerned to send to the society a demand notice, indicating the premium due by him and the date on which it is due, atleast one month in advance of the due date of the premium.

(ii) The thrift deposit held to the credit of the member should be adequate to meet the premium due by him.

(iii) The amount withdrawn from the thrift deposit shall be remitted directly by the society to the Co-operative Insurance society concerned, towards payment of the Insurance premium due by the member.

(iv) All incidental expenses incurred by the society in connection with the remittance of the premium shall be borne by the member concerned and shall be debited to the thrift deposit held by him in the society.

(v) No interest shall be allowed, on the amount withdrawn from the thrift deposit.

(vi) The Society shall not, on any account be responsible for the delay, if any caused in remitting the premium and the consequences thereof.

(vii) The Board of Directors shall be competent to frame necessary subsidiary regulations to govern withdrawal of thrift deposits permitted under this by-law, subject to the approval of the Registrar.

3. Deputy Registrars are requested to bring this to the notice of the Employees and Public Servants Co-operative Societies and see that they adopt the above amendments to their by-laws before they take up special agency or permit their members to withdraw the amounts from their compulsory thrift deposit for payment of insurance premium. The societies concerned may be instructed to contact the South India Co-operative Insurance Society Limited., Madras-2 for the procedure and other details regarding taking up of special agencies.

A. Palaniappan,
Registrar.

HARIJAN CO-OPS. AND AUDIT FUND

Copy of the G. O. Ms. No. 3168 Department of Industries, Labour and Co-operation dated 11-11-1954.

Acts And Rules—Madras Co-operative Societies Act 1932 Rule XII (a)—Contribution to Audit Fund from net profits—Co-operative Harijan Societies—Exemption—Continuance—Ordered.

Read :—

G. O. Ms. No. 3885 Development dated 27-8-1953.
From the Registrar of Co-operative Societies, Rc. 23071/54 L. dated 18-9-1954.

Order :

In exercise of the powers conferred by Section 60 of the Madras Co-operative Societies Act 1932 (Madras Act VI of 1932) the Governor of Madras hereby exempts all registered Co-operative Societies in the State of Madras of which all the members or a majority of the members are Harijans from the provisions of rule XII (a) of the Rules made under the said Act, so as not to require the said societies from making any contribution from their net profits to the Audit Fund.

2. The exemption hereby made shall apply in respect of the net profits earned by the said societies for the Co-operative year commencing on the 1st July 1953 and ending with the 30th June 1954.

True Copy

Office of the Registrar of Co-operative Societies, Madras-5.
Ent. D. 23071/54 L. Dated 21-11-1954.

Copy communicated to all Deputy Registrars, Special Development Officers, Special Deputy Registrar, Malabar.

S. Nithyanandham,
For Registrar.

ARBITRATION

Circular of the Registrar of Co-operative Societies, Madras
Sri A. Palaniappa Mudaliar, M.A.,
Registrar.

R. Dis. 18042/54 P. Dated, 25—11—54.

Sub: Act and Rules—Madras Co-operative Societies Act—Arbitration references under Section 51 (1) (c) of the Act—Disposal of disputes involving not more than Rs. 250 relating to primary societies—Co-operative Sub-Registrars—Empowered.

REF : 1. Registrar's Circular R. 50505/53 S 3, dated 23-8-1953,
2. G. O. Ms. 3135, Industries, Labour and Co-operation, Department dated 6—11—1954.

In G.O. Ms. No. 3504 (Development), Dated 29—7—1953, a copy of which was communicated to the Deputy Registrar with the Registrar's circular cited, Government empowered Co-operative Sub-Registrars to decide disputes transferred to them for disposal by the Deputy Registrars under Section 51 (2) (b) in respect of paid servants of co-operative societies drawing pay not exceeding Rs. 100 per mensem excluding allowances. Though the above orders have helped the Deputy Registrars to some extent in disposing of cases filed under 51 (1) (c), yet the bulk of the cases had still to be taken by the Deputy Registrars themselves for disposal. In order, therefore, to give some more relief to the Deputy Registrars and to speed up the disposal of arbitration references, the Registrar addressed the Government for empowering the Co-operative Sub-Registrars to dispose of cases involving not more than Rs. 250 coming under Section 51 (1) (c) of the Madras Co-operative Societies Act against present and past office bearers, etc., of primary Co-operative Societies. In the G.O. second cited, Government have accepted the proposal of the Registrar and have confered on every Co-operative Sub-Registrar the powers of a Registrar under Section 51 (1) (c) of the Madras Co-operative Societies Act to decide disputes touching the business of primary co-operative societies involving a sum not exceeding Rs. 250 transferred to the Co-operative Sub-Registrar for disposal by the Deputy Registrar concerned under Section 51 (2) (b) of the said Act. A copy of the G.O. is enclosed. The Deputy Registrars are requested to follow the above orders of Government carefully while referring cases filed under Section 51 (1) (c) to the Co-operative Sub-Registrars. They are also requested to take advantage of the provision. of the G.O. and arrange for expeditious disposal of references filed under Section 51 (1) (c) of the Madras Co-operative Societies Act.

A. PALANIAPPAN,
Registrar.

Copy of G. O. Ms. No. 3135, Industries, Labour and Co-operation, Dated 6—11—1954.

Acts and Rules—Co-operative Societies Act—Arbitration references under Section 51 (1) (c) of the Act—Disposal of disputes involving not more than Rs. 250 relating to primary societies—Co-operative Sub-Registrars—Empowered.

Read the following :—

G. O. Ms. No. 3504, Development, Dated 29—7—1953.

From the Registrar of Co-operative Societies Rc. No. 18042/54 P, Dated 24—9—1954.

ORDER

In exercise of the powers conferred by Section 3 of the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), the Governor of Madras hereby confers on every Co-operative Sub-Registrar the powers of a Registrar under Section 51 (1) (c) of the said Act to decide disputes touching the business of primary co-operative societies involving a sum not exceeding Rs. 250 transferred to the Co-operative Sub-Registrar for disposal by the Deputy Registrar concerned under section 51 (2) (b) of the said Act.

True Copy

PUBLIC INSTITUTIONS AND CONSUMER CO-OPERATIVES

Memorandum of the Registrar of Co-operative Societies, Madras
SRI A. PALANIAPPA MUDALIAR, M.A.,
Registrar.

R.C. 39674/53-S. I Dated 5-12.1954.

SUB : Jails, Borstal and Certified Schools and Vigilance Institutions—Articles required—purchase through Co-operatives Instructions—Issued.

REF : (i) G.O. Ms. No. 3082, Home Department dated 30-9-53 communicated with Registrar's Endorsement No. R.C. 39674/53. S. I dated 19-10-1954.
(ii) G.O. Ms. No. 3296, Home Department dated 10-11-54.

A copy of the G.O. second cited is enclosed for the information of the Deputy Registrars. The Deputy Registrars are aware that in G.O. Ms. No. 3082, Home dated 30-9-53 the Government, after considering the working of the system of purchase of articles required by jails from co-operatives, ordered, in supersession of all previous orders in the matter, that the tender principle opening the offer to all should be followed in respect of all purchases in future. Consequent on the representations made by certain societies in the matter, Government have reconsidered the question and decided in the G. O. second cited that the system of purchase of articles required by jails from co-operatives in the locality should continue subject to certain conditions and safeguards. In view of the trust reposed by Government in the co-operatives the societies should strictly observe the conditions specified in the G.O. and supply only good quality articles without giving any room for complaints. Co-operative Societies should endeavour to supply all the articles required by the Jails, Borstal and certified schools and Vigilance Institutions except those specified in the G.O. and see that the articles are not rejected on account of bad quality. The rates, mode of delivery, payment etc. have been specified in the G.O. and they should be strictly adhered to by the societies. It is stated in the G.O. that only societies in sound financial position should be entrusted with the supply, that the Deputy Registrars concerned will be responsible for selecting the societies and that any change in the financial position of the society which is likely to affect the Jails adversely should be reported by the Deputy Registrars to the Jail Superintendent and the Inspector General of Prisons. The Deputy Registrars are requested to note the instructions and follow them without fail.

2. Government have ordered that the new system will come into force from 1st January 1955. The Deputy Registrars are requested to issue necessary instructions to the societies in the matter and see that the societies make best use of the concessions granted to them by Government.

A. PALANIAPPAN,
Registrar.

Copy of G.O. Ms. No. 3296, Home Department, dated 10-11-1954.

SUB:—Jails, Borstal and Certified Schools and Vigilance Institutions—Articles required—Purchase through Co-operative Societies/Stores—Revised instructions issued.

READ THE FOLLOWING :—

G.O. Ms. No.	3055,	Home, dated	10th August 1948.
,,	5348,	,,	19th December 1950.
,,	3406,	,,	28th August 1951.
,,	544,	,,	14th February 1952.
,,	3082,	,,	30th September 1953.

READ THE FOLLOWING ALSO :—

Memoranda from the Honorary Secretary, Coimbatore Co-operative Stores and Bank, Ltd., dated 19th October 1953 and 28th October 1953.

From the President, Cannanore Co-operative Stores, Ltd., dated 20th October 1953.

From the Chief Inspector of Certified Schools and Vigilance Service, No. 9/B1/53 dated 13th October 1953, 30th November 1953, 4th January 1954 and 7th August 1954.

From the Inspector-General of Prisons, No. 1623/A4/53, dated 30th November 1953, 31st December 1953 and 9th August '54.

Government Memorandum No. 193037-Pr. II/53-3, Home Department, 12-12-1953.

From the Registrar of Co-operative Societies, R. C. 3967L4/53-SI dated 15th December 1953.

From the Director of Agriculture, L. Dis. C. 1046/54, dated 25th June 1954 and C4.1423/54 dated 31st August 1954 and 13th October 1954.

ORDER :

In G.O. Ms. No. 3082, Home, dated 30th September 1953, the Government, after considering the working of the present system of purchase of articles required by Jails from Co-operative Societies or Stores in the locality, decided that in the matter of purchase of articles required by Jails, the tender principles opening the offer to all should be followed in respect of all purchases in future. With reference to certain representations subsequently received in the matter, from the Co-operative institutions, the Government have reconsidered the matter and decided that the system of purchase of articles required by jails from the Co-operative Societies/Stores in locality should continue, subject to certain conditions and safe-guards. They accordingly direct, in supersession of all previous orders on the subject—

(1) that in the matter of purchase of articles required by jail institutions including Borstal School, the existing system of obtaining them from the Co-operative Society or Stores in the locality should continue, except as provided below :

(2) that Co-operative Societies Stores in the locality should be allowed to make supplies of only articles other than (a) edible groundnut, (b) potatoes and (c) such other articles, if any, which are not commonly sold by the Society concerned to the public. (In respect of these excepted articles, purchase under the tender system should be resorted to, as indicated in item (9) below) ;

(3) that only Societies/Stores in sound financial position should be entrusted with the supply. The Deputy Registrar of Co-operative Societies concerned will be responsible for selecting the Society/Store. Any change in the financial position of the Society/Store which is

likely to affect the jails adversely, should be reported by the Deputy Registrar to the Jail Superintentendent and the Inspector-General of Prisons;

(4) that the quality specification of articles required by Jails should not be unusual or indefinite, and should be ordinarily the same as the fair average quality normally used by the general public. The quality of the articles supplied should be good and such articles as are reported by the Medical Officer to be unfit for human consumption should be taken back by the Society; the Society/Store should bear the transport and handling charges including cost of replacement of articles rejected by the Jail.

NOTE.—Gingelly seed for oil pressing industry should be of very good quality and will be an exception to this rule.

(5) that articles should be delivered at the jail premises and be weighed in Jails in the presence of the Co-operative Society official and this weight must be accepted; food-grains should be accepted by measure in cases in which they are supplied to the Society by measure;

(6) that the Society/Store should supply articles at a maximum profit of 5 per cent over the cost price. The cost for this purpose should not include the transport and handling charges. The profit margin of 5 per cent (maximum) allowed is intended to cover transport and handling charges, profit, cover for delayed payments and all other incidental charges;

(7) that the price charged should be subject to verification and also to a maximum of what is charged to the general public' this condition being made effective in the manner indicated in item (8) below;

(8) that the Co-operative Society/Store should send to the Jail bills worked out on the basis of cost plus (maximum) profit of 5 per cent, and at the same time specify the rates at which the articles are supplied to members. The Society will work out the difference (in excess or deficit as the case may be) in respect of each bill and also furnish reasons for unusual variations (if any) in the excess or deficit as the case may be. Payment of dues in respect of credit purchases in a calendar month will be made by the Jail Department before the 15th of the succeeding month by abstract bill. At the close of the year, if the total amount paid on the basis of cost plus 5 per cent is less than the total payable on the basis of rates charged to members,

then no action will be taken; but if the total amount paid on the basis of the cost plus 5 per cent exceeds the total payable on the basis of rates charged to members, the Society/Store will repay the excess to the Jail, as an Annual Rebate on purchase and the jail will not (on this basis) be entitled to the bonus admissible to members;

(9) that if in respect of any Jail, the Society/Store is unable to accept the above conditions, the system of obtaining the articles by tender should be followed subject to the following conditions:

(a) Co-operative Societies and Stores may also tender for supply in which case, if other things are more or less equal, the Co-operative Society or Stores in the neighbourhood of the Jail concerned will be shown preference over other tenderers; and

(b) In suitable cases, tenders may be invited for a shorter period than one year, say for six months, with a view to reduce to the minimum claims on account of market variations;

(10) that articles which the Co-operative Society/Store is unable to supply, should be purchased according to the procedure prescribed in Article 125 of the Madras Financial Code, Volume I.

2. The above procedure will not apply to the supply of milk to the Jail institutions, which is regulated by separate orders on the subject (G. O. No. 4623, Home dated 41-10-1950 as modified by G. O. No. 1255, Home, dated 3-5-1954)

3. The above orders will come into force from the 1st January 1955.

4. The orders will also apply to Certified Schools and the Vigilance department.

5. The Registrar of Co-operative Societies, Madras is requested to issue necessary instructions to the Co-operative Societies in the matter.

(True Copy)

SUPERVISION FUND

Circular of the Registrar of Co-operative Societies, Madras.
SRI A. PALANIAPPA MUDALIAR, M.A.,
Registrar.

No. D. Dis. 111458/54 A. Dated 8-12-1954.

SUB: Co-operative Central Banks—Rate of supervision fund payable by agricultural credit societies—Reduction of—

Suggestion of the Conference of Co-operative Central Banks—Commended for adoption.

The XXVIth Session of the Conference of Co-operative Central Banks held at Madras on 14-8-1954, recorded the following resolution :

" While this Conference is in favour of retaining the present rate of $6\frac{1}{4}$ per cent to the ultimate borrowers in the village credit societies, it is equally of the opinion that the present margin enjoyed by rural credit societies is not adequate and therefore desires that ways and means should be devised for enhancing the margin of rural credit societies from Rs. 1-12-0 per cent to Rs. 2 per cent and therefore in this connection, recommends that the contribution by societies to the Supervision Fund be reduced from 8 annas per cent to 4 annas per cent ".

As the Central Co-operative Banks are aware, the agricultural credit societies borrow fund from central banks at $4\frac{1}{2}$ per cent per annum and lend them to ultimate borrower at $6\frac{1}{4}$ per cent per annum and the margin available to the societies is only $1\frac{3}{4}$ per cent. Out of this margin, they have to pay, annas eight towards the supervision fund and annas twelve for scriptory work. The balance is hardly sufficient to meet other expenses such as remittance charges, cost of books and forms, travelling allowance to Panchayatdars etc. The result is that a good number of the rural credit societies is working at a loss, not to speak of their inability to build up any reserve for strengthening their financial position. It needs no mention that the village credit societies form the base of the co-operative financing structure and that unless they are put on a firm financial footing the future of the co-operative credit movement will be affected. The Conference therefore, suggested that with a view to providing adequate margin to the agricultural societies the Central Banks might in the first instance, reduce the rate of supervision fund payable by the societies from the existing rate of eight annas to annas four on the interest earned on every Rs. 100 of loans issued to members. It is considered that this reduction in the rate of supervision fund together with the levy of penal interest on overdue instalments of loans as suggested in the Registrar's Circular Rc. 111929/51 B. I. dated 26-10-51 will help the societies considerably.

2. The Registrar considers that the Central Banks can reduce the rate of supervision fund as suggested by the Conference. All Central Banks are therefore advised to reduce the rate of supervision fund to annas four per cent with effect from the Current Co-operative Year (viz. 1954-55) and advise the primary agricultural credit societies to amend their concerned by-law reducing the rate of supervision fund payable by them.

A. PALANIAPPAN,
Registrar.

INVESTMENTS IN CO-OP. CENTRAL BANKS

Proceedings of the Registrar of Co-operative Societies, Madras.
SRI A. PALANIAPPA MUDALIAR, M.A.,
Registrar.

D. Dis. No. 154110/54 A. Dated 9-12-1954.

SUB: Funds—District Boards—Contribution from Public—Investment in Co-operative Central Banks.

READ: G. O. Ms. No. 1651, Local Administration dated 26-11-1954.

ORDER:

In their order cited, the Government have stated that, with the approval of the District Board, the whole or any portion of the contributions received by the District Boards from the Public, which is not required for immediate use, may be invested in short-term deposits in the Madras State Co-operative Bank and District Central Co-operative Banks approved by the Registrar of Co-operative Societies, for the purpose. The Registrar of Co-operative Societies, accordingly, approves the following Co-operative Central Banks for the investment of the said funds of the District Boards :—

1. The Kancheepuram Co-op. Central Bank Ltd., Kancheepuram.
2. The North Arcot Dist. Co-op. Central Bank Ltd., Vellore.
3. The South Arcot Dist. Co-op. Central Bank Ltd., Cuddalore.
4. The South Canara Dist. Co-op. Central Bank Ltd., Mangalore.
5. The Madurai Dist. Co-op. Central Bank Ltd., Madurai.
6. The Ramnad Dist. Co op. Central Bank Ltd., Madurai.
7. The Malabar Dist. Co-op. Bank Ltd., Kozhikode.
8. The Tanjore Co-op. Central Bank Ltd., Tanjore.
9. The Kumbakonam Co-op. Central Bank Ltd., Kumbakonam.
10. The Nilgiris Co-op. Central Bank Ltd., Ootacamund.
11. The Coimbatore Dist. Co-op. Central Bank Ltd., Coimbatore.
12. The Salem Dist. Co-op. Central Bank Ltd., Salem.

13. The Tirunelvely Dist. Co-op. Central Bank Ltd., Tirunelvely.
14. The Tiruchirapalli Dist. Co-op. Central Bank Ltd., Tiruchirapalli.
15. The Pudukottai Co-op. Central Bank Ltd., Pudukottai.

(By Order),

V. SUDARSANAM,

Manager.

RURAL BANKS

Circular of the Registrar of Co-operative Societies, Madras.
SRI A. PALANIAPPA MUDALIAR, M.A.,
Registrar.

No. Rc. 162849/54 A. Dated 19—12—1954.

Sub: CO-OPERATIVE SOCIETIES—Agricultural Credit Movement —Reorganisation—Formation of—"Rural Banks"—Proposals—Instructions—Issued.

Primary agricultural credit societies constitute the base of the Co-operative Financing structure. They have been in existence for nearly fifty years now, providing credit to the agriculturists for their agricultural operations, payment of kist, domostic expenses and other purposes. They have no doubt helped in lowering the lending rate in the country-side and afforded the small ryots a suitable agency for obtaining seasonal finance on resonable terms repayable in convenient instalments. Nevertheless, the general condition of the socieeies requires toning up and improvement so that they can play a vital role in providing agricultural finance in the context of rural India of the future. The private money-lenders still constitute a major source of rural credit. The reasons for the weakness and defficiency of the existing rural co-operatives are not far to seek. A very small area of operation and equally small membership are characteristic of many of the societies. The smallness of size, limited membership, inadequate business turnover, slender resources, want of local leadership and inablity to maintain a competant paid staff have rendered them uneconomic business units. This is evident from the fact that many of the societies have been incurring persistent losses from year to year. Many of the societies do not provide timely and adequate funds for the various needs of agriculturists. The societies have not also made much headway in encouraging thrift or attracting rural deposits for being channeled to the financing of agriculturists. They still depend upon the financing banks for their funds.

2. Broadly speaking, the agricultural credit societies have not provided a sound, healthy and dynamic rural credit system as visualised by the pioneers. The need for reorganising the existing rural credit structure cannot, therefore, be over-emphasised. The recent trend of Co-operative opinion is that, societies with wide jurisdiction and large membership, can command greater volume of business attract local doposits and provide facilities for quick disbursement of of loans to members, With a large turn-over aod consequent big income, such societies can afford to employ qualified paid staff. Though the rural credit societies have succeeded in providing short-term finance to the ryots, they have not taken to the supply of medium-turm finance required by the agriculturists for want of medium-term resources and due to their weak financial condition and inadequate equipment. While the rural credit societies are, admittedly the ideal agencies for dispensing shot-term financing to the agriculturists, it is apparent that, in their present set-up and condition, they cannot be expected to under take the provision of medium-term finance and to attract local deposits to any great extent. The Land Mortgage Banks, constituted as they are, are ill-suited to undertake the supply of medium-term finance to the ryots. It has, therefore been suggested that the existing pattern of agricultural co-operative credit machinery in this State might be reorganised in such a way that, while the agricultural credit societies and the primary land mortgage banks will continue to provide all the short-term and long-term credit respectively required bythe agriculturists, the dispensation of medium-term credit, viz. loans repayable after fifteen months and before 3 to 5 years, will be taken up by an intermediary agency called "Rural Co-operative Banks". The intention is that these rural co-operative bank should be formed for a group of villages on limited liability basis and that they should supply medium-term loans on mortgage security which will be their principal function. Funds for this purpose will be raised chiefly from the District Co-operative Central Bank or derived from the funds provided by the State Bank, the Reserve Bank of India, or the Central Goverument. They will not, however, be merely institutions dispensing medium-term credit. They should tap local deposits and open current accounts. Such deposits will be utilised for other kinds of business which these banks may, with advantage, undertake, such as the issue of produce loans, jewel loans, etc. The idea is that these rural banks should function as economic business units, designed as they are to obviate the weaknesses and deficiencies of the existing rural credit structure and their

objective will be to ensure the provision of cheap, efficient and prompt medium-term credit to the ryots, besides promoting thrift and banking habits among the villagers.

3. For the present, it is proposed to try this scheme for the organisation of rural co.operative banks only as an experimental measure, in one or two select centres in each Deputy Registrar's circle so that, after sufficient experience has been gained in their working and if the resultes achieved are encourrging, the question of extending the scheme to other areas may be considered. The salient features of the scheme are explained below :—

(i) To start with, one or two rural co-operative banks in select rural or semi-urban centres may be formed in each Deputy Registrar's circle. The centres selected, should be places with easy means of communication and transport. The areas covered by the Community Projects and the National Extension schemes will be suitable for trying the experiment in view of the popular enthusiasm stimulated by the community development schemes in operation, there. The areas to be selected should be in wet or deltaic tracts and there should be public spirited persons available who will take up the experiment with enthusiasm and work it successfully. The areas should also be such that it should be possible to raise sufficient deposits at reasonable rates of interest.

(ii) The area of operations of the proposed rural banks should be restricted to a limited number of contiguous villages, say about 10 villages within a radius of 3 to 5 miles. The villages should be bound together by social and economic ties and relationships; they should be free from factions and a harmonius and co-operative spirit should animate the people in the area.

(iii) The area of operations of these banks being wide, they cannot obviously function on unlimited liability basis. However, as a sudden transition from unlimited liability to limited liability is not altogether desirable, the rural banks may be started on "guaranteed liability basis" viz. instead of the liability being limited to the subscribed share capital of members, it may be extended to a certain multiple of their subscribed share capital say, five times, guaranteed by the members. An exemption from the provisions of Section 4 of the Madras Co-operative Societies Act will be necessary in this behalf and the Registrar will address Government on receipt of the final organisation proposals from the Deputy Registrars.

(iv) The authorised share capital of the bank may be fixed at Rs. 50,000 made up of 5,000 shares of Rs. 10 each. Every member should take atleast one share but no member shall ordinarily take more than 100 shares. Any member desiring to take more than 100 shares will be permitted to do so and the necessary exemption from Section 6 of the Madras Co-operative Societies Act will be obtained from Government. It is necessary that the bank should be assured of a minimum paid up share capital of Rs. 25,000 at the start.

(v) To provide adequate medium-term loan business, the bank should enrol about 500 members before it is started. As the members of the rural bank will be mostly members of the existing rural credit societies, a general or special order will be issued by the Registrar under rule XX of the rules framed under the Madras Co-operative Societies Act to the effect that members of rural credit societies in the jurisdiction of a rural bank, may become members of such a bank.

(vi) The rural bank should have provision to accept fixed deposits, savings deposits, current deposits, chit funds etc. The maximum credit limit of the bank will be fixed at 8 times the paid up share capital and reserve fund. It should educate members and non-members on the need for and the value of individual thrift and savings, provide convenient and safe facilities for investment and withdrawal of savings. There is no objection in bringing within its fold money-lenders of the area so that their capital may be available to it by way of deposits.

(vii) As already indicated above, the rural banks will, for the present, confine their main loan business to the disbursement of medium-term loans to their members. The medium-term funds required by them will be channelled to them by the Madras State Co-operative Bank through the Central Co-operative Banks. In addition to medium-term loans, they may undertake the issue of loans on the pledge of jewels and produce and other approved securities. Where possible, they may issue loans on the pledge of produce, provided there are adequate godown facilities for storing the produce pledged by borrowers. Where necessary and feasible, they may also undertake distribution of agricultural requisites, like chemical fertilisers or standardised implements in local demand, as subsidiary activities. The loans for medium-term purposes will be given on the mortgage security or on continuing mortgage bonds. As the loans will be disbursed on mortgage security there can be no risk in the Central

Banks financing the rural banks which will be on limited liability basis. The individual maximum credit limit for medium-term loans may be fixed at Rs. 80 for each share held by a member subject to maximum of Rs. 2,000. The Individual Maximum Borrowing Power for jewel loans may be fixed at Rs. 500 and subject to this limit, upto 60 per cent to 70 per cent of the market value of the gold or silver or buillion. If loans on the pledge of produce are given, they may be limited to 60 per cent of the market value of the produce pledged, subject to a maximum limit which may be laid down in the by-laws, with reference to local conditions. Provision may also be made for advancing loans to depositors upto 90 per cent the amount of fixed deposits held by them in the bank. Each bank is expected to transact loan business to the tune of Rs. 1 to 1½ lakhs in the early stage of its working.

(viii) It is necessary that the bank should be located in a proper place and in a pucca building with facilities for a strong room for keeping an iron safe in which pledged jewels etc. can be kept. To start with, a building can be hired; but the aim should be to own a building eventually.

(ix) As the bank is expected to operate almost on the same lines as an urban co-operative bank, undertaking banking business of various kinds, it is necessary that it should be manned by fully qualified and trained personnel. An experienced and qualified person should be appointed as full-time paid Secretary, with the requisite number of qualified, paid assistants. The Government will be approached to give the free services of a Senior Inspector of Co-operative Societies to work as Secretary of the bank for a period of 2 years.

(x) It is desirable that the banks should work with adequate margin, so as to enable them to maintain the necessary paid staff etc. For this purpose, the Central Banks will be persuaded to lend medium-term loans to rural banks at a rate not exceeding 3½ per cent per annum for a period of 3 years, so that the latter may disburse medium term-loans to their members, at a rate not exceeding 6½ per cent per annum,

(xi) The management of the rural banks will vest in a Board of Directors, consisting of one representative for each village or group of villages. The members of the first Board will be nominated by the Registrar for a period of 3 years. Representation may also be given on the Board of Management, to depositors, who are members of the

bank and a minimum fixed deposits of Rs. 2,000 may be insisted upon, as a qualification for such Directors.

4. The Registrar desires to put the scheme into effect as early as possible in one or two select centres in each Deputy Registrar's circle. The Officers should consult the central banks concerned in regard to the selection of centres as well as the other details regarding the formation of the banks. The Deputy Registrars should, for this purpose, conduct all preliminary investigations personally. Organisation may be taken up at once, if they are satisfied that there are reasonable chances for the successful working of the banks in the centres chosen. The model by-laws of limited liability credit societies with the latest amendments and with such modifications as may be necessary to incorporate the above suggestions, may be adopted for the proposed rural banks. Such minor variations as may be necessary with reference to local conditions may be made while framing the by-laws. The Registration of the banks, should however, be done, only after obtaining the prior permission of the Registrar. While submitting the organisation proposals, the Deputy Registrars should, among other matters, furnish the following particulars.

(i) Name of the Centre.

(ii) Number of villages proposed to be included in the area and the maximum distance of the villages from the proposed headquarters of the Bank.

(iii) Number of miles of radius within which the bank will operate.

(iv) the name of the headquaters of the bank.

(v) Is there a co-operative society already in the place (viz headquarters) and if so, how is it working.

(vi) Number of village societies now working in the villages proposed to be included and how they work.

(vii) Transport facilities in the area selected.

(viii) Facilities for building to locate the bank also godowns (places having village godowns-cum-community halls, may be selected)

(ix) Approximate amount of medium-term money likely to be needed for issuing loan and availability of local resources such as deposits etc. and the rate of interest at which they are available (indicate the extent to which deposits can be tapped).

(x) Whether local educated men are aviable for appointment as paid staff.

(xi) Availability of proper men to manage the bank.

(xii) Area under cultivation and nature of crops in the area.

(xiii) Probable turnover of loan business (1) medium-term loans, (2) produce loans (3) jewel loans.

(xiv) the extent of external financial assistance required by the bank by way of free services of a Senior Inspector and by way of subsidy to meet the cost of establishment and other contingent charges.

(This should be explained in detail, indicating how the bank cannot meet the expenditure out of the net income derived from its business).

5. The Deputy Registrars are requested to take up the matter atonce, proceed with the necessary enquires and organisation and submit their final proposals by 31-1-1955 positively. The Registrar expects that the officers will take a special interest in evolving a suitable scheme for the establishment of rural banks as envisaged in the circular atleast in one or two centres in their circle. He hopes that the Officers will not lack either initiative or enthusiasm to give this experiment a fair and honest trial; for, he believes that the establishment of rural bauks will go a long way to build up a sound medium-term credit system in the State.

A. Palaniappan,
Registrar

Edited and Published by Dr. P. Natesan, M.B., B.S., at M. S. C. Bank Buildings, Esplanade, Madras. Printed by Sri S. Sundaresan L.P.[illegible], at the Central Co-operative Printing Works, Ltd., 1/[illegible] Mount Road Madras –1400 12-54.