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## THOUGHT FOR THE MONTH

### Co-operative Commonwealth

"India has set before itself the ideal of a Co-operative Commonwealth. There can be no commonwealth without wealth for the common man. The common man of India to-day, as well as of tomorrow and of the to-day after, belongs to rural India. Predominantly he resides 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 realization of a commonwealth. The process should, and with wisdom and determination can, be that of Co-operation : Co-operation, 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 it 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."

*—All India Rural Credit Survey Report Vol. II.*

## IN THIS ISSUE



## ON THE COVER

Sri R. Venkatraman, Minister for Industries, Labour and Co-operation, Madras is seen delivering the Inaugural Address at the XXIX Central Banks' Conference, held at Madras on 27th July 1957. Sri A. Palaniappa Mudaliar, Dr. P. Natesan, Sri N. S. Ramalingam and others are also seen in the picture.

# Editorial Notes

## THE TRANSFER OF AGRICULTURAL CREDIT DEPARTMENT FROM RESERVE BANK OF INDIA TO STATE BANK OF INDIA

### The Most Crucial Problem

The most crucial problem facing the Co-operative Movement in India to-day is the reported proposal of the transfer of the Agricultural Credit Department from the Reserve Bank of India to the State Bank of India. Announcing this decision, the Finance Minister told the Lok Sabha :

"that he proposed to transfer to the State Bank of India some of the present functions of the Reserve Bank which were in the nature of pure commercial or co-operative banking. He was of the opinion that the Reserve Bank must remain the topmost financial institution in the country controlling practically every movement in finance. But some of its present functions, which were of a commercial nature, like affording agricultural credit, would be transferred to the State Bank."

Though the statement does not directly indicate the transfer of the Agricultural Credit Department from the Reserve Bank of India to State Bank of India, yet it is clear beyond the slightest shadow of doubt, that the transfer of pure commercial or co-operative banking functions including agricultural credit, means, in essence, the transfer of the Agricultural Credit Department from Reserve Bank of India to the State Bank of India. Although no specific reasons have been given for this transfer, it is again apparent that the Government have been anxious to make the Central Banking Institution a pure "Central Bank", in accordance with the Anglo-Saxon traditions of Central Banking; further, there is a move to make the Reserve Bank of India as a more effective and purposive instrument of financing the Second Five Year Plan, by devoting greater attention to balance of payments, foreign exchange, deficit financing, selective credit control and other facets of Central Banking. While the Co-operatives are as much anxious as the Finance Ministry to find out ways and means for the successful financing of the development plans and assure the Government of India of their unstinted support in their endeavours, we want to record our emphatic protest against the proposed transfer of functions like Commercial Banking and Rural Credit activity from the Reserve Bank of India to the State Bank of India.

### Central Banking *vis-a-vis* Commercial Banking

In the first place, we have to examine rather carefully the argument that the Reserve Bank of India as the Central Banking institution should not saddle itself with commericial banking functions like rural credit but that it should merely be content with the regulation of monetary and credit mechanism, acting as the Banker's Bank and as a Banker to the Government. That kind of reasoning fits in well with the traditional school of Central Banking; but Central Banking experience, especially after the World War has shown demonstrably the fact that such restrictions and prohibitions are not necessary for the proper, effective and ideal



development of Central Banking institutions. In fact, very few Central Banks in the World operating even in the developed money markets confine themselves merely to the traditional Central Banking functions. It has been admitted by experts that Central Banks should not be prohibited from Commercial Banking and that the Central Bank should have the authority expressly recognised by statute, to enter the field of Commercial Banking, and to establish effective relations with non-bank customers and institutions, if that step becomes necessary for purposes of control.

### Central Banking in Undeveloped Economics

Far from relinquishing Commercial Banking functions, the role of a Central Bank in modern Central Banking practice seems to change from an agency of monetary and credit regulation to that of an agency for resource and economic development. In undeveloped countries, particularly, popular opinion has looked upon the Central Bank not only as the controller of money market, but also as an agency for bringing about an era of low interest rates and the rapid development of the resources of the country. Quite apart from this shift in opinion, which is world-wide, a Central Bank operating in an undeveloped economy cannot confine its activities merely to the task of regulating the operations of Commercial Banks, if it is to carry out its primary duties regarding the safeguarding of currency and credit in the moneymarket in an effective manner. If the Central Bank is to control credit effectively, it should have control over all forms of credit, not only bank credit, but other forms of commercial, financial or productive credit. In undeveloped countries like India, where agriculture is the main stay of the bulk of the people, where the commercial banks have not by any means extended their activities to the rural areas, it has become the duty of Central Banks of these countries to do something special for financing agriculture and other allied activities, without in any way impairing their fundamental function of monetary control.

### Financing Agriculture—Special Role of Central Bank

That the financing of agriculture requires some special treatment at the hands of the Central Bank has been recognised since the establishment of the Federal Reserve System in 1913. The Federal Reserve Act contained two special provisions for the benefit of rural finance (1) It authorised Federal Reserve banks to rediscount agricultural bills with a maturity of 6 months (later 9 months) and (2) It authorised the said banks to rediscount or grant loans against warehouse receipts of agricultural produce. The new Central Banks in the Eire, Ceylon, Phillippines and India created in the post-war era have incorporated these facilities in their constitutions; a tendency to increase the maturity of agricultural bills to 12 or 15 months is also noticed in these banks; further, in India and Australia, agricultural paper is rediscounted at concessional rates.

### Recapitulation

Let us recapitulate the main conclusions so far reached. That the experience gained in working the Central Banks in both developed and undeveloped economies unmistakably indicate the necessity of Central Banks undertaking not only orthodox Central Banking functions, but also commercial banking in order to render their regulatory functions more comprehensive and more effective and that it is a very feeble argument to put the clock back. Secondly, in undeveloped economies, where the money-market is not well-organised and where commercial banks do not permeate the entire economy and where agriculture is the main stay of the people, there is a very real need for the Central Bank to take an initiative in rural finance and impart strength to the subsistence rural economy, so that its over-all control over the monetary and credit machinery in the country may become increasingly effective; and further an appreciation of this situation has lead the Central Banks in a number of countries like U. S. A., Australia, South Africa, Ceylon, India and Phillippines to accord a special consideration to rural finance by granting facilities like longer maturity and rediscounting concessions in the matter of agricultural bills presented by the institutional credit systems and thus have contributed to the progressive re-organisation of institutional credit systems in these countries.

## Reserve Bank and its Role in Rural Finance

Now, the above survey takes us to the question, whether it is appropriate and proper for Central Banks to undertake rural credit activity in order to further the plan for agricultural production in an undeveloped economy under its own auspices? The debate is, in fact, as old as Central Banking itself.

## The Agricultural Credit Department—Its Evolution

In India, Sir Basil Blackett, the then Finance Minister, speaking on the first Reserve Bank Bill said, that "it (the Reserve Bank of India) would be a more useful institution than a single co-operative bank for the whole of India..............I hope, when it comes into existence, it will do a great deal to advance the interests, through the Co-operative Banks, of agriculture, of the marketing of produce and the facilities for agricultural banks generally." The consideration that though direct rural financing by the Reserve Bank might prove to be too onerous a responsibility, yet the need to get into gear with the primitive credit machinery prompted his successor Sir George Schuster to agree to the establishment of the Agricultural Credit Department, which was created in April 1935, in accordance with the provisions of Section 54 of the Reserve Bank of India Act.

## The Initial Halting Approach

The growth of the role of the Agricultural Credit Department of the Reserve Bank of India during the past two decades has been very striking and brings out the contract between its initial halting approach to the present dynamic and progressive outlook. In its statutory Report (1937) the Bank had observed,

"that all that the Reserve Bank can do is to help provincial co-operative bank to tide over a temporary shortage of funds."

Dr. De Vries has epigramatically summarised the none-too-helpful and disinterested attitude of Central Banks in relation to rural finance as follows:—

"Central Banks too often are not readily inclined to make capital available for agricultural development. I believe that there are many Central Banks, who live so completely "upstairs" in their superstructure that they do not go down to earth to see how agriculture is really financed in their country."



That was the "Upstair" attitude of the Reserve Bank of India in 1937.

All that is now changed. The Central Bank of this country at any rate,—Reserve Bank of India is not one of those Central Banks, which continue to live "upstairs." It has come down to earth; to Agriculture and to Co-operation. Commenting on this aspect of the intimate and increasingly fruitful association of the Reserve Bank with the Co-operative Movement, a foreign expert said, "The Reserve Bank has been giving new life and potent leadership to the Co-operative Credit Movement in recent years. Probably, no other Central Bank in the world is doing as much to help, develop and finance rural credit institutions."

That is a splendid achievement, that any Central Bank can be legitimately proud of.

## The Dynamic Role

The dynamic role of the Reserve Bank of India in the field of rural credit has been recognised and appropriate action in furtherance of these roles have been taken from time to time. But, it should be said to the credit of the Committee of Direction, All-India Rural Credit Survey for their clear, unambiguous, authentic enunciation of the role of the Reserve Rank in the Integrated Scheme of Credit:—

"The three main sectors of the integrated system of development, then, are Co-operative Credit, Co-operative economic activity (especially processing and marketing) and co-operative personnel. In the first, the Reserve Bank will occupy the most strategic position; in the other two, it will be among the principal participants; and, for all the three, much will have to be expected of it by way of active co-ordination. That is what we mean by the observation that the Reserve Bank's role in the integrated system envisaged by us will be of crucial importance."

That settles the debate once and for all. Nothing can or need be done, at this stage to reverse the process of active leadership of the Reserve Bank in the integrated credit system, by boosting up some orthodox cannons of Central Banking. We have now travelled very far away from the nineteenth century central banking concepts. As if to anticipate any back-sliding or reversal process, and to allay the apprehensions of orthodox Central Bankers, the Report makes a sustained, convincing and prophetic plea:

"In no other sphere, perhaps, as in that of rural finance is it of so little use, in Indian conditions, to turn for guidance to the central banking practices evolved in the highly industrialized countries of Western Europe." We believe that, by the suggested enlargement of the 'development' functions it has already assumed, however much the Reserve Bank may be further departing from the orthodox pattern of central banking in other and differently situated countries, it will at the same time be approaching nearer what the Central Bank of this country ought to be. These 'development' activities will, for their pursuit, require two things besides a well-considered and determined policy. They need personnel, and they need finance.

The personnel is—and, as necessary, more personnel can be—provided in those distinct departments of the Bank which exist or have been newly created for the purpose; the Agricultural Credit Department and the Department of Banking Development. There is thus no cause for apprehension that these activities will divert the time and energy of the Bank from the discharge of its more normal and more orthodox functions as a Central Bank. As for the finance, our scheme deliberately provides for two distinct Funds–the Long- term Operations and Stabilization Funds—from which will be met the new liabilities arising from the new functions and the new responsibilities; and the scheme as a whole, involving as it does support from all directions, economic, financial, administrative, technical, supervisory and so on for the strengthening of the co-operative credit structure-to which the Reserve Bank now makes short-term accommodation increasingly available-will actually make the Bank's position very much stronger, and certainly not in the slightest degree weaker, than at the present moment, in regard to its stake, and therefore of the stake of the country, in the ability of that structure to utilize properly and pay back in time the short-term finance it will continue to borrow from the Bank. Moreover, as we have indicated before, the scheme as a whole holds the only prospect that we can see of the primary credit structure of the co-operative movement being able eventually to depend largely on its own resources and, therefore, of the Reserve Bank being ultimately able to be in practice the 'ultimate' source of finance and the 'supplementary' source of finance which in the past it firmly announced its intention of being, and which now, in the light of orthodox theory, it is sometimes exhorted to be. These are some of the considerations we have had in mind in making the third observation at the commencement of this chapter to the effect that the integrated system outlined by us will not only not detract from the strength, soundness and ability of the Reserve Bank to discharge the entirety of its inherent functions as the Central Bank of the country, but in fact result in a considerable accession to such strength, soundness and ability; all this, of course, besides immeasurably increasing its usefulness to the country of which it happens to be the central banking institution."

The Committee have been at pains to convince the orthodox banker that the extension of rural credit activity, will not in any way affect the soundness of the Reserve Bank of India as a Central Banker: it will, on the other hand increase its strength and also impart vitality to the vast agricultural credit system.

## An Assessment of Reserve Bank's Role in Rural Finance

Let us for a moment assess the results of a progressive rural credit policy, initiated and implemented by the Reserve Bank of India over a period of five years—a period of intensive growth and re-organization. During the period of 1950–51 to 1955–56, the working capital of primary agricultural credit societies (including grain banks) has increased from Rs. 40.96 crores to Rs. 81.52 crores, and the amount of fresh loans advanced from Rs. 22.90 crores to Rs. 50.18 crores. Over the same span of years, the owned funds of Central Co-operative Banks have increased from Rs. 8.83 crores to Rs. 15.15 crores, their deposits from Rs. 37.79 crores to Rs. 55.71 crores and their working capital from Rs. 56.37 crores to Rs. 92.67 crores. Similar progress has been made by State Co-operative Banks, their owned funds having increased from Rs. 3.80 crores to Rs. 7.65 crores, their deposits from Rs. 22.08 crores to Rs. 36.67 crores and their working capital from Rs. 34.42 crores to Rs. 63.34 crores. The figure of the loans outstanding to Central Land Mortgage Banks has increased from Rs. 5.98 crores to Rs. 13.08 crores. We should also like to cite a few figures illustrative of the increasingly significant character of the help given and part played by the Reserve Bank. In 1946-47, the Reserve Bank gave short-term accommodation to only 2 apex banks. The total amount sanctioned was Rs. 6.65 lakhs and the total amount drawn Rs. 1.50 lakhs. By 1950–51, accommodation had come to be extended to 6 apex banks. The total amount sanctioned during that year was Rs. 7.62 crores and the amount drawn was Rs. 5.38 crores. By 1955–56, 19 apex banks were sanctioned a total of Rs. 29.64 crores and the amount drawn was Rs. 25.61 crores. It may be noted that not even a single pie remained unpaid by the Co-operative Credit structure to the Reserve Bank. Reserve Bank of India has advanced medium-term loans to the tune of Rs. 2 crores, in addition to the investment by the Reserve Bank of India a sum of Rs. 56 lakhs in the debentures for the past five years. Another potent service rendered by the Reserve Bank is the organisation of Co-operative Training facilities to Senior Officers, Intermediate Level Officers, Block Extension Officers etc. through the Central Committee for Co-operative Training. In these and other means, the Reserve Bank of India





is fast assuming an unassailable strategic role in the development of the rural economy. The rich experience it has gained, the procedures, techniques and formalities and the consultative and inspection machinery that it has built up, especially since the dawn of independence are of a solid coherent and organic character. It has been built into the institutional framework and has become part and parcel of a progressive Central Bank of a conspicuously undeveloped and agrarian country. The rural credit function cannot be dissociated from the Central Bank and grafted to any other body in an *ad hoc* manner. It is a vital process, an organic growth and not a static functional excrescence, that can be cut out by an administrative orderand super-imposed on another mechanism, without serious repercussions on the rural credit set-up, the Central Bank and the new organisation commissioned for discharging the rural credit function.

## Not a Nominal Transfer

Why should the co-operators worry over this nominal transfer of some functions from one public institution to another? That school of thought, represented by some sections of the Press, proclaim with a certain amount of self-complacency that much fuss is being made about the transfer of rural credit department from the Reserve Bank of India to the State Bank of India by some interested co-operators. They naively suggest that since the State Bank of India has been nationalised, and since it has also been commissioned to extend banking service to the rural areas and to give support to rural industries there is no need to assume that it will not attend to the dispensation of rural credit in the same sympathetic spirit as the Reserve Bank of India has done hitherto. Further more, they argue that equipped with the rurally minded staff of the Agricultural Credit Department and strengthened by the resources of the Reserve Bank of India, the State Bank of India on account of its expert knowledge of banking is bound to broad-base and augment the flow of credit in a more efficient manner, through appropriate channels. But our objections are based on past experience. The transfer is not a mere nominal transfer from one wing of the public banking sector to another: it is a basic functional change and it is bound to produce vital repercussions both on the State Bank of India and on the entire Co-operative Credit movement. In the first place, the State Bank of India has not been in a position to discharge its branch expansion programme according to schedule. Secondly, the hope that the State Bank of India would give financial assistance to cottage and small-scale industries has not been realised and the Chairman's report describes its action as just exploratory. Thirdly, State Bank of India's resources are not sufficient to meet the growing demand of commercial credit. It has to look-up to Reserve of India for finance; and that would mean, that the State Bank of India would become another intermediary in the hierarchy of credit institutions. Lastly, the State Bank of India has not any experience in dispensing agricultural production credit, though it has acquired some experience in the marketing of certain cash crops like cotton. A complete and revolutionary change in the outlook of the personnel, a total unlearning of purely commercial banking practices must take place, before the State Bank of India becomes a fit instrument for dispensing rural credit. It is a difficult process. Even if that is achieved, it is doubtful, whether State Bank of India can meet its obligations to trade and finance, without in any way sacrificing its legitimate role as the premier commercial banking institution in the country. We are not sure, whether the State Bank of India is in a position to fulfil the role that has been assigned to it by the Rural Credit Survey Report and there is as yet no evidence in support of the hope that it is capable of delivering the goods within a measureable period. Under such circumstances, when past experience does not indicate a hopeful trend, why should the Government of India be in a hurry and hasten to disturb a well evolved and stabilized machinery on considerations of doubtful expediency, and chimerical advantage? We strongly appeal to the Government to examine carefully, whether the State Bank of India is equipped to take over rural credit from the Reserve Bank and if so, whether it can discharge that function effectively, without jeopardising its commercial banking functions and its special responsibility of creating conditions favourable for banking development in far flung rural area. We are strongly of the opinion that the State Bank of India cannot do justice to both the functions, if rural credit function is super-imposed on it and that it would cause undue strain on its resources and mechanism and may have to proceed rather haltingly in the discharge of its regular functions, inflicting at the same time a great injury to the existing institutional mechanism of rural credit.



### Co-operative Credit Movement — Special features. Three-tier System

The Co-operative Credit Movement in India, as it exists to-day, has been built up by a process of trial and error over a period of five decades and more: it has withstood depressions, booms and inflations. Its inherent strength consists in the democratic, federated credit structure, the primary credit society at the base, the central bank in the middle and the apex bank at the top. In fact, it is this three-tier pyramidical co-operative credit structure, that has imparted to the co-operative Movement a vitality and a flexibility which has become a marvel to many. To-day the $1\frac{1}{2}$ lakhs of village societies, 478 Central Banks and 24 apex banks, which constitute the rural credit structure, whatever might be its operational defects and drawbacks are doing an invaluable service to the farming population and together they have built up a farmer-owned financial democracy, which is the pride of Indian Co-operative Movement. They constitute the co-operative financial superstructure, which is an integrated whole and any tinkering with any one aspect or tier would damage the entire system and disintegrate the whole rural economy.

### An Inopportune Transfer

Let us examine how the proposed transfer of the Rural Credit Department from the Reserve Bank of India to State Bank of India would affect the co-operative credit structure. As we have already explained, the Reserve Bank of India has become the lynch-pin of the Co-operative Credit Movement. Concessional finance through section 17, the administration of the Agricultural Credit (Long-term Operation) Fund, the Agricultural Credit (Stabilization) Fund, its activities in expanding Co-operative Training facilities, its inspection techniques have given a powerful support to the extension of rural credit activity; further the integrated credit scheme is a live programme, the success of which will primarily depend upon the initiative, guidance and stimulus given by the Reserve Bank. Besides, the Integrated credit scheme has to be worked out with the full co-operation and co-ordination of the Development Departments of the Government of India and the States, if it has to realise its goal of ensuring increased agricultural production. What other authority than the Reserve Bank of India, with its vast resources, with its note-issuing power, with its role as the Government's Banker, can fulfil and discharge this function in a more apposite and dynamic manner? There is a world of difference between the competence of the Reserve Bank of India and the State Bank of India in executing and implementing the Integrated Credit Scheme. Moreover at this stage, when a vigorous drive has to be launched to increase the flow of rural credit of an order of Rs. 225 crores within 1960–61 and pursue a determined and energetic policy to increase agricultural production by 25 per cent, it is fatal to think of transferring the responsibility for rural credit from the Reserve Bank to the State Bank of India.

### No Axing of any one Layer

The most crucial question about this transfer is how it will affect the finely poised three-tier co-operative credit structure. The State Bank of India is par excellance a Commercial Bank, despite its nationalization. It has a far-flung net work of branches and its current programme of branch expansion demands that 400 new branches should be opened in all important marketing and semi-urban areas. Thus, the first move, which the State Bank of India may take, as soon as the Agricultural Credit Department is handed over to it, would be to find out the possible methods and resources by which the branches may be made more economical and remunerative and the surest way would be to channelise rural finance through its branches. Such a line of thinking would immediately lead to the suggestion, that one or two of the hierarchy of institutions of the co-operative credit structure may be axed and that rural branch banking may be strengthened by that process. But, that way lies ruin for the Co-operative Movement. Consider the functions performed by the three agencies of Co-operative Credit—the Agricultural Society, the Central Bank and the Apex Bank.

### Agricultural Credit Society—The Base

The Agricultural Society is in close touch with its members, their credit needs, their capacity to produce, their provident use of credit and last, but not the least their prompt repayment. No other organisation, no other agency can be better fitted to supervise and dispense rural credit than that of the rural credit co-operative. This is admitted by an array of experts and there is therefore no need to reproduce their testimony. Now efforts are being made to strengthen these institutions by State-participation, by the provision of competent management, by enchancing their capacity to attract deposits, by increasing their services to members in the matter of supplying fertilisers, seed etc., by linking the societies to marketing societies and like measures. The total reorganisation of the credit society is aimed at making it a more useful and a highly efficient instrument of supervised productive credit. The most sceptical critic of Co-operative Movement cannot dare to suggest that this institution should be wiped out, for that only mean the liquidation of the only broad-based and democratic institutional credit system in rural India.

### Central Bank---Its Pivotal Role

The Central Banks occupy an even more pivotal position in the credit structure. The village credit societies, as they are constituted now in an environment of deficit rural economy, do not have the capacity to tap local resources which are none too copious. The Central Banks, on the other hand, are in a happy position to attract huge deposits: they augment their resources by borrowing the Reserve Bank's funds through the Apex Bank. The Central Banks not only provide to co-operatives facile and cheap credit at proper time in adequate quantities, but the credit is also efficiently supervised. The Bank, through its supervision machinery, ensures that credit is used for productive purposes and that repayments are made promptly. In Madras, we have an efficient machinery and our overdue percentages are very small. The process of credit dispensation, becomes in its own turn, a process of fundamental education to the farmers. They learn to obtain productive credit; they learn to apply it to productive and credit worthy uses; they learn to repay the money promptly and these beneficial results are a direct outcome of the intense supervisory activities of the Central Banks. Besides, its pivotal role in the matter of agricultural credit, the Banks, have of late, taken considerable pains



to promote, finance and develop diverse types of co-operative activities like weavers co-operatives, milk-supply co-operatives, consumers co-operatives and the like. In fact, the Central Banks have become the bulwark of Co-operative activity in the districts, an inspirer and a financier of the entire Co-operative Movement.

### Apex Bank—The Balancing Centre

In a similar manner, the apex co-operative banks have evolved into efficient balancing centres of the entire movement. The Reserve Bank of India lays great emphasis on the proper development of apex banks. On account of their recommendations, new apex banks have been organised in almost all the States and to-day, there are 24 institutions of the kind in the whole India. Section 17 financing becomes easy in the presence of a well developed apex bank. Thus, it may be seen, that the entire system—the primary society the central Bank and the apex banks, together constitute a vital, coherent and integrated system of which no one limb can be axed, without jeopardising the entire system.

### Branch Bank Financing—Its Defects

If the State Bank of India should think of cutting out any one layer of this structure, it would be doing a great disservice to the cause of rural credit. For it should be remembered that what we need to-day is not only rural credit, but a rural minded credit, responsive to the needs of the agriculturists. The activities of the tens and thousands of Panchayatdars, the hundreds of Directors of Central and Apex Banks, the discussions at innumerable Board and Executive meetings and conferences have all contributed to a great democratic re-awakening of the people and their influence in re-educating the farmers in a co-operative way of life have contributed not only to their material welfare, but also more substantially to their spiritual and ideological well-being.

Suppose the State Bank of India decides to channelise rural credit through its own branches, eliminating some intermediate agencies, what will happen? There will be the State Bank of India at the top and a multiplicity of rural co-operatives spread over thousands of villages at the base. There will be no organic and responsive relationship between the one and the other. "Largely reduced to working through its own branches and lacking organic connection with the co-operative credit structure, there is grave danger that the State Bank of India will not be able to prevent the bulk of its accommodation gravitating to the more powerful and influential borrowers". That would precisely be the unhappy results of any branch Bank financing. The system will not be responsive to the needs of the people; obsession with security, corruption and other malpractices of a Government sponsored credit system will appear; to say the least it would be a very unsatisfactory situation to contemplate.

### Branch Bank Financing will not Reduce Margin

Let us consider the report, that when State Bank of India takes up rural finance, it will be in a position to pass on rural credit at a cheaper rate than the co-operative credit system. There is also a misinformed impression that the co-operative institutions knock away a good slice of margin. In the first place, we want to point out that, despite best of intentions the State Bank of India cannot pass on credit at a less margin, unless it decides to bypass one or two tiers in the co-operative credit system. We have comprehensively dealt with this question and its possible repercussions. Even granting that the State Bank of India routes the funds through its branches to the primaries, should it not have to pay for supervision, recovery, inspection etc? The State Bank has to employ an army of Inspectors, Supervisors and the like and we are emphatically of the view that the cost of management of State Bank of India is bound to consume the entire margin and if not more, than that is purported to be saved by bypassing the usual co-operative financing agencies.

## A Plea for Subsidy

Secondly, we have to reiterate our opinion, that the margin taken by the apex, the Central Bank and the agricultural credit society are the most reasonable, judged by any standard of banking. In our State, the ultimate borrower's rate is $6\frac{1}{4}\%$ Till 16–5–1957, the State Bank has a margin of $\frac{3}{4}$ per cent, the Central Bank, a margin of $2\frac{1}{4}$ per cent and the rural credit institution a margin of $1\frac{3}{4}$ per cent. We need the margin, only to meet the working expenses, to build up reserves, to declare a limited dividend, to pay bonus to staff etc. From out of this small margin, the entire secretarial needs of the financing banks and rural credit societies, the creation of several reserves, the development of the machinery for the scrutiny, distribution, collection and inspection, the costs of co-operative education and publicity have to be met with. Further we can claim that the cost of management of co-operatives is beyond doubt a great deal lower, on account of the activity of honorary workers at various levels and the low-scales of pay of field workers. Thus, if the Government are only anxious to reduce the margin and pass on the concessional rural finance at the same rates at which it receives from the Reserve Bank of India, then the only way by which this result can be realised is to offer subsidies to the financing banks to meet the cost of management and administration: If that is done, the financing banks, would undoubtedly pass on the funds at much cheaper rates without having to insist on adequate margins. Even then there are certain limitations; the Reserve Bank of India cannot provide the entire finance under all conditions, for it will militate against cannons of sound banking; the financing banks have to attract deposits as one of the vital functions of mobilizing savings. Whatever it might be, the present charge that co-operatives are demanding large margins would disappear, if the Government comes forward to work out a scheme of subsidies.

## Summing Up

From the comprehensive survey of the problem, two points emerge in all vividness. First, that the Reserve Bank of India has progressively developed its role as the provider of rural finance during the last two decades and more and to-day it has become a dynamic fountainhead of the entire rural credit mechanism, without in the least sacrificing its efficiency in the normal Central Banking functions; on the other hand, it is perhaps the only Central Bank in the world, whose rural credit operations have immeasurably increased its power, influence and prestige as the most



efficient Central Bank. Secondly the State Bank of India cannot discharge the function of rural finance, with as much assurance, competence and experience, without affecting the well-developed three-tier federated structure of the Co-operative Movement in India and without jeopardising its own role as the premier commercial banking institution in the country.

Lastly, it is our sincere endeavour to appeal the Government of India and the Finance Minister in particular, not to take any hasty decision in the matter of transfer of the Agricultural Credit Department from the Reserve Bank of India to the State Bank of India. The Co-operative opinion in India has strongly registered its protest against the transfer. The transfer, had it been nominal, would not have met with such unanimous opposition from Co-operators, who have given their best of thoughts and service for building up a virile and strong co-operative democracy. The transfer is a real threat and a danger for the growing Co-operative Movement, for if once the credit sector is paralysed as the transfer is bound to, the entire co-operative movement would crumble to pieces. It is the life-giving principle that is at stake; the future of the farmer-owned Co-operative financial democracy is at stake. This is not a mere alarmist approach; it is the realization of the gravity of the future dangers that are inherent in the impending transfer, that compels us to make this request.

On the one hand, the Planning Commission pays encomiums to the democratic potential of the Co-operative Movement and reiterates its abiding faith in the building of the co-operative sector as a part of planned economy. On the other, the finance minister comes out with the new proposal with the impending transfer of rural finance from the Reserve Bank of India to State Bank of India which would result in the very extinction of the Co-operative Movement, by paralysing and throwing out of gear the entire rural credit mechanism. We do hope that the Government of India would not precipitate such a crisis in the Co-operative Movement, a Movement which has been acknowledged to be one of the powerful instruments of planning in a democracy and abandon the present project of transferring the Agricultural Credit Department from Reserve Bank of India to State Bank of India, a bold decision for which the growing Co-operative Movement would be greatly beholdened.

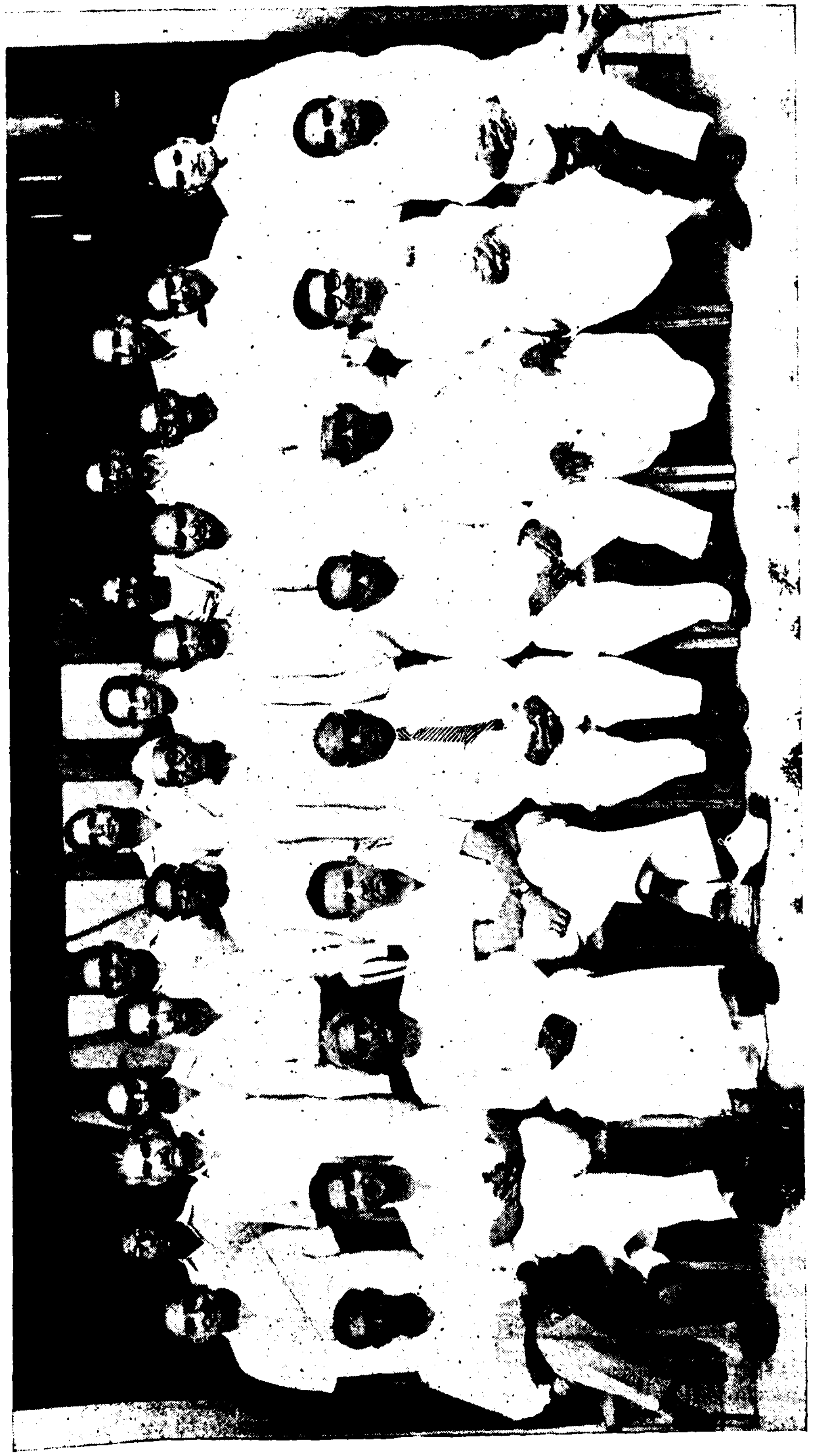
## Dy. Chairman, Planning Commission's visit to Madras.

Sri V. T. Krishnamachari, Deputy Chairman, Planning Commission recently visited Madras and had discussions with the Registrar.

## Uttiramerur Agricultural Bank Constructs Godown.

Sri A. Palaniappa Mudaliar, Registrar declared open a godown constructed by the Uttiramerur Bank on 24-6-57. Sri S. Ellappa Mudaliar, Sri K. Srinivasalu Naidu and others are seen in the picture.

## Second All-India Co-operative Editors' Conference, New Delhi.



Dr. P. Natesan, Hony. Editor, THE MADRAS JOURNAL OF CO-OPERATION presided over the Second All-India Co-operative Editors' Conference held at New Delhi on the 30th June and 1st July 57. Sri B. J. Patel, Mr. Thomas B. Keehn Sri C. M. Janarthanam and others are seen in the picture.



# The Fishermen Co-operatives in Madras State and the Second Five Year Plan

By

SRI S. ARULDOSS, I.A.S.,

*Additional Director of Industries and Commerce, Madras.*

The Co-operative principle can be applied to all branches of economic life. Just on the model of village rural credit Co-operative Societies for agriculturists, Co-operative Societies for fishermen, inland and marine have been organised under limited liability basis with the object of acquiring and holding water courses such as rivers and tanks by purchase of lease for catching fish by members jointly or individually; to purchase or hire modern craft and tackles for increasing the catches by deep sea fishing; to purchase or hire quick transport vans for better marketing of fish and for the joint sale of their products. There were 239 fishermen Co-operative Societies in the composite Madras State including the societies on the West Coast. There were 32,000 members and the working capital of the societies amounted to Rs. 7 lakhs. Now that the Fisheries on the West Coast have gone to the Kerala and Mysore States, there are only 147 fishermen Co-operative Societies in the reorganised Madras State including Kanyakumari District. At the beginning of 1956–57, a number of societies were dormant either for want of funds or for want of leadership in guiding and running the day to day affairs of the Fishermen Co-operative Societies. After the introduction of the various development schemes for the fishermen under the Second Five Year Plan in 1956–57 and especially after the grant of long-term Government loans, supply of mechanised (Pablo type) boats, nylon nets, motor vans, etc., on hire purchase and subsidy basis, the fishermen have come to realise the importance of Co-operative Societies. Now applications are coming in large numbers for registering new societies. But organisation of new Societies has to be proceeded with great care and caution until the existing societies are consolidated and placed on sound basis.

The fishermen are mostly poor and many of them are indebted to money lenders, merchants and middlemen within or outside their community. In their poverty and indebtedness, many fishermen are unable even to own a country craft or tackle, not to speak of any modern equipment for fishing. With a view to relieve them of their indebtedness and to provide them with crafts and tackles, a scheme was drawn and approved by the Government. This scheme provides for the grant of long-term loans to the fishermen through Fishermen Co-operative Societies for the following purposes:—

I (a) for clearing partly their prior debts to moneylenders.

(b) for mainly purchasing equipments such as crafts and tackles and other requisites for fishing.

II (a) for purchasing motor vehicles for transport of fish.

(b) for purchasing or constructing buildings such as godowns, curing sheds and tanks for the storing or processing of fish or fish products, and

(c) for purchasing, constructing and for erecting machinery, plant or other appliances for demonstration of improved methods of fishing, and for the preservation, processing or marketing of fish or fish-products.

Only fishermen, who are members of registered Fishermen Co-operative Societies are eligible for these loans in accordance with the special by-laws of the Societies framed under the Rules governing the grant of long-term loans to Fishermen Co-operative Societies, approved in G. O. Ms. No. 645, Food and Agriculture, dated 28-2-1957.

*District Fishermen Co-operative Federations:* To develop the activities of the Fishermen Societies, settle matters of common interest, such as procuring facilities, purchasing of yarn, logs, boats etc. and in common act as agents of the societies, central organisations called District Fishermen Co-operative Federations have been started at Madras, Tanjore, Ramnad, and Tuticorin. One of the main objects of the Federation is to provide facilities for modern methods of marketing, which will include quick handling, quick transport, preservation of fresh, fish etc. The societies (about five in each centre) selected and brought under the loan scheme have contributed a sum of Rs. 1,000 to Rs. 2,000 each, as share capital to the Federations. In addition to the above share capital, Government have also granted share capital loan of Rs. 2,000 to each of the Federations, repayable after 5 years in ten half-yearly instalments.

## Grant of Loans.

Under the scheme, each society has been granted loans to 40 members not exceeding Rs. 500 per member or Rs. 2,000 per working unit and not exceeding Rs. 20,000 per society. The loans are granted to fishing units, comprising generally of 3 or 4 members on the personal security of two or more members of solvency or on the mortgage of unencumbered immovable property belonging to the borrower or borrowers. The fishing equipments such as crafts and tackles purchased out of the loans shall be mortgaged to the society. The crafts and tackles for purchase of which the loans have been issued shall be purchased within one month from the date of issue of the final instalment or within 3 months from the date of issue of the first instalment, whichever is earlier. Loans amounting to Rs. 2.70 lakhs have been drawn and disbursed to 26 Fishermen Co-operative Societies and 832 fishermen have been benefitted by the loans in 1956-57, the first year of the Second Five Year Plan. Special staff have been sanctioned by the Government for intensive supervision of the Societies, that have come under the scheme.

Out of the loan of Rs. 2.70 lakhs a portion has been utilised by the fishermen for discharge of prior debts and a major portion has been utilised for purchasing crafts and tackles. The District Federations assisted the societies in purchasing yarn, sail cloth etc. in bulk at ex-mill rates and distributing them to the member societies charging a very low commission just enough to meet the handling charges.

## Development of Inland Centre at Mettur Dam.

Under the Second Five Year Plan, a Fishermen Co-operative Marketing Society was organised and started on 7-10-56. There are about 200 members with a paid up share capital of Rs. 1,000 for managing the affairs of the society and to attend to the marketing scheme, the services of one Senior Inspector and one Junior Inspector of Co-operative societies are placed at the disposal of the society free of cost. Loans amounting to Rs. 13,500 have been issued to 118 members for discharging prior debts and for purchasing crafts and tackles. 226 members have taken licences for fishing in the Reservoir during 1957-58. All the member licencees market their catches through the Society from 10-4-57. The departmental boat and the motor van have been given to the Society on hire, which were hitherto engaged by the merchants. Since this is the beginning of the year and since there was some delay in the issue of licences, the catches marketed through the Society amount to 1,500 to 2,000 lbs. per day. But it is hoped that the entire catches would be marketed only through the society in the course of a few weeks and the production would go up to 3,000 lbs. a day or even more. Nearly 90 per cent of the fishermen, who fish in the reservoir have joined the Society and the others will also join shortly. Applications for long-term loans for taking out licences, for purchase of craft and tackle are being received in large numbers, but pending allotment of funds for 1957-58, the society has been advised to approach the Salem District Co-operative Central Bank for finance. There were a number of difficulties and obstacles in starting the society and many more before introducing marketing through the Society. But by effective propaganda and peacefulpersuation, the fishermen were made to join the Society in large numbers and sell their catches through the Society.



## Mechanised Boats and Nylon Nets.

Mechanised boats (called Pablo boats) and nylon nets have been given to the following societies for deep sea fishing.

| Name of the Society. | | Number of Pablo boats given. |
|---|---|---|
| Madras Fishermen Co-op. Federation | | 1 |
| Kasimedu | F. C. S. .. | 2 |
| Mattankuppam | ,, | 2 |
| Triplicane | ,, | 1 |
| Neelangarai | ,, | 1 |
| Sonankuppam | ,, | 2 |
| Killai | ,, | 1 |
| Porto Novo | ,, | 1 |
| Tinnevelly Dt. Fishermen Co-op. Federation. | (4+3) | 7 |
| Colachal Fishermen Coop. Society | .. | 2 |

Two societies in Tanjore District and two in Ramnad District have applied for 1 Pablo boat each. The Tinnevelly District Fishermen Co-operative Federation at Tuticorin has also applied for the supply of six more boats. The request of these Societies will be considered when the next consignment of the Pablo boat arrives.

Terelyne yarn has been issued to all the societies at subsidised rates for making nets under hire purchase system, the cost being repayable to Government in monthly instalments within a period of 2 years. The boats also have been given on 75 per cent loan and 25 per cent free subsidy under hire purchase system, the cost being repayable in monthly instalments of Rs. 125 in a period of six years. The fishermen are slowly beginning to realise the advantage of the use of power boats and synthetic nets and there is a clamour for the supply of these modern equipments all over the State. The handicap to the use of power boat in Madras City and its suburbs is lack of facilities for mooring, and the only way to overcome this difficulty is to construct a fishing harbour. But in place like Cuddalore, Nagapattinam and Tuticorin, there are natural facilities for mooring these small power-boats and a greater number of fishermen can be persuaded to change over to modern equipments from the old country crafts and tackle, in these places.

The work done during the 1st year of the Second Five Year Plan and the results achieved are indeed encouraging and it is hoped that much more will be achieved in the course of the second year. There is no doubt that the income of the fishermen in the State will be doubled, if not more, before the completion of the plan period, not at the expense of the consumer, but by greater out-put, which is expected to be three or even four times than the present production.

Housing for Fishermen.

Under the Harijan Welfare Scheme, a free subsidy of Rs. 51,000 was sanctioned for constructing 74 houses in Mullikuppam through South Madras Fishermen Co-operative Society and 28 in Kasikoilkuppam in Chingleput District, where 28 families lost their houses in a fire accident at a cost of Rs. 500 each. Necessary funds have been placed at the disposal of the Additional Director for constructing the houses during 1957–58. The lay out for the house sites is under preparation and the assignment of the land in favour of the fishermen is under correspondence with the Collectors of Chingleput and Madras. In the meanwhile, the Public Works Department which was consulted regarding the estimated cost of construction has stated that each building will cost Rs. 850 in Madras and Rs. 800 in Kasikoilkuppam, including labour charges. In view of the poor circumstances of the fishermen they cannot be expected to render manual labour without any subsistence. Further, the fishermen are not trained in masonry or carpentry work. In the circumstances, the number of houses to be constructed will have to be reduced proportionately based on the estimated cost of Rs. 850 and Rs. 800 in Madras and Kasikoilkuppam respectively.

There are many requests from the fishermen for constructing similar houses free of cost, in their kuppams. But the provision of Rs. 51,000 per year during the plan period for the whole State is thoroughly inadequate to meet this heavy demand. To solve the problems to a reasonable extent, it is proposed to organise rural housing societies for fishermen and proposals have been called for from all the Regional Directors.

Conclusion.

Various schemes for the betterment of the fishermen have been undertaken with a view to improve the economic condition of the fishermen and a State Fisheries Advisory Council has been recently constituted for advising the Government on matters of policy and of the effective implementation of the plan provided in the Second Five Year Plan. The Co-operative Organisation among the fishermen will no doubt play a vital role to defend the fishermen from economic distress and social evils. As the improvement of the economic and social interest of this down trodden but a very useful community to the consuming public is of vital importance to the country as a whole, the Government of India have placed funds at the disposal of the Government of Madras for granting long-term loans to fishermen and have also agreed to meet 25 per cent of the cost of supervisory staff.

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# Rural Credit and Co-operatives

## —PLEA FOR BANNING PRIVATE MONEY LENDING TO AGRICULTURISTS

BY

SRI P. RADHAPATI, B.A.,

*President, Tirupati Co-operative Town Bank*

Of the different sources now available for financing agriculturists, our aim should be to eliminate all sources other than Co-operatives. All the credit necessary for the ryots should be provided only through Co-operatives.

In Takkavi loans, very rarely the borrower gets ultimately more than half of the loan for which the bond is executed. Except the fact that there is no necessity for paying any share capital there is no other attraction for the ryots to resort to Takkavi loans. In the matter of actual receipt of the loan, there is as much delay in Takkavi loans as in Co-operative loans. Even in the issuing of Takkavi loans strict scrutiny is made regarding the credit-worthiness of the borrower to the same extent as Co-operatives observe. If prompt and timely credit is available in Co-operative institutions, ryots will certainly prefer loans in Co-operatives to Takkavi loans.

As for private and professional moneylenders, the only hope of saving the ryots from falling into their clutches is to completely prohibit private lending to agriculturists by legislation and making it if necessary, even a penal offence. Any kind of tinkering with this problem by other methods will be of no avail. It couldbe only wasting an energy in fruitless experiments as in the past.

This radical and revolutionary step should be taken as the only solution to solve the problem. All the debt laws to save the agriculturists promulgated for the last two decades, have proved fruitless and the situation is as grave as ever. In my humble opinion the alternatives described in Chapter 41 of the Report of R.B.I. Vol. II make the matters worse. Many of the suggestions are illusory and creat more problems.

They are only palliative and not curative. The Government must once for all make up its mind to grapple with this problem and cut the gardian knot with one stroke in the interests of "Our Welfare State" and not to continue these tinkering experiments as described by R.B.I. Report.

Late. Dr. B. V. Narayanaswami Naidu had, even, over a decade ago recommended that "private money lending except through authorised institutions like Co-operative Societies should be absolutely prohibited". For prohibiting private money lending by legislation, several statutes may have to be suitably amended some of which are Central Statutes. Even if it may not be possible to realise this consumation immediately, we should at least make this as our urgent ideal and take necessary steps for realising this ideal as early as possible. If only the Government would make a policy declaration that their ultimate aim is to prohibit all private money lending to the agriculturists, we might guage its psychological effect in the circle of such private money lenders.

The professional money lender, as also big ryots who casually lend to smaller ryots, should be made to realise that their only salvation is in Co-operatives. They should be made to enter the Co-operatives by force of circumstances and bring their capital into Co-operative fold. A prudent money lender even now realises that in spite of all subterfuges resorted to by him to evade the provisions of debt laws, ultimately he gets only 4 to 5 per cent of interest on his capital. If the private money lender realises that sooner or later he would be completely eliminated from the picture by absolutely prohibiting the private money lending business and that no courts would help him to realise his moneys lent, he would be certainly prudent enough to be content with interest of 4 to 5 per cent, which the Co-operatives offer and he would begin to think twice before continuing his usual avocation of money lending. It is our duty to make the Co-operative more attractive for a village money lender to enter into as a Co-partner. 4 to 5 per cent of interest is certainly quite attractive but there is the devil of un-limited liability, which would scare away any prudent person from entering the co-operatives. Hence our aim should be to do away with this un-limited liability basis altogether. That alone will instil confidence in any person to join Co-operatives and even take part in the management of the institutions. The experience and sagacity of such capitalist members would be available to the Co-operatives only, if they are constituted under limited liability basis. It is this un-limited liability that has been frightening and driving away many sincere people, who might otherwise like to join them and invest their capital. Even the suggestion of limiting the liability to a number of times the share capital might stand in the way of attracting good people entering Co-operatives. Thus in addition to the steps taken for total prohibiting of private lending, positive steps should be taken to induce such persons to change their outlook and give their whole-hearted Co-operation. Moneylender should be made to become a collaborator in the Co-operative credit system and place his experience and business ability before the Co-operatives. When the Government itself will be the major partner of the Co-operative credit system what necessity is there to permit the existence of this prenicious avocation, any longer?

We have avowed our faith in the Co-operative movement by positive declaration that our salvation is only through the Co-operatives. While so, our faith in Co-operatives should drive us to the necessity of total banning of private money lending altogether. At least let a beginning be made by prohibiting all kinds of private money lending to the agriculturists and farmers, by appropriate legislation as early as possible.

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*GLEANINGS*

# Statistical Statements relating to the Co-op. Movement in India, 1955-56.

The "Statistical Statements relating to the Co-operative Movement in India for the year 55-56" has been published by the Reserve Bank of India, Agricultural Credit Department. The publication provides a statistical assessment of the co-operative movement in its various aspects in the country.

2. As in previous years, the statistical data are presented in three sets of tables, *viz.*, the general statements giving detailed statistics relating to the operations of different types of co-operative societies, the abstract table summarising salient data taken from the general statements, and the appendices giving comparative data for earlier years. The publication is enriched with the inclusion of a number of graphs and diagrams which illustrate the data presented therein.

3. The year 1955-56 witnessed considerable expansion in the activities of the co-operative movement. At the end of 1955-56, there were 2,40,395 co-operative societies of all types functioning in the country as compared with 2,19,288 societies at the end of the preceding year, representing an increase of 9.6 per cent. The working capital of all types of societies went up from Rs. 390.52 crores to Rs. 468.82 crores during 1955-56, recording an increase of as much as 20.1 percent as against a rise of 11 per cent in the course of the previous year. Agricultural credit societies which numbered 1,59,939 as on the 30th June, 1956, recorded a larger increase, compared with other types of societies. They represented numerically the most important single class of co-operative institutions in the country and formed 67.6 per cent of the total number of Primary Societies and 80.5 per cent of the total number of Primary Agricultural Societies. During the year under review, the membership of Primary Societies registered an increase of nearly 10 per cent, i.e., from 16.02 million as on the 30th June, 1955, to 17.62 million as on the 30th June 1956. Assuming that an average family consists of five members, it may be estimated that 88.1 million or 22.8 per cent of the population have been brought into the co-operative fold as against 80.1 million or 21 per cent of the population at the end of the preceding year. The total advances of Primary Societies rose sharply by nearly 27 per cent, i.e., from Rs. 111.15 crores during 1954-55 to Rs. 140.78 crores during 1955-56. The absolute figure of overdues showed an increase but the percentage of overdues to loans outstanding at the end of the year dropped from 17 in 1954-55 to 15.1 in 1955-56.

4. The number of State Co-operative Banks as on the 30th June, 1956, remained unchanged at 24. Their paid-up share capital and reserves stood at Rs. 4.37 crores and Rs. 3.28 crores at the end of 1955-56 as against Rs. 3.23 crores and Rs. 3.31 crores at the end of the preceding year. The strengthening of share capital structure by Government contribution, which was an integral aspect of the establishment and reorganization of several apex banks in recent years, was in evidence during the year under review. The total Government contribution towards the share capital of apex banks amounted

to Rs. 188.04 lakhs at the close of June, 1956, as against Rs. 126.04 lakhs at the close of the previous year. The State Governments of Bihar and Jammu and Kashmir contributed for this purpose Rs. 40 lakhs and Rs. 8 lakhs respectively for the first time during 1955-56. The working capital of the apex banks rose from Rs. 47.63 crores to Rs. 63.34 crores during 1955-56. There was an increase in the quantum of financial accommodation provided by the Reserve Bank of India, the outstandings in respect of such loans having risen from Rs. 8.44 crores at the end of 1954-55 to Rs. 14.07 crores at the end of 1955-56. The total advances of State Co-operative Banks rose considerably from Rs. 50.24 crores in 1954-55 to Rs. 67.86 crores in 1955-56.

5. The number of central banks and banking unions fell from 485 to 478 during 1955-56. The decrease is mainly due to the policy of rationalization of central financing agencies pursued in certain States such as Himachal Pradesh and Jummu and Kashmir. The working capital of these banks rose from Rs. 73.69 crores to Rs. 92.67 crores during the year under review. As compared with the previous year, loans made to societies increased by Rs. 19.08 crores to Rs. 70.40 crores during 1955-56. An encouraging feature of the loans portfolio of central banks was that advances to individuals dropped from Rs. 17.85 crores to Rs. 9.44 crores during 1955-56.

6. The number of agricultural credit societies, which constitute the base of the co-operative credit structure in the country, increased from 1,43,320 to 1,59,939 during 1955-56. Their membership and working capital correspondingly increased from 65,65,416 and Rs. 62.93 crores as on the 30th June, 1955, to 77,90,850 and Rs. 79.10 crores at the close of 1955-56, Deposits amounted to Rs. 7.05 crores but constituted only 8.9 per cent of the working capital. This indicates that the primary agricultural credit societies have laid inadequate emphasis on the promotion of thrift and savings. The amount of loans advanced by them increased from Rs. 35.48 crores to Rs. 49.62 crores during the year under review. As on the 30th June, 1956, there were 8,169 grain banks with a membership of 7,30,428 and a working capital of Rs. 2.42 crores as against 8,102 grain banks having a membership of 6,71,505 and a working capital of Rs. 2.02 crores at the end of the preceding year. The non-agricultural credit societies also recorded an increase in their number and membership from 9,348 and 28,47,944 in 1954-55 to 10,003 and 30,72,600 in 1955-56. Their working capital rose from Rs. 78.32 crores to Rs. 85.74 crores during the same period. They advanced loans to the extent of Rs. 72.06 crores in 1955-56, as against Rs. 62.12 crores during the previous year.

7. Significant expansion was also recorded in the non-credit structure. The number of state non-credit societies stood at 82 as on the 30th June, 1956, as against 60 at the close of the previous year. Their business almost doubled itself during this period for, as against total sales of Rs. 7.67 crores during 1954-55, the sales during 1955-56 amounted to Rs. 14.65 crores. The number of central non-credit societies increased from 2,599 to 2,764 during 1955-56. During the same period, their membership increassd from 18,11,782 to 19,14,715. Their sales rose from Rs. 50.45 crores during 1954-55 to Rs. 57.85 crores



during 1955-56. At the primary level, agricultural non-credit societies and non-agricultural non-credit societies also recorded a general rise in their number, membership and business. As on the 30th June, 1956, there were 30,268 primary agricultural non-credit societies with a membership of 23,91,826 and a working capital of Rs. 28.41 crores. Their sales during 1955-56 amounted to Rs. 31.16 crores showing an increase over the previous year's figure which was Rs. 27.04 crores. As on the same date, the number of primary non-agricultural non-credit societies stood at 27,745. They had a membership and a working capital of 33,22,447 and Rs. 58.13 crores respectively. There was an appreciable rise in the sales effected by these societies. As against sales aggre. gating Rs. 31.65 crores during 1954-55, the societies effected sales of the value of Rs. 44.73 crores during 1955-56. Thus the non-credit structure of the co-operative movement had turned the corner and come into its own after the transition from a controlled to a de-controlled economy.

8. The sphere of long-term credit also witnessed a fair measure of progress during the year under review. Thers were 9 central land mortgage banks functioning in the country as on the 30th June, 1956. They advanced loans to the tune of Rs. 2.83 crores during the year under review as against Rs. 2.43 crores during the previous year. The value of debentures in circulation at the end of June, 1956, amounted to Rs. 14.94 crores. The number of primary land mortgage banks stood at 302 at the end of 1955-56, as against 292 at the end of the preceding year. Loans advanced by them during 1955-56 amounted to Rs. 1.74 crores as against Rs. 1.45 crores during the preceding year.

9. There was a general improvement in the profits of all types of societies. For instance, the primary non-agricultural non-credit societies which had suffered losses to the extent of Rs. 89.53 lakhs during 1954-55 had retrieved their position and showed profits of as much as Rs. 71.59 lakhs during 1955-56 and the state and central non-credlt societies showed an increase in profits from Rs. 49.23 lakhs to Rs. 123.63 lakhs during the same period. As against a comparatively satisfactory profits position, a note of warning may be sounded in regard to two important features observed during the period under review. One features is that the increase in the owned funds and deposits of all types of co-operative institutions has not been commensurate with the increase in their borrowings other than deposits, which shows that co-operative institutions will have to make greater efforts to build up their owned funds and attract deposits if they are to function as strong, economic units. The other feature observed in the case of all primary societies is an increase in the absolute figure of their overdues at the end of the year, which shows the need for making advances after due scrutiny of each case.

# A Note on Credit Facilities to Industrial Co-ops. of Artisans engaged in Khadi and other Village Industries*

One of the recommendations of the Planning Commission is that during the second and succeeding five year Plans, village industries should be organised on co-operative lines. The Commission has emphasised that the provision of credit for the promotion of various village industries should increasingly be the *concern of co-operative banks with the nationalised State Bank of India and the Reserve Bank of India in the background.* This recommendation of the Planning Commission was accepted by representatives of States at the Inter-State conference held in New Delhi on June 20th and 21st, 1956. In pursuance of this decision, the Khadi and Village Industries Commission has embarked upon the *programme of organising co-operative societies for the development of khadi and other village industries,* which fall within its purview.

2. To consider the subject of formation of co-operatives for village industries and allied problems, the Commission convened sometime back a conference of Registrars of Co-operative Societies of various states. This was held in Bombay on March 23 last. Besides discussing subjects such as the expeditious registration of co-operative societies, the preparation of model bye-laws, the relaxation of limits on borrowing capacity etc., the conference also considered the question of grant of loans through co-operative central financing agencies. While some representatives took the view that channelising loans through a co-operative central agency would facilitate the maintenance of proper check on the operations of borrowing societies, others expressed doubts about the workability of a uniform procedure in this behalf throughout the country, in view of the fact that several States did not have the requisite machinery for financing industrial co-operatives and supervising their working. Besides, it was pointed out that the Planning Commission had adopted a programme for the development of the khadi and village industries, which had to be put through according to a prescribed time schedule. The general sense of the conference, as it emerged in the light of discussion of these various aspects was that:—

While it might be useful to employ a co-operative central financing agency in States, it might not be possible to do so till, in all the States, agencies similar to the Industrial Banks organised in Bombay State were set up. Co-operative Banks would cater to the needs of co-operative societies alone and registered institutions would have to be financed by the Khadi and Village Industries Commission through the State Boards or where no such Boards have been established, direct.

3. The Commission would now like to know first whether the central financing agencies in districts will be interested in undertaking the provision of finance for industrial co-operatives and whether they have the requisite machinery for the purpose. Secondly, in the absence of such an agency will the apex banks agree to be the medium for the supply of funds? They can do so only if they have the necessary machinery for the purpose in the districts.

*Note: The note has been prepared by the Khadi and Village Industries Commission in connection with the Conference of Representatives of State Co-op. Banks, held on the 6th July 1957 at Bombay.



4. The Commission desires to know, moreover, whether central financing agencies would like to undertake such operations *on an agency basis or would assume full responsibility for the borrowings.* In the former case, what remuneration would they expect? If the latter, what would be the margin they would charge? These two aspects of the question need consideration.

From certain comments offered by some of the State Boards, consulted in this matter, doubts have been expressed whether the *central financing agencies may not take too business-like and narrow a view of their responsibilities.* The Act, Rules and bye-laws lay down certain limits. What are these limits and would they stand in need of modification for the purpose in view? Then, the banks prescribe their own standards. Credit is ordinarily not allowed even though permissible under the law beyond a certain multiple of the share capital and reserves. Requirements in respect of security also differ and unless the prescribed security is available, no funds are made available. Lastly, the extent of finance is dependent on the standard of management of the applicants as judged by the audit classification and other tests. In case they are asked to relax their usual standards they may want Government to stand guarantee for the borrowings. If some guarantee is needed what form should such an agreement take? This subject is discussed in a separate note to be considered at the conference.

6. The financial requirements of co-operative societies for village industries will vary from industry to industry in respect of the form of accommodation, (*i.e.* fixed loan or cash credit) the security available, the period and mode of repayment and other details. For some the accommodation will have to take the form of a revolving credit to be drawn upon almost throughout the year and hardly likely to be repaid until the business is reduced or suspended. At present such accommodation is granted but on condition that at least 1/10th of the drawings made are repaid at the end of a year. When loans are taken for specific purposes each as for improved implements or purchases and installation of equipment or for construction of work-sheds, definite periods may have to be fixed. In societies for paddy huskers or for gani operators, the usual demands will be for loans against the stock of commodities to be processed, the advances to be repaid from the proceeds of the sale of the processed articles. It will have to be considered whether co-operative banks are willing to handle all types of lending or only certain specified types. It need hardly be mentioned that from the point of view of co-ordinating financial operations so far possible to avoid different type of credits being provided by different agencies.

7. Most of the loans available under the existing scheme of the Commission carry interest at the low rate of 3 per cent and some bear no interest. The Commission is anxious that the loans should be passed on to the ultimate borrower at as low a rate of interest as possible. The rate of interest which the central financing agencies are prepared to pay to the Commission, the margin required by the apex Co-operative Bank and the central financing agencies and the rate to be charged to the ultimate borrower have to be settled keeping this objective in mind.

8. The proceedure for dealing with application for loans should not be dilatory. Societies may apply direct to central financing agencies with a copy to the Officer of the Co-operative Department of the District concerned. *It has to be made clear if central financing agencies need the recommendation of the Co-operative Department in respect of loans;* in most States, for agricultural credit societies no such recommendation is called for. If any recommendation is necessary, the power to recommend applications has to be delegated to Officers in the districts.

9. When sanctioning various schemes, the Government of India lay down terms about the security that has to be provided by the borrowers. Personal securityship, mortgage of property, hypotheca-tion of fixed and floating assets, pledge of goods are some of the forms of security that are prescribed for different types of borrowings. It is laid down that even if there are already borrowing against security, the assets created out of a loan under this scheme must be tendered as security for the loan. Central financing agencies can have the first charge on such assets in addition to such other security as is available. If there are any other conditions that are laid down by the Government of India they will be such as to strengthen the element of security. It may not then be necessary for central financing agencies to ask for additional security.

10. Any agency that takes the responsibility of lending funds for working capital would expect their proper utilisation and assurance for their regular repayment. For this purpose, it is necessary for such agencies to have close supervision over the utilisation of loans. The Commission would be glad to know what are the existing arrangements made by central financing agencies regarding loans against security of goods, in respect of proper storage, safe custody, valuation, etc. It will be necessary for the Commission to have an idea also about the arrangements for supervision.

11. According to a proposal made last year by the Bombay State Co-operative Department, Societies to deserve assistance from the central financing agencies are expected to be either in 'A' or 'B' class and not to have unauthorised overdues from its members. If these conditions are enforced, it is not unlikely that a member of co-operatives may find themselves ineligible for getting loans from the central financing agencies. The question arises as to what arrangements should be made for financing such societies. It has to be considered whether uniform conditions should be prescribed or whether latitude in the matter should be enjoyed by the central financing agencies. The exercise of such descretion should not, however, hamper the implementation of the programme of the planning and development.

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***CASE STUDY***

# The Chandrasekarapuram Co-operative Stores Ltd.,—A Review 1956-57

*"From nothing, from the least,*
*The loveliest village (what but here and there*
*A reef roof cabin by a riverside),*
*Grew everything; and year by year*
*Patiently, fearlessly working her way*
*O'er brook and field, O'er continent and sea."*

—The History of the Equitable Pioneers of Rochdale.

[In our December 1956 issue, we wrote: *The picture was not entirely gloomy in the Consumer Sky. There were some brilliant patches like Chandrasekarapuram Co-op. Stores, which for the past ten years had blazed a trial in the Consumer firmament.*' 'Our Comment has been further substantiated by a recent report published by the Stores. Its achievements have been no less impressive during 1956–57; its turnover has increased to Rs. 12 lakhs; its business efficiency contiuues to be on the increase. We have every hope that this institution would soon prove to be a "Model Consumer Store" in our State, nay even India.—*Edr.*]

## An Eventful Year

Here is the vivid story of a Consumer Store operating in a rural area of Tanjore district, providing a community of 10,000 families with an excellent and efficient consumer service. It is a bright record of a daring and bold consumer experiment. It is a refreshing survey of the steady and presistent progress of the most difficult form of co-operative effort-namely Consumer Co-operative—and an achievement, which is almost unique in the annals of co-operative history in India. This institution, which was started in 1945 has had a continuous record of brilliant success. Year to year, there was an all-round progress and the expanding spiral of the store economy was at once both striking and significant.

The year 1956–57 witnessed the same trend of progress. The turnover has reached the target of Rs. 12 lakhs, in its 13th year of work. The stores has earned a gross profit of 7½ per centand a net profit of 2½ per cent. There has been an expansion in membership and its total owned resources approximate to Rs. 1 lakh. Thus, the stores has struck tap roots in the socio-economic soil of Chandrasekarapuram. These achievements are due to the willing co-operation and unswerving support of the public of Papanasam and Kumbakonam taluks to the stores, the relentless and persistent endeavours of the Managing Board and the staff despite several handicaps and, last but not the least, the unstinted assistance and willing guidance of the Central and State Governments.

We wish to place on record our deep debt of gratitude to Sri K. Kamaraj, Chief Minister of Madras, Sri M. Bhakthavatsalam, Minister tor Home, Sri R. Venkataraman, Minister for Industries.

Labour and Co-operation and Sri A. Palaniappa Mudaliar, Registrar of Co-operative Societies. Madras, for the very generous and kind encouragement and support extended by them for the successful development of this Institution.

## Achievements

### Decennial Celebrations

### Sri T. T. Krishnamachari's Visit

By far the most outstanding events of the year were the colourful and grand Decennial celebrations of the stores on the 4th August 1956 under the distinguished auspices of Sri T. T. Krishnamachari, then Union Minister for Commerce and Industry. In fact, Sri T. T. Krishnamachari's visit was the harbinger for an ever increasing series of expansion for the stores. "May the Chandrasekarapuram Stores occupy a foremost place in the Co-operative Map of India very soon!" was the whole hearted blessing of Sri T. T. Krishnamachari and we are sure that the words of that India's "Man of Destiny" would become true in the years to come.

### Publication of the Monograph

Another event of great importance was the publication of the Monograph "Chandrasekarapuram Co-operative Stores—A Great Experiment" by Sri C. M. Janarthanam, Associate Editor. "*The Madras Journal of Co-operation*". The Monograph has earned well deserved tributes from foreign co-operators like Marcel Brot, President, I. C. A. and from outstanding personalities like Dr. Sir C. P. Ramaswamy Iyer, Sri C.R. Srinivasan, Prof. D.G. Karve, Sri C. V. Narasimhan, Secretary-General, *ECAFE* and important Journals like "The Hindu", "The Indian Express" "Swadesamithran", and "The Bombay Co-operative Quarterly" and others.

### Enhanced Rebate on Handloom Sales

The stores has been fortunate to get a handloom rebate of 9nP. per Rupee on its sales of handloom cloth on a par with Weavers' Societies at the newly opened Kumbakonam branch. Such a concession to a Consumer Co-operative is almost unique. We have no adequate words to express our deep debt of gratitude to the Union Minister for Finance Sri T. T. Krishnamachari for the inestimable help and assistance and encouragement he has given to the Consumer societies in general and this Stores in particular in securing this concession.

### Cement Distribution

The stores has once again to thank the Union Ministry for Commerce and the State Trading Corporation for their help in recognising the stores as one of their authorised distributors for Cement through all it branches.

### Record Sale of Handloom

The year witnessed a record sales of handloom cloth of Rs. 3.49 lakhs, over double that of last year i.e, Rs. 1.61 lakhs, an 116 per cent increase:—thanks to the enhanced handloom rebate.

### Fertiliser Distribution

During the year, the stores was appointed as one of the agents for the distribution of fertilisers in ths Kumbakonam taluk, in addition to Papanasam taluk. Thanks to the encouragement of Sri V. Karthikeyan, I.A.S., Collector of Tanjore.

### Import Licence

Again for the second year, the stores has been favoured with Import Licences for importing some select items of dry goods from soft currency areas. This enabled the stores to sell consumer goods like toilets, pencils, etc. at competitive rates.



### Business Efficiency

The stock-turn ratio is slightly more than 7. It is in conformity with the record of previous years and indicates beyond doubt the high level of business efficiency of the stores.

### Purchase of Building

As decided by the General Body, the first instalment of Rs, 5,000 has been paid towards the purchase price of the building of the stores. The stores will own a home of its own in less than five years.

### Assistance from Private Enterprise

The stores do not shun Private Enterprise; it would like to compete with them on equal terms. We are glad to report that the T. I. Cycles Ltd. and Dunlop Rubber & Co. Ltd. have come forward to supply us with cycles and accessories.

### Member Loyalty

We seek to serve; the members respond in an equal degree. There has been an increase in membership and share capital. Not only that; they help the stores with deposits. Thus member-loyalty and self-help are promoted hand in hand.

### Enthusiasm of the Staff

The staff, whose number exeeds fifty are working with a missionary zeal and all the excellent results are due to their enthusiastic work. Sri Ganesan, the Manager is the moving spirit and the entire staff co-operate with him in an edifying manner. There was a revision of scales of pay during the year.

### Facts as they are—Turnover

| | Year 1955–56 (In lakhs of Rupees) | Year 1956–57 (In lakhs of Rupees) |
|---|---|---|
| Groceries | 3.81 | 4.32 |
| *Cloth* | | |
| Handloom Cloth | 1.61 | 3.49 |
| Mill Cloth | 1.39 | 2.06 |
| Consumer Goods | 0.31 | 0.33 |
| Fertilisers | 0.84 | 1.21 |
| Cycles and Accessories | 0.07 | 0.25 |
| Cement | Nil | 0.15 |

### Working at a Glance

| | Year 1956—57 Rs. |
|---|---|
| Members ... | 1,086 |
| Share Capital ... | 29,855 |
| Fixed Deposits from members outstanding as on 30-6-57 | 90,250 |
| Working Capital as on 30-6-57 | 1·93 lakhs |
| Reserve Fund as on 30-6-57 ... | 36,500 |
| Business Loss Reserve as on 30-6-57 ... | 12,000 |
| Gross Profit | 90,400 |
| Net Profit ... | 28,800 |
| Sales Tax Paid ... | 13,774 |

***The stores is financed solely from its deposits and not with any borrowing from the Central Bank.***

Growth of the Institution from inception

| Year | Member | Share Capital | Reserve Fund | Other Fund | Sales | Gross Profit | Net Profit | Dividend Rate |
|---|---|---|---|---|---|---|---|---|
| 1944-45 | 137 | 3,445 | 345 | ... | 15,455 | 907 | 691 | 4 % |
| 1945-46 | 377 | 6,130 | 2,483 | ... | 1,25,117 | 7,659 | 4,275 | 4 ,, |
| 1946-47 | 438 | 9,120 | 5,515 | 116 | 2,00,517 | 12,542 | 5,884 | 4 ,, |
| 1947-48 | 473 | 11,045 | 10,367 | 804 | 3,10,048 | 20,046 | 9,478 | 4 ,, |
| 1948-49 | 504 | 13,185 | 14,764 | 1,306 | 4,11,902 | 26,289 | 8,794 | 4 ,, |
| 1949-50 | 588 | 17,630 | 18,977 | 5,186 | 5,49,157 | 30,154 | 6,498 | 4 ,, |
| 1950-51 | 779 | 22,985 | 21,471 | 4,676 | 9,24,644 | 46,979 | 9,278 | 6¼ ,, |
| 1951-52 | 898 | 25,885 | 22,322 | 6,151 | 9,32,577 | 47,787 | 3,083 | 6¼ ,, |
| 1952-53 | 1001 | 27,210 | 26,414 | 6,758 | 9,05,643 | 50,357 | 6,101 | 6¼ ,, |
| 1953-54 | 1012 | 27,440 | 27,286 | 6,733 | 7,73,648 | 46,080 | 3,487 | 6¼ ,, |
| 1954-55 | 1019 | 27,520 | 29,746 | 9,223 | 6,09,235 | 45,554 | 9,843 | 6¼ ,, |
| 1955-56 | 1039 | 29,005 | 36,500 | 12,000 | 8,09,156 | 61,555 | 17,982 | 6¼ ,, |
| 1956-57 | 1086 | 29,855 | * 43,500 | * 16,500 | 11,85,576 | * 90,402 | * 28,826 | ... |

* Subject to Audit.

## APPRECIATION BY THE MINISTER FOR CO-OPERATION, MADRAS

SRI R. VENKATARAMAN, M.A., B.L., M.L.C.,

*Now Minister for Industries,*
*Labour and Co-operation in the Madras Cabinet*

Visited the stores five years ago and recorded his impressions:

"I have heard of the Chandrasekarapuram Co-operative Society but had not realised what a magnificent institution it is until I visited it this morning and saw the working of the institution. The stores serve a very useful purpose in the rural areas and deserve all support. Capable men and women adorn all offices they take up. My old friend "Chandru" is one of them. He has made the organisation, a life giving organisation in the rural areas and has engendered new life among the villagers. The President of the Society, whom I had the pleasure of meeting, also deserve praise. There is no greater service to the country than service to humanity. The Chandrasekarapuram Co-operative Society is doing signal service to the people of these areas. I wish the Society and its able and energetic Secretary Mr. C. S. Ramachandran all success."

## APPRECIATION BY THE REGISTRAR OF CO-OP. SOCIETIES, MADRAS

SRI A. PALANIAPPA MUDALIAR, M.A., I.A.S.

*Registrar of Co-operative Societies, Madras*

Visited the stores recently and recorded his impressions:

The Chandrasekarapuram Co-operative Stores is an outstanding example of what consumer's organisation can achieve in rural areas. It has been doing very good work from the beginning and has established a reputation in the locality. Its success is largely due to the efforts of the successive directors who have been giving their time and attention to its work and particularly the Secretary of the stores. I wish that several others will emulate the example of the stores and extend the consumers' movement to other areas. I wish the institution a bright and prosperous career in the years to come.

125715

## CO-OPERATIVE CONFERENCES AND MEETINGS

# Proceedings of the Valedictory Meeting of the Central Co-op. Institutes Trainees' Association, Madras.

### SRI C. SUBRAMANIAM'S ADDRESS

An appeal to the officers of the Co-operative Department to make co-operative farming in villages a success, was made by Mr. C. Subramaniam, Minister for Finance, when he delivered the valedictory address of the Central Co-operative Institute Trainees' Association, on the 14th July '57. Dr. P.V. Cherian, Chairman of the Legislative Council, presided.

At the meeting, it was mentioned by the Principal of the Institute, Mr. A. P. Balasubramaniam that there was a proposal to convert the Institute into a co-operative training college during the Second Plan period, so that they could train not only the subordinate personnel of the Department, as at present, but also the higher personnel of the Department.

Dr. P. V. Cherian paid a tribute to the work of the Institute and said that co-operation was of primary importance to the country and particularly, for the welfare of the people.

Mr. Subramaniam, expressing his 'disappointment' at seeing the building in which the institute was now housed said that they were entitled to have a good, pucca building (cheers) for carrying on their work efficiently and well. They should have "first class training by first-class men in ideal surroundings." He did not know why the Registrar of Co-operative Societies had not yet taken up this matter with the Government. He hoped ere long they would have a permanent building with suitable space for putting up a hostel and playgrounds later on.

The Minister also suggested that the Institute should be shifted to either the fringes of the City or even some smaller town where they could buy land cheaper.

#### Improvement of Agriculture.

To achieve their targets in the field of agricultural improvement, the Minister said, it was necessary that co-operation should play a very important part. Referring to the progress of the co-operative movement in China and the report submitted on it by a small committee of experts, the Minister said that the success achieved in that country, he had no doubt, was due to the fact that they had some sort of dictatorship in that country. But, it would not be possible to introduce co-operation by compulsion in this country and hence, we should try to achieve success through peaceful and voluntary methods.

Addressing the trainees, the Minister said it had been said that co-operation was not merely a movement, but a way of living. They had to introduce it in the villages and for doing this successfully, they had to instil confidence into the minds of the people. This, they could do by becoming each a leader in the village. Leadership had to be achieved by making the people feel that they were one with them, in fact their friend, philosopher and guide.

The Minister emphasised that the co-operative movemeut had to become more comprehensive. First, they had to see that co-operation provided more credit for



people living in the villages. At present, co-operation provided only 15 per cent of the credit required by the villagers. From ploughing, weeding and sowing to harvesting and then marketing the produce raised, they had to be of help to the people through the movement at every stage.

In one sector, that relating to co-operative joint farming, they had not made much progress, the Minister said. They might have started a few such forms now, but, these had not proved a great success. It was necessary to organise co-operative joint farming because that way alone, they could bring together the small uneconomic holdings of the villagers into a big compact whole. It would then be easier to introduce improved methods of agriculture, and thus increase agricultural production, a major objective of the Five Year Plans. He concluded that co-operative officials would have to devote attention to the development of village and cottage industries also.

Dr. Cherian then distributed the prizes after which the trainees put on board a play "Orae Vazhi".

Mr. P. Rajendran proposed a vote of thanks.

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# Proceedings of Weavers' Co-operatives Conference held on 27–6–'57 at Madras.

## SRI R. VENKATRAMAN'S ADDRESS.

Mr. R. Venkataraman, Minister for Labour, Madras, inaugurating the Annual Conference of Weavers' Co-operative Societies in the State, on 27—6—'57 visualised the important role co-operatives would have to play in the expansion of the handloom weaving industry in the country and appealed to the members of different societies to see that the maximum number of weavers of the State came under the co-operative fold. On behalf of the Government, the Minister assured them that the interests of the handloom weavers would be fully safeguarded and every possible help would be provided for the promotion of their welfare.

The conference was held at the Balasundaram Buildings and was presided over by Sri M. P. Nachimuthu Mudaliar, President of the Madras State Handloom Weavers' Co-operative Society.

The President, welcoming the Minister, detailed the several difficulties of the handloom weavers and appealed to both the State and Central Governments to help to improve their lot. He acknowledged gratefully what the Government had been doing so far, for the improvement of their conditions of living and pointed out that about Rs. 17 crores had been collected by way of handloom cess, which was utilised for the benefit of the handloom weavers. In the Second Plan period, it was anticipated to collect about Rs. 30 crores as cess and he hoped it would be possible to provide greater amenities for the advancement of handloom industry. He also brought to the notice of Government there was accumulation during the last few months, of handloom cloth of 100 and 80 counts and requested the Government to help to find ways and means for the disposal of the stocks.

### Inaugural Address

Mr. Venkataraman said he was glad to note that there was some improvement in the conditions of living of handloom weavers. It was now for them to take a long-range view and consider the problems of the industry as a whole and work out measures to solve such problems, so that the industry might be placed on a permanent footing and the several lakhs of handloom weavers obtained real benefit out of the amenities provided for them, at various levels.

### Need to Raise Output

The Minister, proceeding, pointed out that the target under the Second Plan period was to increase the production by about 50 per cent. In this regard, he added, weavers co-operative societies would have an important part to play, apart from the efforts of individual master weavers. He, therefore, made an earnest appeal to the Co-operative Societies to do everything in their power to step up production to the desired level. At the same time, the Minister desired them to remember there should be high efficiency maintained and they should aim at producing the best quality of handloom cloth. They should not give any impression that handloom industry was being encouraged out of sheer sympathy for the weaver or as a Government sponsored industry.



Mr. Venkatraman expressed the view that the promotion of the welfare of the weavers and the progress of the industry itself were better feasible through co-operative channels and he, therefore, desired that greater number of weavers should come into the co-operative fold. The facilities which those weavers within the co-operative fold were now enjoying, should be made available to all and, therefore, he felt the need for maximum number of weavers coming under the fold.

Referring to the provision of different amenities for the sound functioning of the handloom industry, the Minister pointed out that the Government would consider all their requests and make proper recommendations to the Centre. He assured them that the Madras Government would never do anything against the interests of handloom industry because, they always felt that handloom was second only to agriculture and deserved all the encouragement, it could receive, at the hands of Government.

### Policy on Powerlooms

Speaking about the introduction of powerlooms, the Minister explained the policy of the Government on the subject. He also mentioned what was being done in other States, like Bombay, where powerlooms were already working. He pointed out that the State Government would not be coming to any immediate decision on the matter, but would await the conclusions of all concerned in the Industry. The Minister however, desired to make it clear that this problem should be faced squarely, since it was a matter of a long-term development programme and would largely affect the interests of the future generation of handloom weavers.

Referring to provision of other amenities, like housing, provident fund benefits, etc., the Minister observed that the Government were steadily taking steps to provide them.

Mr. Kasi Viswanatha Mudaliar, Treasurer, proposed a vote of thanks.

### RESOLUTIONS

1. Resolved to request the Registrar to ensure the lending rate to Weavers' Co-operative Societies by Central Banks at a maximnm of 4 per cent. As the Reserve Bank starts lending to Weavers' Societies, the rate of interest should not exceed 3 per cent.

2. Resolved to request the All India Handloom Board to provide Working Capital of Rs. 1,000 for each new loom admitted into silk society.

3. In view of the difficulties for disposal of the productions of the Silk Weavers' Co-operative Societies, Registrar is requested to expedite the arrangements for opening of a silk emporium at Madras for sale of the societies' goods on such terms and conditions as may be agreed to by the societies. Resolved also that for the emporium so started, the All India Handloom Board may be requested to sanction the required subsidy in the initial years of its working.

4. The present provision of Rs. 25 under Share Capital is helpful in finding immediate money to advance yarn to a few members joining the new society pending sanction of working capital loan by the Central Banks. An increase of the Share Capital to Rs. 50 repayable in two years will help the primary societies to secure more initial money for

helping the weavers, till such time the working capital loan is sanctioned.

5. In as much as the Central Banks are not freely financing the Weavers' Co-operative Societies apprehending some loss in the transaction, it is resolved to request the Government to extend the guarantee upto 10 per cent on all lendings to the Weavers Co-operative Societies by the Central Banks.

6. In view of the wide fluctuation in the yarn market and a lot of speculation among the dealers and brokers, it is resolved to request the Registrar to approach the Government of India to advise mills to supply yarn to the Weavers' Co-operative Societies at such rates that would ensure the mills not more than a profit margin of $6\frac{1}{4}$ per cent over the cost of production.

7. In view of the increase in the bank rate and the tight money market conditions, it is resolved to request the Registrar to advise the State and the Central Banks to increase the rate of interest on Reserve Fund Investments from 3 per cent to 4 per cent.

8. As the only scheme that would help the weaver joining a co-operative society is the Provident Fund Scheme whereby towards the contribution made by a weaver member an equal contribution up to one anna in the rupee can be made from the Cess Fund, it is resolved to request the Registrar to press the All India Handloom Board to reconsider proposal for the introduction of Provident Fund Scheme in Weavears' Co-operative Societies.

9. As bonus is an incentive for the weavers' joining a co-operative society and as the profits at present are so mearge that even half anna in the rupee cannot be given by way of bonus in several societies, it is resolved to request the Registrar to permit the societies to amend their by-laws providing upto 40 per cent of the net profit for purpose of payment of bonus.

10. Resolved to request the Registrar to remove the present provision in the by-laws of the primary societies from creating rebate reserve.

11. The conference reiterates the resolution already passed at the previous conference requesting the Registrar to reduce the allocation under Reserve Fund from 40 per cent to 25 per cent.

12. The conference reiterates the demand to allow rebate on goods produced with art silk, Rayon or staple fibre if the price per yard does not exceed Rs. 3.

13. Resolved to request the Registrar to make necessary arrangements for obtaining advances for payment of rebate to the societies against their claims regularly month after month.

14. Resolved to request the Registrar to extend the free distribution of appliances to the primary societies like pettu boxes, steel reeds, varnished healds, pick regulators etc.

15. Resolved to request the Government to provide free education for the children of Weavers in educational institutions under its control upto S.S.L.C. standard.

16. Resolved to request the Registrar to continue the scheme of training the employees of the Weavers' Co-operative Societies in Salesmanship and Accounting as was done last year.

17. Resolved to request the Registrar to obtain sanction from the All India Handloom Board for payment of at least, Rs. 1000 to Silk Weavers' Co-operative Societies towards their advertisement expenses.



18. Resolved also to request the Registrar to extend the subsidy now given to Silk Weavers' Co-operative Societies for a period of 5 years.

19. Resolved to request the Registrar to make arrangements with the All India Handloom Board for bringing out a documentary film on handloom industry and for free exhibition of such films in all theatres.

20. As at present the audit fees being very heavy and expensive to to primary societies as well as the State Society, it is resolved to request the Registrar to reduce the schedule of audit fees to make it cheaper and also to arrange for the issue of audit certificate for the Weavers' Co-operative Societies within three months of the close of the Co-operative year.

21. In view of certain distinction made between fabrics produced in higher and lower counts in certain districts for purposes of prize competition, it is resolved to request the Registrar to instruct all the districts where such competitions are held to offer prizes for all varieties of cloth irrespective of the counts used in production.

22. In view of the arrangements for the issue of Janatha Policy it is resolved to request the Primary Weavers' Co-operative Societies to encourage their members insuring their lives under such policy by arranging for the payment of the premium from the Thrift Fund Deposit.

23. Resolved to request the Madras State Handloom Weavers' Co-operative Society build a Rest House as adjunct to the office for the stay of the representatives of Weavers' Co-operative Societies coming to Madras.

24. Resolved to request the Registrar to give effect to the provision of financial assistance to the new Primary Weavers' Co-operative Societies by meeting their expenses under establishment and rent in the initial years of their working.

# Proceedings of the Twenty-ninth Session of the Central Banks' Conference held at Madras on the 27th and 28th July, 1957

WELCOME ADDRESS

By

SRI MEDAI DALAVOI KUMARASWAMI MUDALIAR,
*President, The Madras State Co-operative Bank Ltd., Madras*

Due to indisposition of the President, Dr. P. Natesan, Director of the Bank read the Address

The Hon'ble Sri Venkataraman, Mr. Palaniappa Mudaliar and Friends,

As the President of the Madras State Co-operative Bank, it is indeed a very great pleasure for me to welcome you to this, the twenty-ninth Session of the Central Banks' Conference. I am particularly happy that our Minister for Corporation, Sri Venkataraman has so kindly consented to inaugurate the Conference. His consent only evidences his abiding faith in the Co-operative Movement which, as you are well aware, is harnessed to the several socio-economic development plans under the Second Five Year Plan. His intimate knowledge of men, matters and the agrarian and labour problems is unique. With that knowledge and his experience as a Minister of this State, his advice and guidance should be of immense value to us. I thank you once again, Sir, for your kind patronage.

We have met at this Conference pursuant to the decision taken by us last July that we shall meet at least once in a Co-opesative Year to review the past and discuss problems for the future. Since we last met, many important developments have taken place. I shall make only a passing reference to them. Government have invested a sum of Rs. 8 lakhs in the share capital of the State Co-operative Bank for reinvestment in the Central Banks, pursuant to the Scheme of State Participation. For various reasons, however, the progress of the reinvestment has not been as expected. I find this is one of the items on the Agenda to be discussed and measures formulated to expedite the reinvestment.

In regard to the finance to the Handloom Industry, the Reserve Bank of India have undertaken to do so from 1st April 1957. The State Government have extended the requisite guarantee to the Reserve Bank of India. The fixation of credit limits is awaited.

Closely allied to this is another subject on the Agenda, viz., supervision of the Weavers' Societies. While the Scheme of associating the financing Banks directly in the scheme of supervision is quite welcome, I find from the note given by the Registrar on the relevant subject on the Agenda, that the financing Banks are expected to meet $12\frac{1}{2}$ per cent of the cost of supervision —not only on the staff to be appointed by the Banks themselves but also on the staff to be appointed by the Department at the rate of one for every ten societies and further supervisory



staff at the rate of one for every three such supervisors. To my mind, the Board of Management of the State Co-operative Bank was not aware of this position when it expressed the opinion that the financing Banks out to find no difficulty in meeting $12\frac{1}{2}$ per cent of the cost. It was understood that each of the Central Banks and the State Co-operative Bank would be required to meet one eighth of the cost of the Inspectors to be appointed by them. I am sure the Conference will consider this subject very carefully and express their opinion thereon.

Another aspect of the Weaver finance is the criticism levelled against the financing Banks that they are too conservative. Experience of Weaver finance has shown that in spite of a " not too liberal outlook " recovery of advances has been difficult in quite a number of cases. Instances have come to light where societies have come to liquidation point within the very first year of finance, while a ten year finance for those very societies was urged. The State Government have come forward with a guarantee on their part, of the losses arising out of non-recovery of loans advanced by the State and Central Co-operative Banks to the Apex and primary Weavers' Societies subject to a maximum of 5 per cent of the total loans advanced to them for the purpose by the Central Government. In the ultimate analysis, the Central Government and State Governments will together meet a maximum loss of only 10 per cent of the total advances from the Cess Fund *i.e.*, about Rs. 24 lakhs inasmuch as the total advances from the Cess Fund came to about Rs. 241 lakhs. Therefore so long as the total losses sustained do not exceed about Rs. 26.5 lakhs, the share of the financing Banks will be within the 10 per cent. Losses in excess of the above figure will have to be entirely borne by the Movement. Let us only hope that such a contingency will not arise. In this connection, I may also be permitted to state that in our anxiety to reach targets for rural credit under the Five Year Plan, let us not be over zealous or over enthusiastic as to by pass the essential safeguards.

In a Welcome Speech, I do not wish to dilate further. But I only wish to refer to one topic before I close and that is the reported transfer of the Agricultural Credit machinery from the Reserve Bank of India to the State Bank of India. Whatever may be the reason that prompted the proposal, it is fraught with serious repercussions to the Co-operative Movement. We are on the threshold of a development plan of expansion of rural credit and it will receive a set back. In spite of its nationalisation, the State Bank of India cannot be expected to have the outlook as the Reserve Bank of India, nor can it have the same type of resources as the latter. If, however, it is to be one more link in the chain of rural credit, the ultimate borrower will suffer a higher incidence. If, however, the State Bank of India will replace one or, even two, of the institutions of the credit tiers, then the co-operative credit edifice which has been laboriously built up over the last half a century and more will be shattered and the very purpose of expanding agricultural credlt will have been largely frustrated. I am sure the Conference will register their emphatic protest against the proposed move.

Gentlemen, I do not wish to take any more of your time. We have met here for mutual consultations and for co-ordinating the activities of the various agencies.

I find from the Agenda that nerely all problems facing the Central Banks today are coming up for discussion. I am sure that with the help and guidance of the Registrar, we will come to very sound conclusions in our deliberations.

I am thankful to my friend Sri N. S. Ramalingam for having kindly consented to preside over to-day's Conference; and I am sure he will bring to bear his rich experience in our discussions to-day and help us to come to conclusions of lasting benefit to the Movement. With your leave, I request him to take the Chair and conduct the Conference, after the Hon'ble Minister inaugurates it, which I now request him to do.

## PRESIDENT'S ADDRESS

BY

SRI N. S. RAMALINGAM, B.A., DIP. IN POL. AND PUBLIC ADMN., M.L.A.
*President, The Kumbakonam Co-operative Central Bank Ltd.,*

Dear friends, Hon. Minister for Co-operation,

I thank the delegates for having elected me the chairman of the meeting. I am sorry that our esteemed President, Sri Medai Dalavoi Kumaraswamy Mudaliar could not be present here today due to indisposition and I pray to God for his speedy recovery. I am sure that ere long he shall be with us to guide us in our deliberations and inspire us in Co-operative work. I am glad that our Minister for Co-operation Sri R. Venkataraman has so kindly consented to inaugurate this conference. I am sure that his inspiring address would help us in solving the problems of our movement and his kind reference to the good work of the non-official Co-operators is, indeed, a great encouragment for us.

Let me, at the very outset, refer to the problem of the transfer of rural credit department from the Reserve Bank of India to the State Bank of India, a problem, which is agitating the minds of co-operators. Sri R. Venkataraman has assured the Madras Assembly that no unilateral decision would be taken and that the Co-operative movement would be consulted, before any drastic change is contemplated. We are grateful to him for the assurance. However, we have to make vigorous propaganda of how the impending transfer would affect the Co-operative Movement and bring to the notice of the Central Government the absolute need for retaining the agricultural Credit Department in the Reserve Bank of India itself. Another point I would refer to is audit. Sri T. M. Narayanaswamy Pillai Committee has recommended the separation of the audit and administration but he added that the over all audit control should vest in the Registrar. I am of the opinion that the Registrar should have the over all control of audit.

The other points made by Sri N. S. Ramalingam were :—

(1) The need for relaxing the ratio of short-term loans : medium term loans as 50 : 50, in the matter of classification of Central Banks.

(2) The rate of interest allowed by Central Banks should be enhanced to atleast the Government borrowing rates and present prohibition that it should not be higher than State Co-operative Bank's rate should be relaxed.



(3) The guarntee given by government a in respect of over-all loss incurred in respect of advances to weavers societies should be enhanced.

(4) Lastly, he appealed to the Government to take early steps to channalise all *takkavi loans* through the Co-operative financial agencies.

The Conference then discussed the several subjects on the agenda, a full report of which will be published in the subsequent issues of the Journal.

## INAUGURAL ADDRESS

BY

SRI. R. VENKATARAMAN, M.A. B.L., M.L.C.,
*Minister for Co-operation, Madras*

Gentlemen,

I am grateful to Sri Medai Dalavai Kumaraswamy Mudaliar, President and to the other Directors of the State Co-operative Bank for having invited me to be in your midst this after-noon and inaugurate the 29th Session of the Central Banks Conference. I am happy to learn that the annual conferences which you have been conducting have enabled you to exchange views on various matters of interest to you all, to discuss problems of common interest and to find solutions for such problems.

2. Madras has built up a strong and stable co-operative credit structure. The Madras State Co-operative Bank at the apex level and the 14 Central Banks at the District level have been playing a very useful part in financing agriculture and industry through the large number of Primary Societies in the State. The State Co-operative Bank has a working capital of over 9 crores of rupees of which about Rs. 4 crores represent deposits. During 1956–57, the State Co-operative Bank issued loans to the extent of Rs. 5.52 crores to the Central Banks for financing primaries. It is also financing the Madras State Handloom Weavers' Co-operative Society direct under the Cess Fund Scheme. The 14 Central Banks in the State had a paid up share capital of Rs. 88.81 lakhs and a Reserve Fund of Rs. 53.54 lakhs on 31-12-1956. They held deposits to the tune of nearly Rs. 6.8 crores. Their total working capital amounted to Rs. 13.5 crores. During the year 1956-57, the Central Banks lent to the tune of Rs. 18.32 crores to their affiliated societies. Their lendings to the agricultural credit and marketing societies along amounted to Rs. 9.53 crores. They are also playing a useful role in the financing of Weavers' Co-operative Societies. On 31-3-1957, a sum of Rs. 58.59 lakhs was outstanding against the Weavers' Co-operatives. If the State Co-operative Bank and the Central Banks have been able to build up a strong and sound financing system, it is not a little due to the untiring efforts of the non-official co-operators, who have been giving their time and energy from the very inception of the movement to the development of these institutions and I wish to congratulate the President and other co-operators on this achievement.

3. The State Co-operative Bank as well as the Central Banks

have taken with great enthusiasm to the working of the scheme of the expansion of credit and marketing under the Second Five Year Plan. The objective of the scheme is, as you all know, to bring into the co-operative fold not less than 75 per cent of the villages in the State and serve 50 per cent of the rural population as against 68.85 per cent of the villages and 24.25 per cent of population covered by the co-operatives at the commencement of the Second Five Year Plan. In the matter of expansion of credit, the target set out is Rs. 18 crores in the last year of the plan as against Rs. 6 crores only in the year preceeding the commencement of the plan. So far as the first year of the plan is concerned, the targets set have been exceeded—71 per cent of the villages have been covered as against 70 per cent targetted and Rs. 8.13 crores were lent to the agricultural credit and marketing societies as against the targetted amount of Rs. 7.87 crores. I have to congratulate the represenntatives of the Central Banks on this achivement. At this rate, I have no doubt that the target set out in the Second Five Year Plan will be reached and that the Co-operative Movement in the State will be playing a much more useful role in the agricultural economy of the country than in the past.

4. While the achievements are no doubt substantial you will agree with me that there is still vast scope for further expansion. Though co-operative credit societies are operating in nearly over 70 per cent of the villages in the State, they have so far touched only 28 per cent of the rural families. Possibly not all these families are getting their credit needs from the co-operatives. Our country is predominently an agricultural country and the large number of agriculturists cannot carry on their occupation without raising credit. It has been recognised on all hands that the system of institutional credit is the most advantageous one for the agricultural producers and that the co-operative agency provides the best system of institutional credit. It should, therefore, be our endeavour to make this credit available to the large body of agriculturists who still remain outside the co-operative movement. The doors of the primary credit societies should be kept open for all agriculturists and every step that is needed should be taken to enrol them in these societies and satisfy their credit needs for agricultural production. Though your target under the Second Five Plan is to enrol only 50 per cent of the rural families into the Primary Societies I would earnestly request you to go on making ceaseless efforts until every family in a village is admitted into the rural co-operative society. This should be the ultimate objective and the earlier we are able to achieve the objective the better.

You are doubtless aware that a special scheme of expanded rural credit is in operation in two firkas in the State. In these two firkas the activities of the co-operative societies, small-sized as well as large-sized, are being developed rapidly so as to provide very soon the entire credit needs of the people for agricultural production and marketing through the agency of the co-operatives themselves. The working of the scheme is being watched with great interest so that it may be extended to other areas also.

5. The expansion of the credit programme assumes greater importance in the Community Development and National Extension Service areas, where an all out effort is being made by Government with the active co-operation of the people for the development of the countryside and for raising the standard of living of the people. The Registrar of Co-operative Societies tells me that in extending to new areas the intensive scheme of credit and marketing during the year, you have chosen mostly the Community Development and National Extension Service areas and that the organisation of large-sized societies and the intensification of the arrangements for marketing will be mostly confined to these areas. I am happy that the Central Co-operative Banks are now taking greater interest in the developmental activities in these special areas. It is the desire of Government that the co-operative agency should be utilised largely for development work and it is in this context that Government have entrusted the co-operatives with the distribution of the full quota of chemicial fertilisers in the Community Development and national Extension Service areas. You are probably aware that Government have recently passed orders appointing a representative of the Co-operative Central Banks as a member of the Block Advisory Committees. I have no doubt that your association with the development programmes in these special areas and participation in the periodical meetings of the committees will be valuable and greatly help in the implementation of these schemes.

6. I must observe that the development of co-operative marketing has not kept pace with the development of co-operative credit. In the first year of the plan, 35 marketing societies were selected for intensive development and for working the scheme of integration of credit with marketing and they were provided with the free services of departmental staff for managerial work. These societies have increased their membership, share capital and transactions. They issued loans on the pledge of produce to the tune of Rs. 33.73 lakhs and marketed members' produce worth Rs. 74.72 lakhs. During the last year 584 Primary Societies were linked to them under the scheme of integrated credit and marketing; the credit societies issued cultivation loans for Rs. 18.72 lakhs and produce worth Rs. 65.24 lakhs was brought to the sale societies. Though taken individually there has been some progress in the activities of these marketing societies, the progress in the development of co-operative marketing as a whole cannot be said to be appreciable. The ryot needs facilities for processing and marketing of his produce as much as he needs facilities for credit for production. It is, therefore, the duty of the co-operatives to afford facilities for marketing and processing also. To facilitate co-operative marketing and processing, Government are assisting co-operatives with loans and subsidies for construction of godowns and with loans for establishment of processing plants. You are aware that the Government of India have set up the National Co-operative Development and Warehousing Board and that this Board is taking active steps for the development of the co-operative movement especially in the field of credit and marketing. With the establishment of the Central Warehousing Corporation by the Government of India, the Government of Madras have also taken up the question of establishing a State Warehousing Corporation at Madras. It is proposed to

contribute Rs. 10 lakhs towards the shares of this Corporation during this year, an equal amount coming from the Central Warehousing Corporation. Besides constructing godowns at centres of national importance on behalf of the Central Warehousing Corporation and at district headquarters on its own behalf, the Corporation is expected to play a very useful part in the procurement and distribution of agricultural requisites like manure etc., and the provision of warehousing facilities. Co-operative Marketing, I am sure, will receive a great stimulus after the establishment of the Corporation. It is upto the Central Banks to do all in their power to aid the development of co-operative marketing.

7. You are doubtless aware of the emphasis laid by our Prime Minister more than once on co-operative farming and the formation of Agrarian Co-operatives. You may also be aware that a delegation went to China to study the working of similar societies formed in that country. The recommendations made by the Delegation are under the active consideration of the Government. Joint Farming, especially of small and scattered holdings ought to result in increased production. Such societies can be organised and worked if the people come forward voluntarily, pool their lands and agree to cultivate jointly. It is the desire of Government that societies for such joint effort in farming should be organised especially in the Community Development and National Extension Service areas. Suitable financial and other assistance will be provided by Government. The Co-operative Central Banks will have to come forward to finance these societies for production. I see from the agenda that the subject is already engaging your attentien. Joint Farming is a new venture and it is for every one to see to it that the experiments that are proposed to be taken up become successful. I would, therefore, request you to give your earnest and sympathetic consideration to this subject and come to conclusions, which will aid the programme on hand.

8. Before I conclude, I would like to mention only two more points. The first point is about tapping of rural savings. The borrowings of the State Co-operative Bank and the Central Co-operative Banks from the Reserve Bank of India are on the increase and this is no doubt because we are in a period of rapid expansion of agricultural credit. Our needs in the future are going to be much more and we can certainly depend upon the Reserve Bank of India to provide the additional funds required. All the same, I think, it is for us also to tap more funds from the money market to meet our requirements, especially in areas not already fully tapped. Six years ago in 1951, I understand that you undertook a rural savings drive and that you were able to tap over a crore of rupees. That was marvellous. The effort, however, for savings should be on a sustained and systematic basis and every member should be induced to save and put his money in the society however small it may be. From the working of the agricultural and rural banks that have been formed in the last two years, I find that they have been able to raise fairly large amounts by way of deposits from members and non-members. I would, therefore, request the representatives of the Central Banks, who have assembled here to give their thought and attention to this matter and take steps for mobilising savings at various



levels especially in the rural areas.

9. The second point to which I would like to refer is about provincialisation of the higher personnel in the Co-operative Banks. I gather that there is already before the State Co-operative Bank a proposal for the constitution of a cadre for Secretaries and Executive Officers of Central Banks on a State basis. The Movement in the State has in my opinion developed to a stage, when it can with advantage adopt the scheme of provincialisation of these services. The centralisation of these services, which will mean recruitment, transfer and control of the officers by a Committee of representatives of the State Co-operative Bank, the Central Banks and the Department will, apart from removing defects and draw-backs in the existing system, tend to increase the efficiency and utility of these banks. In the interest of the Movement, therefore, I would suggest that you give serious consideration to this matter and give effect to this proposal.

10. Thank you, gentlemen, once again for having given me this opportunity to participate in this evening's function. You have a lengthy agenda before you and practically all the subjects on the agenda are important. Sri N. S. Ramalingam, your Chairman, is an experienced co-operator and I have no doubt that under his able guidance you will come to conclusions, which when implemented will help the movement to make further strides. I have now great pleasure in inaugurating the 29th Session of the Central Banks Conference.

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# Proceedings of the Conference of the Representatives of the Marketing Societies held in Madras on the 29th July 1957

The Madras Government have ordered that the quota of fertilizers for distribution through the co-operatives be enhanced from one third to half the total allotment for a district and that the entire work of distribution be entrusted to the co-operatives in the Development Blocks.

Mr. M. Bhaktavatsalam, Minister for Agriculture, announced the above decision on the 29th July 1957 when he addressed a conference of representatives of the District Supply and Marketing Co-operative Societies, Primary marketing societies and agricultural banks, at the Senate House. The conference was held to discuss ways and means of implementation of schemes relating to credit and marketing and the distribution of fertilizers. Mr. R. Venkataraman, Minister in charge of Co-operation, was also present.

Mr. A. Palaniappa Mudaliar, Registrar of Co-operative Societies, in welcoming the Ministers and the delegates to the Conference, referred to the progress made by the co-operative societies under the Second Five-Year Plan and the financial and other assistance given by the Government in implementing the scheme of integrated credit and marketing. He said that the Co-operators were glad that the Government had enhanced the quota of fertilizers for distribution through co-operatives from one third to half of the total quantity available for distribution in each district.

## SRI M. BHAKTAVATSALAM'S ADDRESS

Addressing the conference, the Minister for Agriculture said that the decision of the Government referred to above imposed a greater responsibility on the co-operative to ensure proper distribution. It was not the intention of the Government to reduce the quota of fertilizers allotted for distribution through co-operatives in the non-Development areas as a sequel to the entrustment of the entire distribution work to the co-operatives in the Block areas and that there was no objection if, in the revised scheme of distribution, the overall percentage allotted to the co-operatives went beyond 50 per cent. He suggested the desirability of the co.operatives opening retail depots for every group of five villages, so that the ryots in the villages might find it easy to get their requirements. He was glad to say that he had not received complaints about distribution by the Co-operatives. He also pointed out that it was not enough if the co-operatives undertook only distribution work, but they should also engage themselves in productive purposes.

## SRI R. VENKATARAMAN'S ADDRESS

Mr. R. Venkataraman, Minister in charge of Co-operation, speaking at the conference, observed that in Madras State there were 105 marketing societies with a membership of 1.39 lakhs and a share capital of Rs. 22.92 lakhs. During the nine months ended March 31 last, they had issued loans on the pledge of produce amounting to Rs. 72.91 lakhs and marketed produce to the value of Rs. 114.77 lakhs. The had supplied agricultural requisites of their members to the value of Rs. 59.84 lakhs. This was, indeed, the Minister said a good achievement; at the same time, he would



appeal to them to accelerate the pace of progress, especially in the directions of marketing, by speeding up their programme of establishment of processing plants, godown construction etc.

The Minister said that by establishing gins and decorticators for cotton and groundnut, the marketing societies would be able to secure for the agriculturists a greater share of the ultimate price paid by the consumers. For the year 1957-58, six marketing societies had been selected for the installation of cotton gins and seven for the installation of decorticators. He would appeal to them to see that the programme with regard to the establishment of the processing plants was completely carried out before the end of the year. With regard to the preparation of manure mixtures, he said that they might consider the feasibility of either establishing a Central Society for this purpose or select District Supply and Marketing Societies to undertake this business. Any reasonable assistance which might be needed by them for undertaking this activity would be considered by the Government, he said.

### Warehousing Corporation

Mr. Venkataraman observed that the Marketing Co-operatives in the State did not have an apex institution. The establishment of an apex institution, he said would go a long way in securing for these co-operatives a greater share of the import and export trade. He also referred to the question of the establishment of a State Warehousing Corporation, which was engaging the attention of the State Government. The State Corporation would construct godowns at centres of national importance on behalf of the Central Warehousing Corporation and at district headquarters on its own behalf. The Government proposed to contribute Rs. 10 lakhs towards the shares of this Corporation during this year, an equal amount being contributed by the Central Corporation. The State Corporation, he said, was expected to play a very useful part not only in the construction of godowns but also in the procurement and distribution of agricultural requisites.

The Minister referred to the decision of the Government in regard to the distribution of fertilizers, and said that the work had been given solely to the co-operatives in the Development blocks with a view to ensuring that they played a fuller part in the all-round development of the community in these areas. "I do hope," he said "that the co-operatives will make efficient arrangements for the proper distribution of fertilizers and thus pave the way for giving them a still larger share in the distribution work in course of time.

## RESOLUTIONS

The conference requested that not less than 50 per cent of the quota allotted to the District Supply and Marketing Societies should be distributed to the villagers through marketing societies, agricultural banks and village credit societies. The conference resolved that a scheme might be formulated by the Registrar of Co-operative Societies for the District Supply and Marketing Societies undertaking manure mixing activities. It also discussed the programme of godown construction and in this connection an assurance was given that at least 50 godowns would be completed during the current year. It was also resolved to install processing plants according to the targets fixed for the second year of the Second Five-Year Plan.

Sri K. Subramaniya Gounder, President The Salem District Marketing and Supply Society proposed a vote of thanks.





# G.O.'s and Circulars

## EXECUTION FEES—ENHANCEMENT OF

Proceedings of the Registrar of Co-operative Societies, Madras

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

Rc. 66393/57 B(R) Dated, 7-5-57.

SUB: Execution—Execution fees—enhancement by 50 per cent over the original rates—continuance—ordered.

REF: Registrar's Proceedings Rc. 87875/52-L, dated 14—4—53.
,, ,, Rc. 44713/96-L, dated 28—3—56.

ORDER

In exercise of the powers vested in him under sub rule (1) of Rule XXII of the rules framed under the Madras Co-operative Societies Act VI of 1932, the Registrar hereby orders the continuance of the enhanced rates of execution fees fixed in the proceedings first cited for a further period of one year from 1—4—1957.

(By Order)

## R. B. I. RATE INCREASED TO 2%

Copy of letter Ref. No. ACD. OPR. 1078/FS. 14 (a) 57 dated 16th May 1957 from the Reserve Bank of India, Agricultural Credit Department, Bombay addressed to the Registrar of Co-operative Societies, Madras State, Madras.

Advances to State Co-operative Banks under Section 17 of the Reserve Bank of India Act—Rate of Interest.

You may be aware that with effect from to-day (16—5—57) the Reserve Bank of India, Bank Rate has been raised to 4 per cent. Consequently our rate on advances to State Co-operative Banks for financing seasonal agricultural operations and marketing of crops under sections 17 (2) (b), 4(a) and 4(c) and medium—term loans for agricultural purposes under Section 17 (4A), which are being provided at 2 per cent below the Bank Rate, stands raised from 1½ per cent to 2 per cent with effect from 16—5—1957.

(True Copy)

R.C. 88084/57 A.I.

Office of the Registrar of Co-operative Societies, Madras,
Dated, 22-5-1957.

(Copy communicated to all the Central Banks.)

V. VENKATACHALAM,
for Registrar.

## WEAVERS' CO-OPS—AMENDMENT TO BY-LAW No. 48

Circular of the Registrar of Co-operative Societies, Madras.

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

Ro. No. 28296/57 K. 2. Dated, 24-5-1957.

SUB: Weavers' Co-operative Societies—Return of finished goods—Penalty under by-law No. 48—Amendments—Suggested.

REF: Registrar's Circular D. 82783/55 K. 2 dated, 12-3-56.

By law No. 48 of the model by-laws of weavers' co-operative societies, as amended in the circular cited, lays down that no member shall keep yarn for more than a month without returning it to the society in the shape of finished cloth and that he shall pay penalty of three pies per rupee on the value of yarn for every month or portion thereof from the date of default. The business conference of Weavers' co-operative societies held on 2—7—56 passed the following resolution:

"*No. 23.* Resolved to request the Registrar to amend by law relating to the penalty for non delivery of goods in time and limit the penalty to 25 per cent of the value of raw materials instead of putting it at 3 pies per rupee for indefinite period of default" The Madras State Handloom Weavers' Co-operative Society has also endorsed the resolution for the reason that no alteration in the value of penalty is sought for except in the percentage on the entire raw materials supplied while the fine now imposed is only *on the value of yarn*.

2. The Registrar has examined the proposal. The by laws provide that if a default centinues for more than a month and a half the member shall not be given any more advances of yarn, the outstandings loans against him being recoverable immediately. If this provision is enforced strictly and coercive action is taken immediately, the default can be arrested. It is therefore considered that the societies' interests will not be jeorpardised by the proposal to limit the penalty to 25 per cent of the value of raw materials. The suggestion of the businiss conference of weavers' co-operative societies is therefore accepted.

3. In the circumstances cited the following amendment to by-law No. 48 of the model by laws of weavers' co-operative societies is prescribed.

"A member applying for a ready money advance shall produce one or more sureties to the satisfaction of the Board of Directors. No member shall keep yarn for more than a month without returning it to the society in the shape of finished cloth. He shall pay a penalty of three pies per rupee on the value of *raw materials* for every month or portion thereof from the date of default, *subject to a maximum of 25 per cent of the value of raw materials.* If the default continues for more than a month and a half, the member shall not be given any more advance of yarn, the outstanding loans against him being recovered immediately".

4. All the Deputy Registrars are requested to bring this to the notice of all weavers' Co-operative Societies in their charge.

G. RAMACHANDRAN,
for Registrar.



## SUPERVISION—POWERS OF THE REGISTRAR DEFINED

Memorandum of the Registrar of Co-operative Societies, Madras.

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

Rc. 75710/55-F. Dated, 7-6-57.

SUB: Supersession—The Kodaikanal Co-operative Stores (Under supersession)—writ petition No. 1431/56—copy of judgment of the High Court—communicated.

A copy of the Judgment of the High Court in writ petition No. 1431 of 1956 relating to the supersession of the committee of the Kodaikanal Co-operative Stores is communicated to the Deputy Registrars. The attention of the Deputy Registrars is invited to the penultimate para of the judgment wherein it has been held that the Registrar can supersede the Committee. even though there is a change in the committee after the issue of notice of supersession and that there is no need to issue fresh notices to the committee as and when there are changes in the committee. They are requested to note the observation of the Hon'ble judge and act accordingly.

V. S. THANGASWAMY,
For Registrar.

### IN THE HIGH COURT OF JUDICATURE AT MADRAS

(Special Original Jurisdiction)

Thursday, the Eleventh day of April

One thousand nine-hundred and fifty-seven

PRESENT:

The Honourable Mr. Justice RAJAGOPALA AYYANGAR

WRIT PETITION No. 1431 of 1956

B. V. R. Venkatachalam,
President of the Managing Committee,
The Kodaikanal Co-operative Stores Ltd.,
KODAIKANAL

PETITIONER

*Versus*

The Registrar of Co-operative Societies,
Chepauk, Madras.

RESPONDENT

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith the High Court will be pleased to issue a writ of Prohibition prohibiting the respondent herein from enforcing the order of supersession in R.C. No. 75710/55-F, dated 13-11-1956.

ORDER :

This petition coming on for hearing upon perusing the petition and the affidavit filed in support thereof, the order of the High Court dated, 26-11-1956 and made herein, the counter affidavit filed herein, the record in the case, and upon hearing the arguments of Mr. T. Chengalvarayan, Advocate for the Petitioner and of the Special Government Pleader on behalf of the Respondent, the court made the following order.

ORDER :

This is a petition for the issue of a writ of prohibition against the Registrar of Co-operative Societies by the petitioner who claims to be the President of the Managing Committee of the Kodaikanal Co-operative Stores Ltd., Kodaikanal.

The Society was one registered under the Co-operative Societies Act, VI of 1932. The affairs of the society were considered by the Registrar not to have been carried on properly and on 22-4-1956 the Registrar issued a notice to the Committee of the society under section 43(1) of the Co-operative Societies Act. Section 43(1) under which the notice was issued runs in these terms :

"If in the opinion of the Registrar the Committee of any registered society is not functioning properly he may, after giving an opportunity to the Committee to state its objections if any, by order in writing dissolve the committee and appoint a suitable person or persons to manage the affairs of the society for a specified period not exceeding two years. The period specified in such order may, at the discretion of the Registrar, be extended from time to time provided that such order shall not remain in force for more than four years in the aggregate."

The Committee offered the explanation but meanwhile certain of the members of the Committee resigned and their places were filled up by co-option by the other members of the Committee under clause 20 of the by-laws of the society. The Registrar considered the objections put forward by the Committee—the old committee—to the charges levelled by him and after considering these representations issued an order dated 13-11-1956 by which he directed the dissolution of the Committee and the appointment of a special officer to manage the affairs of the society for a period of six months commencing from 20-11-1956. It is this order of the Registrar that is challenged as beyond his jurisdiction and the ground under urged is that under section 43(1) of the Act, the notice which must precede the suspension or supersession must be issued to the new committee, which came in by co-option as mentioned before and that the order of the Registrar without notice to them was illegal.

In my judgment, this contention is not well-founded. Under Sec. 43(1), when the Registrar forms an opinion that a committee which is in management of the affairs of the society is not functioning properly, he issues a notice to that Committee to show cause why an order of supersession should not be passed. It is the representation of that Committee which he has to hear before he passes a final order of superssion. When once, however, this has been done he becomes vested with a



statutory right to dissolve the Committee and have the affairs of the society conducted by an officer specially appointed by him for that purpose, the only limitation on his power being that this should not be for a period exceeding two years. The mere fact that some members of the Committee ceased to be the members of the Committee or that other members have come in does not affect the validity of the original notice issued. Nor is there any obligation upon the Registrar to issue fresh notices as and when there are changes in the personnel of the Committee. Such construction would make it impossible for any supersession to take place and in fact the Committee might by proper manipulation see that there is no supersession at all even though all the members of that committee put together are mismanaging the affairs of the society. In my judgment when once the two statutory conditions, (i) the satisfaction of the Registrar that the affairs of the society are not being properly conducted by the Committee and (2) the notice to the Committee then functioning and the hearing of its representations, are satisfied the Registrar is vested with a statutory power to take the affairs of the society into his control by the appointment of a special officer. This statutory right cannot be abrogated by any act of the Committee nor even by general body of the society.

The order of the Registrar dated 13-11-56 which is impugned was therefore legal and the petition fails. The *rule nisi* will be discharged and the petition will be dismissed. There will be no orders as to costs.

(Sd.) K. KRISHNAMURTHY,
Assistant Registrar, Appellate Side.

(True Copy)

## MADRAS STATE CO-OPERATIVE UNION—EMPLOYMENT EXCHANGE—MAINTENANCE OF REGISTER

Circular of the Registrar of Co-operative Societies, Madras

SRI A. PALANIAPPA MUDALIAR, M.A., I.A.S.

Registrar.

R. No. 302/57-B. Dated, 10-6-1957

SUB : Committee—Committee on Co-operation—Recommendation No. 302—Implementation of.

An extract of Recommendation No. 302 of the Narayanaswami Pillai Committee on Co-operation is given below :

"The State Co-operative Union may play the part of an Employment Exchange for persons who have had training in the Co-operative Institutes."

The State Co-operative Union as the institution, which co-ordinates the activities of the mofussil Co-operative Training Institutes with regard to the training of Supervisors of Co-operative Societies and which conducts examination for them and arranges for the issue of certificates for the successful candidates, will be in possession of the information regarding the names of all trained and qualified hands for appointment to posts of Supervisors, Accountants, Clerks etc. I request that the Union may maintain an upto date list of such qualified candidates with their addresses so that the names of such persons may be communicated to the co-operatives, which contact the Union in this regard.

A. PALANIAPPAN,
Registrar.

## CENTRAL BANKS—STAFF SECURITY DEPOSITS—INVESTMENT OUTSIDE THE BUSINESS

Circular of the Registrar of Co-operative Societies, Madras

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

Rc. 61060/57-AI. Dated, 21-7-1957

SUB: Co-operative Central Banks—Staff Security Deposit—Investment outside their business—further instructions—issued.

REF: Registrar's Circular D. 40797/57-AI. Dated 30-3-1957.

In continuation of the Registrar's Circular cited, all the Central Banks are informed that the Board of Management of the Madras State Co-operative Bank considered the above subject at its meeting held on 23-6-57 and passed the following resolution.

"In partial modification of Board resolution dated 20-4-57, the State Co-operative Bauk agrees to open "Staff Security Deposits Account" for the Central Banks to invest the staff security deposits of their staff. The State Co-operative Bank agrees to allow interest at 4 per cent per annum on this account."

2. Such of the Central Banks as have not yet invested the security deposits of their employees outside their business are requested to do so early and intimate the fact to the Registrar.

A. PALANIAPPAN,
Registrar.

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# News and Notes

## DR. P. NATESAN'S ADDRESS TO JAFFNA CO-OPERATIVE CONFERENCE.

Dr. P. Natesan, General Secretary, Madras State Co-operative Union left for Jaffna by Air. Ceylon on the 31st July 1957. He delivered the Inaugural Address at the Northern Division Co-operative Conference at Jaffna on the 2nd August 1957. He also visited some important types of Co-operative Societies in Jaffna and Colombo. He returned to Madras on the 3rd August 1957. During his tour in Ceylon he met Sri Arulambalam, Secretary, the Northern Division Co-operative Federation, Sri V. Veerasingham, President of the Federation, Sri Weeraman, Acting Commissioner for Co-operative Development and Registrar of Co-operative Societies Ceylon, Sri Alagu Pillai, Sri De Soyza, Sri S. C. Fernando, Sri Amarasinghe and other high officials of the Ceylon Government and had discussions with them.

## ORGANISATION OF V.O.C. TENANCY HOUSING CO-OPERATIVE SOCIETY.

The V.O.C. College Co-operative Tenancy Housing Society was organised at Tuticorin for the benefit of the teaching staff of the college and also to solve the housing problem to some extent. It is proposed to purchase a site measuring 3 acres of lands from the educational society registered under Act XXI of 1860 divide them into sites of 11 blocks and construct 22 houses at a cost of Rs. 8750 each. The educational society will contribute a major portion of the shares in the proposed society. The members of the society will have only occupancy right only in the houses and even that only as long as they are members of the college staff. The occupants will be charged a nominal rent during their stay. It will be on the model of Dr. Alagappa College Tenancy Housing Society at Karaikudi. At present, 18 members have joined in the application. Some more will join as the society starts functioning. Sri A.P.C. Veerbahu Pillai, B. A., M.L.A. is the chief promoter of the society. The proposal has been submitted to the Registrar of Co-operative Societies, Madras for permission to register the Society. On receipt of orders further action will be taken.

## TWO CENTRAL BANKS' COLLECTION ACHIEVEMENTS.

The Thiruchirapalli Co-operative Central Bank has collected the entire demand under loan and interest of Rs. 40,96,347 and Rs. 3,19,937 respectively on 27th July 1957, before the last day of June 1957.

The Nilgiris Co-operative Central Bank has similarly collected the entire demand of Rs. 37,11,739 under principal and Rs. 56,284 under interest on the 28th June 1957, before the last day of June 1957.

## CO-OPERATIVE EXTENSION OFFICERS' TRAINING AT TIRUR.

Tirur, a village 5 miles from Tiruvellore in Chingleput District has the honour of having the first village credit society registered under the 1904 Act. 25 Extension Officer Trainees undertook an economic survey of the village as a part of their practical training programme. During their training, they participated in several development activities of the village. They helped in improving a furlong of the road in the cheri; they also participated in games along with the villagers.

## UTHAMAPALAYAM CO-OPERATORS' RECEPTION TO LEGISLATORS.

The Co-operators of Uthamapalayam area gave a rousing reception to the legislators of the Constituency. Messrs. Bharathi Narayanaswami Chettiar, M. P., Janab Gulam Mohideen, M. P., K. Pandya Raj, M. L. A., A. S. Subbaraj, M. L. A., N. R. Thiagarayan, M. L. A., N. M. Velappan, M.L.A., and M. Alagiriswami, M.L.A. It was stated in the welcome Address that though Government are anxious to help agriculturists and small artisans, yet the difficulties experienced by them in the matter of getting institutional credit on cheap and easy terms have not been solved to any appreciable extent. The Reserve Bank of India may give direct loans to Central Banks. In Madras a new institution named the District Marketing and Supply Society is trying to undertake two dissimilar functions namely marketing and consumer service and with the result, the marketing activity is jeoparadised and agriculturists are affected. Government should also come forward to allot 50 per cent of export quota for agricultural produce to co-operative maaketing societies. In the case of land mortgage banks, there is an urgent need to relax the conditions pertaining to valuation and thus offer the agriculturists the much needed long-term finance in a liberal manner.

## GENERAL BODY MEETING OF THE SANKARANKOIL CO-OPERATIVE STORES

The General Body Meeting of the Sankarankoil Co-operative Stores Ltd., Tirunelveli District was held on 14-7-1957 and passed the Administration Report and Audit Review for the year 1955-56. The Stores earned a net profit of Rs. 16,842-12-0 during the year.

## CO-OPERATIVE BANKS ADVISED TO ASSIST RURAL INDUSTRIES

"On the successful working of the co-operative credit schemes depended, to a large extent, the success of the development schemes" declared Shri B. Venkatappiah, Deputy Governor of the Reserve Bank of India on July 6, while inaugurating a conference of over 25 representatives of State apex banks from all over the country, at Bombay. He emphasized the need for giving credit facilities to village industries and said that providing credit to village industries was a new development in institutional credit and there was not sufficient experience on the basis of which a uniform pattern could be worked out. Shri Venkatappiah said that the credit scheme launched by the Government of India was an ambitious one. The object of these schemes was to institutionalise all credit finance and eliminate all private unorganised and usurious practices.



The Conference organised under the auspices of the All India Khadi and Village Industries Board, was addressed by its Chairman, Shri V. L. Mehta. He said that the Board had nearly Rs. 10 crores with it, which it would like to channelise through co-operative financing agencies. He asked the co-operative agencies whether they were prepared to act on an agency basis in the distribution of these funds. Because, the normal criteria employed in credit dealings would be out of question in the administration of credit in the field of village industries, the Board thought only of channelising agencies and not of asking them to take risks.

Addressing the Conference, Shri J. C. Ryan Chief Officer, Agricultural Credit Department, Reserve Bank of India, said that the Cenference could profit from the experience of the Handloom Board.

## GENERAL BODY MEETING OF THE ALL INDIA CO-OPERATIVE UNION

"I know without the support of our popular Government the Co-operative Movement cannot go ahead", said Shri K. D. Malaviyaji, Union Minister for Oil and Mines, addressing the General Body Meeting of the All India Co-operative Union held at New Delhi on July 7, after his election to the Presidentship of the All India Co-operative Union. Fifty-two delegates of co-operative institutions from all over India were present.

Shri Malaviya continued, "The fate of the Indian Co-operative Movement is in the melting pot. I see some difficulties in the realisation of the dreams of co-operators some of whom have devoted their life-time to the Movement. This is the time when all co-operators in the country should unite."

Shri Malaviya referred to the gulf between officials and non-officials in the Co-operative Movement and stressed the necessity for it to be bridged. He expressed the view that offcials looked at co-operators with a certain amount of suspicion. He urged upon co-operators to convince the Government of their ability to implement its policies. He emphasized it was a difficult job but it had to be done.

Shri Malaviya said that Co-operation has come to be recognised as the foundation on which the edifice of the country's economic development was to be built. He said, "The Indian National Congress had expressed as one of its aims the undertaking of economic activity on co-operative lines. The Prime Minister himself had said that unless we had a strong Co-operative Movement, democracy in India cannot be built up. Toward this end the constitution of the Indian National Congress and that of the country itself had been amended."

Shri Malaviya admitted that the Co-operative Movement in India was young and in every phase of the Movement mistakes and imperfections were bound to be met with, but "if we mishandle the situation now, the consequences are sure to be grave", Shri Malaviya warned.

Referring to the faith placed in him by co-operators in India, Shri Malaviya said "At first I felt I would not be able to discharge the grave responsibilities I am called upon to shoulder. I, however, thought over the matter again and as a result of my discussions with Shri B. J. Patel, Hony. General Secretary of the All India Co-operative Union, who has worked so hard and well to raise the Union to its present status, I came to the conclusion that I should take the risk. I thank you for the faith you have expressed in me and I appeal to all co-operators, non-official and official, to co-operate with each other at all levels, be it the field, the State or the All India level."

The meeting also elected Shri N. G. Ranga, M.P., Shri Dip Narayan Sinha, President, Bihar State Co-operative Federation and Shri Kumaraswami Mudaliar, President, Madras State Co-operative Bank. as Vice-Presidents of the Union. Shri P. J. Patel was re-elected as its Hony. General Secretary and Shri V. P. Parashar, Vice-President, Shivapuri District Co-operative Bank and Dr. P. Natesan, General Secretary the Madras State Co-operative Union, were elected as Joint Secretaries.

At the meeting, 27 members were elected to the new Executive Committee and the following co-operative sub-committees were set up: Cottage Industries, Credit, Marketing and Processing, Consumers' Co-operation, Agricultural Co-operation, Education and Propaganda, Insurance, Housing, Labour and Law.

The meeting also endorsed generally the stand taken by the delegates to the recent Co-operative Banks' Conference and recommended to the Executive Committee of the Union to take necessary measures including the sending of a deputation of the All India Co-operative Union to meet the Prime Minister, and the Finance and Co-operation Ministers of the Government of India, to consult the Union prior to final steps being taken in the matter of the transfer of co-operative credit from the Reserve Bank to the State Bank of India.

The following are the names of members of the newly elected Executive Committee.

1. Shri K.D. Malaviya.
2. Prof. N. G. Ranga.
3. Shri Dip. Narain Sinha.
4. ,, M. D. Kumaraswami Mudaliar.
5. ,, B. J. Patel.
6. ,, V. C. Parashar.
7. Dr. P. Natesan.
8. Shri P. S. Rajagopal Naidu.
9. ,, V. Jaggaraju.
10. Prof. V. Y. Kolhatkar.
11. Shri V. P. Varde.
12. ,, M. P. Kolhe.
13. ,, Kalipada Bhattacharjee.
14. ,, G. P. Pillai.
15. ,, S. C. Roy.
16. ,, Sukhdev Singh.
17. ,, Ram Dhan Sharma.
18. ,, B. Venkataratnam.
19. ,, A. N. Rama Rao.
20. ,, S. Srinivas.
21. ,, P. I. Belliappa.
22. ,, Bimal C. Sinha.
23. ,, K. Achutha Reddy.
24. ,, K. Basavaraju.



25. Shri Amar Singh Harika.
26. ,, Rajbanshi Sinha.
27. ,, K. Nanjundiah.
28. Dr. P. S. Deshmukh.
29. Prof. D. G. Karve.
30. Shri R. G. Saraiya.
31. ,, V. L. Mehta.

## ALL INDIA CO-OPERATIVE UNION'S NEW EXECUTIVE COMMITTEE MEETS.

The first meeting of the newly elected Executive Committee of the All India Co-operative Union was held at New Delhi on July 7. Shri K. D. Malaviya, President of the All India Co-operative Union was in the chair. At the meeting, regret was expressed at the fact that Rs. 14,000 was outstanding from member organisations on account of arrears of subscriptions.

Also discussed was the question of increasing the resources of the Union to enable it to undertake more effectively its expanding activities. A number of suggestions were forthcoming from the members present. The meeting, however, decided to examine these suggestions in greater detail at a future meeting of the Committee.

## MEMBER-EDUCATION CAMPAIGN—PROGRESS DURING JULY 1957

Member-education campaign continued to be carried out by the Madras State Co-operative Union, in Madurai and Tirukkalikundram N. E. S. Blocks in accordance with the programme of Co-operative education of non-official personnel. Member-education courses alone were conducted in Madurai and Tirukkalikundram Blocks by the Co-operative Educational Instructors, Sri L. T. G. Aruldoss and Sri. M. Mani respectively. The course was conducted in 6 villages in Othakadai Firka of Madurai Block and in 7 villages in the Tirukkalikundram Firka. The course was invariably conducted in the premises of local schools, chavadis or Rural Recreation Centres.

### Madurai District

On an average 175 persons including potential members were educated in the villages of Pudu Thamaraipatti, Thirukarai. Thindiyur, Thirumukur, Uthangudi and Narasingam in Madurai Block. The audience consisted of 93 members and 82 potential members. The average attendance has not been upto the mark, in all the villages except two. The members are reported to have shown disinclination to attend the classes regularly for 3 days in a village, inspite of the fact that the courses are organised only during their leisure time. It is hoped that the office-bearers of the concerned co-operatives will extend their co-operation and assistance to persuade the members to attend the courses in large numbers in future.

### Chingleput District

In the Tirukkalikundram. N.E. S. block 327 persons including 191 non-members were educated by the C.E.I. during July 1957. The courses were held in 7 villages where credit co-operatives and Jaggery manufacturing co-operatives are already functioning. The average attendance has been quite upto our expectations and the public response has been encouraging. To counteract the general disinclination to attend the classes, Bhajanas were organised in one of the villages and sweets were distributed in the last day of the course in each village.

To evaluate the results, Sri S. Natarajan, C.D.O. Madras visited some of the villages at the end of the month. The evaluation has revealed that there is an awakening of local enthusiasm in the villages and that tangible results have been achieved in some cases through the admission of new members, disbursement of additional loans and clearance of overdues. In the course of the campaign, steps were also taken by our staff to bring home to the members the advantages of forming large-sized societies by amalgamating the rural societies under the scheme of Integrated Credit and Marketing.

Pending final arrangements for exhibiting films through mobile vans of the Central Government, the State union has made alternative arrangements to conduct film shows with the aid of the Publicity vans of Information and Publicity Department of the Government of Madras. The vans will be available from August and will provide a strong inducement to attend the member education courses. It is hoped that the general desire of the public for more entertainment and less instructions will be fulfilled in the months to come and at the same time members and prospective members will get greater benefits by attending these courses.

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# Letter to the Editor

Sir,

***Sub*:—Co-operative Housing—Government Loans—Repayment of.**

According to the rules laid down by Government regarding repayment of Government loans, we find that they are repayable annually on the *particular* due dates of demand, neither a day early nor a day after. If the loan instalment is repaid before the due date the entire amount is liable to be credited to the principal outstanding and the same instalment is again repayable on the same due date. If the amount is paid even a day later, penal interest at 7½ per cent is payable. The Societies therefore find themselves between the devil and the deep sea, as they are being hedged in between two rigid conditions.

In practice, these rigid conditions prove to be a source of great inconvenience and financial loss to societies.

For instance, in our Society instalments of government loans fall due on several odd dates in the same month, like on 3rd, 5th, 8th, 18th, 20th, 21st, 23rd, 26th, 28th, 29th and 31st, and the office bearers (whose services are honorary and gratuitous) have to go to Saidapet Treasury (which is more than 10 miles away from Tambaram) with heavy amounts each time (*i.e.* about 10 to 12 times in certain months in the year)—at Society's cost no doubt—in order to pay the instalments on their respective due dates promptly; otherwise the Society will have to pay penal interest.

We therefore request that the rules may kindly be suitably amended by Government so that the Societies may be permitted to repay instalments of government loans within a period of one month from the respective due dates, without penal interest.

We understand that some other State Governments have provided for such payment.

In this connection we think it is relevant to point out that in the case of repayment of monthly instalments by members to Societies the model by-law (prescribed by Government) provides that "the monthly payments shall be made on or before the 15th of the month succeeding that to which it relates". It is only fair that the same concession should be extended to the Societies when their turn comes to repay the Government loans, because it will be appreciated that the societies only collect the instalments (in thirteen months) from members and pay theirs to government annually.

It is, however, to be understood that this request is made not with a view to gain time or delay payment deliberately or legalise the delay but purely with a view to avoid administrative inconvenience and financial drain to societies.

As this matter has to be dealt with at the Registrar and Governmental level, the Registrar is requested to consider this important matter in all its aspects and render justice.

Yours faithfully,

V. P. KRISHNASWAMY,

*Secretary,*

*Tambaram Co-operative Building Society Ltd., G. 999, Tambaram.*

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