The Madras Journal of Co-operation

THE MADRAS STATE CO-OPERATIVE UNION

EACH FOR ALL & ALL FOR EACH

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Thought for the Month

STATE AND CO-OPERATION

That the role of the Government in relation to co-operative societies should be one of active helpfulness, intended to stimulate co-operative enterprise, to guide it and keep it on sound lines, without either attempting to compel or to replace local initiative or self-help.

The Government should in addition promote conditions under which co-operatives will thrive and develop. The attention of all Government Departments should be drawn to this aspect of Government policy.

F.A.O. Resolution, November, 1949.

Editorial Notes.

THE MADRAS COMMITTEE ON CO-OPERATION.

Co-operators may feel grateful to the Government of Madras for their decision to constitute an Expert Committee of Enquiry in order to probe into the working of the Movement and also to suggest measures for the consolidation and the strengthening of the Movement. According to the Government, three chief events—namely the World War II, the attainment of Independence and the partition of the Madras State had happened since the appointment of Vijayaraghavachariar Committee in 1939 and these events have had a profound effect on the Co-operative Movement. One of the tasks of the Committee, may be to examine how far these events have afforded the Co-operative Movement opportunities for progress and greater service and to assess the need for consolidating the progress made so far and also to provide safeguards against abuses creeping into the Movement.

The personnel of the Committee announced is reassuring and encouraging: Sri T. M. Narayanaswami Pillai has been appointed as the Chairman of the Committee. As the Hon'ble Minister has pointed out, Sri Narayanaswami Pillai's great and ripe experience of public administration, his spirit of enquiry and his judicial frame of mind and above all his genial temper, will not only contribute to the richness of the deliberations, but also to its pleasantness. The Committee is fortunate enough to get the services of a trained economist like Dr. Balakrishna, and also of the tried and veteran Co-operators like Dr. P. Natesan, Sri M. Shiva Rao, Sri T. M. Chinnaya Pillai, Sri Bhogaraju Venkatarathnam and Sri P. Vasu Menon. We are sure that the expert knowledge of Sri A. Palaniappa Mudaliar would be a great asset to the Committee. Thus richly equipped, the Committee is bound to impart to Co-operation, the radiance that it richly deserves.

The inauguration of the Committee's work was marked by a sweet cordiality, forthright frankness and an awareness of the immensity of the problems, which the Committee has been seized of. Welcoming the audience, Sri T. M. Narayanaswami Pillai referred to the three major tasks, which the Committee has to address itself—namely (1) the fixation of realisable targets in the Co-operative Sector to be achieved during the Plan period (2) the applicability of the idea of State-partnered Co-operation to the Madras context and

(3) the problem of misappropriations and defalcations to which certain Co-operatives have been exposed. With characteristic caution, Sri Pillai told the audience that the Committee would carefully examine each one of the issues and arrive at conclusions, which will strengthen the Movement and put it on a firm basis, so that Co-operation may become a powerful lever to raise the standard of living of the Common Man.

We hope with Sri A.B. Shetty, Minister for Co-operation that the Committee would consider the several problems of the Co-operative Movement, thoroughly and dispassionately and that as a result of its deliberations, the Committee would produce a valuable report which would be of special importance at this momentous period in the history of the Co-operative Movement in the Madras State.

CO-OPERATION AND THE MADRAS BUDGET.

The Finance Minister of the Madras has presented a deficit budget for the year 1955-56. The Budget Estimates for 1955-56 anticipate a revenue of Rs. 4,627 lakhs, on existing taxation and an expenditure of Rs. 4,958 lakhs, leaving a deficit of Rs. 331 lakhs. Part of the gap is sought to be closed by new taxation measures, the net yield of which is estimated to be Rs. 165 lakhs, leaving an uncovered deficit of Rs. 166 lakhs. Deficit budgeting has now become an accepted technique of financing development schemes and both the Central and State Governments are vying with one another in exploiting this technique. But we are told by no less an authority than Sri C. D. Deshmukh that various Economic Indicators point out the fact that deficit financing could be resorted to without undue risk. But there is one qualification; while deficit financing would be used as an instrument for securing the maximum development without injury to the stability of the economy, the public must be prepared to make the maximum contribution to current revenues. It is, perhaps, the latter logic that has been responsible for the new taxation measures, like the surcharge on land, sales-tax on tobacco etc.

Co-operation accounts for only Rs. 56,73,700 i.e. 0.018 per cent out of a total expenditure of Rs. 31,78,32, 400 under "Civil Administration." But on the other hand, Co-operation yields a revenue of Rs. 19,30,000 i.e. 0.06 per cent of the total revenue under "Civil Administration." This revenue is derived from Audit Fees, the grants from Handloom Cess Fund and other miscellaneous receipts. Analysing closely, the demand No. XX-Co-operation, we find that the sub-heads "Direction and Superintendence" account for Rs. 39.54 lakhs, (69.7%) while the sub-heads "Grants-in-aid and Development Schemes" account only for 17.20 lakhs (30.3%) of the total expenditure of Rs. 56.74 lakhs. We should like to plead for a greater provision for Co-operative Propaganda and Education under the Sub-Head "Grants-in-Aid."

The Budget indeed rings out new hope to Co-operation, more especially to the Cottage Industrial Co-operatives and the Handloom Co-operatives. We certainly welcome the sales-tax concessions given to the Cottage-industrial goods of the Co-operatives and the palm gur produced by Jaggery Co-operatives. These concessions will undoubtedly give considerable relief to a number of Cottage Industrial Societies. While a number of new commodities like onions, potatoes, betel leaves and plaintain-leaves have been added to the exemption list from Sales-tax, on the ground that they are perishables, it passeth our comprehension as to why, Milk, the most perishables of all perishables has not been included in this list. We have on several occasions emphasised the necessity for exempting milk-co-operatives from Sales-taxation. We would like to plead with the Government to reconsider their taxation proposals and exempt Milk from Sales-tax.

HANDLOOM WEEK

The Government of India has decided to celeberate the "Handloom Week" from 20th to 26th March 1955. Thanks to the assistance rendered to the weaver from the Handloom Cess Fund and the active encouragement of the State Government, the prospects of the Handloom Industry have been brightened up and the Industry has shown signs of improvement. The Weavers are able to get better wages and to find readier markets for their goods. The number of societies have increased from 556 in 1953 to 778 in 1954; Similarly the number of looms have also increased from 97,462 to 125,847 during the same period. The production has like wise registered an uptrend from Rs. 18 lakhs to Rs. 32 lakhs per month; The sales have also increased commensurately from Rs. 21 lakhs to Rs. 27 lakhs per month. These are encouraging facts and indicate a new tempo of activity.

It is but fitting that this new tempo should be kept up and if need be, even heightened by greater and more comprehensive measures of rehabilitation of the industry. The Consumer should be made aware of the great part he has to play in this nation-wide task of

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rehabilitation of a big Cottage Industry, which sustains millions of families. It is indeed a good augury that the Government have thought fit to initiate the "Handloom Week" Compaign. We appeal to all Co-operators to make this campaign a great success. Big Rallies, Processions and Public Meetings should be held throughout the length and breadth of the Madras State and the message of the handloom and its symbol "Co-optex" should resound in every nook and corner.

MILK DAY

This year the "Tamil New Years Day" shall be celebrated with a special emphasis. It will be celebrated as the "Milk Day". One of the symbols of bounty and prosperity in Tamil Nad has been the Milk. Poets like Nammalvar and Kambar had sung of the Country, where the well-fed cows would milk their way through from the abundant forests to their complacent homes. Such was the rich animal wealth of the Country; such it should be in future. With a view to focus the attention of the public on the need for a more scientific animal husbandry, better dairying, more Milk Co-operatives, a 'Drink More-Milk' Campaign is proposed to be celebrated. We appeal to all the Milk Co-operatives to celebrate the 14th April 1955 as the "Milk Day" by conducting Processions, Cattle-Shows and Propaganda Meetings. The Madras State Co-operative Union will bring out a special Souvenir of the "Madras Journal of Co-operation" on the occasion.

Co-operators are requested to make this celebration a great success.

SPECIAL ARTICLE

Report on the All-India Rural Credit Survey

SUMMARY

A—General

One of the series of reports on the All-India Rural Credit Survey has been published by the Reserve Bank of India. The survey was undertaken on the recommendation of an informal conference of co-operators, economists and administrators convened by Shri B. Rama Rau, Governor of the Reserve Bank, in 1951. The conduct of the Survey was entrusted by him to a small Committee of Direction. The Committee was asked not only to plan, organize and supervise the survey, but also to interpret its results and make recommendations. It consisted of Shri A.D. Gorwala (Chairman), Prof. D. R. Gadgil, Shri B. Venkatappiah and Dr. N.S.R. Sastry (Member-Secretary). In all, three volumes will be published: the Survey Report, the General Report and the Technical Report. What is now published is the General Report. It contains a detailed exposition of the problem of rural credit and sets out the Committee's recommendations. The remaining two volumes are expected to be published in the course of the next few months; meanwhile, apart from the General Report, a summary of the Survey Report is also available and can be obtained from the Reserve Bank by those interested. Copies of the General Report can be purchased from the Economic Adviser, Department of Research and Statistics, Reserve Bank of India, Bombay.

2. The Board of the Reserve Bank have yet to consider the Committee's proposals. They are expected to do so shortly and to communicate their views to the Government of India.

3. The General Report is divided into ten sections. Section I presents the background of the problem in some detail and lays special emphasis on the socio-economic features which have to be taken in account. Section II briefly analyses the problem and postulates the requirements which have to be satisfied for a solution to be regarded as adequate. In the light of such criteria, Sections III to VI provide a study of the working of each of the existing agencies of rural credit, private and institutional. Sections VII to IX contain the recommendations of the Committee, and, in conclusion, Section X refers briefly to the larger context of both problem and recommendations, namely a total task of national reconstruction which conforms

to the directives and aims at the objectives laid down by the constitution. The basic data relied upon are principally those collected during the survey from 1,27,343 families in 600 villages selected from 75 districts spread over different parts of India; but other material has also has been extensively drawn upon in the formulation of the Committee's recommendations.

B – Background, Objectives and Requirements

4. The Report recalls that out of nearly 36 crore people who inhabit India, about 30 crores—or five out of every six—live in the rural area. Some 70 per cent of the total population is either engaged in agriculture or is dependent on those so engaged. About half the national income is derived from agriculture, animal husbandry and allied activities. If the rural population is taken by itself, those who are sustained by agriculture—whether as earners or dependents, and whether as producers, labourers, or others—constitute more than 80 per cent of the total; and of the remaining 20 per cent, more than two-fifths find their livelihood in rural industries. India, therefore, is essentially rural India, and rural India is virtually the cultivator; or, if the last term may be enlarged, rural India is virtually the cultivator, the village handicraftsman and the agricultural labourer.

5. The First Five Year Plan lays considerable emphasis on increased agricultural production. The emphasis is likely to be even greater in future Plans. This will be rendered necessary by a fast growing population. On one computation which takes this factor into account, the mere maintenance of the current levels of consumption will necessitate a stepping up of agricultural productivity from 70 million tons in 1951 to 85 million tons in 1961 or an increase of 21 per cent. The dynamic programme of agricultural production that will be needed to achieve such an increase will not be possible without an equally dynamic programme of agricultural credit.

6. Large holdings, in India, are relatively few and are likely to be fewer as a result of the land policies which Government have adopted in pursuit of social ends. The medium and small cultivators, who now constitute about 70 per cent of the total, will become increasingly important as the persons whose needs have to be studied and borne in mind in the formulation of policies of agricultural credit and agricultural development. Medium and small holdings now account for about 41 per cent of the agricultural produce of the country; but, as large holdings give place to the not so large, more and more will the latter be significant even in terms of their share in

the total production. At the end of First Five Year Plan, the total cropped area will have increased by 100 lakh acres, but only a small part of this additional cropping will be on reclaimed land. With little new land left to be brought under cultivation, the increased production must for the greater part take place on holdings already cultivated; the modes of increase, in other words, must in the main be in the nature of more intensive utilization of land; they have to consist, for example, of better seed, more water, more fertiliser, better implements and better techniques of cultivation. All this will mean a considerable outlay in terms of finance and effort. Part of the cost, as in irrigation, will no doubt be borne by the State, but for the rest, most cultivators will have to be helped with credit to meet the initial and recurring expenditure needed for improvement of land and increase of production. This will be in addition to about Rs. 750 crores which the cultivator, at the present level of his production, may be said to be borrowing every year by way of short, medium and long-term loans.

7. By and large the cultivator is unable to put by, after each harvest, what he needs till the next, for farm business and family maintenance. His normal credit requirements during any year must therefore include both the elements of 'production' and 'comsumption'. He also borrows and spends, sometimes unduly, on marriages, funerals and the like. The smaller the holding he cultivates, the more, is his dependence on other forms of earning; the small cultivator, for example, has often to resort to carting or agricultural labour. For the cultivator generally whether his farming economy be small or medium or, in relative terms, even large there is great need of enlargement of the scope of his subsidiary occupations: these may, for instance, be either agro-industrial like the processing of paddy, sugarcane, cotton and groundnut, or of a 'mixed farming' type like dairying and the rearing of livestock in conjunction with the cultivation of land. Finally, of great importance in the economic life of the villager, whether or not he is a cultivator, is the non-farming sector of production represented by cottage industries. A satisfactory scheme of rural credit covers all these needs. Further, considering the problem against the background of the constitutional objectives, the socio-economic background of the Indian village, the pattern of short, medium and long-term requirements of credit, and the security which the bulk of the cultivators can normally offer, the re-organised system of institutional credit should fulfil the following requirements:

(a) It should be associated with the policies of the State, especially those which aim at larger rural production ;

(b) it should be an effective alternative to—though not necessarily a complete substitute for, the private agencies of credit ;

(c) it should have the strength of adequate resources and well trained personnel, as distinguished from the weakness which is the present characteristic of co-operative credit whether in finance, administration or supervision ;

(d) it should be in a position to coordinate its activities not only internally in relation to the different sectors pertaining to short-term, medium-term and long-term credit but also with complementary arrangements for marketing, processing and other economic activities of the cultivator; also, it should be in a position to co-ordinate its activities with those of the important institutional agencies, including Government, which are engaged in guiding the villager, improving his methods of cultivation, supervising his operations or educating him to avoid wasteful practices ;

(e) it should pay special attention to the needs of the medium and small cultivator, and should, therefore, be based on a type of security that, consistently with its adequacy from the point of the creditor, will enable as large a number of solvent producers as possible to use the facilities available through it. In other words, it should lend not merely on the security of land and other more usual forms of security but also on the security of anticipated crop ;

(f) it should disburse credit in a constructive way for the positive benefit of both producer and production ; it should therefore effectively supervise the use of the credit and constantly bear in mind the borrowers' legitimate needs and interests ; and

(g) it should be such that it helps in the effective growth and development, from the village upwards of the co-operative form of organisation.

8. With these considerations in mind, the Committee proceeds to examine the record of various credit agencies, private as well as State or State-associated, in order to assess past performance and future significance.

C—Record of Existing Credit Agencies

9. The following percentages give an indication of the extent to which the main agencies of rural credit contribute to the total borrowings of the cultivator :

Credit Agency	Proportion in the borrowings (per cent)
Government	3.3
Co-operatives	3.1
Commercial banks	0.9
Relatives	14.2
Landlords	1.5
Agriculturist moneylenders	24.9
Professional moneylenders	44.8
Traders and commission agents	5.5
Others	1.8
	100.0

What strikes the eye at once is the startling insignificance of co-operative credit in this picture. In quantitative terms, it is little more than 3 per cent of the total borrowings of the cultivator. That or worse is the position in many States. Nor is that all. For, what reaches the medium and small cultivator from the co-operative institutions is a mere fraction of the little that co-operatives provide. As a rule, the credit supplied by co-operatives tends to follow ownership of land ; it could be related to produce, if produce were channelled through co-operatives ; but co-operative marketing is itself ineffective and insignificant. Co-operative credit is more developed than co-operative marketing, but, even so, much the larger part of the cultivating population is still outside its ambit. There are large parts of the country which co-operation has not hitherto covered. Even in those areas to which it has extended, there are large sections of the agricultural population which still remain outside its membership ; and even in respect ot those who are members of co-operative credit societies, the large bulk of the credit requirements is met from sources other than co-operative. The magnitude of this three-fold inadequacy is such as to warrant from the quantitative, as distinguished from the qualitative, aspect only one judgement, namely, " failure " on the fifty-year record of the co-operative credit agency in this country. The data of the survey confirm that no other description of the record would be appropriate.

10 The only other type of institutional credit which is of some significance to the cultivator is that which is supplied by Government

the State Governments and the Central Government as TACCAVI advances, Grow More Food loans, etc. The whole of the agricultural finance derived from Government, however, is again of about the same volume as co-operative credit; that is to say, it too constitutes about 3 per cent of the total borrowings of the cultivator. But the record of taccavi, the Committee observes, is a record of "inadequacies".

(1) Inadequacy of amount, inequality of distribution and inappropriateness of security;

(2) inconvenience of timing, incidental delays and impositions of various kinds on the borrowers; and

(3) inefficiency of supervision and incompleteness of co-ordination.

Further, Government loans, like co-operative loans, are found on investigation to gravitate to the big and large landholder in preference to the medium or small farmer. Neither co-operatives nor Governments have adequate supervisory arrangements to ensure that such small accommodation as they give is utilised for productive purposes.

11. As direct financiers of the agriculturist, commercial banks are utterly negligible. They supply less than one per cent of the total; through indirectly, of course, much of the finance provided to traders by these banks percolates ultimately in some form or other to the cultivator. It is interesting to note that these institutions, including the Imperial Bank of India, are largely concentrated in the monetized and commercialized regions of the country. The less developed "subsistence" regions are generally neglected; in these areas credit is not only difficult to obtain, but is also very costly. Even the co-operative banks and other co-operative institutions are less developed in these areas.

12. For much the larger part of what he borrows, therefore, i.e., for the balance of about 94 per cent, the cultivator has to depend on private credit agencies. Apart from relatives, these include the moneylender, the trader, the landlord, etc. The moneylender and the trader between themselves lend more than 70 per cent of what the cultivator today borrows. The moneylender takes no account of purpose, and charges as high a rate of interest as he can. The trader lends on advances for production, but pays as low a price as he can. In the low economy or 'subsistence' areas, i.e., those which grow

little else but food for local consumption, the moneylender's operations assume special significance for the cultivator; the trader makes a more conspicuous appearance in the cash crop or commercialised areas, but here again it is the moneylender that predominates.

D—Basis of Future Policy

13. Summing up the position, the Committee observes of agricultural credit, as is supplied by the different agencies, that it falls short of the right quantity, is not of the right type, and, by the criterion of need (not over-looking the criterion of creditworthiness) often fails to go to the right people. This is the picture of to-day. But what about the future? Rural credit must be directed principally towards improved productivity; it must answer the long, medium as well as short-term needs; it must be supervised; it must be available to all who are credit-worthy and at a moderate rate of interest. In Indian conditions, it means reaching down to an enormous number of small farmers, making advances against the credit instruments and securities they can offer, and keeping an effective control over the use to which the credit is put. Obviously, in the village itself no form of credit organisation will be suitable except the co-operative society. Private credit, generally unsuitable, is wholly unsuitable in the context of planning for larger production; and institutional credit, which, in broad terms, is the only alternative, tends more than ever to confine itself to the bigger cultivators if it is not channelled through some co-operative form of association within the rural unit of operation. The problem of future policy thus presents itself as a two-fold consideration in the context of credit: Co-operation has failed, but Co-operation must succeed. According to the Committee, the foremost objective of the policy then becomes the positive and deliberate creation of conditions in which co-operative credit will have a reasonable chance of success. This makes it necessary to analyse the main causes of its failure.

E—Reasons for the Failure of Co-operative Credit

14. Many reasons are usually given, but not always in full realisation of the extent and nature of the failure of co-operative credit in India. Functional, structural and administrative defects, dearth of suitable personnel, lack of training, a background of illiteracy, the grave and chronic deficiency in roads, storage and other vital economic requirements—all these are relevant as part of the explanation. The main causes are much deeper. They are largely socio-economic in character and are related to certain fundamental weaknesses which

have developed in the rural structure. Some of the factors making for weakness, such as caste, have always been there; some of the weaknesses are inherent in most agricultural economics, specially those which consist of small units of operation together covering a vast area; but the features most significant in this context are those which have emerged from the combined impact of commercial colonialism, industrialisation and urbanisation on these pre-existing conditions. As a result of all the three has been imposed for nearly one hundred years, a powerful, urban and highly monetized economy on a rural structure which had economically been self-sufficient and which socially continued to be based on caste. In its origin, the monetised economy was associated with colonial commerce; the latter was supported by colonial rule and administration with such commerce and administration were associated big financial institutions such as banks and trading houses. In its development, this monetized economy derived strength and support from all these and in particular from the financial institutions which indeed were its accompaniment. The colonial rule underwent transformations; it became more and more beneficient in its objectives as well as more and more democratic in its character, till finally it gave place to full independence and democracy. However, the financial institutions associated with it or growing under its auspices have in character and functioning remained substantially unaltered. In their effect on the rural economy, in their relations to it and in their attitudes towards its real interests, there has been little change of any significance in the powerful institutions of industry, trade and finance.

F. Weakness of Rural Economy

15. The weakness of Rural economy may be regarded as of two kinds: (1) internal to the rural structure and (2) external to it. The internal weakness, in one of its main aspects, is relatable to those conditions in which alone it is possible for optimum wealth to be produced in rural areas. The factors here are social, economic, technological, educational, etc. They pertain to the size of the cultvating unit, the availability of irrigation and other facilities, the existence and scope of subsidiary occupations, the methods of cultivation pursued, the cultivator's attitudes towards production, his habits of thrift or wastefulness and the extent to which guidance is given him or action taken for his benefit in respect of all these. The external aspect is related to the maladjustment between the rural

structure and the forces of the urban economy. This maladjustment is strikingly obvious in relation to that part of the urban economy which is expressed in the financial mechanism which is basically urban. The components of this mechanism are many. There are the commercial banks and the whole superstructure of banking; the insurance companies and the investment trusts; the indigenous banker and the moneylender, whose operations, even if only indirectly and at some points, are nevertheless significantly geared to the commercial and central banking mechanism. There is also, in the same sector, the whole organisation of urban trade from the big trading firms and the commodity exchanges to the middlemen and the brokers, the private traders and the private markets, the latter both "regulated" and unregulated. This trading organization is also linked to the commercial and central banking mechanism. By and large, neither the banking system nor the trading organization operates in a way which is in the interests of the rural economy; and together they are much more powerful than any factor or combination of factors that can be internally marshalled from the rural economy itself.

16. The two aspects mentioned above are inter-related. The internal weakness, partly inherent in any agricultural economy but partly of a type which is characteristic of Indian conditions, prevents the cultivator from making use of the external mechanism of banking or deriving his due share of benefit from that of trading. The external mechanism itself, partly on account of its historical development and inherited attitudes, does not reach down to any except the top layer of the rural economy. It finds it cannot well do otherwise—that the rural economy is not so organised as to be a good business proposition for urban financial institutions. Meanwhile, through its very powerfulness it distorts those processes in the rural economy which stand for internal strength and cohesion. This distortion is caused partly by the very existence of a strong force alongside of a weak one and partly by the inter-penetration of the former into the area of the latter through moneylenders, traders, etc. This inter-penetration takes the form of the existence in the village itself and within the directorates and managements of rural associations and institutions, such as co-operative societies or village panchayats, of a strong element of leadership and influence which, in its interests and attitudes, is attuned not to the other and weaker classes of the rural population, but to the urban forces from which it derives its strength.

This element is in the forefront whether the village institution is a body nominated from above or elected from below. It consists of those who have certain types of advantages such as ownership of a big holding, or possession of relatively large resources together with the technique of lending them in the form of cash, or a certain degree of education, even if sometimes no more than such minimum knowledge of administration as enables communication with the outside world of financial power and official influence Any one of these and similar advantages—and quite often more than one exist in combination—gives the possessor a status in the village and a power for good or evil far out of proportion to the nature of the possession itself. This is almost wholly explained by the access which the possessor thereby obtains to the urban sector in which all the real power and influence and finance reside. Much attention has rightly been drawn by writers, publicists and committees to the Indian villager's social and educational backwardness, to his illiteracy on the one hand and to his caste-riddenness on the other. These are there and these have always been grave disadvantages. But the point is that they have acquired a new dimension of disadvantage in a context in which the enhanced power of a few operates in conjunction with the undiminished loyalties of caste. The total problem thus created is one which, today, the internal strength of the village is powerless to solve. This is so largely because of the totally disproportionate character of the other strength pitched against it ; a strength channelled down from the sources of power and finance.

17. The picture which thus emerges, with the internal and external elements pieced together, is one in which the failure of co-operative credit falls in place, especially that important aspect of the failure which consists in the relative neglect of the credit needs of the medium and the small cultivator and in the reluctance to enlarge membership or take on further responsibilities. At the same time, the utter inadequacy of the total operation becomes for its part explicable in the light of the unequal competition offered by the external mechanism of banking and, linked with it, the often unfair opposition—in addition to the wholly unequal competition—presented by the external organisation of trade. Apart from the competition and opposition are the ingrained, if impersonal, attitudes which characterize the larger part of the urban sector, administrative, financial or banking, in its relations with the rural area and the rural population. Lack of understanding and lack of sympathy, let

alone, a positive desire to help, are further and potent factors to be taken into account in explanation of the poverty of assistance which the rural institutions of credit have derived from the urban sources of finance.

18. Rural credit in India, therefore, is part of the larger and living context of India itself. It can neither be understood nor hoped to be solved except as part of such a context. As a felt difficulty its locale is the village, but both cause and remedy have to be sought in other places besides the village; in this sense it ceases to be merely 'rural'. As a felt need its form may be borrowing, but the need itself is an economic one, and therefore, part of a larger economic activity and purpose; in this sense it ceases to be a merely technical matter of 'credit'. Nor is that all. The context has to be further widened beyond the conventional limits of rural demography and rural economics. For, the activity and purpose which give rise to the need for credit, as well as the manner in which the need itself is satisfied, are conditioned by social background, social structure and social attitudes; and, though here again the immediate locale of all three is the village, the background is part of the larger socio-economic background of the country and of the historical factors underlying it; the structure relates itself to the organisation of the country's Government and of its more important financial and other institutions; and the attitudes derive strength or weakness according to the degree of their attunement to the more important social, economic and political groups who share between themselves all real power in the country. It, therefore, becomes relevant to take note of the fact that power and importance in India today reside predominantly in the towns and cities and capitals of the country; so that a search for remedies to the many problems of rural credit must necessarily lead one to reflect on urban institutions, urban groups and urban attitudes as they effect rural well-being.

19. The first objective of policy should, therefore, consist in undertaking the two-fold task of remedying the internal weakness and rectifying the external maladjustment of the rural structure. In this sense, the problem of rural credit becomes inseparable from that of the reorganization of the socio-economic structure of the Indian village itself; in other words, paradoxical as it may sound, the problem of rural credit in India is not primarily one of rural credit. Rather, it may be said to be one of rural minded credit.

20. In the view of the Committee the prescriptions for the reorganization of co-operative credit hitherto made or tried were in the nature of attempts to counteract the internal weakness of the credit structure without taking into account the weakness of the rural structure as a whole, much less its maladjustment to the external mechanism of urban trade and finance. Most reforms of the co-operative movement, attempted or effected, have therefore been in the nature of inevitably futile attempts to combine the weak against the strong in conditions in which the weak have had no chance. Thus, effort has been concentrated on thrift, better living, multipurpose, etc., without the prior preparation needed for correcting the maladjustment between the two economies. The area was cleared for a fight between the weak and the strong with the rules of the game heavily weighed in favour of the strong. The first task is to rectify this position, and enable co-operation properly to function. No criticism of that functioning is likely to be useful or fundamental unless those conditions are first created. Until then, all endeavour at reorganisation will imply the expectation that the socio-economic structure internal to the rural sector will itself create those conditions by co-operative combination, good business methods etc. That, however, is inherently impossible. No amount of small, administrative, functional or other changes can render co-operation able significantly to help itself. At the most, these changes will effect some small diminution of its very great inability to help itself. The multipurpose idea, for example, whether as at present, or extended in scope into rehabilitation, cannot, except in the context of a larger and more integrated organisation, help to bring about the needed results. Any other expectation would imply the assumption that if co-operation has failed in small things, it is only because it has not attempted bigger things. 'Better living' can only come as a later, not earlier, objective. Indian agriculture has often been distinguished from the mode of business which it is in many western countries and, in contrast, called 'a way of living'. The problem in this respect is to convert it first into a 'a way of making a living' and then into 'a way of achieving a better living'. Thus credit must be considered in conjunction with marketing, processing and allied economic activities. All these must go together. Bigger units are necessary. Optimum conditions must be created. These involve (1) finance, (2) flexibility of finance and (3) business technique. Above all, in these and other respects, the strength created must be such as to be

effective against the competition and opposition of private trade and other private interests. None of these can be had from the internal resources of the co-operative structure. The choice before Co-operation is, therefore, indefinitely to continue in various degrees to be unable to help itself or to be helped in order that eventually it may not only help itself but need no other outside help.

G—Essence of the Solution—State Partnership

21. In the opinion of the Committee, that initial help, if it is to be of the requisite magnitude and of a type which will enable the co-operative organisation to withstand the pressure of opposition of vested interests, can only come from the State. The manner of the help cannot be merely administrative. The State's way of help hitherto has been to over-administer and under-finance. But that is no remedy for a total problem which is one not of rural-minded credit alone but of rural-minded credit in conjunction with rural-minded development of agriculture and rural-minded organisation of marketing, processing, etc. The total programme needed is one of rural reorientation of the operative forces of the country's administrative and financial organisation. It implies a combination of rural conscience, rural will and rural direction. Such a combination strong enough to be an over-riding factor in the situation has to come from Government and the more powerful institutions of Government. In Co-operation, there is at present what may be described as a combination of the weak at the bottom. The State is or ought to be a combination for the weak at the top. An effective programme is possible only if the State at one end joins hands with co-operatives at the other in an effort to bring about the rural-mindedness which is essential to success.

22. Thus, through one important part of the Committee's recommendations runs the theme not only of State guidance and State aid, but also of the State partnership with co-operatives in credit, processing, marketing, etc. Since the operations of the banking mechanism as a whole have an important bearing on the first of these aspects, viz., co-operative credit, and the institutional development of storage and warehousing is organically connected with the second, viz., processing, marketing, etc., two other basic considerations which underlie different but connected parts of the Committee's recommendations are the need for positive State association with a defined sector of commercial banking and the need for State initiative and State participation in the creation of suitable institutional means for

the promotion of storage and warehousing on an all-India scale. For each of these purposes, the training of proper personnel is necessary. Another, and important, aspect of the solution has therefore to be a comprehensive all-India programme for the training of appropriate personnel at all levels.

H—Integrated Scheme of Rural Credit

23. The integrated scheme of reorganisation of rural credit proposed by the Committee follows directly from this analysis, and is based on three fundamental principles of (a) State partnership at different levels, (b) full co-ordination between credit and other economic activities, and (c) administration through fully trained and efficient personnel, responsive to the needs of the rural people. The main features of the scheme are as follows:

(1) Credit

State partnership, including financial partnership, in co-operative rural credit in order that such credit may not only be expanded and strengthened, but expanded and strengthened for the positive purpose of production and for the positive benefit of the rural producer.

(2) Processing, Marketing, Storage and Warehousing

State partnership, including financial partnership, for the benefit of the rural producer, in a programme for the organisation of processing and marketing on a co-operative basis and for the development of storage and warehousing. The proposals in this connection include the creation of a National Co-operative Development and Warehousing Board, an All-India Warehousing Corporation and several State Warehousing Companies.

(3) Other Economic Activities

State partnership, including financial partnership, for the benefit of the rural producer, in a programme for the organisation on a co-operative basis of such of the other economic activities of the village as are of importance to him as cultivator, agricultural labourer or handicraftsman, such activities to include farming, irrigation, provision of seed and manure, transport, fisheries, dairying, livestock-breeding and cottage industries.

(4) Commercial Banking

Integration of, and the State's financial participation in, an important sector of commercial banking in order that the State-partnered, country-wide banking institution so formed may, among

other things, be charged with and carry out the positive duty of endeavouring to do its best to help the development of rural and co-operative banking. It will be expected to discharge this duty by the several means open to it including, principally, the effecting of arrangements for the readier and cheaper remittance of money, especially in relation to the relatively undeveloped areas which have been neglected by commercial banks and in which, without such facilities, no development of rural or co-operative banking is possible. (It has been proposed that the institution thus created should be called the State Bank of India).

(5) Training

Recognition of the importance of training a new type of personnel altogether, which is not only technically qualified, but is also in its sympathies and attitudes rurally biassed in order that the new functions devolving on the State by reason of the above may be discharged both efficiently and for the benefit of the rural population.

(6) Limitations on State-partnership and State Intervention

Recognition of the need so to design the extent and manner of State-partnership as to ensure that, while responsiveness to the new policies is effectively created, every precaution is taken to safeguard the essential character of the institution in which such participation takes place and nothing is done such as may lead to State interference in its day-to-day working; recognition, further, so far as co-operative credit and co-operative economic activity are concerned, of the need so to regulate the extent of the State-partnership at different levels as (*a*) at the rural base to leave scope for the societies to become fully "Co-operative", within a measurable period, by the process of themselves replacing the State part of the share capital and (*b*) at the higher levels to retain what may be described as the major partnership of the State until such time, however, long, as may be required in the interests of the co-operative organisation at the rural base which, before it develops sufficient strength, and for the purpose of developing such strength, will need, against the competition and opposition of private vested interests, and for various other reasons, a support which is at once powerful sympathetic, financially adequate and technically competent.

(7) Finance and Funds

The Committee has proposed the institution of certain funds for the orderly financing of the reorganisation proposed. These are—

(i) Under the Reserve Bank

(*a*) The National Agricultural Credit (Long-term operations) Fund.

—Rs. 5 crores annually besides an initial non-recurring contribution of 5 crores.

(*b*) The National Agricultural Credit (Stabilization) Fund—Rs. 1 crore annually.

(ii) Under the Ministry of Food and Agriculture

The National Agricultural Credit (Relief and Guarantee) Fund—Rs. 1 crore annnally.

(iii) Under the National Co-operative Development and Warehousing Board

(*a*) The National Co-operative Development Fund.

(*b*) The National Warehousing Development Fund—Rs. 5 crores annually to be divided between (*a*) and (*b*), besides initial non-recurring contribution of 5 crores to (*b*).

(iv) Under the State Bank of India

The Integration and Development Fund.

(v) Under the State Government

(*a*) The State Agricultural Credit (Relief and Guarantee) Fund.

(*b*) The State Co-operative Development Fund.

(vi) Under each State Co-operative Bank, Central Co-operative Bank

The Agricultural Credit (Stabilization) Fund.

Of these funds, the five national funds are of special importance. It has been proposed that the allotments for these may be reviewed after a period of five years.

I.—Recommendations in Detail

24. The principal recommendations of the Committee are summarized below under the various heads of development and the agencies to be charged with their implementation,

I. Development of Co-operative Credit.

(i) Rererve Bank

(i) The Reserve Bank of India should collaborate with the State Government in drawing up plans for the co-ordination and reorganisation of co-operative credit institutions on the lines recommended.

For this purpose, the Reserve Bank should be statutorily empowered to make long-term loans to State Governments. It should make these loans, as and when necessary and on suitable terms, in order that the State Government may, directly or indirectly participate in the share capital of state co-operative banks, central co-operative banks, larger-sized primary credit societies, central land mortgage banks, primary land mortgage banks, etc. The loans may be made from the National Agricultural Credit (Long-term operations) Fund.

(ii) The Reserve Bank should continue to give short-term accommodation on the guarantee of the State Government, through state co-operative banks. It should also give medium-term loans (of periods ranging from 15 months to 5 years) to state co-operative banks and through them to central co-operative banks or societies. The present overall limit of 5 crores should be removed as well as the restriction relatable to the owned funds of state co-operative banks; the limit should be set by the Reserve Bank's overall appreciation of the financial position of the state co-operative bank, central co-operative bank, etc., to which it lends.

(iii) The Reserve Bank should be enabled to give long-term accommodation (i.e., accommodation for periods exceeding 5 years) to land mortgage banks (*a*) by way of direct loans and (*b*) by purchase of the whole or part of 'special development debentures' of the land mortgage banks. It may do so by drawing upon the National Agricultural Credit (Long-term Operations) Fund. This type of operation, however, will be distinct from that of the normal purchase of 'marketable' debentures as part of the Bank's ordinary operations and in pursuance of its existing policies. In all these cases, both principal and interest should be guaranteed by the State Government.

(iv) The National Agricultural Credit (Stabilization) Fund is to be utilised for the purpose of granting medium-term loans to state co-operative banks, etc., in circumstances in which the Reserve Bank is satisfied that any of its short-term loans to them of which repayment has become due cannot, without serious dislocation to the co-operative structure of the State, be repaid in time on account of famine, drought, etc., and consequently that repayment of such loans, or part thereof, may justifiably be allowed to be deferred. In such a case, a book adjustment will be made between the stabilization fund and the Banking Department of the Reserve Bank; the short-term loan will be technically treated as repaid but in effect converted into medium-term loan from the Reserve Bank's Stabilization Fund. The Reserve Bank may make this facility conditional—on the state co-operative bank concerned maintaining a similar Agricultural Credit Stabilization Fund; the same condition may be made applicable to central co-operative banks and, where feasible, to the larger-sized primary societies; the Reserve Bank may further insist that part of the overdue liability should be met from the Stabilization Fund kept within the co-operative credit structure itself.

(v) The operation of these funds, and the planning and execution (within the Reserve Bank's own sphere) of the programme and policies for which they are intended to be utilised, should remain the responsibility of the Reserve Bank and its Board, in their normal functioning, and should not be vested in a separate body, statutory or other. The Agricultural Credit Department of the Reserve Bank should be reorganised and strengthened for the purpose of discharging adequately the additional responsibilities placed on the Bank in in this context. The Standing Advisory Committee of the Reserve Bank should be continued, though as a smaller expert body. At the same time, there should be an Advisory Council which is representative of the appropriate interests on a nation-wide basis. This Council should be common to the Reserve Bank and the Ministry of Food and Agriculture, including the National Co-operative Development and Warehousing Board.

(2) Central Government

The Ministry of Food and Agriculture should utilise the National Agricultural Credit (Relief and Guarantee) Fund in order to give grants, by way of relief, to co-operative credit institutions, through the State Governments concerned, for the purpose of writing off irrecoverable arrears, where these have assumed a magnitude which threatens the stability of the structure and provided that the Ministry is satisfied that such arrears have arisen from causes, such as widespread or chronic famine, beyond the control of the co-operative institutions concerned. Relief from this fund may be conditional on the State Government making a stipulated contribution, for the same purposé, from a corresponding Agricultural Credit (Relief and Guarantee) Fund maintained by it.

(3) State Governments

(i) The State Governments will be responsible for the implementation of planned programmes of credit development which will be drawn up in consultation with the Reserve Bank.

(ii) TACCAVI and similar agricultural loans from State Governments, and Central Government Funds, if any, channelled through State Governments, should (subject to the following exceptions) be strictly limited to 'distress' finance, to meet contingencies such as famine, scarcity, etc. The exceptions are as follows :—

(*a*) where co-operative credit institutions are yet to be developed and purely as a transitional arrangement, taccavi may continue to be given for productive purposes. But in all such cases co-operative institutions should be sought to be promoted as early as possible.

(*b*) Special credit arrangements may be made for certain areas or for certain classes of people. The former would include areas which are markedly undeveloped in the economic aspect (e.g. regions of chronic famine) or in both social and economic aspects (e.g., areas inhabited by backward tribes). The latter would comprise economically backward occupational classes for whose benefit special policies of rehabilitation are adopted.

(4) The Co-operative Movement

(i) Structure and Personnel

(*a*) A phased programme for the reorganisation of co-operative credit institutions at all levels should be drawn up by the State Government in consultation with the Reserve Bank.

(*b*) The reorganisation should be on the basis of major State partnership. Such State partnership should continue to be 'major' for an indefinite period at the apex and district levels. It will be so for a more limited period at the primary level. State participation will be direct at the apex level and indirect at the district and primary levels, i.e. through the state co-operative bank in the case of central banks, and through the state and central co-operative banks in the case of larger-sized primary credit societies.

(*c*) Trained personnel for the key posts of credit institutions at the higher levels, and where feasible also of the larger-sized primary societies, should be 'deputed' to these institutions, wherever that is necessary and suitable, from cadres instituted either by the state co-operative bank (if sufficiently strong and developed) or by the State Government. (For marketing, etc., as distinguished from credit, this function of providing technical personnel will necessarily devolve on State Governments and not on state co-operative banks). The State

Government's Co-operative Service may, in suitable cases, be re-organised in two broad divisions: (*a*) administrative and (*b*) technical. There would thus be a State Co-operative Administrative Service (Class I and Class II) and a Subordinate Co-operative Service (Administrative); as also a State Co-operative Technical Service (Class I and Class II) and a Subordinate Co-operative Service (Technical).

(*d*) There should be co-ordination of the maximum possible extent between the short-term and long-term parts of the credit structure. While remaining legally and financially distinct from each other, state co-operative banks and central land mortgage banks should have a common administrative staff and, if possible, a common board of directors; where the latter is not feasible, there should at least be some directors common to the two boards.

(*e*) One of the main lines of future development of the primary credit structure should be in the direction of organising larger-sized societies with limited liability.

(*f*) Complementary to the recommended establishment of a National Agricultural Credit (Stabilization) Fund in the Reserve Bank, individual Agricultural Credit Stabilization Funds should be instituted by state co-operative banks and central co-operative banks and, wherever possible, also by larger-sized primary credit societies.

(ii) Operations and Supervision

(*a*) The basis for short-term credit should be the system of 'crop loans'—a system which concentrates on loans for productive purposes; provides short-term loans on the basis that a crop is anticipated, not that a title exists; relates such loans in amount to the estimated outlay on raising the crop; and, as and when the crop is sold, recovers the loans from the proceeds of the sale. It is proposed that the loans should, to the maximum extent possible, be disbursed in kind.

(*b*) The subsistance needs of the agricultural producer—as distinguished from specific 'consumption' needs—should be met, as part of normal agricultural credit requirements, by the primary credit society. For credit needs connected with specific items of consumption (such as marriages and illnesses), a 'chit fund' may be incorporated within the framework of the larger-sized primary credit society. The membership of the chit fund may be wider than that of the society and may include, not only the cultivators, but also the agricultural labourers, and the handicraftsmen and artisans of the village.

(*c*) Medium-term loans (fiteen months to five years) should be provided by the short term structure of co-operative credit; in this context, special attention should be paid to loans for the purchase of livestock. The making of long-term loans should be the responsibility of land mortgage banks; these should be established (or re-organised) in different States.

(*d*) At the district level, the central bank or the branch of the apex bank should have a 'section' for dealing with long-term credit on an agency basis. This 'section' may be converted into a branch of the central land mortgage bank in course of time. Eventually, primary land mortgage banks should be formed.

(*e*) Loans of land mortgage banks should be primarily for productive purposes. Different types of aid and accommodation from Government and the Reserve Bank are envisaged. The floatation of 'rural debentures' is among the various changes recommended in system and procedure.

(*f*) Supervision of societies should be a function of the apex and central banks: audit, along with general administration, should continue to be the responsibility of the State Government.

II. Development of (1) Co-operative Economic Activity, especially Marketing and Processing and (2) Storage, Warehousing and Distribution.

(1) Co-operative Economic Activity especially Marketing and Processing.

(i) The National Co-operative Development and Warehousing Board should from its National Co-operative Development Fund, make long-term loans, on suitable terms to State Governments to enable the latter to participate in the share capital of co-operative societies when undertaking such activities as processing, marketing, dairying, etc.

(ii) The State Governments

The responsibility for strengthening the administration, for providing the necessary technical services and generally for implementing a planned programme in respect of the development of co-operative processing, co-operative marketing etc., will of course primarily vest in the State Government.

(iii) The Co-operative Movement

(*a*) Co-operative societies for marketing, processing, dairying etc., may be organised in conformity with a plan drawn up by the State Governments in conjunction with the National Co-operative Development and Warehousing Board. The organisation of the societies should be on the basis of major State-partnership. Trained technical personnel for these purposes should be provided by the State Government.

(*b*) Extension and development of Co-operative marketing societies at the primary level and at the other levels to the extent necessary to support the primary structure, is envisaged. The programme should be vigorously pursued; but, to start with, societies should be organised at selected places after adequate preliminary consideration and preparation, with a view to complete success being assured at the important initial stage of development. This also applied to societies for processing and other important economic activities.

(*c*) It is necessary to ensure by positive State supervision, that every marketing society at the primary level is so composed and organised and its affairs so conducted that the medium cultivator certainly, and the smaller cultivator wherever possible, is effectively represented in the organisation and his interests adequately looked after by those in charge of it.

(*d*) Wherever a regulated market exists in the area of operations of a primary marketing society, the local marketing society (as also the local co-operative banking organisation, if any), should have the right to nominate one or two of its members on the Market Committee; where the regulated market happens to be managed by the All-India Warehousing Corporation or the State Warehousing Company, this right would be exercised in relation to the Advisory Committee formed to assist the officer of the Company or the Corporation.

(*e*) In regard to marketing societies (also processing and similar societies), there should be compulsory additional contributions to share capital, the amount of contribution being related to the turnover of a member's sales through that society or to the size of the loan taken by the member (from, for example, a credit society with which the operations of the marketing or processing society are co-ordinated).

(*f*) As a rule, there should be no compulsory acquisition of processing plants for the purpose of entrusting them to co-operatives but, where members of a co-operative society or persons prepared to form themselves into a co-operative society offer to subscribe not

less than 30 per cent of the share capital, the State Government may, after notification, compulsorily acquire the concern for this purpose.

(*g*) State Governments should take steps for licensing all plants, factories and mills (other than at the cottage industry level) engaged in the processing of agricultural commodities or in related activities and meanwhile promote, as soon as possible, such legislation as may be necessary for the purpose. Before issuing a new licence in any particular area Government should ascertain whether any existing co-operative society, or one likely to be formed, is both willing and in a position to take up the work. In that event, the licence should be issued to the society and not to the private party.

(2) Storage, Warehousing and Distribution

(i) The National Co-operative Development and Warehousing Board should be in charge of two distinct, but organisationally inter-related, lines of development concerned with storage and warehousing on the one hand, and distribution on the other, the distribution pertaining to the basic requirements of the cultivator (a) as producer and (b) as consumer. It should plan and finance such activities by granting loans, subsidies, etc., drawing for this purpose on the National Warehousing Development Fund. Another use for this Fund will be to enable the Board to subscribe to the share capital of the All-India Warehousing Corporation besides enabling the latter, as well as State Governments, in their turn, to subscribe to the share capital of State Warehousing Companies. Lastly, the State Warehousing Companies can themselves contribute to the share capital of co-operative marketing societies, etc., which take up the provision of storage or warehousing as one of their primary functions.

(ii) The All-India Warehousing Corporation should be in charge of the development of storage and warehousing at centres of All-India importance.

(iii) The State Warehousing Companies, formed by joint contribution to the share capital by the All-India Warehousing Corporation and the State Governments concerned, should be in charge of the development of storage and warehousing at centres of importance at the State or district levels.

(iv) The management of the regulated markets, if any, at centres to which the All-India Warehousing Corporation or the State Warehousing Company has extended its operations should be statutorily entrusted to that institution. A local Advisory Committee may be appointed to assist the officer of the institution at such places.

(v) The co-operative organisation will be concerned with the development of storage and warehousing in the interior of the district, e g., in smaller towns, especially if such towns happen to be marketing centres. The picture will be complete if societies in the bigger villages will also each build their own godowns, seed stores and so on, in exercise of their multi-purpose functions.

(vi) At all the levels mentioned above, godowns and warehouses may also be used for the purpose of distribution of commodities such as fertilisers, etc., as also articles of basic use to the cultivators such as sugar, kerosine and matches. Such distribution should be done on an "agency" basis, *i.e.* without trading risk to the Corporation, Company or Society.

(vii) There will ordinarily be no compulsory acquisition of godowns and warehouses for the purpose of entrusting them to the All-India Warehousing Corporation or a State Warehousing Company or a co-operative society; where, however, a godown or a warehouse is situated at a regulated market or other place notified in this context, the acquisition may be compulsory, but on payment of compensation etc.

III. Development of Rural and Co-operative Banking Facilities.

These facilities will be provided principally by the State Bank of India. The object of the Committee is the creation of one strong, integrated, State-sponsored, State-partnered commercial banking institution with an effective machinery of branches spread over the whole country, which, by further expansion can be put in a position to take over cash work from non-banking treasuries and sub-treasuries, provide vastly extended remittance facilities for co-operative and other banks, thus stimulating the further establishment of such banks, and, generally, follow a policy of advances—including advances for agricultural purposes—which, while not deviating from the canons of sound business, will be in effective consonance with national policies as expressed through the Central Government and Reserve Bank.

(i) The State Bank of India should be formed by the statutory amalgamation of the Imperial Bank of India and the other State-associated banks, namely, the State Bank of Saurashtra, the Bank of

Patiala, the Bank of Bikaner, the Bank of Jaipur, the Bank of Rajasthan, the Bank of Indore, the Bank of Baroda, the Bank of Mysore, the Hyderabad State Bank, and the Travancore Bank, (together with a few minor banks) the share capital of the new institution should be expanded, and the additional shares allotted (on the basis of non transferability and restricted dividend) to the Government of India and the Reserve Bank; in addition, the Government of India should also take over certain shares now held by State Governments; together, the Central Government and the Reserve Bank should hold a majority of votes in the State Bank. The Committee has suggested that the composition of the share capital of the new institution should be such that the Government of India and the Reserve Bank will together hold 52 per cent of the share capital and of the votes.

(ii) A majority of the Directors of the Central Board of the State Bank should be nominated by the Central Government and the Reserve Bank. The Chairman should be appointed by the Government after consultation with the Board. The appointment or removal of the Managing Director and the Deputy Managing Director should be subject to the approval of Government.

(iii) There should be six Local Committees, one each for six suitable areas into which the jurisdiction of the Bank should be divided. The Chairman and a majority of members of the Local Committees should be nominated by the Central Board.

(iv) The State Bank of India should pursue a large and expeditious programme of branch extension to and beyond the district headquarter places.

(v) The dividend on the share held by Government and the Reserve Bank which should not exceed 5 per cent should be credited to an 'Integration and Development Fund' to be established within the State Bank itself. The losses, if any, beyond the agreed level, on the opening of new branches should be met out of this fund, as also certain expenses consequent on the establishment of the Bank. It has been suggested that an initial contribution of Rs. 50 lakhs and subsequent ad hoc contributions (as and when necessary) should also be made to the Fund by Government and the Reserve Bank.

(vi) It will be expected of the State Bank of India to be responsive to the needs of co-operative institutions connected with credit, marketing and processing. The branch expansion of the State Bank of India should be co-ordinated and, wherever possible, positively associated with the development of co-operative credit. Particular attention to this aspect should be given at the 'subdivisional' level.

IV. DEVELOPMENT OF FACILITIES FOR THE TRAINING OF PERSONNEL.

(i) The Central Committee for Co-operative Training which is already taking steps to organise co-operative training on a country-wide basis (a) by establishing regional centres for intermediate personnel (besides the All-India Centre at Poona for higher and intermediate personnel) and (b) by improving the training facilities for subordinate personnel in collaboration with State Governments should (to the extent required) be placed in possession of large funds by the Government of India and the Reserve Bank in order that it may further enlarge the scope and expand the coverage of its training facilities.

(ii) The training facilities should cover all the levels of training, and all personnel whether departmental or institutional. In particular, attention should be paid to banking, marketing and industrial co-operatives, as also to administration, supervision and audit.

(iii) The training facilities should be co-ordinated with the needs of the personnel of community projects and extension blocks.

(iv) In organising such training, the Central Committee should take full account of the need to train a new type of official who will be responsive to rural needs, besides possessing the necessary background of training.

J.—Miscellaneous Suggestions and Observations

(1) Role of Private Agencies.

25. As the whole object of the Committee's scheme is to attempt to develop and strengthen a State-partnered co-operative banking structure so as to provide an effective institutional alternative, and therefore, a rival to the moneylender, and thereby direct his energies and resources to activities, more useful from the point of view of the cultivator, the Committee has not assigned any place to the private moneylender in the scheme. A hope is, however, expressed that the private moneylender as well as the trader, indigenous banker and the commercial banks (other than State Bank of India) will, in their individual degrees, supplement the integrated scheme of rural credit, though not finding place in the

scheme itself. The commercial banks, in particular, will be enabled, through the provision of a wide network of godowns and warehouses, to make credit available for agriculture on a much larger scale than hitherto.

(2) Rural Savings

The Committee has observed that the proportion of rural families who were in surplus and had, therefore, financial investment to report was significantly low; so also was the size of the investment. During the survey year, investment in the form of shares, deposits, etc. from owned resources amounted, on an average to less than Rs. 4 per family, barring 2 regions, where it ranged around Rs. 10 per family. It was noticed that the substantial proportion of the total expenditure on such items of financial investment (which need not be regarded as being required for meeting current capital or other needs, whether of production or consumption) was, as a rule, accounted for by the top-most decile of the cultivators. For these big cultivators, the relevant proportion ranged from 40 per cent to 90 per cent in most regions whereas the medium cultivators accounted for less than 20 per cent and the small cultivators for hardly 5 per cent. The position was similar in regard to fund estimated to have been invested by rural families in lendings. On the other hand, many cultivators had unfulfilled credit needs of various degrees in connection with expenditure on farm development. These requirements amounted to about Rs. 1,300 per family for the top 50 per cent of the cultivators and about Rs. 800 per family for the other half. Among the more important purposes for which the unavailable credit was stated to be required were increase of the size of holding, digging of wells and purchase of bullocks. Form the data available to it, the Committee has concluded that

(*a*) the need to make rural savings possible is much more than to render rural savings available;

(*b*) to the extent they exist, rural savings are most likely to be rendered available where most seen to be used for rural needs; and

(*c*) rural savings fall so short of rural needs, that they must be supplemented from, not diverted to, urban areas.

The Committee has suggested that Government loans should be designed to mobilise savings from urban and semi-urban areas rather than from rural areas. These latter should be left to be drawn upon by the land mortgage banks and co-operative societies. According to the Committee, there are four specific ways in which the Primary Credit Societies, the Central Banks, the Central Land Mortgage Banks and the marketing, processing and other societies should be able to mobilise rural savings on a much larger scale than hitherto, viz., by the promotion of chit funds, retirement of Government capital in co-operative banks, etc., development of co-operative marketing, processing and other forms of economic activity and by issue of co-operative debentures of land mortgage banks. The Committee recommends that rural debentures issued by land mortgage banks should, as far as possible, be for specific projects of development in which the villager is interested in different degrees, and should be issued at the time of harvest and sale of crop. In regard to the period of repayment, these debentures should be so designed as to suit the requirements of the rural investor. The Committee considers that any extension of the experiment of mobile banks should be restricted to areas which present no near prospect of development in the sphere of co-operative credit. A mobile bank in any area should be allowed to function only on the condition that the commercial bank concerned undertakes to advance, for agriculture and allied purposes, amounts not less than the deposits it collects from that area.

(3) Debt and Tenancy Legislation

The Committee accepts the social desirability of the different types of legislation of importance to rural credit, viz., debt relief, moneylending, tenure and tenancy, but it considers that the curtailment of private credit, whether from the moneylenders or the land. lords, is implicit in these measures. Complementary to the desirability, therefore, is the need that is seldom recognised: the need for large-scale development of institutional credit, co-operative or state-sponsored. Social change of the kind that is being legislated for will not come and hitherto has not come without corresponding dislocation in the particular sectors of reform as its accompaniment. Even as it is desirable to provide for the change, so also is it necessary to provide against the dislocation. Again, between the need to make the cultivators' rights in land inalienable for reasons of social policy and the need to make them inalienable so as to facilitate the obtaining of credit, specially long term credit, a certain degree of conflict is inherent in the development. Here also, therefore, social desirability is accompanied by complementary needs,

one of which is the need for a change in the present emphasis which institutional credit of all types-short-term, medium-term and long-term-lays on ownership. In regard to some of the types, for example, there might have to be a shift of emphasis from ownership to productive capacity-from land to produce from land-as the basis of credit, and from dependence on eventual sale of land to dependence on effective supervision of operations as basis of recovery of credit.

In regard to the control of the activities of the moneylender, while the Committee generally supports the recommendations of the Agricultural Finance Sub-Committee, it considers that the rates of interest prescribed in the different States should be reviewed in a realistic manner. It also recommends a review of the arrangements for the enforcement of the moneylending legislation by provision of adequate supervisory staff, perferably under the Registrar of Co-operative Societies.

(4) Stabilisation of Agricultural Prices

One of the assumptions made by the Committee and one which underlies its recommendations is that Government's price policies will be such as to ensure the stability of agricultural earnings and therefore the stability of agricultural credit. It is pointed out that, if the need for price support should arise, there will have been established, in pursuance of one set of its recommendations, an important instrument of policy in the form of a widespread network of godowns and warehouses (together with an organised structure of co-operative processing and marketing) at various points in the country, strategic for the purchase and storage of foodgrains. This machinery will also be of great importance in the reverse contingency of a policy of price control. To the extent that Government decides to seek to influence agricultural prices in either direction by itself entering the market on a large scale, the first and most important step in the operation is the purchase of the produce of the cultivator. If the context is price support, the purchase is at a guaranteed minimum price; if it is price control, the purchase is at a prescribed maximum price. In either case, obviously, there has to be an adequate administrative machinery; but there will also be needed the sheer physical accommodation for storage of grain all over the country. The warehousing organisation proposed, designed as it is to develop such accommodation as also to co-ordinate it between the All-India, State and villages level, will have in its possession the physical storage; further, it will make available an extensive body of trained personnel for custody of the produce and for its grading and valuation.

(5) Fordward Markets

The Committee recommends that an adequate enquiry should be conducted for ascertaining—

(i) the extent to which damage, if any, is caused by these institutions to the interests of the rural producer; and if the damage is appreciable, what measures are needed to prevent it; and

(ii) whether these institutions can be so reorganised and controlled as not not to do harm to the cultivator (if that is the present position) but to be of positive benefit to him, in the context, specially of his economic activities being organised under State-partnership in the manner recommended by the Committee.

(6) Famine Funds

Since credit forms part of the much larger problem that presents itself in the context of widespread rural distress and economic dislocation caused by famine, flood, etc., the Committee suggests an investigation into the need (i) for increasing the State Famine Funds, (ii) instituting such funds in States which have not hitherto established them and above all (iii) for the institution of on adequate Central Famine Fund in order that individual States may be helped by loans etc., to tide over the difficulties created by any acute or recurring conditions of famine or scarcity, or some grave disaster such as a severe and extensive flood.

(7) Village Roads

Deplorably absent as a rule, and deplorably bad if and when present, these communications, absent and present alike, are most diplorable when considered as the hiatus which they in fact represent between field and market. The Committee suggests the allocation of much larger funds and diversion of a large effort to the improvement of village roads, and, in particular, the allotment of a high priority to those communications which connect the villages to their marketing centres. A review is also suggested of the transport conditions—rail, bus, steamer, etc.,—and of the charges now made by the transport agencies from the point of view of the rural producer.

(8) Finance for Rural Industries

While recognising that there are certain difficulties which are special to cottage industries, as distinguished from agriculture, the Committee hazards the opinion that the problem of organising such industries on co-operative lines—a suggestion generally made—will have in many respects a parallel in the problem of organising agricultural credit and agricultural economic activities on co-operative basis. It, therefore, takes the view that Central and State Covernments and such bodies as the All-India Handloom Board, All-India Khadi and Village Industries Board might think in terms of active partnership in finance and State participation in organisation of these industries, as distinguished from a programme confined to loans, subsidies and similar adhoc assistance. While expressing itself against the setting up of separate industrial co-operative credit banks to finance such industries, the Committee makes the suggestions that the State Financial Corporations and the Reserve Bank should play a more active role in the matter of financing co-operatively organised rural industries, the former by making long-term and medium-term loans available and the latter by augmenting the short-term resources of the co-operative credit structure. The desirability of re-investigating rural industrial credit, with other aspects connected with these industries on the lines adopted by the Committee for agricultural credit, is also suggested.

(9) Administrative Reforms

Considering the problems of administrative reform in the extended light of the analysis and proposals made by it, the Committee points out how the programmes of development can be thwarted by the deficiencies and unresponsiveness of administrative set-up, and observes that there is first of all the need for Government to make its administrative role in the village more and more that of a behefi-cient authority and less and less that of the tax-gatherer which it has been till recently. In this connection, the Committee regards the National Extension Service as one of the most significant administrative developments of recent years. Secondly, again in the village, there is the need for Government to assume the function of real partnership in economic development—especially of the middle and lower groups and not merely that of administration on the one hand or of advice and extension on the other. Thirdly, there is the need not only to simplify development administration at the village end, as in National Extension Service but also to achieve effective co-ordination between (i) the different administrative agencies of development, including that of Local Self-Government and (ii) those agencies and the machinery of basic administration. A large field remains to be explored in connection with the more effective association of the local bodies of administration—panchayats, local boards, etc.,—with local projects of planned development, e.g., those relating to minor irrigation, no less than roads, public health or primary education. As for the other and much needed co-ordination between the agencies of development and of basic administration, the proper line of reorganisation would seem to be that the Collector himself should become the Chief Development Officer of the District and so too, in their respective jurisdictions, the subdivisional revenue officials; whereas lower down, the subordinate revenue officials should have a more restricted and specialisad role than at present, the "general" functions they now exercise being passed on progressively to the appropriate developmental staff. There will then be a transformation of the old order, rather than the introduction into it of miscellaneous and inchoate substrata as at present, or the replacement of it altogether by a wholly untried new order. At a higher level, in the Secretariats of State Governments, a tentative line of reorganisation, which suggests itself to the Committee (for the bigger States at any rate) is that the Chief Secretary should be assisted by two additional Secretaries (or other top-ranking Secretariat officials), one in charge of basic administration in its more general aspects (such as organisation and methods) and the other in charge of all items of development which are of importance to the rural area or intimately connected with those items, the main subjects thus co-ordinated at the very highest level in the Secretariat being (1) Agriculture (2) Co-operation (3) Cottage Industries and (4) Industries. The main requirements are that, for purposes of formulation and administration of policy at the State-Secretariat level, co-operation should be treated as organic part of "rural development" in all its main aspects; that administration of that development as a whole should be intimately co-ordinated with basic administration and that the two together should be placed at the highest point of responsibility and co-ordination in the Secretariat.

K – Larger Context

26. The Committee discusses some of the more important directives of the constitutions, and observes that the object of any plan which subserves these objectives must work for the weaker sections of the population. Thus the medium and small cultivator,

the agricultural labourer, the village handicraftsman, the small-scale industrial worker, the industrial labourer, the smaller operator in industry and transport and the lower middle classes and the backward classes and tribes have a prior claim on the attention of a democratic and planning State; they are numerically large, economically important and socially disadvantaged. In the case of most of these mere legislative, administrative and educational efforts will not solve the problem of their welfare; for the diminution and eventual removal of these disadvantages, concerted, nation-wide, State-sponsored and, to the extent necessary, state-financed measures are called for. The Committee claims that of a plan which embodies such measures, the proposals made by it in the somewhat restricted context, largely of the medium and small cultivator and partly and incidentally of the handicraftsman, rural and urban, constitute a logical, necessary and integral part. Again, India has set before itself the ideal of a Co-operative Commonwealth. There can, however, be no commonwealth without wealth for the common man. The common man of India today, as well as of tomorrow and of the day after, belongs to rural India. Predominantly he resides in rural India. Even where a lopsided economy has in appreciable number drawn him to the big cities and enlisted him in the ranks of industrial labour, his heart and his interests continue to be in rural India. The only plan that can restore vitality to the rural economy and, on that vitality, build up the future prosperity of the common man is one which, as the first condition, imparts strength to both agricultural and rural industry. Only then, and in that process, will conditions have been brought about for the well-being of the common man, and, therefore, for the realisation of a commonwealth. The process should, and with wisdom and determination can, be that of co-operation; co-operation, however, not merely in the narrower technical sense in which it has completed fifty years of existence in this country, but in the much broader conception of co-operation as the purposive union of all the forces which work for the common good and, in particular, the co-operation which joins together in a common purpose the united strength of the Indian village with the united strength of the Indian State. It is only when co-operation is interpreted in a wider and more positive sense as a fundamental creed of action, as a dynamic instrument of change, the opposite, on the one hand, of regimentation, and on the other, of drift and stagnation, and the State effort is conjoined to the fullest extent necessary with co-operative endeavour, that co-operation will be a potent force in the country's economic development. The Integrated Scheme of Rural Credit recommended by the Committee is conceived as one part, but an organic part, of this much wider endeavour.

L.—Urgency of Implementation

27. The Committee lays considerable emphasis on urgency in the implementation of its recommendations, if accepted. It points out that in the past many of the measures of rural credit undertaken by Government have been in the nature of remedial action to rectify the damage already done. Most of the steps taken in connection with debt relief, for example, fall in this category. The pressing need today is to initiate measures which, if possible, will prevent damage. For that, the moment may be said to be favourable, but there is no time to lose. The Survey indicates that an upward swing in indebtedness has, perhaps, just begun after a decade or more during which a process of liquidation of past debts has been made possible by relatively good prices. It is, therefore, of the utmost importance that no delay should occur in implementing the proposals for the widening and strengthening of rural credit.

The Tasks of the Madras Committee on Co-operation

SRI T. NARAYANA PILLAI, B.A.,B.L.,
Joint Secretary, The Madras State Co-operative Union, Madras.

The development of co-operation for the past 50 years was mainly voluntary but it was sponsored, audited and supervised by the Registrar of Co-operative Societies. The National Government has found that Co-operation has not achieved its object of helping the agriculturists and has not relieved them of their indebtedness and has not helped the nation to grow more food. Hence the dynamic Government of the Centre has planned that co-operation should be a mode of living and desires to implement it by various ways. You may be well aware that various committees have reported upon the matter and the latest is the Rural Credit Survey Report. The Summary of the recommendations of the Report has already appeared in the papers. What does it envisage? The main recommendations of the committee have already been accepted by the Government of India and an All-India Marketing board is about to be formed and the decision to that effect has already been taken. The nationalisation of the Imperial Bank of India has been declared to be the policy of the Government, on the strength of the above report. The basic recommendations of the Committee are about Co-operation. The most important recommendation in regard to co-operation is the principle of state partnership in co-operation.

1. PRINCIPLES: Instead of co-operation being a purely voluntary one, it must be state-sponsored, state controlled co-operation, the dominent voice being the voice of the State. In all the Apex and Central Institutions, 51 per cent of the share capital will be held by the Government either directly or through other institutions. Of the directorate 1/3 will be nominated by the Government. The Government will have right to veto any policy decision. The chief executive will have to be appointed, subject to the approval of the financing agency i.e. the State ultimatively. Many of the non-official co-operatives will be against this-suggestion. But what is the remedy? It can't be gain-said that the present organisation will yield results. Non-official management with the guidance and control of the Registrar has not ushered in the millennium. But constent cases of fraud and defaulcation and heavy arbitration cases are rampant even in Madras where co-operation is said to have advanced fairly well. A

dynamic interference of the Government alone can save the situation. In the name of democracy, democratic management is doing great havoc, but could the State step-in and remedy the situation? Is State partnership in consonance with the co-operative principles of voluntarism and democratic management? The people's Government wants to co-operate and take part in the management of Co-operative Societies formed in the interest of the people and in particular in the interests of certain territorial regions or certain strata of societies. I think that this concept of Co-operation would be a via media where there would be some democracy instead of dictatorship. In the development of the national economy on the socialistic pattern, this participation of the Government in the activities of the people is a necessity and we cannot and ought not, plead laisses faire in the development of the Co-operative movement. A dynamic plan for the development of co-operation is necessary and the plan must be well thought out and must be implemented at all costs. If democratic socialism is to succeed, on well planned lines for the improvement of the common man, who by himself (because of tradition, ignorance and other causes) is unable to raise his standard of living a new orientation to the economic policy should be given and here the idea of a co-operative commonwealth appeals to the imagination of the planners. The planners have assigned an important role to Co-operation and Co-operation has been made an indispensable instrument of planning. No wonder then that the State is keen on taking a partnership in co-operation. Moreover the individual feels correctly and our past experience shows that mutual help between individuals or institutions by themselves co-operatively will not give an adequate solution to the several outstanding co-operative problems. The only force that could help him is the Government and its agencies, so it is only proper that the people organised as a Government must co-operate, sponser, encourage and take a dominant part in the management of co-operative affairs. A co-operative society composed of the Government agencies, individuals and other co-operative institutional members taking part in sponsoring organising, guiding, directing, controlling and developing their business could not be deemed to be unco-operative. It only means Governmental agencies which are also public institutions are taking part in co-operative enterprises and are thus becoming a wing of the Co-operative Sector.

If any individual feels that such an organisation is not to his interest he will not be compelled to come into this co-operative

society but he may not get the help from the society. So the voluntary nature of co-operation is fully implemented and no sort of compulsion or dictator-ship is introduced.

Democratic management is also ensured since the Government and its agencies come in not as an external authority but as member, subscribing to share capital and providing expert management and technical skill not with a will to dominate or profit, but only to help and Co-operate. Two thirds of the managing board is selected by non-government co-operative institutions and individual members. Domination or dictatorship by influencial individuals, caste groups and self seekers will be kept under proper check and control, free scope for individual development in accordance with the national development plan will be given.

So, I appeal to all genuine co-operative societies to welcome the Government participation in co-operative institutions and share with the governmental agencies, the organisation, supervision and control of co-operative institution. How is this to be achieved? The agricultural peasants and labourers have to earn more. He must be made to grow more, harvest more, must be made to store properly, sell it at a proper market for a proper price. His vocation as an agriculturist will not give him full employment. Ways and methods should explored so that he could have alternate employment when he is not engaged in agriculture. Subsidiary occupations must be provided by which the agriculturists can supplement and augument his farm income. A variety of home industries in which the agriculturist can be employed when not engaged in agriculture have to be established. He must be supplied with the instruments of production, the necessary raw materials, skill, and finally the product of his labourers must be gathered and marketed advantageously. He must be able to get the necessary finances for improved agricultural operations and for producing cottage industrial goods. It is only the Multipurpose co-operative society that can give him the necessary help.

A model village co-operative must be able to do the following:

1 Ability to finance the peasant and agricultural labourers.
2 Supply improved seeds, fertilisers, cattle field etc.
3 Own a common tractor, a motor pump and other improved agricultural instruments.
4 Own ware-houses and godowns.
5 Supply the raw materials for the home industry.

6 Collect the home industrial product and market it.
7 Supply the other consumer goods to the agriculturists.

The peasant or agricultural labourer is a member of the village credit society and he is also a member of the marketing and sale society and in some cases he is also a member of the village industrial society and he is also a member of the Land Mortgage Bank. But these Institutions are not able to help him fully. The chief reason is that the society is a small one and there is no proper co-ordination between production and marketing and the main defects are that there is no driving power and no expert or proper full time executive to co-ordinate its activities.

So the primary co-operative society must combine finance, production and marketing functions. It must be an economic unit Adjoining villages must be made to come into one organisation. The seasonal finance for agricultural operations, the short-term and medium-term loans for the agriculturist, must be the responsibility of one and the same institution. It must also undertake marketing and warehousing; it should supply raw material for home industries and collect and market the home industrial products. The dependence on honorary office-bearers alone raise innumerable problems like inefficiency, favouritism, improper distribution. The large societies now contemplated can have expert and efficient paid employees.

Four kinds of central institutions are contemplated at the district level—namely the Central Bank, the Central Marketing Society, the Central Industrial Society and the Central Stores. To each of these Central Institutions, respective firka institutions will be affiliated. In turn these four kinds of central societies will have their respective apex organisation at the state level and at the all-India level they will have proper advisory and co-ordinating bodies.

The Reserve Bank's report also contemplates methods by which the co-operatives ought to be developed, financed, controlled and directed.

But in the present working of societies, several defects have been disclosed and some societies are not progressing well. Several reforms in the department may have to be made e.g. the separation of Administration and Audit, separation of Arbitration from Administration. In the functioning of the credit institutions the combination of the financing and administrative sections of the Bank has enabled certain frauds: embezzlements to be committed. These have to be

looked into in detail. Institutions like Urban Banks are in charge of non-official employees for several years and if they are not up to the mark or not honest there is no proper method by which such defects could be remedied. A system of transfers at district and provincial level must be considered.

So the Committee on Co-operation appointed by the Madras Government must have two fold objects. 1. To suggests ways and means to implement the scheme of integrated co-operative development as recommended in the Reserve Bank's Report and 2. to find out the defects and weaknesses of the working of the co operative societies and to suggest ways and means to improve the same.

I hope the Committee which the Madras Government Government has appointed will consider the above two suggestiens and make its recommendations.

Committee of Enquiry on Co-operation

GOVERNMENT OF MADRAS

ABSTRACT

COMMITTEES—Committee on Co-operation—Constituted.

Department of Industries, Labour and Co-operation.

G. O. Ms. No. 294, Dated 1-2-1955.

Read the following :

From the Registrar of Co-operative Societies Letter No. Nil Dated 30-8-1954.

ORDER :

In February 1939, the Madras Government appointed a Committee under the Chairmanship of the late Sri T. Vijayaraghavachariar to examine the progress made by the Co-operative Movement in this State since the Townsend Committee had reported in 1928 on the working of the movement. This Committee conducted an elaborate survey and made recommendations in 1940 to broaden the base of the movement and to enlarge its sphere of activities so as to enable it to become a powerful instrument of rural prosperity. The Government took action on several of its recommendations and drafted a Bill to amend the Madras Co-operative Societies Act of '32. In the meanwhile, on the recommendations of the Fourteenth Registrar's Conference, the Government of India appointed a Committee to report on the ways in which finance could be provided under efficient control for agricultural and animal husbandry operations and another committee to draw up a plan of Co-operative development. These committeess submitted their reports in 1945 and 1946 and they were considered by the Fifteenth Conference of the Registrars of Co-operative Societies all over India held in Madras in 1947. Many of the recommendations of these bodies have been implemented in this State and the Co-operative movement has been reorganised on some of the lines suggested by them. It is now considered desirable to review the progress made by the movement since the report of the Vijayarahavachariar Committee and to indicate possible lines of consolidation, development and reform of the movent.

2. Since the appointment of the Vijayarahavachariar Committee at least three major events have taken place which have had profound effect on the Co-operative movement and its possibilities, viz. the Worldwar II, the attainment of Independence by the Country

and the partition of the Madras State. The war brought about scarcity of food, increased prices and various new Governmental controls. Independence introduced a new enthousiasm and urge for progress in various fields. The partition of the State has created opportunities for more intensive economic development of a compact area. In this context, the co-operative movement in this State requires to be examined now as to how far these events have afforded it opportunities for progress and greater service and as to the need for consolidating the progress made so for and providing safeguards against abuses creeping into the movement.

3. There are several new agencies for national development such as the Planning Commision, the National Extension Service, the Community Projects, the All-India Handloom Board, the Reserve Bank of India etc. which are anxious to make increasing use of the co-operative movement to achieve their objects and to promote general economic welfare in the country. It has to be examined whether the Co-operative movement has availed itself fully of the opportunities for expansion and development provided by these agencies. It is desirable that the lines on which the Co-operative movement can effectively participate in the work of these agencies should be investigated and practical lines of action indicated.

4. For the above reasons, the Government of Madras hereby appoint a Committee with the following terms of reference :

Terms of Reference

(1) To review the progress made by the Co-operative Movement in the Madras State since the report of the Vijayarahavachariar Committee on Co-operation, to inquire into its present needs, difficulties and problems and to make recommendations regarding its consolidation, development and reform and more particularly;

(a) to review the working of village credit societies and to make recommendations for their reorganisation so that they might function as economic units and cater to the essential economic needs of the agriculturists ,

(b) to examine the working of the Co-operative Central Banks, the State Bank and the Land Mortgage Bank and to make recommendations ;

(c) to examine the position in regard to the consumers' movement in the State and to make recommendations ;

(d) to review the progress made by Co-operative Housing Societies with reference to the policy of Government in regard to financing them and to make suitable recommendation in this behalf;

(e) to examine the working of land colonisation societies in the State and to make recommendations for their improvement;

(f) to examine the progress made by Co-operative Societies and to make recommendations for the expansion of marketing activity;

(g) to examine the working of the Weavers Co-operative Societies in the State and to formulate measures for their improvement with particular reference to the financial assistance provided by the Government;

(h) to make recommendations to carry out propaganda, education, training and research on Co-operation;

(i) to consider the adequacy of the present cadres of officers to man the various posts in the Co-operative movement and to make any recommendations necessary;

(j) to explore the possibilities of applying the co-operative method to achieve development plans of the State particularly in the fields of agriculture, cottage and small-scale industries and the amelioration of the economic condition of depressed classes;

(k) to examine the need for and the adequacy of concessions and privileges granted by the Government to Co-operative Institutions;

(l) to examine the present system of audit and to make recommendations for any change considered necessary;

(m) to examine the claim of industrial co-operatives for exemption from the various labours laws;

(n) to examine whether Co-operative Societies, more particularly—Consumers' Co-operative Societies, should confine their activities and service to members:

(o) to examine whether non-co-operative organizations should be allowed to join together and form Co-operatives; and

(p) to review the working of co-operative land colonisation societies and motor transport societies for ex-servicemen and to make recommendations for placing them on firm footing; and

(2) to examine if any amendment or modification is necessary to the Madras Co-operative Societies Act and the Rules framed thereunder and to make any suggestions therefor.

5. The personnel of the Committee will be as follows:—

1.	Sri T. M. Narayanaswamy Pillai, M.A., B.L. M.L.C.	Chairman.
2.	Sri R. Balakrishna, M.A., PHD., Professor of Economics, University of Madras.	Member.
3.	Dr. P. Natesan, M.B.,B.S., General Secretary, The Madras State Co-operative Union.	"
4.	Sri T. M. Chinnaya Pillai, M.A., B.L.,	"
5.	Sri M. Shiva Rao, Mangalore.	"
6.	Sri P. Vasu Menon, President Malayala Pradesh Congress Committee, Kozhikode.	"
7.	Sri B. Venkataratnam, President, Madras Co-operative Central Land Mortgage Bank, Ltd.	"
8.	A. Palaniappa Mudaliar, M.A., Registrar of Co-operative Societies, Madras.	"

The Committee may coopt as members the Director of Agriculture, the Director of Industries and Commerce the Commissioner of Labour and the Director of Harijan Welfare, whenever necessary. The Committee may also coopt local members who are interested in co-operation whenever any important delebrations of the Committee take place in the mofussil districts and whenever such a course is found to be advantageous or beneficial to arrive at findings.

6. The Committee is appointed for a period of three months from the date of this order.

7. Madras will be treated as the headquarters of the Committee. The Committee will be treated as a first class committee for purposes of Travelling Allowance and Daily allowance. The non-official members of the Committee shall draw Travelling Allowance at the following rates in respect of their journeys to attend the meetings of the Committee and tours in the Districts in connection with their inquiry.

Railway Journey—Single fare of the highest class of accommodation available in the train *except air-conditioned coaches* plus fractional fare at Re. 0-1-0 per mile.

Mileage—Six annas a mile.

Daily allowance—Rs. 10/-(Rupees ten only) per day.

Members who have drawn Travelling Allowance in respect of a particular journey from some other source will not be entitled to draw Travelling Allowance from the Government for the same journey and should attach a certificate to their Travelling Allowance Bill in the following form :

> "Certified that for the journeys or periods for which Travelling Allowance has been claimed in this bill no similar allowance has been drawn from any other source."

Members who reside within a radius of 5 miles of the place where the meetings of the Committee are held will not be entitled to draw Travelling Allowance or Daily Allowance for attending the Meetings of the Committee.

The Registrar of Co-operative Societies will be the controlling officer for purposes of countersigning the Travelling Allowance Bills of non-official members who are not members of Legislature. The Secretary to the Madras Legislature will be the controlling officer for countersigning the Travelling Allowance Bills of the Chairman who is also a member of the Legislature. The Travelling Allowance Bills of the Chairman should be sent to the Registrar of Co-operative Societies who will forward the same to the Secretary to the Madras Legislature with the necessary particulars as laid down in G. O. No. 1924 Public (Elections) dated 29—7—1952.

8. The Registrar of Co-operative Societies has proposed the appointment of a Deputy Registrar as Secretary of the Committee with a subordinate staff of one Co-operative Sub-Registrar, 2 Senior Inspectors, 2 Junior Inspectors, 1 Stenographer, 1 typist and 4 peons to assist the Deputy Registrar. The Government consider that it is enough if a Deputy Registrar with one Senior Inspector, 1 Stenographer 1 typist and 3 peons are sanctioned for the present. Accordingly sanction is accorded to the employment of the following staff for a period of three months from the date of their appointment viz.

1 Deputy Registrar on Rs. 230-700 per mensem to work as Secretary of the Committee.

1 Senior Inspector on Rs. 90-120 per mensem.

1 Stenographer on Rs. 45-90 per mensem.

1 Typist on Rs. 45-90 per mensem.

3 peons on Rs. 18-25 per mensem.

The above staff will be eligible for the dearness and other allowances to which they are eligible under the rules.

9. The Committee may visit select districts in connection with its inquiry. The tours should however be restricted to the absolute minimum necessary for the inquiry.

10. The expenditure should be debited to the minor head "Special Commissions of Enquiry" under "57 Miscellaneous".

(By order of the Governor).

M. BHAVANI SANKAR RAO,
Deputy Secretary to Government.

Proceedings of the Opening Ceremony of the Bodinaickanur Housing Colony, on 12-2-55.

Mr. Kamaraj Nadar, Chief Minister, declared open the Subbaraj Nagar Co-operative Housing Colony in Bodinaickanur no 12-2-55. The colony has been named after Mr. A. S. Subbaraj, M.L.A., a leading planter and businessman of Bodinaickanur.

Mr. T. G. Krishnamurthy presented a welcome address to the Chief Minister on behalf of the Society.

Mr. A. Palaniappa Mudaliar, Registrar of Co operative Societies hoisting the co-operative flag, said that Madras had made progress in housing as in every other field of co-operative activity, though there was as yet much more to be done. Tracing the origin of co-operative building societies, he said it was only after 1924, that Government began to finance these societies directly. There were at present 119 ordinary building societies, 39 house-building societies, 11 house-construction societies and one co-operative township with a total paid up share capital of Rs. 102.16 lakhs and a working capital of about Rs. 364 lakhs. Nearly, 5,700 houses had been constructed in various municipal and major panchayat areas through the effort of these societies. There were 23 rural housing societies in the Madras State on30-6 53. To tackle the housing problem, the Central Government had formulated two schemes, one for low income groups not exceeding Rs. 6,000 per year and the other for industrial workers.

The first scheme provides loans upto 80 per cent of the actual cost of the house subject to a maximum of Rs. 8,000/- per house and separate loans for developing sites etc., Under the second scheme, help is given in the form of loan and subsidy to State Government private employers and co-operative housing societies. Co-operatives undertaking the scheme are eligible for a subsidy of 25 per cent and loan of 50 per cent of the cost of houses repayable in 25 years.

Your society which is opening the colony today was registered on 11-7-48 and it started work on 15-11-48. On date, it has 142 members on its rolls with a paid up share capital of Rs. 87485. The society obtained 45.61 acres of lands through land acquisition proceedings and 0-05 acres by private negotiations at a cost of Rs. 43,625. The land was parcelled out originally into 250 house plots after setting apart the necessary site for common purposes like roads, parks, schools, play-ground etc., Some of the plots have since been clubbed.

It has so far alloted 101 house sites realising Rs. 49,522-3-0 as land cost. It has adopted four type designs of houses at an estimated cost of construction ranging from Rs. 3,500 to Rs. 12,000. It has so far been sanctioned Government loans to the extent of Rs. 2,19,200 to 31 members. Out of the amount sanctioned, it has drawn till now Rs. 1,84,200. It has completed 21 houses and has 8 more under contruction. Out of 21 completed houses, 15 have been occupied. The society has spent till now about Rs. 2,50,420 on construction. The credit for this progress made by the society goes to the ceaseless and untiring efforts of the Directors of the society.

Though the co-operative housing societies have doubtless made a notable contribution to the relief of housing shortage and the co-operative movement in general has been making steady progress year after year, there is no room for self complacency. The condition of the agriculturists for whose benefit the co-operative movement was primarily ushered into being has not improved much and morever inspite of 50 years of its existence, is only providing a small fraction of the credit needed by the agriculturists. The Rural Credit Survey undertaken by the Reserve Bank of India has shown that the ryot is still at the mercy of the private money-lender for his needs and that the co-operative movement has not even touched the fringe of the problem of rural credit. The task that lies ahead of us, co-operators, both official and non-official, therefore, is to reorganise and revitalise the co-operative movement in such a way that the entire agricultural population is brought within the fold of the co-operatives and full and prompt finance is provided to them by the co-operatives. If this gigantic task should be accomplished successfully, state participation and state guidance is necessary. We have, therefore, to evolve a suitable programme of co-operative development and expansion under State participation and direction without sacrificing the democratic and autonomous character of co-operative organisations. As we have a lot of lee way to make, we have to take a bold step forward instead of clinging to abstract theories and narrow technical concepts. The movement has to readjust its programmes and policies, having regard to the fact that our national economy is to be reordered on the socialistic pattern and make its legitimate contribution towards the realisation of the ideal of a welfare state placed before us by our National Leaders.

You are all aware that a Committee has recently been consitituted by the State Government to review the progress made by the

Co-operative Movement in the State, to enquire into its present needs, difficulties and problems and to make recommendations regarding its consolidated development and reform. We may expect very valuable suggestions from the Committee for the all round development of the Co-operatives in the State.

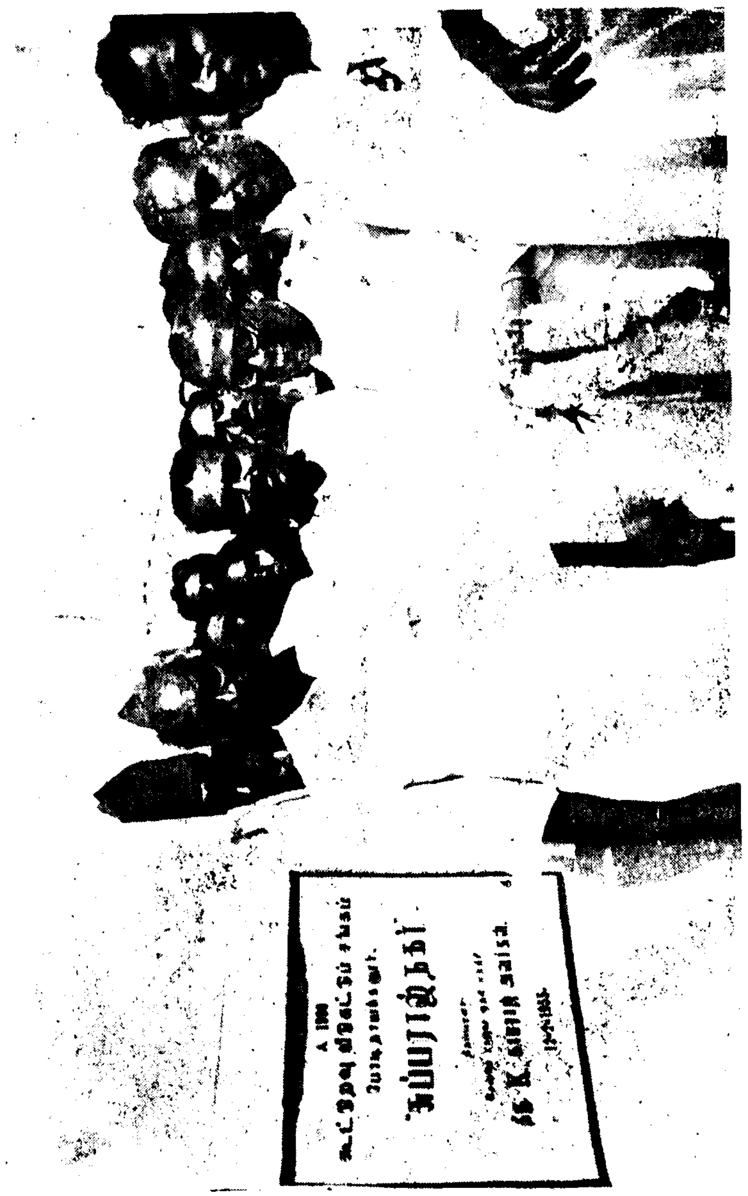
I once again thank the President and Directors of the Society for having given me this opportunity to be in your midst and take part in the celebrations. Let me offer to all the co-operators assembled here my best wishes, for the success and progress in their great task of establishing and developing a beautiful colony under the Rain-bow Flag.

Chief Minister's Address

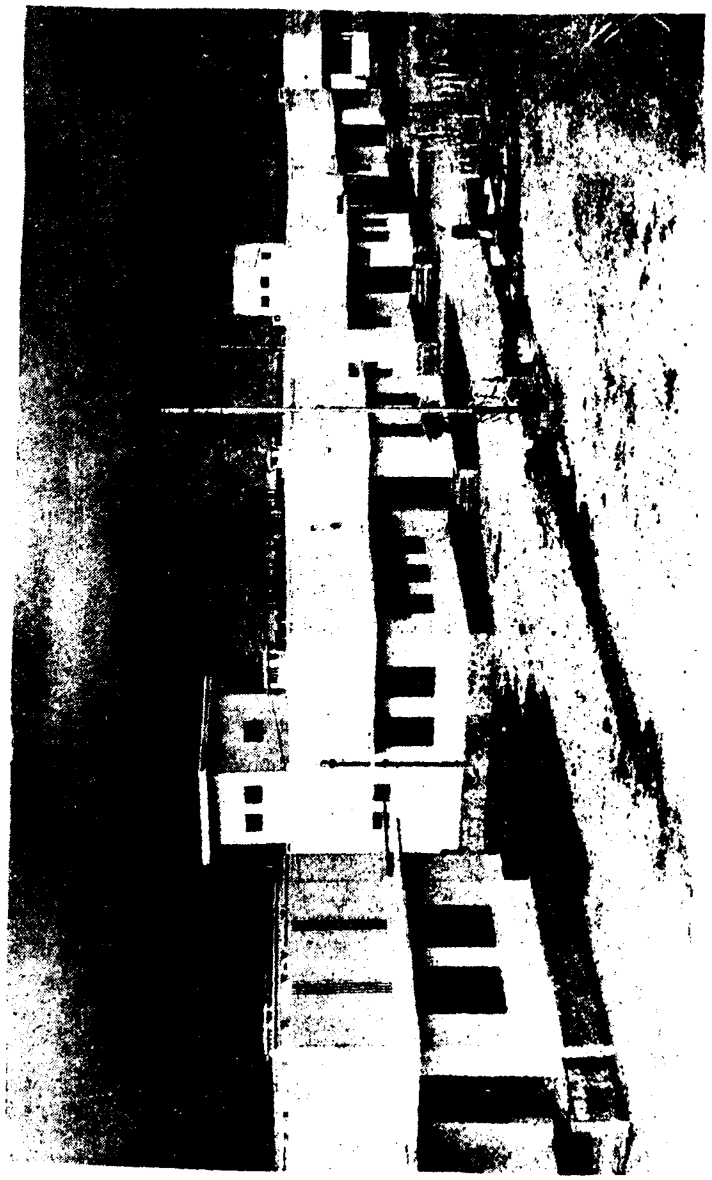
Mr. Kamaraj Nadar in his inaugural address paid tributes to the services rendered to the people in Bodinaickanur by Mr. Subbaraj and said it was appropriate that a colony had been named after him. He said every real worker should be encouraged by the people, so that, workers' services could be ensured always.

With a vote of thanks, the meeting came to a close.

The Bodinaickanur Co-operative House Building Society, Ltd.



Sri K. Kamaraj, Chief Minister of Madras declared opened "Subbaraj Nagar", on 12-2-55. Sri A. Palaniappa Mudaliar, Registrar is seen in the picture.



A fine view of "Subbaraj Nagar" Housing Colony.

Proceedings of the Silver Jubilee of T. Nagar & City Co-operative House Building Society, held on 21-1-55.

Stressing the importance of tackling the housing problem in the country, H. E. Sri P. S. Kumaraswami Raja, Governor of Orissa, suggested the appointment of a housing adviser at the State level in order to see that the building societies' activities proceeded on right lines.

He was inaugurating the Silver Jubilee celebrations of the Thyagarayanagar and City Co-operative Building Society Limited in Doraiswami Road, Thyagarayanagar.

Dr. P. Natesan, General Secretary, Madras State Co-operative Union, hoisted the Co-operative Flag.

WELCOME ADDRESS

Mr. M. Dharmarajan, President of the Society and Professor of Animal Genetics, Madras Veterinary College, who presided, referred to the growth of the Society starting with an original membership of ten.

They must thank Mr. Kamaraj Nadar, Mr. Dharmarajan said, for agreeing to their representations to raise from Rs. 3,000 to Rs. 10,000 the maximum limit for loans to members and for removing the restrictions making available loans only to members whose income did not exceed Rs. 200 a month. Much of their success was also due to the unstinted help they had received from the Government officers.

INAUGURAL ADDRESS

Inaugurating the Society, H. E. Sri P. S. Kumaraswami Raja, Governor of Orissa, said that the Society could justifiably look back with satisfaction on its labours all these 25 years. He had watched the Society growing from small beginnings.

Recalling the origins of the co-operative movement over 50 years ago, Mr. Kumaraswami Raja said that Madras had made great strides in the field of co-operation since then. Numerous activities on the non-credit side dominated the co-operative field but there was one other field, however, "wherein co-operation is to win its laurels yet and that is housing."

"The past few years,", he said, "have witnessed a great increase in Government establishments, besides large-scale conversion of residential buildings into business houses and this situation has been aggravated by the influx of refugees in most parts of the country. A colossal job stared them in the face, and they had to consider how far orthodox methods of construction would be adequate. " We have to build well, and also quickly, and for a large majority, cheaply also " he declared.

Proceeding, he said that modern building science had evolved many new techniques and advised them about the building materiasl to be used and about house-planning. Timber being costly, concrete massonry was the new answer. Hollow cement blocks were said to have virtues like strength, sound obsorption and insulation value, and water-tight construction. What was called composite concrete construction had attained wide vogue in laying floors and constructing roofs. Low cost construction seemed to mainly revolve on the material used, since expenses of labour and planning depended on that factor. The problem was " how to make the house useful and comfortable as well as artistic and healthy." Reinforced concrete used in door and window frames were said to result in substantial savings. Economy was also said to result from proper planning.

Whatever modes were adopted any solution must take due note of the social traditions and pecuniary circumstances of the people and so they had to devise newer ways of tackling the problem of largescale low cost building. Having been connected with the co-operative movement for about 35 years, he was gratified that the framers of the Five Year Plan had reposed great faith in the ideal of co-operation. South India had had an inspiring record in the co-operative field, but he was sure that there was scope for further activity in this field. He was glad to learn that the maximum limit for a loan which was reduced to the " pitiful figure of Rs. 3,000 " two years ago, had been raised recently to Rs. 10,000 and that the initiative of the Society's Directors and the effective representation made to Government were mainly instrumental in securing this welcome change.

Appointment of Housing Adviser Urged

In this connection, Mr. Kumaraswami Raja said, he must confess to a feeling of disappointment that the work of the co-operarive housing societies was " not so effective as it could be. " Now a society was simply set in motion when it was registered and then it was practically allowed to drift. " For efficient functioning it seems essential to have some one like a housing adviser to function at the State level to see that building societies' activities proceed on right

lines, and that the societies do not have to lead a sterile or moribund existence. "

There were the more particular needs of rural areas. Weavers' co-operative societies were exerting themselves in some places to provide houses for their members, which was indeed commendable. But there were other rural housing societies where difficulties had cropped up. He hoped ways and means would be found to overcome these. " Provided there is no speculation and provided there are satisfactory guarantees of honesty among members in the day to day dealings and punctual payments, there is no limit to the capacity of co-operatives for serving the community, " he concluded.

Dr. P. Natesan, who had earlier hoisted the flag, referred to the role played by house building societies and said that as a result of the Gorwala Committee report, and other developments, a dynamic change was going to occur on the progress of the co-operative movement.

Mr. S. K. Patil's Tribute to Kamaraj Nadar

Mr. Dharmarajan read a message from Mr. S. K. Patil (who had been originally scheduled to unveil a portrait of Mr. Kamaraj Nadar, but who was unavoidably absent).

In the course of his message. Mr. Patil said that he had consented to unveil the portrait and had been looking forward to the opportunity " to pay my friendly tribute to the great man who is to-day controlling the destinies of this State. " Circumstances, however, constrained him to leave for Bombay. " The general election in Andhra has made this necessary." he said. " The loss is mine and I very much regret it. Please convey to the audience my sincere regrets for my inability to do the unveiling, physically.

" Shri Kamaraj Nadar is one of the pillars which sustain the great edifice of our democracy in this country. By his single-minded devotion, simple living and ceaseless service to the common man, he has endeared himself to the citizens of this State.

" I have come across very few public men in responsibility in my life who have the same strength of character and ability to take quick decisions as Shri Kamaraj Nadar does. Under his stewardship, Madras seem to be making rapid progress in many directions. Through you I extend to this great son of India my humble tribute of affection and loyalty. May he live long to serve his State and the country!"

Mr. M. Dheenadhayal read messages from the Governor, the Chief Minister, Mr. Kamaraj Nadar, the Minister for Co-operation Mr. A. B. Shetty, and others.

Mr. K. Arunachalam, Seceretary of the Portraits Committee, welcomed Mr. A. Palaniappa Mudaliar, Registrar of Co-operative Societies, who unveiled the portrait of Mr. M. V. Kuttalam, Secretary. Mr. G. Balakrishna Mudaliar, President of the Committee, presented the portraits of the Secretary of the society and the chief Minister.

Mr. Dharmarajan unveiled the portrait of Mr. Kamaraj Nadar

Mr. A. Palaniappa Mudaliar, Registrar, unveling the portrait of of Mr. Kuttalam, wished the society all success in the future.

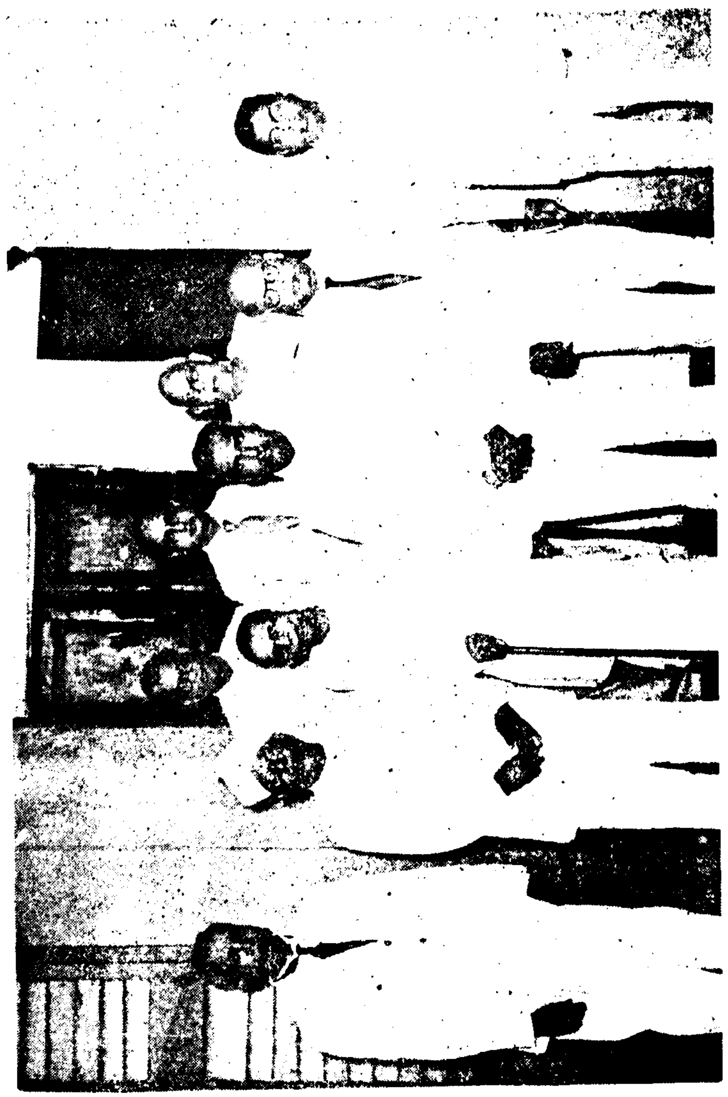
The Registrar paid a handsome tribute to the labours of non-official co-operators which had in large part been responsible for the great strides made by Madras and Bombay States in the field of co-operation.

Mr. M. V. Kuttalam, Secretary, presented the Jubilee Report. After speeches by some others the function came to a close.

Silver Jubilee Celebrations of the T'Nagar and City Co-operative House Building Society Ltd. on 21.1.55

H.E. Sri P. S. Kumaraswami Rajah, Governor of Orissa delivers the inaugural address. Dr. P. Natesan, Sri A. Palaniappa Mudaliar and Dr. M. Dharmarajan are seen in the picture.

The Personnel of the Committee on Co-operation.



The Committee on Co-operation had its first sitting on 27-2-55 at the Registrar's Office.

Proceedings of the Inaugural Meeting of the Commitee on Co-operation held on 27-2-55.

Mr. A. B. Shetty, Minister in charge of Co-operation, stated to-day that a Bill drafted for the purpose of amending the Madras Co-operative Societies Act, 1952, was awaiting consideration of the Government.

Mr. Shetty said that the Government would be glad to have the views and suggestions of the Committee on Co-operation appointed by them recently, on the proposed amendments to enable the Government to introduce the Bill at an early date.

These observations were made by this Minister while inaugurating the work of the Committee on Co-operation at the office of the Registrar of Co-operative Societies, Chepauk. Mr. T. M. S. Mani, Secretary to Government (Industries, Labour and Co-operation), Mr. C. G. Reddi, Joint Secretary, Mr. Bhavanishankar, Deputy Secretary, Mr. A. Palaniappan, Registrar of Co-operative Societies, Mr. V. K. Appandarajan, Secretary of the Committee, and Mr. P. T. Rajan, M.L.A., were among the large number of officials and non-officials present at the inaugural meeting,

WELCOME ADDRESS

Mr. T. M. Narayanaswami Pillai, Chairman of the Committee, welcomed the gathering and requested the Minister to inaugurate the Committee. He said it would be one of the duties of the Committee to examine carefully and assess properly the working of the Co-operative movement in all the sectors and if possible define realisable targets for being achieved during the Second Five-Year Plan. He referred to the Report of the Rural Credit Survey Committee of the Reserve Bank and said it had given expression to some views and had advocated a policy which had created a flutter in the co-operative world. "One of the tasks to which," he said, "this Committee will address itself will be the examination of the conclusions of the Committee in the light of the circumstances obtaining in this State and in the light of the achievements and work of this movement in this State". The successful progress the movement had made in Madras State had elicited wide appreciation, he said.

The Co operative Movement, Mr. Narayanaswami Pillai, said, had come for a large share of criticism on account of the "numerous cases of misappropriation" reported in the papers occuring in societies and co-operative organisations. "Somehow", he said, "this has created a picture that the non-official is not a man who should be trusted." The Committee, he said, would examine carefully all the cases reported during the last three or four years and find out objectively what had been the actual cause. Misappropriation had also occurred he said, where the officials had a direct responsibility and where audit had been going on year after year. "If-non-officials have failed", he said, "equally have the officials failed."

INAUGURAL ADDRESS

The Minister thanked the Chairman and members on behalf of the Government for having agreed to serve on the Committee. The Committee would have, he said, to review the working of the Co-operative Movement since 1939 when the Vijayaraghavachariar Committee made its report. The second World War and the conditions created by it had affected the Movement in many ways. The development of the non-credit sector of the Movement during the period, the spectacular progress made by the consumers' societies and the serious set back they had now sufferred as a result of de-control, the new activities undertaken by Co-operative organisation in association with the Grow More Food campaign and the steps taken to help the handloom industry, these and many other matters had to be studied so as to find solutions for the difficulties and problems that had arisen and to guide the movement along sound lines of progress.

The Co-operative movement had acquired a new significance in the context of their economic planning and national development schemes such as Community Projects. National Extension Service, etc. It was no longer an agency merely for the relief of rural indebtedness; it would have a vital role to play in the new socio-economic set-up envisaged for the country on the socialistic pattern.

The Planning Commission the Minister stated, "attached a special importance and significance to the co-operative form of organisation as an indispensable instrument of planned economic action in our new democracy. The second Five-Year Plan was bound to assign a very high place to the co operatives in implementing schemes of augmenting production and equitable distribution of the national wealth so produced.

Rural Credit Survey Committee Report

The All-India Rural Credit Survey Committee's report had focussed attention on the magnitude and importance of the problem

of rural credit. This survey had revealed the startling insignificance of the credit supplied by the co-operatives and the fact that even this little help failed to go to the medium and small cultivators, who constituted the bulk of the agricultural commuuity. The Committee had made far reaching recommendations regarding the re-organisation and revitalisation of the co-operative movement, particularly in the sphere of agricultural finance. Re-organisation was to be done on the basis of major State partnership. Greater colloboration between State Governments and the Reserve Bank and much more financial assistance from the Reserve Bank formed an important feature of the proposed scheme for re-organisation. The main object of the scheme was to make the reorganised system of State partnered institutional credit an effective alternative to the private agencies of credit. There might be some difference of opinion among co-operators on the question of State partnership in co-operative organisations. But in their examination of the question and formulation of remedies, they would have to take into account the background against which and the objective with which the recommendations of the Rural Credit Survey Committee had been made.

Mr. Shetty said, that the terms of reference drawn up for the Committee's work were wide and comprehensive. While planning for co-operative expansion and development, they have to keep in view the fact that the success of the movement depended largely on the availability of trained personnel to attend to the work of the institutions. The training of appopriate personel at all levels had been rightly given great emphasis by the Committee. The Committee had drawn attention to the importance of training a new type of personnel not only technically qualified but also rurally biased in its sympathies and attitudes in order to perform efficiently the new responsibilities now envisaged. A Bill drafted for the purpose of amending the Madras Co-operative Societies Act of 1932 was awaiting consideration. Government would be glad to have their views and suggestions on the proposed amendments to enable them to introduce the Bill at an early date.

It was hardly necessary to say how well-fitted Sri T. M. Narayanaswami Pillai was, the Minister said, for the responsible task of the Chairmanship of this Committee. With his long training in various fields of public service, his experience of administrative work and his genial temperament he would make the deliberations plesant and fruitful. One of the members of the Committee was an expert in Economics, the other members were all tried co-operators representing all shades of co-operative opinion and thought. Among them Mr. M. Siva Rau was the only veteran who had served in the previous Committee. He would act as a connecting link between the last Committee and the present Committee. "Government are confident," the Minister declared, "that the several problems before you will be considered in all their aspects and that as a result of your deliberations, you will produce a valuable report, which will be of special importance at this momentous period in the history of the co-operative movement.. Let me in conclusion wish you all success in your deliberations."

Dr. P. Natesan proposed a vote of thanks.

G O.'s. and Circulars

Memorandum of the Registrar of Co-operative Societies, Madras

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

D. Dis. 157775/54A Dated, 6-1-1955.

SUB:—Co-operative Central Banks and Societies—Special by-laws relating to service conditions of employees—Amendment to the model special by-law No. 20 prescribed.

REF :—Registrar's memorandum Rc. 196097/53-A dated 15—3—1954.

The attention of the Deputy Registrars is drawn to the Registrar's memo cited in which the following model special by-law was suggested for adoption by the societies " Special by-law No. 20."

" The Board of Management shall have power from time to time to make subsidiary by-laws not inconsistent with these by-laws or Act VI of 1932 and the rules framed thereunder for the conduct of the business of the institution. A copy of such by-laws shall be furnished to the Registrar of Co-operative Societies for information."

In G. O. Ms. 3767 Development dated 21—6—1950 communicated with the Registrar's circular D. 154817/50-B, dated 26-11-1950 it was held that there should be a statutory authority, empowering the Board of Directors to frame subsidiary by-laws, and that in the absence of such statutory authority, the Board of Directors could frame only a set of regulations for the conduct of the business of the society. In view of this, it is necessary that the words " subsidiary by-laws" and 'by-laws' occuring in the first and second sentence respectively of the said special by-laws should be substituted by the word " REGULATIONS." All Deputy Registrars are requested to issue necessary instructions to the societies accordingly.

A. PALANIAPPAN
Registrar.

Copy of (Government) Home Department, G. O. Ms. No. 3772, Dated 21st December 1954.

SUB :—JAILS—Borstal and Certified Schools and Vigilance institutions—Articles required—Purchase through Co-operative Societies/Stores—Orders in G.O. Ms. No. 3296, Home, dated 10th November 1954—Date of taking effect—Altered.

REF :—G.O. Ms. No. 3296, Home dated 10th November 1954.

From the Inspector General of Prisons, No. 1623/A4/53 dated 19th November 1954.

From the Registrar of Co-operative Societies R.C. 39674/53-S dated 10th December 1954.

ORDER :

In the circumstances stated, the Government direct that the orders in G.O. Ms. No. 3296, Home, dated 10th November 1954 shall take effect from the 1st April 1955. Paragraph 3 of the G. O. is modified to that extent.

2. The action of the Inspector-General of Prisons in having issued necessary instructions to the Superintendents of Jails, in anticipation of Government's orders in paragraph 1 above, is approved.

(By Order of the Governor of Madras)

(True Copy)

The Madras State Co-operative Union,

(THE MADRAS STATE TAMIL NADU MALABAR, SOUTH KANARA CO-OPERATIVE UNION, MADRAS,) M.S.C. BANK BUILDINGS, 379, NETAJI ROAD, MADRAS.

PROCEEDINGS OF THE GENERAL BODY MEETING HELD ON 30TH JANUARY 1955.

Members Present: Sri D. Mahalingam Pillai, (Chairman of the Meeting)
Total number of members present (192)

Sri D. Mahalingam Pillai presided over the Meeting. Earlier he welcomed the audience with a short speech.

The following resolutions were passed.

1 Condolence Resolutions on the demise of Sri C. Tadulinga Mudaliar and Sri V. Nadimuthu Pillai.

"Resolved to place on record the deep sense of sorrow of the General Body of the Madras State Co-operative Union at the sad demise of Sri C. Tadulinga Mudaliar and Sri V. Nadimuthu Pillai, leading Co-operators of Madras State."

2 Consideration of the Annual Report and Audit Review of the Union for the year 1953-54.

After a short discussion in which Sri M. S. Seshachalam Iyer and Sri Theodre Samuel took part, the reports were adopted unanimously.

3 Sanction of the Annual Budget for the years 1954-55 and 1955-56.

While approving the Budget, Sri K. Kalimuthu of Velippalayam Milk SupplySociety, suggested that steps should be taken to balance the budget and close the budgetary gap. Sri D. Mahalingam Pillai replied to the discussion. After the discussion, the budgets for 1954-55 and 1955-56 were approved.

4 AMENDMENTS TO BYE.LAWS.

The following amendments to by-laws were proposed and adopted unanimously:

Earlier, Sri K. N. Sivan, Madras Milk Supply Union, Ayanavaram suggested that the name of the Union should be changed as "The Madras State Co-operative Union". The Chairman pointed out that the amendment required notice. The amendment was not pressed after a discussion.

As Existing.	As Proposed
By-law No. I. The Madras State Tamil Nadu Malabar South Kanara Co-operative Union, *Limited* No. 1130 is registered as a Co-operative Society under Madras Act VI of 1932.	**By-Law No. I.** The Madras State Tamil Nadu Malabar South Kanara Co-operative Union No. 1130 is registered as a Co-operative Society under Madras Act VI of 1932.
By-law No. XV. The General Body is the Supreme authority on all matters relating to the management of the Union. Besides exercising general supervision and control the General Body shall have the following powers and duties. (i) To elect from among the members a President, a Vice-President, a General Secretary, Two Joint Secretaries and a Treasurer once in three years.	**By-Law No. XV.*** The General Body is the Supreme authority on all matters relating to the management of the Union Besides exercising general supervision and control the General Body shall have the following powers and duties. (i) To elect once *in three years* from among the members (i) a President, (ii) a Vice-President, (iii) a General Secretary *who shall be a resident at Madras* (iv) Two Joint Secretaries and (v) a Treasurer, *who shall be a resident at Madras.*
By-law No. XV. (x) To elect representatives to Institutions in which the Union is affiliated and	(x). *Delete.*
By law No. XVI. (v) Marketing Sub-Committee. (7 members) 1. Member from the *Madras Provincial Co-operative Marketing Society.*	**By-Law No. XVI.*** (v) Marketing Sub-Committee (7 members.) 1 Member from any one of the *Marketing Federation in the State.*
By-law No. XVIII. Interim vacancies on the Board, Executive Committee or Sub-Committees may be filled up by the respective bodies concerned. The quorum for a Board Meeting shall be 15.	**By-Law No. XVIII.*** Interim vacancies on the Board, Executive Committee or Sub-Committees may be filled up by the respective bodies concerned *by Co option*. The quorum for a Board meeting shall be 15.

The Amendments marked, are suggested by the Deputy Registrar, Madras in his letter No. R.C. 13309/54 L. dated 30-9-55.

As Existing.	As Proposed.
By-law No. XXI. The Committees can frame the necessary subsidiary *by-laws* relating to their working. They shall not be contrary to the by-laws of the Union, and the Co-operative Societies Act: such subsidiary *by-laws* shall be approved by the Board and *accepted by the General Body.*	**By-Law No. XXI*.** The Committees can frame the necessary subsidiary *regulations* relating to their working. They shall not be contrary to the by-laws of the Union and the Co-operative Societies Act; such subsidiary *regulations* shall be approved by the Board and *shall take effect only after they are approved by the Registrar.*
By-law No. XXVII. The Executive Committee shall consist of 15 members; President, Vice-President, General Secretary, Joint Secretaries, Treasurer, one person elected *from the Executive Committee by the* State Co-operative Bank for this purpose, the Chairmen of the five Sub-Committees and three members elected by the Board from themselves. The quorum for Executive Committee meeting shall be 7.	**By-Law No. XXVII*.** The Executive Committee shall consist of 15 members. President, Vice-President, General Secretary, Joint Secretaries, Treasurer, one person elected *by the Board of Management* of the State Co-operative Bank for this purpose, the Chairmen of the five sub-Committees and three members elected by the Board from *among* themselves. The quorum for Executive Committee meeting shall be 7.
By-law No. XXVIII. The Executive Committee shall have power to appoint the members of the establishment of the Union, determine their pay, travelling allowance, provident fund. etc. and to remove them from the service of the Union and frame the necessary *by-laws* therefor	**By-Law No. XXVII*.** The Executive Committee shall have power to appoint the members of the establishment of the Union, determine their pay, travelling allowance, provident fund etc. and to remove them from the service of the Union and frame the necessary *regulations* therefor.

5 Sanction of one month's gratuity to Sri Viswanathan Tekumalla, Ex-Manager of the Union.

"Sanctioned."

6 (*a*) Elections of Office bearers as per by-law No. XV-(i).

The following names were proposed by Sri T. K. Navalar and seconded by Sri H. M. Jagannatham for the Office mentioned against each.

The Amendments marked are suggested by the Deputy Registrar, Madras in his letter No R.C. 13309/54 L. dated 30-9-54.

(i) President —	Sri M. D. Kumaraswami Mudaliar.
(ii) Vice-President —	Sri D. Mahalingam Pillai.
(iii) General Secretary -	Dr. P. Natesan.
(iv) Joint Secretaries—	(1) Sri M. S. Palaniappa Mudaliar.
	(2) Sri T. Narayana Pillai.
(v) Treasurer —	Sri K. Nachchinarkinia Sivan.

The above gentlemen were elected unanimously, for the respective office mentioned against each.

(*b*) Elections to the Board of Management as per by-law No. XV- (ii).

(i) Credit Committee (14 Members)

The following members were proposed by Dr. P. Natesan and seconded by Sri T. K. Navalar and were elected unanimously.

(1) Sri S. Gopala Reddiar, (Vellore Central Bank).

(2) Sri R. Arunachala Ambalagarar, (Pudukkottai Central Bank).

(3) Sri T. P. Raghava Menon, (Malabar Central Bank).

(4) Sri V. V. Ramaswamy, (Madras State Co-op. Bank).

(5) Sri R. Krishnamurthi, (The Madras Teachers' Guild Co-op. Society).

(6) Sri G. Kanakasabai, (Lalgudi Local Co-op. Union).

(7) Sri K. Srinivasulu Naidu, (Uttaramerur Local Co-op. Union).

(8) Sri S. R. S. Veerappa Chetty, (Dharmapuri Local Co-op. Union).

(9) Sri M. Shanmugam, (Villupuram Land Mortgage Bank).

(10) Sri V. Venkatachalam, (Government Servants Co-op. House Mortgage Bank).

(11) Sri R. K. Venkataswamy Naicker, (Erode House Mortgage Bank).

(12) Sri M. N. Chowta, (Madras Co-op. Central Land Mortgage Bank).

(13) Sri H. M. Jagannathan, M.L.A., (Madras City Co-op. House Mortgage Bank).

(14) Sri N. S. Shanmugasundaram, (Pannaikadu Co-op. Building Society).

(ii) Stores Committee (5 Members)

The following members were proposed by Dr. P. Natesan and seconded by Sri T. K. Navalar and were elected unanimously.

(1) Sri R. Rajasanthanam Pillai, (Tanjore Dt. Central Co-op. Stores, Ltd.)

(2) Sri B. Bakthavathsalu Naidu, (North Arcot Central Co-op. Stores, Ltd.)

(3) Sri K. S. Subramania Gounder, (Salem Co-op. Wholesale Stores, Ltd.)

(4) Janab D. K. Yusuf Mohideen Ansari Sahib, (Dharapuram Co-op. Stores, Ltd.)

(5) Sri M. Ramdoss Mudaliar, (Tiruvarur Co-op. Stores, Ltd.)

(iii) Education and Propaganda Committee (7 Members)

The following members were proposed by Dr. P. Natesan and seconded by Sri T. K. Navalar and were elected unanimously.

(1) Sri M. S. Palaniappa Mudaliar, (Ramalingam Co-op. Institute, Coimbatore)

(2) Sri V. V. Ramaswamy, (The Hood Co-op. Institute, Tanjore)

(3) Sri V. V. Ramaswamy, (Madras State Co-op. Bank).

(4) Sri T. M. Chinnaya Pillai, (Salem Co-op. Central Bank.)

(5) Janab P. Allapichai, (Madura Co-op. Central Bank).

(6) Sri G. M. Himachalapathy, (South India Co-op. Insurance Society.)

(7) Sri D. V. Raghava Reddi, (The Co-op. Fire and General Insurance Society, Ltd.)

(iv) Producers Committee (9 Members)

The following gentlemen were proposed by Dr. P. Natesan and seconded by Sri T. K. Navalar and were elected unanimously,

(1) Sri A. J. Arunachala Mudaliar, (Madras State Handloom Weavers' Co-op. Society).

(2) Sri Kasi Viswanathan, (Tiruchengode Handloom Weavers' Co-op. Society.)

(3) Sri M. P. Nachimuthu, (Chennimalai Weavers' Co-op.Society.)

(4) Sri V. Venkatachalam Pantulu, (C. C. P. Works, Ltd.)

(5) Sri K. Nachchinarkinia Sivan, (The Madras Co-op. Milk Supply Union, Ltd.)

(6) Sri T. K. Navalar, (Madura City Co-op. Milk Supply Union.)

(7) Sri K. Manickavelu-Mudaliar, (Peramannur Co-op. Milk Supply Society.)

(8) Sri A. R. Ramakrishna Naidu, (Sellakarchal Agricultural Improvement Co-op. Society.)

(9) Sri P. N. Rajagopal, M.L.A., (Lalgudi Sivagnanam Co-op. Agricultual Society.)

(v) Marketing Committee (7 Members)

The following gentlemen were proposed by Dr. P. Natesan, and seconded by Sri T. K. Navalar and were elected unanimously.

(1) Madras State Marketing Society - (Vacant.)

(2) Sri P. Chathu (Badagara Weavers Co-op. Society).

(3) Sri A.K.D. Balarama Raja, (Rajapalayam Co-op. Stores).

(4) Sri P. K. Ramalingam, B.A.,B.L., (Tiruchengode Co-op. Marketing Society).

(5) Sri R. V. E. Venkatachala Gounder, (Tirupur Co-op. Building Society).

(6) Sri V. Pasupathi, (Madura Dt. Co-op. Sale Society).

(7) Sri N. S. Ramalingam, (Tiruturaipundi Co-op. Marketing Society).

7 Resolutions and motions, if any, of which due notice is given. The following resolutions, for which due notice was given were considered by the General Body and resolved unanimously to refer the resolutions No. 1 and 2 to the Education Committee, and resolutions No. 3 to 8 to the Producers Committee.

Resolution No. 1.

"This General Body requests the Registrar of Co-operative Societies, Madras, to exempt those, who have passed the examinations conducted by the Madras State Co-operative Union, Madras, and who have been selected by the Public Service Commission from appearing for Central Co-operative Institute's examinations again."

(Sri R. Rajasanthanam, Delegate, Sri Kamalambika Co-operative Urban Bank, Ltd., Tiruvarur).

Resolution No. 2.

"Resolved to request the Registrar of Co-operative Societies, Madras, to make provision in the Co-operative Institutions of all types for appointment of Co-operative trained candidates, since a good number of trained candidates are without any employment."

(Sri S.R.S. Veerappa Chetty, Delegate, Dharmapuri Co-operative Union, Ltd., Karimangalam, Salem Dist.)

Resolution No. 3*.

Milk is an important food article and both the Central and the State Governments have drawn up plans for the development of Co-operative dairies and milk supply societies. In such a context, bulk imports of milk powder is not only prejudicial but also inimical to the growth and development of milk co-operatives. Therefore, it is hereby resolved to request both the Central and the State Governments to impose a ban on milk powder imports and thus assist the development of Co-operative dairy industry.

Resolution No. 4*.

It is hereby resolved to request the Government to impose a ban on milk powder imports and to utilise the sum involved in such imports for the development of the dairy industry and for the starting of milk supply societies and thus increase both the quantity and quality of the milk supplied to the towns people.

Resolution No. 5*.

It is resolved to request the Government and the Corporation of Madras to frame suitable provisions whereby the Hotel Keepers of Madras should purchase their milk requirements only from the Madras Co-operative Milk Supply Union, Ayanavaram, and not from any other private agency. Such a provision will ensure the supply of pure, hygienic and unadulterated milk to the citizens of Madras and thus contribute to the health of the City.

Resolution No. 6*.

It is resolved to request the Government to purchase the milk required for hospitals, etc. only from the Madras Co-operative Milk Supply Union, Ayanavaram, and not from any other private agency, in order to ensure the supply of pure, hygienic and un-adulterated milk to the patients.

Resolution No. 7*.

It is resolved to request the Corporation of Madras to take vigorous measures to check adulteration of milk, transported from the suburbs of Madras, through Railway and Bus and make suitable arrangements for testing, enroute.

Resolution No. 8*.

It is resolved to request the Government, through the Registrar not to restrict the grant of civil loans to milk Co-operatives to three loans only, but to extend the credit facility to any number of loans.

(*Resolutions 3 to 8 are given notice of by Janab M. K. Sultan Bashah Shaib, delegate, Kunnathur Co operative Milk Supply Society, Ltd.)

At the end of the Meeting, Sri V.M. Ghadikachalam spoke about the significance of Sarvodaya and appealed to all Co-operative Institutions to assist and help the Sarvodaya Movement. Dr. P. Natesan proposed a vote of thanks.

(Sd.) D. MAHALINGAM,
Chairman of the Meeting.

PROCEEDINGS OF THE SUB-COMMITTEE MEETINGS HELD ON 30TH JANUARY 1955.

(1) Credit Committee

Members present:

1 Sri D. Mahalingam	7 Sri R. Arunachala Ambalagarar
2 Dr. P. Natesan	8 ,, H.M. Jagannatham, M.L.A.
3 Sri M. Shanmugham	9 ,, G. Kanakasabai
4 ,, M. N. Chowta	10 ,, S. Gopala Reddiar
5 ,, T.P. Raghava Menon	11 ,, S.R.S. Veerappa Chetty
6 ,, K. Srinivasalu Naidu	12 ,, N.S. Shanmugasundaram

Dr. P. Natesan proposed Sri R. Krishnamurthi to be the Chairman. Sri H M. Jagannatham seconded.

Sri R. Krishnamurthi was unanimously elected Chairman of the Committee.

(2) Stores Committee

Members present:

1 Sri B. Bakthavathsalu Naidu
2 Sri R. Rajasanthanam Pillai
3 Janab D. K. Yusuf Mohideen Ansari Sahib
4 Sri M. Ramdoss Mudaliar
5 Sri D. Mahalingam
6 Dr. P. Natesan

Dr. P. Natesan proposed Sri B. Bakthavathsalu Naidu to be the Chairman of the Committee. Sri R. Rajasanthanam Pillai seconded.

Sri B. Bakthavathsalu Naidu was unanimously elected as the Chairman of the Committee.

(3) Education and Propaganda Committee

Members present:

1 Sri M.S. Palaniappan	4 Sri D. Mahalingam
2 Dr. P. Natesan	5 ,, G.M. Himachalapathy
3 Janab P. Allapichai	6 ,, D.V. Raghava Reddy

Dr. P. Natesan proposed Janab P. Allapichai to the Chairmanship of the Committee. Sri M.S. Palaniappa Mudaliar seconded. Janab P. Allapichai was elected unanimously to be the Chairman of the Committee.

(4) Producers Committee

Members present:

1 Sri M.P. Nachimuthu	5 Sri K. Manickavelu
2 ,, A.J. Arunachalam	6 ,, D. Mahalingam
3 Dr. P. Natesan	7 ,, K. Nachinarkinia Sivan
4 Sri Kasi Viswanathan	

Dr.P. Natesan proposed Sri M.P.Nachimuthu to the Chairmanship. Sri A.J. Arunachalam seconded the proposal. Sri M. P. Nachimuthu Mudaliar was elected unanimously the Chairman of the Committee.

(5 Marketing Committee

Members present:

1 Sri A.K.D. Balarama Raja	4 Sri N.S. Ramalingam
2 ,, R.V.E. Venkatachalam	5 Dr. P. Natesan
3 ,, V. Pasupathi	6 Sri D. Mahalingam

Dr. P. Natesan proposed Sri N.S. Ramalingam to the Chairmanship of the Committee, Sri V. Pasupathi seconded. Sri N. S. Ramalingam was elected unanimously the Chairman of the Committee.

(Sd.) D. MAHALINGAM,
Chairman of the Meeting.

PROCEEDINGS OF THE NEWLY ELECTED BOARD OF MANAGEMENT HELD ON 30th JANUARY 1955.

Members Present:

1 Sri D. Mahalingam,
2 Dr. P. Natesan
3 Sri T. K. Navalar
4 „ A. R. Ramakrishna Naidu
5 „ K. N. Sivan
6 „ S. Gopala Reddiar
7 „ K. Manickavelu
8 „ G. Kanakasabai
9 „ H. M. Jagannatham
10 „ T. Narayana Pillai
11 „ R. Arunachala Ambalagarar
12 „ M. S. Palaniappan
13 „ M. N. Chowta
14 „ R. V. E. Venkatachalam
15 „ N. S. Ramalingam
16 Sri M. P. Nachimuthu
17 „ A. J. Arunachalam
18 „ R. Rajasanthanam
19 „ B. Bakthavathsalu Naidu
20 „ A. K. D. Balarama Raja
21 „ K. Srinivasalu
22 „ P. Allapichai
23 „ M. Ramdoss Mudaliar
24 „ S. R. S. Veerappa Chetty
25 Janab D. K. Yusuf Mohideen Ansari Sahib
26 Sri P. K. Ramalingam
27 „ T. P. Raghava Menon
28 „ V. Pasupathi
29 „ N. S. Shanmugasundaram
30 „ M. Shanmugam
31 „ Kasi Viswanathan

Sri K. N. Sivan proposed the following members to the Executive Committee. Sri Ramakrishna Naidu seconded.

1 Sri T. K. Navalar
2 Sri A. R. Ramakrishna Naidu
3 Sri H. M. Jagannatham

Sri N. S. Ramalingam proposed the following members to the Executive Committee. Sri M. S. Palaniappa Mudaliar seconded.

1 Sri M. Ramdoss Mudaliar
2 Sri K. Srinivasalu Naidu
3 Sri A. K. D. Balarama Raja

After voting by ballot, the following results were announced.

		No. of votes.
1	Sri K. Srinivasalu Naidu	23
2	Sri A. K. D. Balarama Raja	22
3	Sri M. Ramdoss Mudaliar	18
4	Sri T. K. Navalar	11
5	Sri H. M. Jagannatham	10
6	Sri A. R. Ramakrishna Naidu	8

Sri K. Srinivasalu Naidu, Sri A. K. D. Balarama Raja and Sri M. Ramdoss Mudaliar were declared duly elected to be the members of the Executive Committee.

(Sd.) D. MAHALINGAM,
Chairman of the Meeting.

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