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Editorial Notes.

A Noble Example.

Mr. Gogeti Jogiraju Garu, Assistant Director of Agriculture, Vizagapatam, has set a most commendable example in public spirit by constituting a Trust, 'the Gogeti Venkateswara Rao Memorial Trust', with a cash endowment of Rs. 10,000 for carrying on rural reconstruction work in East Godavari district. The trustees are empowered to utilise only the interest on the endowment, and if it ever became necessary to utilise the principal, the sanction of the principal civil court having jurisdiction over the district has to be obtained. The income in the first instance is to be utilised for the pay and allowances of a Pracharaka to work for periods of five years in groups of villages to be selected by the trustees, but the first group to be selected should be near Pithapuram with Kondevaram as its centre—perhaps Mr. Jogiraju's native village. The trustees have been empowered to invest the trust amount in any co-operative society, in addition to the ways permitted by the Trust Act. The original trustees are Messrs. Jogiraju, V. Ramadas Pantulu and N. Satyanarayana. Mr. Jogiraju could not have chosen better co-trustees than these gentlemen, who among the Andhras have acquired

unrivalled position and experience both in co-operation and in rural reconstruction. One of the terms of the trust is that 'the Pracharaka shall not take part in the civil disobedience movement or any other movement contravening the law of the country.' The trust was created on the 27th of May last. At its first meeting Mr. Satyanarayana was appointed as the managing trustee and two public spirited educationists of the district were co-opted as trustees, as permitted by the terms of the trust. A competent graduate in Economics, with experience of rural work, who is willing to devote his whole life for the work, has been appointed as the Pracharaka. With such men as trustees the work of the trust is bound to progress most satisfactorily.

We hope Mr. Jogiraju's noble example will be followed by others. Rural reconstruction is really educational work. Rural reconstruction centres should, therefore, be permanent even like ordinary schools. There is no better way of permanently benefiting one's own village than by providing for a well conducted rural uplift centre. In course of time we may expect the State to provide for these centres out of public revenues, in the same manner as for schools, hospitals etc. Meanwhile to make endowments as Mr. Jogiraju has done is the most practical way of being patriotic.

The Madras City Co-operative Societies and the Companies Tax.

We referred in the June number of this *Journal* to the recommendation, as it was published at the time in the daily press, of the Select Committee on the Bill to amend the City Municipal Act, regarding the exemption of co-operative societies from the Companies Tax. Now that the report of the Select Committee is published, we give below the paragraph which relates to the subject :

" Clause 62—Section 110. On the subject of taxation, the Select Committee thinks it desirable to exempt from the companies tax not only any co-operative society the exemption of which the Commissioner may recommend as proposed in the Bill but also any society the paid up capital of which is less than Rs. 50,000."

The actual amendment to section 110, as recommended by the Select Committee, consists of the addition of the following proviso to the section :

" Provided that any society, which is registered or deemed to be registered under the Madras Co-operative Societies Act, 1932, and the paid up capital of which is less than fifty thousand

EDITORIAL NOTES

rupees and any other society registered or deemed to be registered under the same Act which on the recommendation of the Commissioner the council may by resolution exempt from the payment of the tax on companies, shall not be liable to the tax on companies, but such society shall be liable to profession tax."

Thus all co-operative societies with a paid up share capital of less than Rs. 50,000, and any other societies which on the recommendation of the Commissioner are by a resolution of the Corporation exempted from payment of the companies tax, will be required to pay the profession tax instead of the companies tax. We have already urged in our June issue, supported by a well reasoned note by our President, Mr. Ramadas Pantulu, the exemption of all co-operative societies from the operation of Section 110 of the City Municipal Act. We may here add that we see no principle in dividing societies into two classes, according as their paid up share capital is more or less than Rs. 50,000 and bringing one class under section 110 and the other under Section III of the City Municipal Act.

Legal decisions, in this country and in England, on the question whether co-operative societies come under 'companies' or not, have been conflicting. The decision of our High Court given in 1932 in favour of classing them under companies, has created, as we have more than once pointed out in these pages, endless hardship to the smaller societies in the City. Now, when the Legislature is setting right the consequences of that decision, it is better that it brings all co-operative societies under Section 111 and not, as at present proposed, some under Section 110 and others under Section 111.

The societies which have a paid up share capital of Rs. 50,000 and above are only a handful. The total amount payable by them under the companies tax may not amount even to Rs. 1,000 per half year. The contribution of these societies by this tax to the finances of the Corporation will be insignificant. If instead of the companies tax the profession tax is levied on these societies, the Corporation will be able to realise nearly the same amount. And even if there be any loss it will be so small as not to be worth any body's bother. The companies tax is payable on paid up capital, while the profession tax is payable on the net income. Seeing that almost all our bigger co-operative societies are but credit institutions, which unlike manufacturing companies do not make any particular use of the amenities created by the Corporation, the profession tax is undoubtedly

the fairer one to levy. Therefore, [we hope that when the clauses of the Bill come up for consideration in the Council our legislators will see that all societies are exempted from the companies tax.

There is another point to which we should like to draw the attention of our legislators. During all these three or four years, ever since the companies tax became leviable as a consequence of the decision of our High Court, the Corporation has mercifully refrained from collecting the tax from the smaller societies by coercive processes. But the amounts payable as tax are shown under liabilities in the accounts of the societies and as dues in the books of the Corporation. If these amounts be collected most of the small societies will have to be wound up. Therefore the Commissioner or some other suitable authority must be empowered to write off these arrears. Under rule 9(2) of Schedule IV of the Madras City Municipal Act, the Commissioner is empowered to exempt any person falling under the ninth class (hotel-keepers, shop-keepers etc., with a monthly income of less than Rs. 100) from the profession tax on ground of poverty. The conferment of similar power in respect of arrears of companies tax due from co-operative societies is obviously what is required. We are thankful to the Select Committee for the help they have given to the small societies, but we should like the legislature to go a little further and avoid an irrational division of the societies into two classes.

A Central Housing Society.

On the 22nd of July last the Registrar of Co-operative Societies, Madras, called a conference of prominent co-operators and of some others, in his office, to consider the proposal to start a central housing society, very much on the lines of the Central Land Mortgage Bank, for the purpose of raising money by means of shares and debentures and financing primary building societies, with a view to promote co-operative house-building, relieve congestion and generally improve housing conditions in towns and cities. A note prepared by the Registrar explained the need for the scheme proposed and its main features, and it was supplemented by an excellent speech by him which we have published elsewhere in this issue. On the motion of Sir M. Ramachandra Rao the conference unanimously welcomed the establishment of a central housing society, and in spite of the unambiguous statement of the Registrar that the Government was not prepared to give any special concessions, the conference urged the

EDITORIAL NOTES

Government to guarantee or to purchase debentures for a definite sum every year for the next ten years and to give free the services of an investigating staff until the society became self-supporting. We are entirely at one with the conference. Housing societies are exactly in the same position as land mortgage banks in respect of the need for long term loans at a reasonable rate of interest. For the well-being of the people the one kind of institution is as essential as the other. One therefore does not see why the Government which has given special facilities for land mortgage banks should refuse to give them to the proposed central housing society. Moreover, the money which the Government has now lent to building societies directly could surely be made available for the same purpose in a better manner through the central housing society. The indirect benefits flowing from the concessions, such as public confidence, money becoming available at a low rate of interest etc., are more valuable than even the direct benefits. We trust the Government, which undoubtedly is anxious that co-operative housing should develop in this province, will respect the resolution of the conference and treat the proposed central housing society on a par with the Central Land Mortgage Bank, towards which the helpful attitude of our Government has indeed become an example for other provinces and States.

It may interest our readers to know that the first attempt at the formation of a central housing society was made some fifteen years ago by the late Mr. T. V. Seshagiri Aiyar who was then a Judge of the High Court and who always evinced the keenest interest in all social welfare work. Some preliminary meetings were held, the by-laws were drawn up with the help of the Co-operative Department and the scheme was sent up to Government. There, however, it was turned down, probably because the Government wished to adopt the policy of giving direct loans to housing societies. That policy has not been much of a success, as the experience of these fifteen years and more has shown. On the other hand, the policy of indirect assistance through a central organisation, adopted in respect of land mortgage banks, has proved to be quite satisfactory. It is therefore natural that the idea of a central housing society should be revived. We are very glad that it is revived. Not less valuable than financial help will be the advice and guidance it can give to affiliated societies and their members in the matter of lay-outs, plans, types and rates for which, we hope, an expert technical staff will be maintained by

the society. Considerable economics may also be realised by the joint purchase of building materials through the agency of the society. We hope that it will soon come into existence and that it will get from Government all the special facilities which the conference called by the Registrar has asked for it.

Supervision of Co-operative Societies.

We have published in this issue two articles on the supervision of co-operative societies, which we trust will receive the attention of all those who are concerned with the welfare of rural societies. One of the articles is by Prof. S. K. Yegnanarayana Aiyar, and is based on the report of a committee which recently considered the best way of making the supervision of societies in Bombay Presidency more efficient than it is at present. Mr. Yegnanarayana Aiyar will follow up his present article with one or two more and will treat us to a lucid discussion of the subject. The other article is by Mr. M. S. Narasimha Rao who is a prominent co-operator of Nellore, and contains a wholesale condemnation of the supervising union as it has worked in this province. We are not sure that many would go the whole length with him. He suggests the abolition of the supervising union entirely and the transfer of the function of supervision to the financing bank. We believe this has been tried temporarily in one or two places as an experiment and not found to work very well either for the collection of overdues or for the rectification of societies. We believe the course suggested by Mr. Ramadas Pantulu and referred to by Mr. Narasimha Rao in his article, *viz.*, reducing the number of unions without altogether abolishing them, is the one that will commend itself to most co-operators. But as the subject is one of extreme importance, we invite all experienced co-operators to discuss it in these pages. Our next provincial co-operative conference will be held at Madras in the latter part of September. The question of supervision is bound to engage its attention to a great extent. It will be presided over by Mr. V. L. Mehta of Bombay, who will give us the benefit of the experience of that province. We would therefore urge such of our readers as would like to contribute to the discussion to do so as early as possible.

Co-operation and Sugarcane Growing.

The *Bihar and Orissa Co-operative Journal* understands that the Government of India have made a sum of Rs. 7 lakhs available, out

of the excise duty on sugar, for distribution among the leading sugarcane producing provinces for organising co-operative societies among sugarcane producers or for taking such other steps as will secure a reasonable price for the cane of the growers; and that the U. P. Government which obtained about Rs. 4 lakhs out of this allotment is going to employ 2 Assistant Registrars, 25 Inspectors and 150 Supervisors for the organisation and administration of a net-work of co-operative societies. The *Journal* pertinently asks the Government of Bihar, which is an equally important sugarcane producing province, what plans it has formed for the expenditure of its share of the allotment. The *Journal* points out that not only has the Bihar Government failed to provide adequate funds for the Co-operative Department from its provincial revenues, but has also been unwilling to spend wholly or largely through that Department the grants made by the Government of India for expressly co-operative schemes such as for the improvement of handloom weaving, sugarcane growing and rural uplift. We wonder if our province has got any grant for sugarcane, and if it has not, the public would very much like to know why. If a grant has been received, we are no less anxious than our Bihar contemporary is to know how our Government has planned to spend it.

A Worker's Reflections.

The May number of the *Bihar and Orissa Co-operative Journal* has a short article by Mr. L. N. Sahu of the Servants of India Society, containing his reflections on the work of rural reconstruction at Chowdhwar in which he has been engaged during the last seven years and on which the Servants of India Society has spent about Rs. 10,000 during these years. "What has been the result? Has anything fructified? Have my ideas materialised? Have they been effective?" His answer is, "I cannot altogether say, 'No.' But my ambition has not been fulfilled. Much, very much indeed, remains to be done." This answer is applicable to almost all rural reconstruction centres in our country, nay, to co-operative societies generally, and indeed to all social work. There is everywhere a distance between the ideal and the achievement, and that distance is rather great in our country. It will decrease only as our national efficiency increases for which a persistence in rural reconstruction and other social work is necessary. We hope therefore that the various agencies which are carrying on rural uplift work in the country will not expect too much by way of results and will not be easily discouraged, but will continue their good work knowing that the results will be slow in coming.

Cultivating the Press.

Mr. F. L. Brayne, Commissioner for Rural Reconstruction, Punjab, and the famous author of the Gurgoan Experiment, explained recently to press correspondents at Simla the scheme for

rural uplift which the Punjab Government is working at. He felt that the newspapers could do a great deal to help the scheme by creating interest at the top, so that the necessary financial support may be forthcoming. So far as propaganda in the villages was concerned, he felt that the machinery already in the field could do it adequately. Describing the various items, he said that ventilators to houses were being provided in the villages at the rate of a thousand a day and that 10,000 mosquito curtains woven in the villages had been sold since April last. He made the astounding statement that out of 111 lakhs at present provided for education in the Punjab only half a lakh was spent on girls' education, and he therefore appealed to the press to do propaganda so that the Legislative Council may make an adequate provision for this object. He also pointed out that by adopting an improved method of growing wheat some 4 crores could be added to the wealth of the province, and by properly conserving and applying manure, much of which was now being washed to the sea, another 6 crores could be added. Mr. Brayne's example in actively enlisting the support of the press on the side of propaganda is worthy of being followed by all high placed officials who are entrusted with the duty of carrying out welfare schemes.

The Late Mr. G. W. Russell.

Ireland and to some extent all the English knowing part of the world are much the poorer for the death of G. W. Russell, who was one of the gifted co-workers of Sir Horace Plunkett in building up the co-operative movement in Ireland and a well-known poet and editor. Ireland was being drained of its most valuable asset, namely, its able young men and women, by emigration to America. Sir Horace Plunkett and his fellow-workers stopped this national drain by conceiving, preaching and executing a programme of economic regeneration of Ireland by means of co-operative societies, which was well expressed by the formula "better farming, better business, better life." In popularising this programme the *Irish Homestead* a weekly edited by Russell, played a most conspicuous part. Indeed, not only to Irishmen but to many in India, it was a source of inspiration and of instruction in sound rural philosophy. Russell wrote also two inspiring books, "Co-operation and Nationality" and "The National Being," which occupy a unique place in co-operative literature. Under the pen name "A.E." Russell was a well-known poet and writer in the cause of Irish renaissance. He took a deep interest in Indian philosophy.

Supervision in Bombay—I

BY PROF. S. K. YEGNANARAYANA AIYAR, M.A.

The economic depression which has been world-wide has affected our sister province of Bombay more than other provinces in India inasmuch as she has been depending upon trade and industries,—two departments that have suffered most. Therefore, the Bombay Government was forced to devise ways and means to make both ends meet and every item of expenditure scrutinised with a view to explore the possibilities of retrenchment and one of the recommendations of the Committee entrusted with the work of finding out possible ways of retrenchment, called the Tomas Committee, was that the system of co-operative supervision might be overhauled, that the present system of supervision by non-official supervisors might be done away with and that the Government might take up this responsibility, in which case, not only, according to the committee, will the work be done more efficiently, but there will be some saving to the Government as well.

This proposal to do away with non-official supervisors was considered to be too revolutionary and the non-officials of the Province naturally protested. A Round Table Conference was held and a small committee was appointed to discuss the question of supervision of co-operative societies in the province. And we take up for our study in this short article the recommendations of the Committee. We shall, if circumstances permit, discuss the history of supervision in our own province and examine in another article the light which we can throw with our experience on the problems that confront our brothers in Bombay.

The report may be broadly divided into four sections. The first section deals with the history of supervision, its origin and growth to its present condition. The second section deals with the machinery that is now working in the matter of co-operative supervision. The third section consists of recommendations by the majority of the Committee. The fourth section is the minority report which, though not separated, is yet a minority report by Prof. Kale and Mr. V. L. Mehta of the Provincial Bank, Bombay. We shall take up these sections one after the other.

Our brother co-operators in Bombay started in the matter of supervision as co-operators did in other parts of India, that is,

depending upon Government officers for everything connected with co-operation—organisation, registration, supervision, inspections audit. They were helped by honorary organisers, but the brunt of the work fell upon the Government officers. In 1912 certain district banks were converted into Banking Unions with powers of supervision over constituent co-operative societies, and in 1915 a new type of institution known as the guaranteeing union, based on the Burma model, was created. But in course of time the guaranteeing unions fell far short of the expectations and hence either they were converted into supervising unions or were dissolved and fresh supervising unions were started in 1922.

The supervising agencies functioning at present are the supervising unions, 101 in number with about 2,800 societies affiliated to them, whose evolution we have traced above, and the Banking Union at Ahmedabad with 60 societies affiliated to it. Over and above these there are Taluka Development Associations in charge of about 250 societies and a special officer looking after 93 hill-tribes societies organised exclusively for their benefit.

The fundamental objection taken to supervision being entrusted to Government officers under the Registrar is that final audit is a statutory duty of the Registrar and the integrity of the statutory audit is of paramount importance to the movement and that a combination of audit and supervision is likely to detract from its efficiency. Thus, the proposition of entrusting supervision to Government officers is ruled out in the opinion of the Committee. They discuss the possibility of Taluka Development Boards taking up this. After examining the working of the few existing Taluka Associations in charge of co-operative societies, they came to the conclusion that Taluka Development Associations should give up this activity and concentrate on agricultural development only and that supervision should be entrusted to supervising unions only. On the theory that supervision by a creditor is never likely to be satisfactory, they are not in favour of the existing system obtaining at Ahmedabad of central bank taking up supervision also of affiliated societies, and requiring its officers to do both inspection and supervision. They therefore came to the conclusion that supervising unions constituted the only efficient agency for this kind of work and recommend certain changes in their constitution and powers with a view to make their work more efficient.

In the first place they recommend the pooling of all union funds in the district and placing all supervisors in a district cadre under the control of the district supervising board. Secondly the Committee are of opinion that agricultural non-credit societies, except in cases where their work is much specialised and requires special agency for supervision, may be affiliated to the supervising unions. Similarly, they recommend the inclusion of non-agricultural credit societies in rural and semi rural areas. The inclusion of these societies is expected to reduce the deficit of unions in backward and undeveloped tracts and also to provide business talent in their management. They recommend certain changes in the constitution and powers of supervising unions for example, the power of appointing, punishing, transferring or dismissing secretaries in charge of a group of societies, subject to the approval of the district board. They further suggest that the period of suspension of a committee of management or any member of such committee, which is now 3 months, must be extended up to 12 months and instead of the Registrar's approval, that of the district board should be deemed sufficient. All this constitutes merely making the existing machinery more efficient.

They recommend the formation of district boards of supervising unions and of a provincial board as the coping stone of this structure. Though in some places there are such boards, they have not got a well defined constitution nor are their powers ample for efficient discharge of their work. They suggest a sufficiently representative constitution for the district board wherein provision is made for the co-option of a co-operator of outstanding merit from the district. To start with they suggest the Assistant Registrar should be the Ex-officio Chairman of the Board for the first three years after which, "the position may be reviewed to ascertain whether a change in this respect is feasible or advisable." They also recommend that these boards should be separately registered under the Co-operative Societies Act and should be armed with the power to suspend the committees of supervising unions if the orders of the board are not carried out by the unions. They recommend that the board should meet at least once a quarter or oftener if necessary. With regard to the Provincial Board they do not suggest any detailed constitution, as sufficient experience is not available but leave it to be evolved in the future. The chief function of this Provincial Board would be to hear appeals wherever admissible against the orders of the district boards. This board will be entrusted with the main task of seeing that the system of supervision works efficiently and that the district boards are functioning properly. The Registrar would be the convener of this Board and the Chairman of the Provincial Bank and the President or Vice-President of the Institute would be its members.

Prof. Kale, Vice-President of the Bombay Provincial Co-operative Institute, and Mr. V. L. Mehta of the Provincial Bank, also a

Member of the Institute, agree in the main to the need for more efficient supervision, but they object to the fresh recommendations of the Majority, namely, the formation of separate district boards of supervision and of the Provincial Board. They are of opinion that the district branches of the Institute might be utilised for this purpose, and that the creation of a separate institution will not only duplicate the machinery but might have the effect of weakening the hold which the Institute has over the popular mind. In the opinion of these eminent co-operators the proposed scheme is "retrograde, undemocratic and unco-operative, violating the commonly accepted principle of non-official co-operative organisation in the presidency without there being any need of departure from the old sound policy". On the same principle they object to the setting up of a Provincial Board and would recommend a special committee, if necessary, of the Provincial Institute to look after the functions proposed to be entrusted to the Provincial Board of Supervision.

As the machinery they have suggested, barring the Provincial Board, is similar to the one which till recently we had in this presidency and which in recent times has been scrapped, we shall try to elucidate in another article the history of federations in our province which is bound to throw some light upon the new scheme as contemplated by our brothers in Bombay.

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Co-operative Supervising Unions in Madras

BY M. S. NARASIMHA RAU, B.A., B.L.,

“For various reasons, most of the local co-operative supervising unions have not fulfilled the objects for which they have been started.” So has stated Mr. T. Austin, I. C. S., the present Registrar of Co-operative Societies, in his administration report for the year 1933-1934. As one who believes that the above statement is based on a correct appreciation of facts, I shall attempt in this article to support the efforts of those who are striving to abolish these unions altogether. With that object in view, I shall discuss below how these unions came into existence, how and why they have failed, and what remedies may be adopted.

The unions owe their origin entirely to the Government. With the rapid growth of societies, the Government felt that their own staff was too inadequate to undertake the task of supervision. It was for a time thought that the Co-operative Banking Unions started in some districts, might in addition to financing the societies, also perform the function of supervision and control over the working of the societies affiliated to them. But it was objected that it was not desirable that a financing bank should have anything to do with supervision. It was said that a financier would have his eye exclusively on finance, and would neglect the co-operative side of the work. The Government therefore started the Supervising Unions.

We have next to see what the Government expected these Supervising Unions to do. It was recognised that almost all the rural societies were composed of uneducated members unacquainted with the principles of Co-operation and finance, and that therefore there were no competent persons to deal with cash, and work the complicated economics relating to the relief of rural indebtedness. There was a fear that in the handling of money, these unlettered men might yield to temptations. It is to teach these societies the principles of Co-operation, rural economy and thrift, to guide them in the matter of considering loan applications and recommending them to the financing bank for the granting of loans in appropriate cases, to see to the proper application of money advanced by the financier, to assist the societies in the matter of recovering loans, to keep watch over the repayments made to the

financing bank, and prevent any make shifts or book adjustments, to help societies to be efficient and rectify defects in societies pointed out by auditors, to organise new societies, and to be responsible for the co operative development of the area assigned to them—it is these noble objects that the Government hoped the Unions would fulfil. In fact the Government believed that these Unions would pave the way for replacing Government control by non-official control, and that the Unions would ultimately take the place of the Government in acting as the “ friend, guide, and philosopher ” to the Co-operative Movement in rural areas. In registering the first Union in 1910, the then Registrar observed that the “ ultimate advantage would be that when the Unions functioned, the State may withdraw from the work of supervision ”. The Unions were therefore started with the best of motives, and very wide powers of self-government were conferred on them.

On the question whether the Unions fulfilled the objects for which they were started, it can be said that there is now a fair concensus of opinion that they have miserably failed. The officials and non-officials agree in this view.

One must say that the Government made every honest attempt to back up these Unions, before they were compelled to pronounce that the Unions had failed. Up to 1925, in successive administration reports, the Registrars repeatedly expressed hopes that the Unions would bear rich fruits. In 1925-26, Government even withdrew supervision over societies and handed it over to the Unions, only retaining very general control in their hands. The result of this policy was that a very strong outcry was raised against the way the Unions exercised their powers of supervision. Mr. Hood, the then Registrar, had to admit that “ it does not appear that the Supervising Unions on whom rests the responsibility for the upkeep of the Unions have generally made any serious attempt to check the increasing overdues, in spite of the advice tendered ”. He also added “ If this tendency is allowed to go unchecked, it might lead to *financial chaos* ” When people complained that the Government had suddenly dropped supervision in favour of the Unions, Mr. Hood recognised the justice of the complaints, and in his administration report for the year 1927-28, stated that “ there is no room for doubt that this delegation of supervision on non-official bodies proceeded at too rapid a rate ” and “ that the Supervising Unions were unable to fill the gap and satisfy full

requirements". In 1928-29, Mr. Hood tried the experiment of setting Government Inspectors to attend to collection work in societies. Though only bad societies were taken up by the Government the results proved to be very satisfactory. But the position of the Unions did not improve. The fall continued to be steady. In 1928-29, Mr. Hood expressed himself strongly when he stated that "the test and justification of every organisation is if and how far it justifies the purpose for which the co-operative credit movement was started". He significantly added "you cannot create an *oligarchy of the rich*, for giving the benefit of self-government to the movement". In the opinion of Mr. Hood, these Unions have only led to "multiplication of travelling allowances for bogus journeys, thus adding to the interest payable by the ryots". The Government sincerely desired to confer self-government on the Unions, but found the experiment was too premature. The Townsend Committee tried to explain away the position by saying that the reason for the bad working of the Unions was want of funds. Mr. V. Ramadas Pantulu in his dissenting minute had to say that this was not the sole cause. It is doubtful if this was ever a cause. Anyhow for the sake of prestige, the Government decided to do something to make these falling Unions stand. They introduced Federations with the object of co-ordinating the working of the Unions, and said that the Federations would rectify all the defects under which Unions suffered. But within a year or two, the Registrar Mr. Strathie had to admit that "it was never desirable to create these Federations". The Federations were in due course liquidated. The Government wanted on the one hand to prop up these Unions and on the other to discourage any attempt on the part of the financing banks to associate themselves with the work of supervision. This double edged policy was a failure, and we have the last utterance of Mr. Austin to the effect that the Unions have not fulfilled the objects for which they were started.

It is not only the official that pronounces the Unions a failure. Mr. V. Ramadas Pantulu, who is one of the accredited leaders of the Co-operative Movement, had to complain in the Bandar conference that "in most areas, supervision is in the hands of men who are utterly incompetent and often unreliable, and it is no wonder if societies entrusted to the care of such men have deteriorated, in some cases beyond the possibility of reclamation". A co-operator has expressed recently in the columns of the '*Hindu*' the view that the

Unions have failed. More recently Mr. N. Satyanarayana of Alamuru has expressed the view that the co-operative credit movement in this Presidency did not work well. Thus it can be said that the non-official estimate is not more favourable than the official estimate.

Let us ask ourselves why it is considered that the Unions are a failure.

For one thing the Unions have from the beginning neglected the educational side of their activity, with the result that the systematic inspection of the societies affiliated to them has been frequently omitted. Rectification work is in most cases nil. The guide, philosopher and friend aspect is conspicuous by its absence. It is not difficult to prove that the position is as stated above. It is twenty five years since the Unions were started. Let us ask how many societies are able to prepare their own annual statements and how many are able to prepare at least their own loan applications. The answer must be that such societies are very few.

Secondly it may be seen that in most cases, far from supervising the work of the societies, the Unions have lent themselves to be used as instruments for screening the several irregularities and frauds that are committed in societies. It is only the rich and influential persons in societies who succeed in getting returned as Governing Body members of the Unions. In several cases these Governing Body members are the worst defaulters in the societies of which they are members. They are therefore naturally reluctant to take action against the societies in which they are members, and against defaulters in other societies. They use their influence and get plenty of unreasonable extensions and benefit of book adjustments, for themselves and for their friends and relatives. Frequently they are obliged to do the same service to members in other societies, for fear that the latter might expose the irregularities committed in their own societies. If one examines the loans issued by societies which have returned members to the Union, in most cases it will be found that a large percentage of the total amount of loans disbursed was secured by the rich panchyatdars, some in their own names and some in the names of their friends, relations and dependents. I can cite instances in which poor innocent people are made catspaw and have suffered for the debts which really these big men owed, but which nominally and unfortunately were made to stand in the names of these innocents. When these big men shirked or died or became insolvents, these *binamidars* lost their all for satisfying debts of which they really did not enjoy even a pie.

In the matter of guiding the loan policy of the societies, there was any amount of nepotism. Loans were recommended to persons, not because they deserved them, but because they would be useful when need arose, either when they stood as candidates in elections, or when they needed support in the matter of their own loans.

It must be said that these Unions have rendered very little help to the financing banks in the matter of assessing the credit of societies' members. It is an open secret that the property statements supposed to be checked by the Unions are mere mechanical reproductions of oral statements made by the members themselves, and are of no value whatsoever. In some cases statements are prepared from mere imagination, and not even on the basis of the statements made by the members. As Mr. Strathie remarked in his University Extension lecture in 1933, "in the majority of cases, these property statements are not worth the paper on which they are written."

In the matter of assisting the societies in making collections of dues, the Unions have showed a woeful lack of responsibility. From the beginning successive Registrars have complained in their administration reports, that the collection work has been neglected, with the result that there have accumulated large overdues in many societies. The position was the same, whether it was the booming period of high prices and the agriculturist had ample money in his hands, or whether it is the present period when the prices of food-stuffs are low and the agriculturist is suffering for want of money.

It is an open secret that misappropriations are rampant in several societies, and particularly so in several cases in societies which returned members to the Unions. For one case which has reached a criminal court, there are several cases which are adjusted privately after detection. The Unions are not able to check this tendency. It is the Government Inspector who does the painful duty of detecting these frauds, and who gets them settled or reports them to the Police and the Magistracy.

Vast sums of money are being expended year after year for the upkeep of these Unions, which could have been better utilised for reducing the interest payable by the principal borrower. In their anxiety to keep these Unions above want, the Government on the recommendation of the Townsend Committee, allowed the supervision fund to be drawn from the primary societies and the financing bank, not on basis of income actually realised, but on the basis of earned or

book income, and further directed that the supervision fund should be a first charge on the loan transactions of the financing bank. Even this supervision fund and the affiliation and delegation fees which are the normal sources of income for the Unions, were found to be insufficient. The financing banks were asked to make supplementary advances every year. These advances could never be recovered. We have the sorry spectacle of these financing banks writing off once in three years the advances which they made. The Government too on their part contributed funds for the upkeep of the Unions. When the Government introduced Federations for setting Unions right, they contributed subsidies for the expenditure necessary. For all these huge funds spent, we are not getting a proper return. As Mr. Strathie remarked in his administration report for 1930-31, "it must be admitted that the movement is not at present getting full value for the large sums spent by unions—Rs. 7.72 Lakhs, and the large staff of supervisors—607 supervisors."

No doubt to a certain extent the failure of the Unions has to be attributed to a defective constitution. The Government having created these Unions and expected them to discharge the functions which the Registrar and his staff were performing before, have not made suitable provision to ensure steady supply to the Governing Body of Unions of independent persons with sufficient knowledge and time at their disposal to do real propaganda work. In filling the Unions with delegates returned by the agricultural societies themselves, the same set of persons in the societies for whose education and uplift these Unions were started became the guiding spirits of the Unions, and as they themselves needed instruction in co-operative matters, they could not be expected to give instruction to societies affiliated to them. Secondly the constitution framed for the Unions was not such as to impress responsibility on the work of the Union directors. Union directors are given rights without any obligations attached to them. They could recommend loans to be granted to the societies, but there is no sanction provided against making a *mala fide* recommendation. Looking at the constitution of the financing banks, it will be further seen that the representatives of the Unions form the majority in the Board of Management. The result is that the Union directors who, as such, are not saddled with responsibility, control the affiliated societies on the one hand, and the financing banks on the other. As Union directors, they recommend loans, and as bank directors they sanction them. They thus

concentrate in themselves the functions of both jury and judge. Whether in recommending loans or in sanctioning them, they stand in an enviable position of aloofness, with power to freely deal with money not their own. Such a constitution is not one which conduces to proper and responsible work on the part of the Unions.

It may be suggested that the constitution of the Unions may be changed, and that they may be continued after making suitable changes. But I am afraid that any change by way of attaching responsibility to the actions of the Union directors will not assist the Unions to discharge the functions for which they were created. The system of Guaranteeing Unions, in which all the affiliated societies are made jointly and severally liable for all the loans sanctioned on the recommendation of the Unions, has been tried on a vast scale in the province of Burma, and we have the pronouncement of a very eminent committee presided over by Mr. Calvert, the Punjab Registrar, to the effect that these Unions were a colossal failure. Even in Madras, the earliest Unions formed were not only Supervising Unions but Guaranteeing Unions as well. But this constitution was subjected to severe criticism, and the Government also found the Guaranteeing Unions unworkable, and so abandoned them, and introduced these Supervising Unions instead. It therefore follows that, whether with responsibility or without it, the Unions are incapable of doing any good work, and that there is no way of solving the problem except by totally putting an end to the Unions.

I may also add that the existence of the Unions has given rise to very undesirable consequences. The organisation of the Supervising Unions has as in the case of Guaranteeing Unions in Burma led to relaxation of individual effort on the part of affiliated societies. The general body of co-operators in the village took little or no part in the activities of the Union. They lost touch with the Co-operative Movement, and lost the initiative to learn and apply co-operative principles in their business. They always relied on an outside agency such as the Union or the Government to put them in the way. The whole Co-operative Movement became concentrated in a few persons, namely, the Union directors, and they began to utilise it for their own purposes. The Union directors in the majority of cases made a pretence of touring and inspection in their respective areas, but never actually did any real work. The vast funds entrusted to the Unions, they divided amongst themselves for their travelling allowances and for the salaries of their supervisors, in appointing whom they exercised

patronage. In several cases the supervisors controlled the directors, when, as is commonly the case, the directors happened to be ignorant of the work which they were expected to do. In cases where the directors themselves were defaulters, the supervisors were prevented from exposing the defects of their masters and their masters' friends and dependents. Another bad consequence is that the Unions became so much fed with power, that they became very restive and impatient whenever there was any advice offered or control exercised from an outside quarter such as the financing bank or the Government. It is a matter of common knowledge among co-operators that when proposals were made for the centralisation of Union staff and Union finance, and the pooling of the supervision fund, the Unions in a body opposed the proposal. They said that if this was done, they would be deprived of their power of appointing their supervisors, and would thus lose their 'independence', as if, as Mr. Strathie remarked, "they (Union directors) sought and retained the office for the patronage they secured". Mr. Strathie pertinently asked, when he, a Registrar of a Presidency, could not appoint his own routine clerk, but must leave the question of appointment to an outside agency, namely, the Public Services Commission, why the rural Unions should be so sensitive in the matter of giving up the power to appoint their supervisors? Above all these, all the acrimony of a political fight was imported into the elections to the Unions. As Mr. V. Ramadas Pantulu remarked, in his address at the Bandar conference, "all the worst influences of local faction and favouritism have had their unbridled play in the choice of men on whose honesty and efficiency the destiny of the movement largely depends".

It is high time that these Unions must go. They are at present mere post offices and channels of communication. Their abolition would bring a vast body of rural co-operators into the active side of the movement. The huge funds saved by abolishing the Unions might be used by way of reducing interest on loans, and thus giving relief to the poor. It is gratifying to learn that recently the Kumbakonam Central Bank proposed the entire abolition of all Unions.

The abolition of Unions is the remedy which I press most. But we have to consider in this connection the remedy suggested by our veteran co-operator Mr. V. Ramadas Pantulu. His suggestion is that the number of Unions might be reduced by about 50 per cent, that the smaller Unions might be merged in the bigger unions, that

the number of directors in Unions might be reduced, and that the financing bank might have control over supervision of the societies, and have in their own hands the appointment of supervisors for Unions. The suggestion in so far as it relates to giving the financing banks the real control over societies is one that should commend itself to all including the Government. The theory that was for a long time held by the Government to the effect that a financing bank with its eye on finance should have no concern with supervision has been exploded by Mr. Strathie. But with all respect to Mr. Ramadas Pantulu, I submit that his proposal to continue the Unions, though with powers curtailed, is neither desirable nor practical. Much has already been said on the question of desirability, and nothing more need be stated. The continuance of Unions will only mean further waste of funds which is not at all justified. Added to that, I fear that if Unions continue with less powers, there may be constant bickering and unfortunate conflicts between the Unions and the financing bank on the question of supervision over societies. With financing banks having the real control over societies, the Unions would be reduced to mere figure-heads. The Unions would chafe under the scheme which deprives them of their power to appoint their supervisors. I consider that if Mr. Ramadas Pantulu's scheme is to be given effect to, the directors of future unions would have to be prepared to keep their self-respect in their pockets. This will only lead to trouble and disruption. It looks as if Mr. Ramadas really is for the abolition of the Unions, but fearing that such a step might be too revolutionary, he suggested a middle course. There does not seem to be any other alternative than to scrap the Unions altogether out of existence.

The abolition of Unions as supervising bodies carries with it two other questions of primary importance. The first question is that the constitution of the financing banks which is now constituted with delegates returned by Unions has to be changed. Secondly, a more satisfactory scheme than the one prevailing at present has to be devised for ensuring proper supervision over societies.

With regard to the first question, I would suggest that the future Board of Management of a financing bank might consist of an equal number of delegates returned directly from societies, and an equal number of individual shareholders elected directly from among individual shareholders. The Deputy Registrar may be an ex-officio member of the Board of Management. Two persons with co-operative

experience to their credit may be co-opted on to the Board by the elected members of the Board. The whole Board may consist of not more than twenty-five members. Groups of societies may be formed to return their quota of representatives to the Board, each group sending one representative. Only those who are not defaulters (those to whom extensions are given are to be included among defaulters) should be returned as delegates.

As regards the second question, I humbly submit that the present system of recruitment to the administrative sections of the financing bank requires thorough overhauling. Group supervisors or Inspectors should be recruited from among persons who have passed a Government test and are competent to hold the office. The appointment of the central executive officer should be made by the financing bank, but the man selected should have better qualifications than that required for a supervisor. In the initial stages, I would prefer the borrowing of the services of a Senior Government Inspector for the post of an executive officer. Concurrently with the financing bank who should be the immediate head of the supervision department, it is in my opinion highly desirable and beneficial that the Government through the Deputy Registrar should possess general control over the supervision work. Such a scheme might yield good results.

One need not look askance at the proposal to associate an official element with the management of the financing bank and of the supervision department. The co-operative movement owes its origin to the Government, and in this branch of administration, there is no conflict of interests between the officials and the non-officials. The association of the official would give strength and stability.

I commend the above suggestions to the consideration of my brother co-operators and the Government.

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Central Co-operative Building Society.

The following is the speech delivered by Mr. T. Austin, I.C.S., Registrar of Co-operative Societies, Madras, in connection with the opening of the Conference held in July last for the starting of a Central Co-operative Building Society at Madras.

The question of financing the construction of houses in important towns in the Presidency and in thus helping to remove congestion and to provide decent dwelling accommodation for the middle classes came up before Government and the Registrars from time to time. Though the Local Government at first felt that Municipalities and Local Bodies should finance building societies formed for town extensions, Government, however, agreed in 1923 to a scheme of Co-operative Building societies formulated by the Registrar and from that time onwards have been advancing loans to the societies formed in all important urban centres in the Province. During the last 12 years, the Madras Government have advanced to Co-operative Building Societies nearly Rs 40 lakhs and on the 30th March 1935 about Rs. 17 lakhs were outstanding against them. It is because neither the public nor local bodies were ready to undertake financing housing schemes that Government came forward and showed the way. During the last 12 years the Government have done their best to help the middle class people in the construction of houses by giving loans, by arranging the inspection of houses by the Public Works Department and generally by giving other concessions which are enjoyed by co-operative societies. It is now time, in my opinion, that the non-official public should think of taking over this business for more than one reason.

The Scope for private Enterprise.

Firstly, the problem of housing has in the last few years been assuming an importance which it did not have before owing to certain economic and social forces. The figures of the last census have shown a considerable increase in the population of the country. Side by side with the increase there has been a migration of the people from villages to urban areas. The result is that there has been over-crowding in cities and other important urban centres. There have been also several town-planning and extension schemes set on foot by Municipalities and Local Bodies, Moreover, the public are

now realising the need for the modernisation of houses, and for the construction on up-to-date sanitary and healthy lines. Finally, the desire to own a house rather than to be at the tender mercies of a landlord is now more marked than in the past. The operation of these several factors makes the problem of housing in the immediate future a very important one. It seems to me, therefore, that we should work out a suitable plan of attack on the problem and the proposed Central Co-operative Building Society would seem to offer assistance in this direction.

Secondly, in European countries particularly, since the Great War, housing schemes are being carried on mostly through private enterprise. Local authorities, public utility societies and private builders undertake this work. When there is a large scope for private effort and initiative in this particular branch of social and economic activity, it seems to me unnecessary for Government alone to be relied on for financing housing schemes. Moreover, there is a limit up to which Government can give loans. For various reasons the amount of loans advanced by the Local Government during the last four years has considerably decreased. It is impossible to expect Government to continue to make available every year large sums of money for the construction of houses in proportion to the demand in the country. If by non-official effort a separate Central institution can be organised, enough funds may be provided to raise housing schemes on a co-operative basis to meet the increasing demand.

Thirdly, the time appears to be propitious for the starting of a society of the kind that we now contemplate. Plenty of money is available in the country and is awaiting investment. Owing to the depression and the difficulty of recovery of advances made, there is a contraction in private money-lending and the people seem to prefer the safety of their investment to a higher rate of interest. Money can be raised at a cheaper rate of interest. The Central Building Society, when formed, will be a safe institution in which the public can invest for an urgent social need. While on the one hand it gives an opportunity to the people to invest, on the other, it can make the moneys placed at its disposal available for financing co-operative housing schemes in the Presidency and in thus helping the middle class people to own houses.

Fourthly, the general public have been so far keeping aloof from the financing of the construction of houses. I think it will be

CENTRAL CO-OPERATIVE BUILDING SOCIETY

a good step forward if consistently with the co-operative principles of self-help and mutual help the people organise themselves for the financing of housing schemes in the Presidency. There is a great scope for non-official initiative and management in an institution like this. There are in our midst men of business experience, merchants, lawyers, zamindars and money-lenders whose resources may be pooled together and utilised for this great economic and social service.

Co-ordination of Work.

Fifthly, the primary co-operative building societies functioning in the mofussil have at present no means of mutual consultation in matters of plans or estimates or methods of construction of houses for their members ; they work in separate units. In recent years the methods of construction and town planning have made a rapid advance and a Central Society of the kind now proposed will ensure some sort of co-ordination of work of these primary building societies and will be in a better position to give them expert advice in drawing up plans and estimates and generally in helping the members to build houses on up-to-date lines and at a minimum cost.

I may now touch upon the financial aspect of the matter. As you will have gathered from the printed note circulated, it is intended to raise funds for financing the construction of houses mainly by share capital subscriptions and debentures. It is thought that both individuals and primary building societies in the presidency may put in an initial share capital of a lakh or two. If this be done, this amount will be lent out to members of affiliated primary societies and their houses will be assigned to the Central Building Society to this extent and this will form the security for the issue of the first series of debentures. The amount so raised through the flotation of the first series will again be utilised towards loans to members and fresh houses will be got assigned to the Central Building Society. These houses will constitute the security on which the second series of debentures will be floated. Thus funds will be raised from time to time and in the first few years the progress will be slow, but with the increase in share capital, the business of the society will be increased and its transactions will develop more rapidly. The debentures will be floated for a period not exceeding 25 years and at a rate of interest not exceeding 5 per cent according to money market conditions. The proposal is not without its parallel in European countries. In Sweden "the Swedish Housing Loan

Fund " borrows the necessary capital by the issue of debentures. In Denmark, the " State Housing Fund " issues certificates to the borrowers and in reality they do not receive the nominal amount of the loan but a sum proportionate to the value quoted on the stock exchange for the certificates issued by the fund. In Italy, the " Autonomous Building Credit Section " is permitted to issue " Building bonds. " In Poland, capital for financing housing schemes is raised by the issue of " building credit bills " and " building bonds. "

But I must make it clear here that the Local Government do not propose to give any guarantee for the debentures to be floated by the proposed Central Building Society. Nor is this, in my opinion, necessary. The debentures will have the three essential features of sound investment, viz., safety, remunerative return on the capital invested and easy of realisation. The money realised through flotation of debentures will be secured by first mortgages of house property in important urban areas and cities, where houses have readily saleable values. There is no question of depression of prices through forced sale of houses. Firstly, advances are made in instalments to members, as progress is made in the construction of houses to the satisfaction of the society and there is, therefore, no possibility of misapplication of the loans given. Secondly, the advance is made only up to 80 per cent of the estimated value of the building, the remaining 20 per cent being contributed from out of the members' own resources. Thirdly, the loan is recovered regularly in monthly instalments and thus the amount of loan is gradually reduced. These factors ensure the safety of the advances made to members and even in the event of a forced sale of a house for failure to repay the amount, there is practically no possibility of loss arising on this account. The fact that the operations of this society will be confined to a single purpose will itself be a guarantee of its stability, that is to say, it will not undertake any speculative business nor will it advance loans on any security other than first mortgages of house property. Again, the investors will have proper return either on the share capital invested or on the debentures taken. Lastly, the debentures can easily be transferred or sold in the money market and there will be no difficulty to raise money in times of need. There are also other factors which ensure the protection of the interests of investors, viz., the periodical Government audit, the statutory provision of reserve fund and general supervision and control by responsible officers of the department.

Conferences.

COCHIN CO-OPERATIVE CONFERENCE.

A conference of the co-operators of Cochin was held on the 25th and 26th June last at the Y. M. C. A. buildings at Kunnamkulam in the Cochin State. It was presided over by Sir R. K. Shanmukham Chetty, the Dewan of Cochin State. Mr. K. Narayana Menon, M.A., CH. D., Officiating Registrar, welcomed the delegates.

Mr. Narayana Menon in the course of his welcome address observed that the State had about 250 societies with a membership of more than 25,000 and a working capital of more than Rs. 25 lakhs. The utilisation of short-term loans for long term purposes, he said, had made repayment very difficult and the corruption and mismanagement of committees in many societies made the position highly deplorable. There were some societies which were anything but co-operative and did joint-stock business under the protection of the Regulation. Such societies were not affiliated to the local Union, the Central Bank or the Central Institute but were independent entities which were in no way useful to the movement. Speaking of remedial measures, he said:

Among the economic and social services that co-operative societies can perform will be to educate rural public opinion in a practical manner so as to secure the avoidance of debt, the practice of thrift, the collection of savings for lean years, the proper utilisation of the leisure of adult men and women, the prevention of fragmentation of holdings, the scientific use of farm manures, the provision of capital on a fair basis, the marketing of village produce, the supply of village requisites, the organisation of transport, the protection of crops from pests and diseases, the introduction of improved methods and implements, the breeding of healthy live-stock and a thousand and one activities that go to the making of a renascent agriculture.

He finally suggested the introduction of certain schemes for the industrialisation of the State, particularly the development of cottage industries, for village reconstruction and for the removal of the age-long debt of the ryots by the establishment of a Central Land Mortgage Bank. He then requested the President to deliver his address of which the following is a summary.

A True Picture.

The co-operative movement was started in Southern India nearly 30 years ago and the time had now come for them to pause for a while and look back on their past achievements before proceeding further. He had the privilege of attending several conferences of the kind in the Madras

Presidency and he found that there was a tendency sometimes to ignore the dark side of the movement, with a view to avoid criticism. He was glad that their Registrar had in his welcome address presented the movement as it was in Cochin in its real colours, without mincing matters, even as regards the gloomy side. He had referred at length to the several difficulties they had to face and overcome and the corruption and malpractices that had resulted even in the closing down of societies. He had, however, concluded his address with a note of cheery optimism and there was no doubt that, as a result of the deliberations of conferences like theirs, the difficulties encountered would be successfully overcome.

Co-operators must realise, he said, the wider and fuller implications of the movement. During the last 30 years, co-operation had been practically confined to one side of activity only, viz., the credit side. The extension of the principles of the co-operative movement to non-credit activities and the application of the principle to rural and economic life were equally, if not more, important. In an agricultural country like India where the average ryot was oppressed by chronic indebtedness, it was no wonder that the credit side of co-operation alone came to be developed first. It was unfortunate that other kinds of co-operative activity were entirely forgotten. Speaking of overdues, he observed that these overdues really formed the cancer that ate into the vitals of the movement. If this cancer was allowed to grow in the same magnitude, he was afraid that it would accelerate the end of the movement. It was up to them to devise practical schemes to wipe out the overdues.

Land Mortgage Bank.

Next, there was also a lack of appreciation, he said, on the part of co-operators as regards the difference between short-term and long-term credit. It was unsound in principle, to lend the funds of these credit societies for long terms and the co-operative societies were not equipped with all the requisites to help the agriculturists out of their present distress. It was to meet this need that he was starting a Land Mortgage Bank in Cochin. He was a practical businessman. He knew at the outset that the Loans Scheme would not work. It was not the fault of the Special Loans Staff that not a single pie was advanced so far. The staff, by its very constitution, could not be expected to function properly. He announced that the Land Mortgage Bank was to be an integral part of the Co-operative Movement. He hoped that the problem of overdues would disappear with the formation of the Land Mortgage Bank; but if in spite of this the overdues persisted, he would only think that there was something wrong in the character of the people of Cochin. He condemned the vicious system of renewing loans which was an important factor that resulted in increased overdues.

CONFERENCES

Non-Credit Co-operation.

As regards non-credit activities, Sir R. K. Shanmukham said it was not enough if money was advanced to agriculturists without providing ways and means for helping him to liquidate his debts. Organisations for the purchase of the requirements of the ryots and for marketing his products formed a necessary complement and corollary for credit societies. He cited a remarkable example of non-credit activity from Australia where the orange-growers earned huge profits by marketing their produce in London and Liverpool.

He deplored that Indian producers were unfortunately lacking in commercial morality as compared with producers elsewhere. A merchant in Liverpool or New York purchased invariably on samples and even on trade descriptions whereas such a thing could not be thought of in the case of the Indian producer as he did not supply goods of identical quality. They could not sell Indian cotton in New York or London, because there was no recognised standard. Quality was an essential factor and they could not sell their products to advantage in any market as long as they did not standardise their goods. There were several industries which could be developed by the formation of co-operative societies on non-credit lines. The value of co-operation in schemes of rural welfare and reconstruction could not be exaggerated. In conclusion, he expressed the hope that the deliberations of the Conference would result in the movement being placed on a sure and solid foundation.

The Conference finally urged that the organization of communal societies should be put an end to, that the membership of rural societies should be limited to 100, that the Registrar of Co-operative societies should have discretion to authorise supervising unions or other agencies to take all possible steps to rectify societies before liquidating them and that a Central Land Mortgage Bank should be established.

Opinions on draft Amendments to the Rules under the Co-operative Societies Act.

The following institutions agree with the views of the Provincial Co-operative Union (as expressed in the 'Madras Journal of Co-operation') on all points :—

1. Tanjore Co-operative Central Bank.
2. Ramachandrapuram Co-operative Central Bank.
3. Tinnevely District Co-operative Central Bank.
4. Hindupur Co-operative Town Bank.

RULE VII (6).

Amendment proposed:

3. After sub-rule (5) of the Rule VII of the said rules, the following sub-rule shall be added, namely :—

“(6) A society with limited liability the working capital of which exceeds Rs. 30,000 shall publish along with its administration report for the co-operative year a list of its members as on the last day of such year.

Opinion of the Provincial Co-operative Union.

“The new sub-rule added to the existing rule VII requires a society with limited liability and a working capital exceeding Rs. 30,000 to publish along with its annual administration report a complete list of its members as on the last day of the co-operative year. We consider this a wholly unnecessary requisition. It will be enough if the lists are required to be brought up-to-date and tendered for examination at the inspection or audit by the concerned departmental officials. The general publication of such lists besides being of no interest to the public may lead to certain undesirable results, specially in regard to certain types of non-credit societies.”

Opinions of other bodies and members :

- | | |
|--|-------------------------------------|
| 1. Malabar Dt. Co-op. Bank. | Agrees with the views of the P.C.U. |
| 2. Tiruvannamalai Co-op. Society. | do. |
| 3. Gudlavalleru Co-op. Land Mortgage Bk. | do. |
| 4. Mr. K. G. Sivaswamy Iyer. | do. |

SUGGESTIONS REGARDING AMENDMENTS TO RULES

- | | |
|--|--|
| 5. Nellore Dt. Co-op.
Banking Union. | Against the amendment. |
| 6. Co-operative Central
Bank, Vellore. | do. |
| 7. Razole Co-op. Land
Mortgage Bank. | do. |
| 8. West Godavari Dt.
Co-op. Central Bk. | do. |
| 9. Coimbatore Co-op.
Stores and Bank. | do. |
| 10. Mr. B. V. Rama-
moorthy. | do. |
| 11. Ganjam Dt. Co-op.
Banking Union. | For the amendment. |
| 12. Paramakudy Co-op.
Society. | do. |
| 13. South Kanara Co-op.
Central Bank. | For the amendment—suggests the follow-
ing modification :
“The list may be published periodically
once in 5 years, additions and removals being
published yearly.” |
| 14. Berhampure Co-op.
Urban Bank. | Suggests a substitute—“shall publish along
with its administration report for the co-
operative year ” may be substituted by “shall
prepare within one month after the close
of a co-operative year and keep ready for ins-
pection.” |
| 15. Cuddapah Dt. Co-op.
Central Bank. | For the amendment. |

RULE XVIII-A.

Amendment proposed :

4. After rule XVIII of the said rule, the following rules shall be inserted, namely :—

“XVIII-A. No member of a society who has been expelled under the provisions of its bye-laws shall be eligible for re-admission as a member of that society or for admission as a member of any other society for a period of two years from the date of such expulsion.”

Opinion of the P.C.U.

Opinion of other bodies and members :

- | | |
|---|--------------------|
| 1. Malabar Dt. Co-op.
Central Bank. | For the amendment. |
| 2. Cuddapah Dt. Co-op.
Central Bank. | do. |
| 3. Ganjam Dt. Co-op.
Banking Union. | do. |

- | | |
|---|--|
| 4. Co-op. Central Bank,
Vellore. | For the amendment. |
| 5. Razole Co-op. Land
Mortgage Bank. | Against the amendment—Suggests the restriction should be imposed so as to prevent unjust expulsion. |
| 6. Mr. B. N. Sastry,
Director Konaseema
Co-op. Central Bank,
Amalapuram. | Not in favour of fettering the discretion of another society—suggests the omission of “or for admission as a member of any other society.” |

RULE XXIV.

Amendment proposed :

XXIV. The following procedure shall be adopted in regard to amendments to the bye-laws of a society :—

(i) Every amendment shall be made only by a resolution passed by a majority of the members present at a meeting of the general body of the society.

(ii) No such resolution shall be valid unless notice of the amendment proposed has been given in accordance with the bye-laws.

(iii) Every application made to the Registrar for the Registration of an amendment shall be signed by the Secretary and two members of the Committee, and shall contain the following particulars, namely :—

(a) the date of the general body meeting at which the amendment was made ;

(b) the number of days' notice given to convene the general body meeting ;

(c) the total number of members of the Society on the date of such meeting ;

(d) the number of members present at such meeting, and

(e) the number of members who voted for the amendment.

Opinion of the P. C. U.

“ The new Rule XXIV relating to registration of amendments to bye-laws is, we believe, necessitated by the difficulty of ascertaining what has transpired at a general body meeting when factious quarrels obscure the proceedings, instances of which are unfortunately becoming very common, and seems to be a useful amendment.”

Opinion of other bodies and members :

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| 1. Malabar Dt. Co-op.
Bank. | For the amendment. |
| 2. Cuddapah Central Bk. | do. |
| 3. South Kanara District
Co-op. Central Bk. | do. |
| 4. Ganjam Dt. Co-op.
Banking Union. | do. |
| 5. Co-operative Central
Bank, Vellore. | do. |

SUGGESTIONS REGARDING AMENDMENTS TO RULES

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| 6. Berhampur
Urban Bank. | Co-op. | Agrees with the views of the P. C. U. |
| 7. Paramakudi
Society. | Co-op. | do. |
| 8. Coimbatore
Stores and Bank. | Co-op. | do. |
| 9. Tiruvannawalai
Co-op. Society. | | do. |
| 10. Gudlavalleru
Land Mortgage Bk. | Co-op. | do. |
| 11. Razole
Mortgage Bank. | Co-op. Land | Suggests the addition of a proviso that in the absence of a certain proportion of the members supporting an amendment in regard to the constitution of the Committee such amendment shall not be valid. |

RULE XXV.

Amendment proposed :

XXV. No society shall contribute any money towards the expenses of any co-operative conference, unless such conference is held under the auspices of a society which is authorised by its bye-laws to undertake the holding of such conferences. The society holding the conference shall keep separate accounts of the income and expenditure of such conference and such accounts shall be subject to audit by the Registrar or by some person authorised by him under section 37 of the Act.

Opinion of the P. C. U.

“The new Rule XXV prohibits co-operative societies from contributing to the expenses of a co-operative conference, unless the conference is held under the auspices of a society which is empowered by its bye-laws to undertake the holding of such conferences. Very few societies have such a provision in their bye-laws now and it is doubtful if such addition will be registered in future. The requirements of the situation, arising from persons who are not liable to account for such funds holding conferences, can be met by requiring the conferences to be held by registered societies which are liable to render account. The addition of the words ‘which is authorised by its bye-laws to undertake the holding of such conferences,’ unduly interferes with the existing practice and freedom to convene conferences which have great educational value.”

Opinions of other bodies and members :

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|------------------------------|--------|---------------------------------------|
| 1. Berhampore
Urban Bank. | Co-op. | Agrees with the views of the P. C. U. |
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THE MADRAS JOURNAL OF CO-OPERATION

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|---|--------------|---|
| 2. Paramakudi Co-op. Society. | Co-op. | Agrees with the views of the P.C.U. |
| 3. Coimbatore Stores and Bank. | | do. |
| 4. Mr. K. G. Sivaswami Iyer. | | do. |
| 5. Malabar Dt. Co-op. Bank. | Co-op. | For the amendment. |
| 6. Co-operative Central Bank, Vellore. | | do. |
| 7. Cuddapah Co-op. Central Bank | Co-op. | For the amendment—wants the draft rule to be recast to enable some big and reliable societies in each taluk to convene conferences. |
| 8. West Godavari Dist. Co-op. Central Bk. | | Against the amendment. |
| 9. Mr. B. V. Ramamurti. | | do. |
| 10. Ganjam Dt. Co-op. Banking Union. | Co-op. | For the latter half. |
| 11. Nellore Dt. Co op. Banking Union. | Co op. | Against—but suggests that a scale for subscription may be fixed on the working capital or maximum borrowing power. |
| 12. Tiruvannamalai Co-operative Society. | Co-operative | Endorsing the views expressed by the P.C.U., the society makes the following alteration :
The first sentence beginning from "No Society" and ending with "such conferences" may be deleted and the second sentence may be retained as a whole. |
| 13. Gudlavalleru Co-op Land Mortgage Bk | Co-op | Agrees with the views of the P.C.U. |

RULE XXVI.

Amendment proposed :

XXVI. The bye-laws of every society shall provide either that the term of office of all the members of its committee shall expire on the same date and at such yearly intervals, as may be specified, or that a certain proportion of the members of its committee shall retire in each year on such date as may be specified. In the former case, all the members of the committee (including those elected in casual vacancies) whether representing societies or individuals shall vacate their office on the date specified, irrespective of the date on which they were elected as members of the committee. In the latter case, the members due for retirement in each year (including those elected in their places in casual vacancies) shall vacate their office on the date specified.

Opinion of the P.C.U.

"Rule XXVI in its amended form lays down that the members of a committee *shall vacate office on the date on which the period of office, as specified in the bye-laws, expires.* Does this mean that a provision in the bye-law that members of the committee may hold

SUGGESTIONS REGARDING AMENDMENTS TO RULES

office for a specified period or *until their successors are appointed* will be invalid in future? We are aware that under the disguise of this elasticity, bye-laws are being abused in some cases and elections are put off indefinitely to gain personal ends; but cannot something less drastic than the proposed amendment be put in to remedy such an evil?"

Opinions of other bodies and members:

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|---|--|
| 1. Coimbatore Co-operative Stores & Bank. | Agrees with the views of the P.C.U. |
| 2. Gudlavalleru Co-op. Land Mortgage Bk. | 1- |
| 3. South Kanara Central Co-operative Bank. | For the amendment. |
| 4. Trichinopoly District Co-op. Central Bank. | Against the amendment. |
| 5. Paramakudi Co-op. Society. | Amendment unnecessary. |
| 6. Cuddapah Co-operative Central Bank. | Against the amendment—for the continuance of the present practice. |
| 7. Co-operative Central Bank, Mysore. | Wants the old one, but wants to modify it by adding the words "but in any case not beyond three months after specific date" after the words, "until their successors are appointed." |
| 8. Ganjam Dt. Co-op. Banking Union. | Proposes "That members of the committee may hold office for a specified period or until their successors are elected" and that Registrar should be empowered to compel the society to call for a general body meeting. |
| 9. Berhampur Co-op. Urban Bank. | In the second sentence, for "shall vacate their office on the date specified" may be substituted "shall continue in office until the successors are appointed at the next general body meeting which shall be held within 30 days after the specified date." |
| 10. Tiruvannamalai Co-operative Society. | The words "on the same date and" after the words "shall expire" and the words "on such date" after the words "shall retire in each year" may be deleted. |
| 11. Mr. K. G. Sivaswami Iyer. | Suggests that the rule may make it clear that while there is no objection to present officer-bearers continuing till their successors are appointed, elections should be held within a definite period after the expiry of their office and that for all the representatives simultaneously, if the corporate character of the executive body is to be maintained. |

12. Mr. Siva Chennabasappa. Suggests that elections may be completed one month before the expiry of each term, failing which the Registrar may appoint a temporary president to hold office until the normal condition is brought into being.

13. Mr. B. N. Sastri

Wants to provide against a stalemate—Suggests the framing of a rule that a member of a committee should hold office for a specified period, until a successor is appointed. To prevent the misuse of this, a provision must be made for the compulsory holding of the elections to the committee, within a specified period, before the term of the members expires, as is done in the case of Local Boards and Municipalities; or, for holding the elections within a specified period after the expiry of the term, of the sitting members, until which time the old committee shall continue.

RULE XXVII.

Amendment Proposed :

XXVII. (1) The proportion of individual members to society members on the committee of a financing bank and the maximum strength of the committee shall be determined by the Registrar in consultation with the committee of the bank.

(2) No person shall be eligible for appointment as a member of the committee of a financing bank unless he holds such number of shares, or has invested in fixed deposits in such bank such amount, as may be fixed by the Registrar, from time to time in consultation with the committee of such bank.

Opinion of the P. C. U.

The new Rule XXVII (1) vests in the Registrar power to fix the maximum strength of the committee of the financing bank and the proportion of individual members to society members on it, in consultation with the committee of the Bank. *Prima facie* this new power is an inroad on the rights of General Body to determine the composition of its committee. The financing banks have generally been responsive to the requisition of the Registrar to reduce the size of their committees and are working on a convention that the proportion of individual members to society members shall ordinarily be 1 and 2. Is it intended to upset this convention by giving undue weightage to either of these two classes in places where Registrar thinks fit to do so or considers that local conditions require it? We prefer to wait and see how co-operative opinion reacts to this curtailment of an essential power of general bodies of Central Banks.

SUGGESTIONS REGARDING AMENDMENTS TO RULES

“The new rule XXVII (2) which makes the holding of a prescribed number of shares or a prescribed amount of investments in fixed deposits necessary to give qualification for eligibility to membership of a committee, is *prima facie* not in keeping with principles of co-operation. Moreover we feel that the recognition of a deposit made in a society as a qualification for membership of its committee will give far too a commercial an aspect to a co-operative organisation and it is undesirable that depositors should control co-operative banks. This will be a new element of disturbance in the running of the societies which are already afflicted by far too many conflicting interests.”

Opinion of other bodies and members :

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|---|---|
| 1. Malabar Dt. Co-op. Bank. | Agrees with the views of the P. C. U. |
| 2. Paramakudi Co-op. Society. | do. |
| 3. Gudalavalleru L. M. Bank | do. |
| 4. South Kanara Central Co-op. Bank. | Against the amendment. |
| 5. Nellore Dt. Co-op. Banking Union. | do. |
| 6. Ganjam Dt. Co-op. Banking Union. | do. |
| 7. Guntur Dt. Co-op. Central Bank. | do. |
| 8. Razole Co-op. Land Mortgage Bank. | do. |
| 9. Trichinopoly District Co-op. Central Bank. | do. |
| 10. West Godavari Dt. Co-op. Central Bk. | do. |
| 11. Mr. B. V. Ramamurti. | do. |
| 12. Mr. Sivachanna-basappa. | do. |
| 13. Mr. K. G. Sivasami Iyer. | Against the amendment—suggests that the better procedure would be to ask straight-away for the power of final approval of the elected directors by the Registrar. |
| 14. Co-operative Central Bank, Vellore. | For the amendment. |

THE MADRAS JOURNAL OF CO-OPERATION

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| 15. Mr. N. Ramaswami Iyer. | Wants the proportion of individuals to society members to be in the ratio of 1 to 2.—total not to exceed 18 but not below 12—wants that individuals should be elected by individuals and not by the general body. For the (2) amendment. |
| 16. Berhampore Co-op. Urban Bank. | In rule XXVII (2) the words “or has invested in fixed deposits in such banks such amount” may be omitted. |
| 17. Coimbatore Co op. Stores and Bank. | Rule XXVII (2) is not in keeping with the principles of co-operation and hence should not be passed. |
| 18. Tiruvannamalai Co-op. Society. | The proportion of individuals to society members must be definitely prescribed in the rule itself and leaving it to the Registrar to fix them therein consultation with the committee is not contemplated by clause (1) of section 65. This may be definitely fixed as nine members forming the committee of which five will represent societies and four the individuals. |
| 19. The Cuddapah Co-op. Dt. Co-op. Central Bank. | Against (1)
(2) Share limit may be fixed; not in favour of deposits. |
| 20. Mr. B. N. Sastri. | Against the amendment—suggests the fixing of the proportion of individual members to society members at 1:2 as suggested by the Townseud Committee. Against (2). |

RULE XXVIII.

Amendment Proposed:

XXVIII. No-person shall be eligible for appointment as a member of the committee of any society or to continue to be a member of the committee of any society, if he—

- (i) has been or is adjudicated insolvent;
- (ii) has been or is convicted for an offence involving moral delinquency, such sentence not having been reversed or the offence pardoned
- (iii) is or becomes of unsound mind, a deaf-mute or a leper.

Opinion of the P.C.U.

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Opinions of other bodies and members:

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| 1. Ganjam Dt. Co-op. Banking Union. | For the amendment. |
| 2. Co-op. Central Bank, Vellore. | do. |
| 3. Cuddapah Co-op. Central Bank. | do. |

SUGGESTIONS REGARDING AMENDMENTS TO RULES

4. West Godavari Dt. Co-op. Central Bk. (i) for the amendment, but wants to substitute "has been or is an applicant to be adjudicated an insolvent."
(ii) Substitute the following :—"has been or is convicted for any offence other than offence of a political character or an offence not involving moral delinquency, such sentence not having been reversed or the offence pardoned."
5. Mr. B. N. Sastri (i) The word 'undischarged' may be substituted for 'adjudicated'.
(ii) wants to fix the period within which a convicted person cannot be appointed as a member.
Suggests the exclusion of political offences from the category of offences contemplated in the clause.

RULE XXIX.

Amendment Proposed :

XXIX. A delegate of one society sitting on the committee of another society shall cease to be a member of such committee—

(a) if the society which elected him as a delegate withdraws him or elects another delegate in his stead ; or

(b) in case he was elected as a delegate by the committee of a society, on the supersession of such committee under section 43 of the Act ; or

(c) if the registration of the society of which he is the delegate is cancelled.

Opinion of the P. C. U.

"The new Rule XXIX which provides *inter alia* for the cessation of membership of a committee to which a person was elected by the committee of another society which is superseded under section 43 of the Act has become necessary by reason of the very enactment of the section, the occasions for the application of which are unfortunately becoming common. In such cases provision must be made for the general body of the society whose committee is superseded to elect a substitute, at least until the committee is reinstated."

Opinion of other bodies and members :

1. Ganjam Dt. Co-op. Banking Union. Agrees with the views of the P. C. U.
2. Berhampore Co-op. Urban Bank. do.

THE MADRAS JOURNAL OF CO-OPERATION

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| 3. Paramakudi Co-op. Society. | Co-op. | Agrees with the views of the P.C.U. |
| 4. Coimbatore Stores and Bank. | Co-op. | do. |
| 5. Tiruvannamalai Co-op. Society. | | do. |
| 6. Gudlavalleru L. M. Bank. | Co-op. | do. |
| 7. Cuddapah Central Bank. | Co-op. | For the amendment. |
| 8. Co-operative Central Bank, Vellore. | | do. |
| 9. Mr. K. G. Sivaswami Iyer. | | do. |
| 10. West Godavari Co-op. Bank. | Dt. | Against the amendment. |
| 11. Mr. Sivachenna-basappa. | | Against the amendment—suggests the addition of the following in (c):—
“In the case of unions and banks their constituents may be given the privilege of electing a delegate.” |
| 12. Razole Land Mortgage Bank. | Co-op., Land | (b) Suggestes that provision be inserted to enable the general body to elect a delegate in case the committee is superseded.
Against (c). |

Amendment Proposed :

XXX. Any officer of a society who appears as a legal practitioner on behalf of or against such society, or on behalf of or against any other society which is a member of the former society shall be deemed to have vacated his office as such.”

Opinion of the P. C. U.

“The new Rule XXX says that an officer of a society who appears as a legal practitioner for or against such society, or on behalf of or against any other society which is a member of the former society “shall be deemed to have vacated his office as such”. We consider this far too drastic in some respects and not sufficiently strict in some respects. If for instance the director of a central bank is engaged in a suit by or against one of the numerous societies affiliated to it or if a Director of the Provincial Bank is engaged in a case by or against a central bank affiliated to it, why should such a Director vacate his office in the Centrnl Bank or the Provincial Bank? We quite agree that no Director of a co-operative society should act for or against *the society* in his pro-

SUGGESTIONS REGARDING AMENDMENTS TO RULES

professional capacity as a legal practitioner for remuneration of whatever nature— fee for consultation, advice, drafting, pleading or acting. The rule may be made stricter in this respect. But if a director is willing to help the society honorarily without charging anything for his professional services, there is no reason to penalise him by making him vacate his office of director. The most stringent rules of professional etiquette in England or India do not make such free and honorary services improper for an advocate to render as director of a company."

Opinions of other bodies and members.

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| 1. Malabar Dt. Co-op. Bank. | Agrees with the views of the P. C. U. |
| 2. Ganjam Dt. Co-op. Banking Union. | do. |
| 3. K. G. Sivaswami Iyer. | do. |
| 4. Paramakudi Co-op. Society. | do. |
| 5. Nellore Dt. Co-op. Banking Union. | Against the amendment. |
| 6. Razole Co-op. L. M. Bank. | do. |
| 7. Trichinopoly District Co-op. Central Bank. | do. |
| 8. West Godavari Dt. Co-op. Central Bk. | do. |
| 9. South Kanara Central Co-op. Bank. | do. |
| 10. Coimbatore Co-op. Stores & Bank. | Amendment not necessary. |
| 11. Co-operative Central Bank. | For the amendment. |
| 12. Berhampore Co-op. Urban Bank. | The words "on behalf of" may be omitted |
| 13. Cuddapah Co-op. Central Bank. | Proposed amendment is wide—may be limited to the particular society or bank in which he is a member. |
| 14. Mr. B. N. Sastri | Too wide and drastic. |

News and Notes.

Under the auspices of the Madras District Co-operative Propaganda Committee a meeting of the co-operators of Madras was held in July last with Mr. C. D. Nayagam in the chair. The draft amendments to the rules under the Madras Co-operative Societies Act, published recently, were discussed in detail. Some amendments were suggested and adopted and others were accepted as published. The Committee authorised the chairman to interview the authorities and explain to them the necessity for the amendments.

* * *

Government have permitted local boards and municipalities to invest without previous sanction of the Government in twenty year debentures of the Madras Central Co-operative Land Mortgage Bank portions of the provident and railway cess fund to the limit of one-fourth and one-sixth of the total credit of the respective funds.

* * *

A meeting of the Depressed Classes Co-operators' Federation of Madras was held recently with Mr. C. A. Murugesan, the Vice-President of the Federation, in the chair. The Federation urged that no improvement in the working of the depressed class societies was possible unless the Inspectors who inspect them belong to depressed class community and that the Government should lend money to the societies at a rate not exceeding that charged to the Central Land Mortgage Bank and building co-operative societies. It was also resolved that a deputation should wait upon the Development Minister to urge the redress of their grievances.

* * *

The Kaikalur Taluk Debtors conference was held recently at Kaikalur in Kistna District under the presidentship of Mr. V. Chelamiah Naidu. Mr. Chitti Abbai Naidu, President of the Andhra Provincial Debtors' Association, was also present. The President of the Reception Committee explained to the delegates that the object of holding such conferences was not to claim complete liberation from all debts but to devise methods of conciliation between the debtors and creditors. In the course of his presidential address, Mr. Chelamiah Naidu said that it was good to apply the law of *Damduput* (the principal and interest should not exceed twice the principal amount) for the debtors' salvation from the clutches of the creditors. In his concluding remarks he observed that the Andhra Provincial Debtors' Association should approach the Government for legislation on the lines suggested by him. The conference then urged that the resolutions passed at the Andhra Provincial Debtors'

NEWS AND NOTES

conference should be put into force at an early date, that all the creditors in the Taluk should take annas eight or four in the rupee according to the merits of the respective cases and that the Government should immediately hold a survey of the indebtedness of the ryots in the taluk.

* * *

Addressing a group of co-operative students recently on the subject of saving and spending, Professor Hall observed, "Two or three years ago there was a great controversy in the Press as to whether it was wise for people to save or whether it would be better to spend. Many believed in spending; but I hope to-day we shall form our own opinion." Then he went on to say that money lent to a co-operative society, building society or manufacturer was spent on capital goods, viz., buildings, machinery etc., which created consumable goods that the people required. In a sensible community they would just save enough and spend enough and have just enough machinery to produce the quantity of goods that the people's incomes would buy. If people saved too much money, it meant they were spending less on consumable goods, with the result there was a bigger supply on the markets, prices fell, production was cut down, and there was more unemployment.

* * *

The co-operators of the Cochin State presented an address to Sir R. K. Shanmukham Chetty, the Dewan, congratulating him on his appointment as the Chief Executive of the State on the occasion of the conference of co-operators held at Kunnankulam in June last. The Dewan made a suitable reply assuring them that he would try to do his best for the better working of the movement in the State.

* * *

The anniversary of the Tagadur Rural Reconstruction Centre in the Mysore State took place in the first week of July last and the village presented an animated appearance on the occasion. The annual report on the working of the Centre was read by Mr. T. Ramachandra Rao in which the activities of the Centre for the year such as khadi production, the education of Harijan children, and the improvement of the sanitation of the village, were described in detail. In bringing the proceedings to a close the chairman thanked the authorities of the State for having given adequate help to the Centre.

* * *

The sixth Arya Vysya Co-operative Conference was held a few days back at Malekal Thiripati, near Arasikere in the Mysore State. Mr. Chen-naraj Urs, Deputy Commissioner of Hassan, presided. The Secretary of the Conference presented the annual report on the working of the Vysya Co-operative Societies in the State. In the course of the various speeches delivered on the occasion, suggestions were made for the improvement of the education of the Vysya community out of the reserve funds of their societies. The Conference also urged, that the penal interest

collected should be kept as a separate deposit for the scholarship of the students of the community. A shield presented by Mr. Boopalam Srikanta Chetty of Arasikere was awarded to the Kolar Vysya Co-operative Society as it was the best working society in the State for the year.

* * *

A correspondent from Baroda wrote recently in the *Hindu*:—

An amendment is published in to-day's State Gazette, to the Rules under the Co-operative Societies Act making it incumbent on all members of a co-operative society to furnish a statement giving full specification and price of the particular type of the movable and immovable property specified under the Act, held by them and also a declaration on oath in writing as to the correctness of the particulars supplied as well as an assurance not to dispose of the same property either by way of sale, mortgage or gift as long as the monies advanced on loan by the society are not repaid or to let out on lease, for a period exceeding three years, without the permission of the society. It is also provided that anyone found acting in contravention of the provisions mentioned above, will be penalised to the extent of one year's imprisonment of either kind or fine upto Rs. 500 or both. All First Class Magistrates are held competent to hold an enquiry in the matter.

Seeing how unreliable the property statements prepared in rural societies are, one would recommend the adoption of similar drastic rules by other States and provinces.

* * *

The third International Thrift Congress was held recently at Paris and was attended by about 1,000 representatives of ordinary and Post Office savings banks of 26 countries. During the proceedings thrift propaganda films were shown and an international exhibition was held to demonstrate the various aspects of thrift propaganda, including the social work of the savings banks, adopted in different countries.

LIST OF SOCIETIES REGISTERED AND LIQUIDATED

List of Societies registered during the month of June last.

	Name of Society.	District.
1.	Kunnuvarankottai Kallar Co-operative Credit Society	Madura.
2.	Rajapalayam Panchayat Board Menial Employees' Co-operative Society... ..	Ramnad.
3.	Palanjanallur Co-operative Labour Society ...	South Arcot.
4.	Anantapur Government Training School Students' Co-operative Stores	Anantapur.
5.	The Ariyalur Co-operative Building Society ...	Trichinopoly.
6.	The Sivalaperi Tank Co-operative Irrigation Society	Tinnevelly.
7.	The Divi Co-operative Land Mortgage Bank, Avanigadda	Kistna.
8.	The Gudur Co-operative Land Mortgage Bank...	Nellore.
9.	The Gudiyatham Shanmugar Weavers' Co-operative purchase and Sale Society ...	North Arcot.
10.	The Polur Co-operative Crop Loan and Sale Society	
11.	Vaiyappamalai-Minnampalli Co-operative Society	Salem.
12.	The New Pithapuram Land Mortgage Bank, Pithapuram	East Godavari.
13.	The Kandyur Co-operative Loan and Sale Society	Tanjore.
14.	The Budalur Co-operative Credit Society	"
15.	The No. II Survey Party (Detachment) Co-operative Society	"
16.	Rajampet Co-operative Land Mortgage Bank ...	Cuddapah.

List of Societies whose registration has been cancelled in the month of June last.

	Name of the Society.	Name of the District.	Date of cancellation.
1.	Kannigapuram Co-operative Society	Chingleput	1-6-35.
2.	Echaladdi C.S. ...	Anantapur	1-6-35.
3.	Gabrielpuram F.L.C.S. ...	Tanjore	5-6-35.
4.	Ganjam District Public Servants' C.S. ...	Ganjam	7-6-35.
5.	Uravakonda L.C. Union ...	Anantapur	11-6-35.
6.	Illur Panchama C.S. ...	"	"
7.	G. K. Munjavaram C.S. ...	East Godavari	"
8.	Mannarghat C.S. ...	Malabar	"
9.	Wallajah Urban Bank ...	North Arcot	"
10.	Nilgiris District Co-operative Labour Union ...	Nilgiris	"

MADRAS JOURNAL OF CO-OPERATION

Name of the Society.	Name of the District.	Date of cancellation
11. Sasanakota C.S.	... Anantapur	17-6-35.
12. Thadlankoil L.R.C.S.	... Tanjore	10-6-35.
13. Kadavurcheri ...	... Chingleput	15-6-35.
14. Dharugapuram C.S.	... Sankarankoil Taluk Tinnevely District	15-6-35.
15. Kotari C.S. ...	... Ganjam	22-6-35.
16. Kokkanti C.S. ...	... Anantapur	25-6-35.
17. Kadavakollu C.S.	... Kistna	26-6-35.
18. Kandithampattu	... Tanjore	26-6-35.
19. Vanaramutti Co-operative Stores ...	... Tinnevely	24-6-35.
20. Arumulithevan F.L.C.S. ...	Tanjore	30-6-35.

Extracts.

RURAL CREDITS IN AUSTRALIA.

Mr. A. Ramaiah writes in the *Hindu* on Rural Credit and the Australian Central Bank as follows:—

In 1925 the Government brought down a Bill amending the Commonwealth Bank Act by the creation of a Rural Credits Department.

Under this legislation the Bank was empowered to make advances to co-operative associations or other prescribed bodies, upon the security of primary produce; no advance was to be made for more than a year. The aim of the measure was not only to stimulate the growth of co-operation amongst producers, but to make provision for the orderly marketing and, if necessary, the holding of products—not for speculative purposes, but to improve and regulate the process of distribution throughout the year in the interests of both the producer and consumer. Producers were encouraged to place themselves in a position to eliminate unnecessary handling after harvesting and to avoid unnecessary sacrifice.

In the majority of cases in which advances have been made, the borrowing authority—the association of growers—has practically no assets other than the commodity advanced against, but notwithstanding this the percentage of the advance to the market value of the particular commodity has been materially higher than would be made as a normal banking proposition. This has been of considerable practical importance to growers, many of whom require immediate payment of the greater portion of the proceeds of their produce to meet the expenses of harvesting and carrying on.

Long before the creation of the Rural Credits Department, pooling by private producers was well developed in Australia. Particularly during the war years commodities were pooled, both in the interests of

EXTRACTS

the grower and of the Empire. Apart from the huge wheat pools and the B. A. W. R. A. control of wool, there were pools for such varied commodities as butter and cheese, rabbits, meat, jam and fruit, so that no elaborate propaganda was needed to educate producers into associations to take advantage of the facilities afforded by the Rural Credits Department.

Finance.—To provide funds for use by the Department the Act makes provision for loans by the Federal Treasurer with not more than £ 3,000,000 outstanding at any one time and for the issue of debentures by the bank; it has been found unnecessary to use either of these facilities.

The Act further provided that 25 per cent of the net profits of the Note Issue Department should be paid to the Rural Credits Department until a total of £ 2,000,000 was reached. This amount was attained in September 1932 and represents the permanent capital of the Department. Temporary requirements above the Department's own resources have been obtained by advances from the Bank.

Security over produce.—In terms of the Act advances may be made upon the security of primary produce placed under the legal control of the Bank. The security generally takes the form of a floating charge, storage warrants or similar documents of title, replaced by shipping documents when the produce is exported. As the pool or co-operative body concerned effects sales, the proceeds come to the Bank as holder of the documents of title and are applied in clearance of the advances which have been made to the individual growers.

Primary produce.—Primary produce eligible for advances was originally defined as wool, grain, butter, cheese, fresh, preserved or dried fruits, hops, cotton, and sugar, but during subsequent years were added wine, spirits, meat, egg pulp, precious and other metals, broom millet, arrowroot flour, superphosphate, timber, arrowroot, canary seed, peanuts, fodder, jam, cotton seed and cotton seed products including linters, cotton seed oil, cake and cubes and soap stocks, sheep and lamb skins. There is no difficulty in arranging for other commodities to be prescribed.

Eligible Borrowers.—Private individuals are not eligible for advances from the Rural Credits Department. Their requirements for long term and intermediate are met by the Trading Banks and other agencies; as are their short term requirements other than those financed through their co-operative associations by the Rural Credits Department.

The typical borrower is the Co-operative Association or pool. These are associations usually of small producers who realised that union is strength when it comes to a question of marketing their products. The Act makes further provision for advances to the Commonwealth or other

THE MADRAS JOURNAL OF CO-OPERATION

Banks or to other non-co-operative, corporate or incorporate bodies, which are proclaimed as eligible. Under this heading Associations, which through some technical reasons cannot be classed as co-operative become eligible for advances.

Advances.—Advances made each year since the inception of the Department are appended :—

Year ended				Total Advances. £
30-6-'27	...	...	...	7,428,000
30-6-'28	...	...	...	5,360,000
30-6-'29	...	...	...	8,445,000
30-6-'30	...	...	...	6,608,000
30-6-'31	...	...	...	8,635,000
30-6-'32	...	...	...	6,414,000
30-6-'33	...	...	...	6,867,000
30-6-'34	...	...	...	4,196,000

Low prices for commodities materially reduce the amount of advances and in recent years particularly, the low return for wheat has resulted in much reduced total advances.

Rate of interest.—As a matter of policy the Bank has consistently made Rural Credit advances at a rate materially below the ordinary overdraft rate. The present Rural Credits advance rate is $3\frac{3}{4}$ per cent. This is probably the lowest rate that has ever been charged in Australia for banking advances. The Commonwealth Bank's ordinary overdraft rate is $4\frac{1}{4}$ per cent.

Profits of Department.—Of the net profits one half is credited to the Rural Credits Department Reserve Fund and one half to the credit of the Rural Credits Development Fund. Profit-making is not the aim of the Department and from its inception to 30-6-34 profits aggregate only £ 430,530.

Each year since its inception the Department has earned a profit and no advance made has involved the Bank in loss. Taking into account the high percentage that advances bear to the value of commodities this is an indication of the practical value of co-operation both to borrower and lender.

Rural Credits Development Fund.—The Act provides that the Rural Credits Development Fund is to be used in such manner as the Board directs, for the promotion of primary production.

For this purpose grants exceeding £ 160,000 have been made since the inception of the Fund. In view of the important work done for Australian production by the Council for Scientific and Industrial Research substantial grants have been made to that body, particularly during the

EXTRACTS

worst years of the depression when the Government grant was materially reduced. In all States grants have been made to the Department controlling Herd Recording. This work is proving of immense value in improving the strain of dairy herds and increasing the value of milk production.

Grants have also been made for investigation into methods of eradicating various pests: towards prevention of disease in cattle and sheep: for encouraging fodder conservation in New South Wales; towards the expenses of the Better Farming Train in Victoria; towards the betterment of stud stock in Western Australia, South Australia. Queensland and Tasmania, and in aiding primary production in many other directions.

SERVANTS OF INDIA SOCIETY.

The following is an extract taken from the Report of the Servants of India Society, for 1934-35.

CO-OPERATION.

The Travancore Co-operative Enquiry Committee, of which Mr. Devadhar was President, submitted its report in July 1934. Thereafter he delivered some lectures in different places in the State on co-operative subjects and on rural indebtedness, and took up the enquiry into the condition of the co-operative movement in the Cochin State. He visited a large number of societies in the State in that connection and spoke at a number of places. Owing to his other engagements he was unable to devote uninterrupted attention to the enquiry. His report will be ready soon. He presided over the Malabar District Co-operative Conference at Calicut in November 1934, and the U. P. Co-operative Conference held at Orai in April 1935. He opened the building of the Coimbatore District Co-operative Bank and presided over the Silver Jubilee celebration of the Dudhondi Co-operative Society in Sangli State. He was a director of the Bombay Provincial Co-operative Bank and president of the Hindu Co-operative Housing Society of Bombay.

Mr. Venkatasubbaiya continued to be the Secretary of the Madras Provincial Co-operative Union and to look after its office work. On the transfer of its Telugu monthly journal from Madras he ceased to be its editor, but has been editing since January 1935 the English monthly organ of the Union, "The Madras Journal of Co-operation." He looked after the six rural reconstruction centres of the Union, did some propaganda in the districts, presided over the Silver Jubilee of the Puttur Co-operative Society in South Canara and delivered the "D. Appu Rao Lecture" on Co-operation under the auspices of the Mysore University. Mr. Suryanarayana Rao was a member of the Board of Management and of the Editorial Committee of the Madras Provincial Co-operative Union.

THE MADRAS JOURNAL OF CO-OPERATION

Mr. Sivaswamy was a member of the Executive Committee of the Tamil Nadu Co-operative Federation, visited societies in the Tamil districts for propaganda and looked after the societies in his rural reconstruction centre. Under the auspices of the Mysore University he delivered lectures on rural reconstruction at Mysore. Mr. Nayanar was a director and Working Committee member of the Malabar District Co-operative Bank and a director of the Calicut Co-operative Union, edited a monthly co-operative journal in Malayalam language, visited a large number of co-operative societies in Malabar district with a view to rectify them and looked after the labour co-operative store at Feroke, the Weavers' Co-operative Society at Tanur and the sales depot at Calicut. Mr. Sahu was a director and Working Committee member of the Cuttack Central Co-operative Bank and did co-operative propaganda in a number of villages. Mr. Dube was a director of the Co-operative Bank, Lucknow, a member of the Provincial Committee of the Co-operative Union, and Joint Secretary of the Rural Reconstruction Association of Lucknow. He was appointed arbitrator in a number of cases relating to co-operative societies.

RURAL RECONSTRUCTION.

The Society conducts three rural reconstruction centres directly ; at Chowdhwar near Cuttak in Orissa, at Mayanur in Trichinopoly district in Madras Presidency and at Bhambora in Berar. Besides these, there were other centres for the management of which some members of the Society were responsible through other organisations. Mr. Devadhar, as Chairman of the Deccan Agricultural Association, supervised the Khed-Shivapur centre in Poona district, Mr. Venkatasubbaiva, as Secretary of the Madras Provincial Co-operative Union, looked after its six rural reconstruction centres situated in different districts ; the work of the Devadhar Malabar Reconstruction Trust, in charge of Mr. Nayanar, described later, was entirely in the nature of rural reconstruction.

The Chowdhwar centre continued to be in charge of Mr. Sahu. It maintained a school where in addition to other subjects instruction was given in weaving and in jute and eri silk spinning, a dispensary with a leprosy clinic, where about a hundred patients were given weekly injections, a small agricultural farm, a library and a reading room where news were read out and explained to illiterate persons at night. Lectures were frequently arranged sometimes with the aid of magic lantern slides, on subjects like sanitation, co-operation &c. The centre was instrumental in introducing some new crops in the area like sugarcane, potato, cabbage etc.

The Mayanur centre continued to be in charge of Mr. Sivaswamy. It has established in the surrounding area a number of village panchayats which have started schools, dug wells, made roads and created other

EXTRACTS

amenities of life. Thrift societies, young men's associations and Bhajan organisations, particularly among the depressed classes, are its other important activities. A good deal of propaganda is done with the help of magic lantern slides for the removal of superstitious ideas and the drink habit. At Mayanur a central school is established where not only general education of the middle school standard is imparted but instruction is provided in civics, agriculture, bee-keeping and mat-weaving—the object being to produce leaders from the agricultural working classes for the improvement of village life. A hostel for boys is attached to the school into which students are admitted irrespective of caste or creed, with a high proportion of free seats. A special effort is made to awaken the women-folk of the area. During the year under report Mr. Sivaswamy's time and energy were mostly taken up in collecting funds for the school, in putting up buildings and in starting the classes. The grateful thanks of the Society are due to many co-operative institutions in South India and to the Registrar of Co-operative Societies, the Director of Industries and the Director of Public Instruction of Madras, who have given very great encouragement to Mr. Sivaswamy in this effort.

The Bhambora centre in Berar was in charge of Mr. Dravid, Senior Member of the C. P. Branch. Bhambora is a very small village with a population of only 400 persons, but it offered certain special facilities for being chosen as the headquarters of the Centre whose activities are intended to spread to some 20 surrounding villages. The preparatory school started in the previous year rose in strength from 20 to 25. The agricultural farm where improved cropping was demonstrated under the advice of the Agricultural Department, gave encouraging results. A co-operative credit society was started and worked cautiously with only share capital and local deposits. Its work so far has been very satisfactory. Voluntary settlement of some debts was effected after a great deal of persuasion. The campaign for the removal of manure heaps outside the village and for the proper conservation of manure was continued. At the reading room not only were newspapers provided but news were explained and talks given on hygiene and other subjects with the help of physiological charts &c.

An important development during the year was the starting of health work with its centre at Shendurjana which is the most important village of the area and is well served by motor buses. This work is started with the co-operation of the Red Cross Association of Amraoti which has given the services of a health visitor and of a health worker who is a qualified medical man. The health visitor advises pregnant women and attends to maternity cases. She is also training village *dais*, who in this area are Mang women, by holding weekly classes at Shendurjana and another village. Since the starting of these classes the *dais* have been

inviting the supervision of the health visitor in the cases managed by them. The health worker conducts a dispensary at Shendurjana and goes round regularly to half a dozen selected villages where chests of medicines for simple ailments, with instructions for their use, are left with a public spirited intelligent resident in each village, and attends to the more difficult cases. Among other activities may be mentioned a games club started at Shendurjana. This centre is very much indebted to Rao Sheb Dr. Bhagwat, Honorary Secretary of the Red Cross Association, Amraoti, and to the Deputy Commissioner of Aumraoti.

The centres of the Madras Provincial Co-operative Union were in broad outlines similar to those of the centres described above. A full time suitable educated worker is stationed in each centre, which includes 15 to 20 villages in a radius of 5 or 6 miles from the headquarters of the centre. His work is supervised by a small committee of local co-operators. Substantial grants are given from an amount placed each year at the disposal of the Union by the Madras Provincial Co-operative Bank out its common good fund. The main object is to awaken the villager to an enlightened appreciation of his own interest and that of his neighbours, and to create a modern outlook by means of co-operative societies, village panchayats, reading rooms, magic lantern lectures, propaganda against drink, promotions of thrift &c. As Secretary of the Union Mr. Venkatasubbaiya inspected these centres, kept himself in close touch with their work and guided the workers and the local committees.

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