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Editorial Notes.

Debt Relief.

In commenting on debt conciliation in the June number of this *Journal* we suggested that the principles and methods of debt conciliation should be adopted voluntarily by co-operative societies in respect of loans due to them by their members, and that the Co-operative Department should take the initiative in applying the old Indian principle of *Damdupat* to loans due to societies by their members. Referring to these suggestions, Mr. T. Austin, I.C.S., Registrar of Co-operative Societies, Madras, has kindly written to us pointing out the various steps taken by the Department during the last two years with a view to give relief to the borrowers in co-operative societies, thus giving effect in spirit to the principle of *Damdupat* and that too voluntarily, as suggested by us. The various steps taken are detailed below :—

1. If a borrower paid his debt before a specified date, all accumulated penal interest was waived.
2. In one or two instances societies were permitted to collect only as much as was necessary to pay the outside debt and to write off the balance.
3. The rate of interest charged on new loans was lowered.

4. Central Banks were advised to collect interest at not more than $6\frac{1}{2}$ per cent for 1933-34 on all loans outstanding against societies, provided the entire interest due was paid on or before 30-6-1934.
5. Primary societies were advised to collect interest at not more than $7\frac{1}{2}$ per cent on all loans outstanding against members, provided the entire interest due was paid on or before 30-6-1934.
6. As the condition of the agriculturists had not improved, the concessions stated above were extended to the end of 1934-35 also.
7. Central banks have been advised to reduce further the rate of interest on new loans; to charge the reduced rate of interest during the current year on all outstanding loans, including those that have been decreed and also those that have not fallen due; and not to charge compound interest on interest not paid.
8. Primary societies have been advised to abolish penal interest altogether, and also to collect interest on all outstanding loans, from the date of last payment, only the reduced rate of interest.

As these concessions can be given effect to by the societies only after the amendment of the by-laws concerned, circulars were sent round to the societies to amend their by-laws suitably.

It should be acknowledged that so far as the reduction of the burden of interest is concerned the steps recommended by the Registrar are satisfactory. It has to be seen to, however, that the advice reaches the village societies, that their by-laws are amended and that the interest is collected at the reduced rates. While this reduction in the rate of interest is no doubt to be appreciated, especially on account of the depression, it is not the same thing as debt conciliation or the application of the principle of *Damdapat* to the settlement of loans. In debt conciliation creditors are induced or compelled to accept smaller sums in settlement of their claims than they would be legally entitled to, and according to the principle of *Damdapat* no borrower should be required to pay by way of both interest and principal more than twice the amount actually borrowed by him. Our suggestion is that the principles of debt conciliation and *Damdapat* should be applied to all outstanding loans including those due to co-operative societies, and also that experienced co-operators should be called to help in the settlement of debts due to societies. We believe there is need for this service.

Handloom Weavers' Provincial Co-operative Society.

We are glad to note that the Madras Handloom Weavers' Provincial Co-operative Society has begun to work in right earnest. The first meeting of its General Body and that of the Board of Directors were held on the 12th August at the office of the Director of Industries. At the latter, Diwan Bahadur T. A. Ramalinga Chettiar was elected as President, Mr. M. Subbaraya Aiyar as Vice-President and Diwan Bahadur M. Appadurai Pillai as Treasurer of the Society, and an Executive Committee of nine persons, including the ex-officio official members, was also appointed. Mr. Green, Director of Industries, who presided over the General Body meeting, made a very interesting speech, which we have reproduced elsewhere. He said that during the last ten years the annual consumption of yarn by the mills in India had risen from 347 million lbs. to 527 million lbs., or by 52 per cent, and that the yarn consumed by the handlooms had risen from 255 million lbs. to 344 million lbs., or by 35 per cent. These increases, he said, had taken place at the expense of the imported foreign cloth—a fact that should have been gratifying to his bearers. He also said that in Madras Presidency enquiry showed that, in keeping more or less with the increase in the consumption of yarn, there was an increase in the number of persons engaged in the industry and also in the number of looms. According to the statistics collected by the Revenue authorities, he said further, out of 316,276 handlooms at work in this Presidency as many as 289,440 were fitted up with fly-shuttles; which, when allowance is made for certain kinds of fabrics for which the fly-shuttle is not suitable and for kumbli and mat looms, would show that they have been introduced to the fullest extent. If the accuracy of these figures may be trusted—we confess we have a doubt about it—then the peripatetic weaving parties, which were instituted in 1913, are entitled to take credit for it. Mr. Green made another surprising statement—that a weaver has generally to manage for four days on the earnings of one day. “What he lacks therefore is continuity of employment. Secondly, he has to borrow money for the purchase of yarn often at exorbitant rates of interest. Thirdly, as pointed out by the Tariff Board, the price which the handloom weaver has to pay for his yarn in up-country centres is considerably in excess of the price of yarn in, and the freight from, Bombay to those centres. Fourthly, as he has no marketing organisation, he has to sell his goods through middlemen who charge heavy commissions. Lastly, his designs are often out of date and he is unable to meet the changing needs and

fashions of the consumers of his products." When these defects are removed, the handloom industry will be able quite well to stand competition with the mill industry. The Madras Handloom Weavers' Provincial Co-operative Society has rightly conceived it as its mission to remove these defects. It proposes to have on its staff a marketing officer, a designer and district supervisors of co-operative societies. The work will be done chiefly through affiliated co-operative societies of weavers. Wishing the society every success, co-operators will watch its progress with the keenest interest.

Pudukottah Town Bank.

The Pudukottah Town Bank is to be congratulated not only on having completed its twenty-five years of public service but also on being able to get Sir Alexander Tottenham, the Administrator of the State, to inaugurate its Silver Jubilee celebration and the Rt. Hon. V. S. Srinivasa Sastri to preside over it. It started life so humbly that its office was located rent free 'in the pial of the then Secretary's house and he was Secretary, clerk and peon all rolled into one.' At present it has more than 2,000 members, a reserve fund of more than Rs. 1 lakh and deposits of Rs. 7.75 lakhs, though its paid up share capital is less than Rs. 14,000, a building of its own in addition to a considerable building fund and a large common good fund. Its reserve fund is believed to be the largest of any urban bank in South India, while the rates of interest offered by it on fixed deposits and those charged on lendings are the lowest. It is certainly one of the most successful societies in South India.

Mr. G. Sundaresa Aiyar honoured.

Sir Alexander made the very true observation that for the success of a co-operative institution the all-important factor was the human element and that technical details of method and organisation were but secondary factors. The Pudukottah Town Bank has been undoubtedly fortunate in respect of its human element—we are told there has never been a clash among the members of its board of management. Nonetheless it is true that the maker of the Bank, its life and soul, as he has been aptly described, is Mr. G. Sundaresa Aiyar who was its honorary Secretary from the beginning until it completed its 25 years and resigned the office recently. We are glad to note that the co-operators as well as the public of Pudukottah have handsomely recognised his very valuable services. In connection with the Silver Jubilee celebrations, the Rt. Hon. V. S. Srinivasa Sastri

had much pleasure in unveiling a portrait of his in oil colours in the Bank premises, and later a committee of hosts organised a tea party for him at which the Administrator of the State, Sir A. Tottenham, presented him on behalf of the hosts a silver tea set. Though Mr. Sundaresa Aiyar has ceased to be the Secretary, we have no doubt that his interest in the Bank continues to be as keen as ever and that his services in other capacities will be always available to it. We wish him and the Town Bank a further long period of glorious co-operative service.

Mr. Sastri's observations.

Mr. Sastri, who is one of the fourteen original members of the Triplicane Stores and was its President for some three years, drew upon his experience of that institution and of others to impress upon his hearers certain conditions which are essential for the successful working of democratic institutions like co-operative societies. The true democrat was one, he said, who recognised that public work had an indefeasible claim on his time and energy and who attended to the business of an institution not only on ornamental or exciting occasions but also when the business was colourless and drab. Then he pointed out a 'dangerous stage' which successful institutions like the Pudukottah Town Bank soon reach. A young man, with the help of others works devotedly for an institution, wins public confidence for it, makes a success of it and also obtains public recognition for his services. He receives some kind of honour or a fair amount of honorarium. That arouses the envy of others who were hitherto indifferent towards the institution and who now try to push him out of it, thus preventing him from reaping the fruits of his labours. That is the dangerous stage for the institution, for apart from doing injustice to the person who built it up, they often bring about its very ruin. Mr. Sastri did very well to dwell on this weakness of our public life. Next he referred to the habit which some people develop of making unscrupulous accusations at general body meetings against the management in utter ignorance of real facts. "Men here, men there, unbearded boys in one corner—all of them stand up and say all sorts of things, indulge in foul abuse, showing how freedom of speech can become a license of speech and how good people who are used to refined and polite ways of business find it impossible to go on.....The pleasure, the joy—the unholy joy—that they seem to take in pulling down, in hitting, no matter whether above or below the belt—that is the melancholy feature of many of these institutions". But there is an 'even more melancholy aspect, viz., the good man who remains silent, the man who knows you and can put in a word in your favour but who hangs back and will not strike a blow in defence of the conscientious worker. Such good men form the majority of our population and they constitute a drag on democracy, said Mr. Sastri. We trust that these mature observations of one of our most distinguished public men will be treasured up by our co-operators.

Debtors' Protection Act.

At the last meeting of the Madras Legislative Council an amendment was made to the Debtors' Protection Act by adding a section which fixes the maximum interest payable on secured debts at 9 per cent per annum and that on unsecured debts at 15 per cent. This is modelled on similar legislation recently adopted by the provinces of Bengal, Assam and the Central Provinces. This limit is applicable for loans which are less than Rs. 500 and has no retrospective effect. The effect of this amendment is that courts will presume, unless the contrary is proved, the rates of interest higher than 9 and 15 per cent for secured and unsecured debts respectively as excessive and give relief under the Usurious Loans Act. If the benefits of this piece of legislation should, however, reach the people for whom it is intended, its provisions should be made widely known by means of talks and leaflets, and this kind of propaganda is one which co-operative societies may usefully undertake for the benefit both of their poorer members and of others. Even in the city of Madras not to speak of smaller places, there are poor people like vegetable sellers and bottle vendors who borrow small sums for trade purposes at an interest of half anna per rupee per day, which works out at more than 1,000 per cent per annum. Then there are a large number of slum dwellers who borrow from Marwadis and other professional money-lenders, vaying sums on the pledge of vessels, ornaments etc., at rates of interest ranging from a quarter of an anna to two annas per rupee per month. Neither these borrowers nor in many cases the lenders are aware of the provisions of the Debtor's Protection Act and the Usurious Loans Act. Whose duty is it, if not the co-operator's, to enlighten them in this matter ?

Co-operative Education.

The July issue of the *Indian Co-operative Review* contains a number of informing articles on co-operative education written by experienced and competent writers from different provinces. For having brought together these articles in one number the *Review* deserves congratulations and also the thanks of co-operators. These articles are of special value just at present as the Government of India has made generous grants to the provinces for the purpose of co-operative education, the lack of which has been strongly criticised by the Royal Commission on Agriculture and the Central Banking Enquiry Committee, not to speak of co-operative committees, as constituting the weakest spot in the co-operative movement in our country. We are informed that our province will get a sum of Rs. 3½ lakhs each year for a period of five years and that one lakh out of it is earmarked for the education of the masses, that is, the members of societies. In order that the greatest benefit may be derived from the expenditure of this amount, it is necessary that both officials and non-officials should put their heads together and evolve a programme in the carrying out of which they should both have their proper

shares. There are provincial co-operative institutes in almost all provinces whose special responsibility it is to think out schemes for the education of co-operative employees as well as the members. While these bodies in collaboration with the Department have been able more or less satisfactorily to provide training for supervisors, inspectors and other employees of societies, they have not been able to do anything appreciable in the matter of the education of the members of societies—chiefly for lack of funds. Now that the Government of India has made funds available, the most suitable methods, which may differ from province to province, have to be discovered. Pamphlets, leaflets, magic lantern slides, the cinema and the theatre should all be employed, and a certain amount of money will have to be spent in securing the attendance of the member at these instructional meetings. In the scheme proposed by him for Bengal, Mr. A. M. Arshad Ali, Officiating Registrar of Co-operative Societies, Bengal, suggests that a daily allowance of annas eight per head should be offered for attending the classes. An alternative is to provide free boarding and lodging, as was done by District Federations in our province some years ago. It is easy to be critical about this expenditure. But is it not equally easy to view in the same light the expenditure incurred by Government or private institutions on the travelling of their officers and other servants? The great thing is to impart to the member the spirit as well as the principles of co-operation, and no legitimate expenditure incurred for it should be grudged.

The C. W. S. and Indian Visitors.

It was a happy idea of the English and Scottish Joint Co-operative Wholesale Society to entertain at luncheon the distinguished visitors from India and Ceylon who attended Their Majesties' Silver Jubilee celebrations. In welcoming the guests Mr. R. Fleming, the Chairman, said that the Co-operative Wholesale Society took one-fifth of the tea exported from India and Ceylon, in addition to other produce. Another speaker conveyed the information to the guests that the English and Scottish Co-operative Wholesale Society owned in India 32 tea estates covering 28,000 acres of land and employing 10,000 workers, and in Ceylon 12 estates, covering 5,000 acres and employing 3,200 workers, and that one of the most up-to-date tea factories in the world was the factory in the Iyerpadi Estate in South India owned by the Co-operative Wholesale Society. The workers were provided with housing accommodation, free medical treatment, schools for children and stores where provisions could be purchased at cost price. Speaking on behalf of India, His Highness the Jam Saheb of Nawanagar and the High Commissioner for India paid tributes to the Co-operative Wholesale Society for its excellent treatment of its labour, and the Jam Saheb indeed went so far as to say that if all employers followed the example of the Co-operative Wholesale Society there would be no trouble in the world. Why,

that exactly is the object of the Co-operative movement—that there should be no trouble between employer and employed—in fact, that there should be no such distinction and difference of interests between them, as far as we co-operators can order things. If, as a result of this meeting, even a few of these distinguished Indian visitors have been able to grasp the ideal of co-operation and to get enthusiastic about it, the trouble taken by the Co-operative Wholesale Society is amply repaid and it will also have done a distinct piece of service to India. We hope the example of the Co-operative Wholesale Society will be followed by the great co-operative institutions of other countries.

Articles in this Number.

We venture to think that the articles published in this issue of our *Journal* will be pronounced to be specially interesting by co-operators in this province. Mr Ramadas Pantulu has expressed the view that the need for a separate central housing society is not clear, that the Provincial Bank and the Central Banks may very well finance primary housing societies and that unless Government in some manner backs up the debentures which the proposed central housing society is intended to issue, they are not likely to prove a success nor the central society likely to fulfil its purpose. We have no doubt that his views will receive at the hands of the authorities the consideration which is due to his unrivalled position among non-official co-operators in this country. Diwan Bahadur Deivasikhamani Mudaliar's article on building societies in England is informing and should prove suggestive to our building societies. At the end of his readable article on the history of federations in our province, Mr Yegnanarayana Aiyar promises to point out its lessons to our Bombay brethren. Not only they but our brethren here also would like to know them and we hope he will oblige us all soon. Rao Sahab M. S. Seshachala Aiyar has put in a vigorous plea on behalf of the supervising union and pointed out the causes which in his opinion have led to its present inefficiency. The sample budget that he has given is most convincing. If the supervising union is a useful institution, the funds needed for its upkeep must be found by the societies and the Government. Rao Bahadur A. Vedachala Aiyar, a former Register of Co-operative Societies in our province, points out the lack of an organisation to provide long term credit to the agriculturists for purposes other than those for which the land mortgage bank caters and has suggested a scheme as a basis for discussion. If it be admitted that it is the duty of the co-operative movement to create within itself facilities for the satisfaction of all the legitimate needs of co-operators, either an institution of the kind suggested by Mr. Vedachala Aiyar must be created or the societies should be permitted to issue long term loans under suitable restrictions as of old.

The Madras Provincial Co-operative House-Building Society, Ltd.

BY MR. V. RAMADAS PANTULU.

NEED FOR A SEPARATE FINANCING ORGANISATION.

The proposed Provincial Co-operative Building Society is essentially a new Provincial Co-operative Credit Bank to finance house building societies, which in their turn are mainly lending societies on a plan of individual ownership to middle class people ; in other words, it is a bank intended to step into the void created by the Government withdrawing from the field. The other functions of the Society appear to be mainly of a subsidiary and advisory character. The need for a central building society would have been clear if it was part of a comprehensive scheme to promote house-building schemes in the province, providing *inter-alia* for housing societies for labour and rural housing societies on plans other than individual ownership also.

The housing needs of industrial workers, consistent with their capacity to pay for them, cannot obviously be met on the existing or proposed new plan. It requires a collectivist effort of a different type altogether. A housing society may, in my opinion, be usefully organised on a truly co-operative plan for the purpose of constructing a block of buildings consisting of a large number of tenements, capable of accommodating a number of families of workers as tenants thereof, on payment of moderate rents. The terms of tenancy may be so arranged as to permit the tenants if so desired, to eventually become the owners of the tenements in their occupation or to merely occupy them as ordinary tenants of the society so long as they continue to pay the prescribed rent. Co-operators elsewhere have indeed demonstrated the possibility of a scheme of collective housing of workers. The Amalgamated Clothing Workers of America who organised what is known as "Amalgamated Housing Corporation" completed a five storied building in a New York suburban area with 1185 rooms in which 303 working families are accommodated. The financial aspects of the American scheme are of more immediate interest to us than a description of the splendid physical features of the house, for the American standards of luxury are not attainable by us. The scheme was financed by the famous Metropolitan

Insurance Company of whose varied and beneficent activities co-operators in India are, I have no doubt, aware. It lent the bulk of the money required for the construction at 5 per cent to the Amalgamated Housing Corporation. The acquisition of an apartment by a tenant required an investment of a certain sum of money in the form of stock in the A. H. Corporation. As required by the State Housing Law, the stock-holder tenants were obliged to supply one-third of the capital necessary for construction of the apartment; to help workers to thus become stock-holders, a special fund was created with the help of certain credit organisations to advance loans to the stock-holders for the purchase of the stock. Any worker may buy stock in the A. H. Corporation and obtain an apartment. He may sell his stock at any time, but only to the Corporation, and give up his apartments. No profits can be made on such sale, only the original amount invested on the stock being returned to him. The A. H. Corporation also obtained exemptions from the city and State taxes and was thus enabled to fix a low rental. There is nothing in these financial arrangements which can be said to be beyond the resources of the people of cities in India. What co-operators in a suburb of New York did, the co-operators of Madras can attempt to do.

But in view of the very limited nature of the functions proposed to be assigned to the contemplated Central Society in Madras, mainly of a financial nature, I feel that the question whether there is need for what I may call a separate credit society will bear further examination. In the note on the need for and the constitution of the proposed Society circulated by the Registrar, it is said that "the question has been raised, discussed and decided that the existing co-operative financing banks cannot finance building societies." It is not stated when and where the question was discussed and by whom it was decided in that manner. So far as I am aware, non-official co-operators have not in the past come to any such decision. Before the Government began to finance housing societies, co-operative banks have been financing house-building societies. In fact, one of the most successful building societies in Bombay, namely, the Saraswat Housing Society was financed at the inception by the Shamrao Vithal Co-operative Bank which charged no more than 5 per cent on its loans. There are instances even now where building societies are financed by co-operative banks, and proposals from housing societies in this province are being now received by the co-operative banks to take up financing of housing societies. In Germany and

Italy, I understand, co-operative banks make advances to their members for building houses among other purposes. The Central Land Mortgage Bank may not be expected to finance the housing societies owing to its special constitution and limitations imposed by the Government guarantee, though it is certainly in a position to raise long term funds for the purpose. But the Madras Provincial Co-operative Bank with its standing and prestige in the money market and some of the well-established central banks, which are under no such limitations, should find no difficulty in raising long term money to finance building societies, when the Government withdraws from the field.

Such funds can, in my opinion, be raised by the Madras Provincial Co-operative Bank even by uncovered debentures without giving any prior or specific charge on its assets to the debenture-holders. In undertaking such a function, the Madras Provincial Co-operative Bank will supplement and not supplant the credit which primary housing societies may raise locally or otherwise. It is easy to overdo the idea of a separate Provincial Co-operative Credit Bank for each variety of co-operative credit and the proposed Bank seems to me to be an instance of it. If co-operative industrial concerns, for instance, require long term funds in future, will another Provincial Credit Bank be started for that purpose? It will be, in my opinion, a pity if the services of the Madras Provincial Co-operative Bank, with its thirty years' standing and prestige and its affiliated Central Banks, are not availed of for such financial purposes.

It is true that it has been generally agreed that co-operative credit banks cannot afford to give long term loans out of their short term deposits. It was one of the reasons for starting land mortgage banks. But it is not by any means the only reason. If that was the only reason, suitable devices could have been found for segregating the two kinds of credit, both in regard to raising the capital and distributing it, through the existing credit organisations. In fact, the present Joint Registrar, Diwan Bahadur K. Deivasikamani Mudaliar, once formulated an excellent scheme for such segregation and for dispensing both short and long term rural credit through a single set of co-operative credit organisations. But when credit is to be disbursed to more or less the same class of borrowers, namely, agriculturists who borrow without discrimination for short, intermediate and long term purposes, from the same organisations the

difficulties in the way of differentiating, in practice, between these loans for the several purposes and assessing the credit worthiness and repaying capacity of the borrowers in respect of each, appeared to be almost insurmountable and therefore there was practical unanimity of opinion on the necessity to form separate land mortgage banks with their own apex organisation for dispensing long term agricultural credit. But that in itself does not seem to me to be a sufficient justification to start another apex credit bank for financing a different set of societies, namely, the house building societies. It does not appear to me that the question of providing funds for housing societies stands on the same footing as providing different forms of co-operative rural credit to agriculturists for different purposes. I, therefore, feel that the need for a separate financing agency is not made out.

THE PROPOSED SCHEME—ITS FINANCIAL ASPECT.

The financial aspect, of the scheme is thus set out in the note circulated by the Registrar: "After careful consideration the Registrar has come to the conclusion that the only way in which money can be raised for building societies is by the formation of a Central Co-operative Building Society in Madras which will raise long term money by means of debentures secured on the mortgages of houses transferred to it by primary building societies. The building societies in the Presidency may combine together and form a Central Society. Unlike the Central Land Mortgage Bank which can get readily substantial landed property as security for the debentures issued by it, the proposed society cannot have ready-made property to begin with on the security of which it can float debentures. *The security for the debentures will be the houses to be constructed after the loans are given.* It is, therefore, necessary that some houses will have to be brought into existence before any money can be raised by way of debentures. For this purpose a substantial amount of money will have to be collected in the shape of share capital. It is, therefore, proposed that the Central Society should admit a number of individuals who can put their money as investment."

Let us examine the financial implication of this scheme:—

(i) *Two-fold division of finance*:—If I understand the scheme correctly, its finances in the initial stages are divided into two heads—pre-construction finance and post-construction finance—the former derived from share capital and the latter from debenture issue. In

other words, I take it to mean that the loans which are given from share capital for the early constructions will be recouped from the debenture money raised on the mortgage of the very same houses after they are completed ; and the share capital so recouped will be utilised for fresh constructions. It seems to me that under this arrangement, coupled with the restriction that the value of debentures issued and outstanding at any time shall not exceed the value of the loans given and outstanding, it will take years to raise adequate funds for the promotion of any building schemes worth the name in a large province like this. It is easy to exaggerate the volume of funds that can be raised in this manner by working out mathematical formulae based on arithmetical or geometrical progression.

Next there is the question of the nature of the security which the central society takes for the pre-construction loans advanced to building societies from its share capital and of that which the latter take from their members in respect of the individual loans disbursed from the funds so received from the Central Society. Will they be advanced on purely personal security or on some sort of lien, charge or prospective mortgage of the sites and houses to be built thereon ? Again, what is the manner in which these securities, collective in the case of the Central Society and individual in the case of the primary housing societies, taken for initial loans given from share capital for construction, will be released later in order to make each house, as soon as its construction is completed, available for first mortgages which have to back up the debentures ? These and other details are not clear from the scheme and require elucidation. The numerous practical difficulties now experienced in the scheme of finance by Government will become further complicated in the proposed scheme as a result of the differentiation between pre-construction finance and post-construction finance and between the stages for investment of share capital and debenture money on the building schemes.

(ii) *Share Capital*:—I consider that the prospect of non-borrowing individuals putting in substantial share capital is somewhat problematical. It will take considerable time for share capital to yield any tangible dividend. I feel that the maximum fixed for dividend on share capital ($7\frac{1}{2}$ per cent) can hardly be expected to be reached in practice. Moreover, so far as my information goes, in schemes for raising capital for housing societies the rate of dividend on the share capital, generally speaking, rarely exceeds that of the

interest paid on debentures or building bonds or other outside borrowings. If members invest money in the society as share capital, which they again borrow, presumably at much less than $7\frac{1}{2}$ per cent, they have no justification to expect in a co-operative concern a higher yield on their share money which is loaned to them, than what the outside investor gets on his debentures though in a commercial concern it may be possible and permissible. They cannot, at any rate, have loans at low rates of interest from share capital as well as high dividends on such share capital. It will be undesirable to differentiate non-borrowing individuals from the borrowing societies in the matter of dividend. I dislike the idea of preference share-holding in co-operative concerns. Even if there is no such objection in principle for investment in the shares of the proposed Provincial Society by non-borrowing capitalistic class being made attractive by offering high preferential dividends to them, which may go up to $7\frac{1}{2}$ per cent, I do not think that it will be in the best interests of the Society to do so; such costly capital will be a distinct disadvantage for obvious reasons. In any case, I think the matter requires further examination. I am sure that investigations will show that such disparity between the yield on shares and debentures does not and should not usually exist in regard to capital raised for housing societies.

(iii) *Debentures*:—I presume that debenture-issue will be centralised in the proposed Provincial Society on the model of the Central Land Mortgage Bank. This is not, however, made clear, nor is it made clear whether the primary building societies affiliated to it can also raise loans at least otherwise than by debenture issue, in addition to the finance supplied by the central society. If such outside borrowing is totally prohibited, I feel that the financial responsibility undertaken by the central society to raise all the funds needed by the several primary house building societies may be too onerous for it to discharge, and to the extent that it cannot raise adequate funds, the activities of the primary societies must be crippled, even though local capital may be forthcoming to finance them and schemes of expansion of housing societies must wait till the Provincial Society can find the funds. The precise nature of the charge to be given in favour of the debenture-holders, the conditions under which individual mortgages executed in favour of the building societies and transferred to the central society may be discharged and the individual properties comprised in them freed

from liability for the debt due to the primary and the central societies, and other allied matters are not defined in the scheme circulated by the Registrar; and the public must know more about those vital details before they make up their mind about the utility and chances of success of the scheme.

It is easy to be over-optimistic about the success of the debentures. It is not merely the absence of Government guarantee that will make these debentures less attractive than those of the Central Land Mortgage Bank. Their ready marketability depends, among other things, on the facilities provided to recover the mortgage loans by which they are backed. In the absence of special legislation, the Provincial House-Building Society enjoys no such facilities and accumulation of overdues and slackness of collections in primary housing societies may mean the postponement of payment of interest to debenture-holders, and possibly of the principal, on due dates. At the present stage of the development of our land mortgage banks, I do not consider it advisable to create by legislation or other devices a new class of co-operative debentures which will compete with land mortgage debentures in the open market. I am therefore opposed to the idea of Government being requested at present to guarantee the interest or principal of these building society debentures as they have done in the case of the land mortgage debentures.

STATE AND OTHER AID.

From the report of the proceedings of the Conference of co-operators called by the Registrar on the 22nd July 1935 to explain the scheme, I find that more than one member, who participated in the discussion emphasised on the need to secure some form of assistance from Government and the local bodies. Such assistance falls under two heads, financial assistance to the proposed central society and assistance of various kinds to the primary building societies. So far as information is available regarding the working of housing societies elsewhere, it seems to be fairly evident that without some form of State aid and assistance from municipalities and local bodies, they cannot be made a success. It is hoped that similar aid will be forthcoming from our Provincial Government and Local Bodies.

Federations, their rise and fall.*

By PROF. S. K. YEGNANARAYANA AIYAR.

As our brethern in Bombay are thinking of forming something like district federations of our province, which, as we know, have had their day and have now been scrapped, it is proposed in this article to give the history of the rise and fall of the district federations with the hope that it would throw some light on the intricate problem of supervision and its co-ordination. It is further proposed to restrict the field to federations only and not to say anything about the supervising unions except so far as they have a bearing on the problem of federations. The supervising union as a machinery for effective supervision is a fascinating subject by itself and its history is somewhat chequered and the record of its achievement differs in various provinces. So far as our province is concerned we have come to a stage when the justification for its very existence is questioned and it looks as if it would go the way of federations. However interesting the subject may be, it is not proposed to deal with that but to confine our attention to federations only.

It is well to bear in mind the distinction between inspection and supervision, a distinction which was made much of by federationists and was belittled by anti-federationists. The Townsend Committee which set their seal of approval on federations, have in their report brought out this distinction and they add that "the failure to distinguish inspection from supervision, and the rights and responsibilities involved in this connection, have been largely responsible for the friction, amounting in some cases to ill-feeling, which has been gradually growing between different co-operative organisations in certain districts," and they go on to explain the difference. They say that "inspection involves an enquiry into the financial status of a society. This is obviously within the rights of

*This article is based upon materials gathered exclusively from the annual reports of the Registrar of Co-operative Societies and not from any other source, such as articles that have appeared in the 'Madras Journal of Co-operation' from time to time on the question of the true function of federation and the papers that were contributed to annual co-operative conferences held previously which would throw a flood of light on this question from the non-official point of view. But these articles and notes are likely to be tinged with the personal opinions of the writers, whereas, the annual reports of the Registrar are expected to be mere statement of facts regarding the movement with occasional general observations by the Head of the Department and are, therefore, better materials to base one's observations upon.

the financing central banks : we go further, and place it amongst the banks' responsibilities, whereas supervision involves constant administrative assistance in routine work, advice on financial matters, and general guidance, both from the business and the co-operative aspects. Unions formed and controlled by the societies themselves provide the ideal organisations for this purpose".

As early as 1910-11 the then Registrar reported about the formation of a supervising union at Uttiramallur in Chingleput District and expressed a hope that, with the passing of the Amending Act then in contemplation, local unions would be formed. At that time there was no definiteness about the functions of these unions, in fact there were three distinct functions of unions contemplated. Primary societies were expected to group themselves into small unions for financing, supervisory and guaranteeing purposes, and eventually three types of unions—banking unions, supervising unions and guaranteeing unions—were started. In course of time the idea of guaranteeing unions, though it found favour elsewhere, was found not quite workable and so given up in this Province. The idea of banking union, functioning over a much smaller area than the district, continued to be popular for a short while only. It was replaced by the idea of district or central banks catering to the financial needs of all the societies in the district, so that in course of time the supervising union alone was left in the field. There were certain banking unions which undertook supervision as well and the Madura-Ramnad Central Co-operative Bank started its career with this double function. Even as early as 1911-12 the Registrar reported* that it was desirable to have district unions whose running cost would fall uniformly (in proportion to their income) on all the societies within a district and for the management of which suitable men could generally be found at district or taluk headquarters. It was held that this district union scheme would not clash with the local union idea. In the words of the Registrar, "a district union may be encouraged to form a local union wherever there are a number of societies situated within a compact area, but the 'running-cost' and the 'driving power' will have to be supplied to the local by the district union."

For reasons not quite obvious, this idea did not fructify and it was only in the year 1918-19 that two districts formed their district federations; and they were North Arcot and Salem. They were pure type federations, *i e.*, federations of unions, and the district bank

* Para 17 of his report.

had no seat on the management of the federation. Even after the formation of these two unions, the rate of progress of federations was rather slow. In 1922-23 one more federation was registered and in the following years federations were formed in twos and threes, the largest number of them being formed in 1925-26. Nine new federations were registered in that year bringing the total to 19. In the year 1928-29 another 6 were registered bringing the total to 25, so that, at the end of that year each district had its own federation. But unfortunately, decay set in immediately after this highest point in the growth was reached. In 1929-30 one of the earliest federations to be registered, Salem, was scrapped because the District Bank undertook by means of its field staff and the executive section of the office to supervise the societies forming its constituents, and in the following years one federation after another was dis-registered, so that at the end of 1933-34, the latest year for which Registrar's report has been published, there were only 8; and we are credibly informed that at the end of 1934-35 6 of these 8 have been dis-registered, so that on the 1st of July 1935 there were only 2 federations in the province, that of North Arcot and of Chingleput.

Constitution of Federations.

As was stated before, the two first federations were pure type federations, i.e., federations of local supervising unions only. Co-operators of this province will remember that in many supervising unions flourishing urban banks situated within that area were not members of the union; and the question arose as to whether these urban banks could not be brought into the federation. In some cases they were brought in directly and in many cases they were induced to join the local union of their area and thus get an opportunity to come into the federation. The next problem with regard to the constitution of the federation was whether the local district bank should be represented on the federation or not. There were certain federationists who held that finance and supervision should be kept entirely apart and that the federation, whose function was supervision, ought not to be overshadowed by any representative of the financing bank being given a seat on its management. But in course of time this extreme position was given up because the federation depended almost entirely upon the financing bank for its sinews of war. The supervision fund contributed by primary societies was collected by the financing bank and made over to the federation, and the bank also gave a rebate on the interest collected from primary societies to the

federation as its contribution, so that the main source of the income of the federation came from the bank and therefore the bank had to be given a place in the management of the federation. The Townsend Committee set its seal of approval on this point and recommended that "where central banks are not represented on federations, we consider that they should be given adequate representation on both the general body and the board of management. Some of us desire to go further, and to lay down a definite percentage of $33\frac{1}{3}$ per cent of the seats on these bodies which should be allotted to banks. Most of us however think it undesirable to do so; so greatly do the circumstances of each district vary in this matter. But we all agree in the opinion that, in deciding what representation should be given on federations to banks, the important duties we propose to entrust to the former bodies should be borne in mind."

The question of the most suitable constitution for district federation was the subject of considerable discussion and a conference was called by the Registrar, of representatives of the P. C. U., of Federations, Central Urban Bank and of district banks on the 7th March 1925, and this conference decided that federations must admit central banks and urban banks, and as a result of the discussion and the conclusion arrived at, a new set of model by-laws for district federations was drawn up.

Another minor question cropped up at a later stage as to whether prominent co-operators of the district, who could not get into the federation through the ordinary channel, should not be co-opted; and in many districts the by-laws were changed as to enable them to co-opt such individuals, so that, when federations were in full working order, their constitution provided for the representation of all co-operative institutions of the district either directly as in the case of district banks or indirectly through unions and for the co-option of prominent co-operators of the district. So far as the constitution is concerned, no objection could be taken; it was quite comprehensive and catholic.

The Function of Federation.

The chief object of these federations, "is the co-ordination of the work of the local unions. They are intended to deal with matters of common interest to the affiliated unions, to undertake the education of local unions and to organise special types of

societies."* They were also in charge directly of societies not affiliated to any local supervising union. Over and above this work of supervision, direct and indirect, they took up the very responsible task of educating the Panchayatdars in the principles of co-operation and the Government was pleased to give a subsidy of Rs. 1,000 to two federations which took up this work in 1924-25. In course of time this branch of their activity, the holding of Panchayatdars' classes, became a chief item of their work and almost every district federation undertook this and the Government was pleased to give a subsidy at the rate of Rs. 1,000 to all federations that undertook this work. In one year the amount so spent amounted to over Rs. 16,000. Some federations supplemented this educational work by publishing co-operative magazines and this policy was adopted, naturally, in the two districts of our province which are linguistically apart from the rest, *i.e.*, Malabar and South Kanara. Another useful work done by the federation was the preparation of annual statistics, which was hitherto compiled by the Department, and the Registrar refers with satisfaction in his report for 1925-26 and of the next year that this work taken from departmental officers has given them ample opportunities for concentrating their attention upon audit, which was their legitimate field.

So far as we can gather from the reports, federations seem to have done their work satisfactorily enough, *i.e.*, the work of co-ordinating the activities of supervising unions and thereby strengthening them, of education and propaganda in the district and of organisation of new type of societies.

How they worked.

The co-ordination of the work of these unions by the federation was done by pooling all the supervision fund in the federation and the federation passing the budget for each supervising union. This task was not so easy. Flourishing unions that were able to collect enough funds to maintain their financing staff efficiently complained that their power of framing their own budgets was being taken away; but poorer unions always stood to gain by this arrangement, as federations saw to it that every union was given a minimum amount which would enable it to run its establishment with efficiency. The federation also took the step of entrusting co-ordination work to a full-time executive officer and in many cases the executive officers were Departmental officers lent to federations

* Registrar's Report for 1923-24. Para 1'

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The centralisation of supervision work under federation was effected by putting all the union supervisors on a district cadre and the federation reserving to itself the power of appointing them and transferring them. The Managing Committee of the union was given only the power of exercising a general control over the supervisor assigned to its area and this, in course of time, became a fruitful source of discontent on the part of the union authorities.

The rub came when central banks, realising that owing to various reasons, into which we need not go at present, their collection was not as steady as before and overdues were mounting, resolved to have a new section called 'the administrative section' which would look into the affairs of constituent societies and try its best to pull them up. In course of time the activities of this administrative section covered the same field as that of the federation, except that the bank's officers were expected to inspect, whereas the federation's officers were expected to supervise. Some prominent co-operators held that this distinction between inspection and supervision was a distinction without a difference and therefore, if the executive section were to function properly, there was no need for federations. They became practically a fifth wheel of the coach. This hitch is first noticed in the administration report of 1930-31. By that time, it is interesting to note, a new Registrar had taken charge who was frank enough to admit that he was no believer in the need for federations.* "With more experience" says Mr. Strathie, "it is now possible to speak more definitely on the vexed question of the relative value of Federations and Bank Administrative Sections. Personally, I am quite convinced that it was never desirable to create separate bodies to attend to supervision and propaganda. This involved additional and unnecessary expenditure and, in my opinion, there was never any justification for the view that Central Banks, if entrusted with these functions, would tend to lay undue stress on the financial aspect. Directors of Central Banks are usually keen co-operators—not mere financiers—and I have never seen any signs of their ignoring the co-operative side of their work."

It was believed by many that wherever there was a rub between a district bank and a federation, it was due to the fact that the federation was manned by people who failed to get seats on the management of the district banks and these disappointed co-operators tried to make

*Registrar's Report for 1930-31. Page 32.

the federation take an attitude not of harmony and co-operation, but of distrust towards and non-co-operation with the district banks.

The question therefore became a serious problem, whether the federations were to be kept on or whether they should not be merged with the administrative section of the central banks. This vexed question was discussed at the Bankers' Conference of April 1932 and a sort of compromising conclusion was arrived at, that the work of rectification and consolidation, which was the main work, should be entrusted to federations, provided they worked in harmony with the central banks. But the real difficulty, described by the Registrar as a rock on which both federations and administrative sections of central banks may founder, was the difficulty of getting unions to agree to centralised control of staff and finance, as was necessary in either of the two schemes whether of the bank taking up supervision through its administrative section, or federation doing it. Many unions, in the words of the Registrar, "are unwilling to surrender what they call their 'independence,' some Union directors have behaved as if the deprivation of their power of appointing supervisors meant the end of their power to do good work, as if they sought and retained office merely for the patronage they secured."

The federations came into power and were registered in large numbers during the term of a Registrar who believed in their usefulness. But later on in their actual working, the clash between them and the district bank became more and more acute. It was purely an accident that the Registrar, during these troublesome days, was one who had personally no faith in federations. Owing to the rivalry between the banks and federations on the one hand and between federations and unions on the other they came to grief. This is the history of federations in this province. We shall, if necessary, try to point out the lessons which our brethren in Bombay may be able to learn from the rise and fall of federations in Madras.

Co-operative Unions and Central Banks.

BY RAO SAHEB M. S. SESHACHALAM IYER.

Two articles have appeared in the *Hindu* dated 22-6-35 and 20-7-35 written by a "Co-operator" suggesting the abolition of the Supervising Unions and carrying out several reforms in the constitution and working of the Central Banks. Co-operators in general will agree with him in his views of the present deplorable condition of almost all the Co-operative Institutions from top to toe and his tracing out of the causes that led to this state of affairs. But, the remedy suggested by him is not based upon broad facts and considerations of possibilities. He wants to do away with the Supervising Unions altogether and all their functions to be discharged by the Central Banks themselves. He wants to abolish the Unions not because by their constitution they could not discharge the duties undertaken by them, not because they were from the very beginning inefficient and hence found to be out of place, not because they are found to be unnecessary or superfluous, but because many of them failed to discharge their duties properly. He also theorises that the real cause of the failure of the Unions was due to the non-realisation of a natural fact that the debtors, a body of them especially with no repaying capacity and faced with economic distress as at present, are unsuited to supervise their own affairs, much less to protect the interest of the creditor banks. The theory seems to be sound as a theory but as a business proposition in the Co-operative Movement I think it is non-workable. I would ask the writer of the article to extend the theory to the Central Banks also, of whom he has said that there is a general belief that the amount of bad debts involved in many cases is such as to absorb the whole of the reserve fund and a very large portion, if not, the whole of the share capital of the financing bank. These financing banks are said to be thoroughly mismanaged and drastic remedies are suggested by the writer of the article. It is also a fact known to co-operators that these financing banks are not able to give loans to their affiliated societies and there are large surpluses of funds unemployed in each bank. The Provincial Bank, the apex co-operative financial institution of the Presidency, has not been able to lend more than 7 lakhs of rupees to the Co-operative Central Banks out of several crores of

its resources. The Bank, has now in its anxiety to find an outlet for the surpluses taken up the financing of the sugar mills, offering large loans for Bihar relief for a period of 15 years and more and investing funds in Land Mortgage Bank Debentures for 20 years etc. If the views of the "Co-operator" that inefficiency should be punished with abolition be extended to Central Banks, I think, he will make out a strong case for the liquidation of Central Banks also. As a matter of fact, the present inefficiency and incapacity of the Unions and Agricultural Co-operative Societies are mainly brought about by the unhealthy and undesirable propaganda and the ill-advised procedure adopted by some of the Central Banks.

The Unions were of late split up into small units with no finance or man power and their entire control was taken up by the so-called Federations and they were spoon-fed. It is no wonder that men with knowledge and self-respect left them and the scheme of Supervising Unions failed miserably. The Unions even in the view of the "Co-operator" functioned satisfactorily for a time under the able guidance of the Deputy Collector Assistant Registrars. He also quotes the views of Mr. Strathie, the former Registrar of Co-operative Societies. Mr. Strathie says, "My view is that the Supervising Union system is an excellent one, in fact the best possible if only suitable men are available to work it. It is impossible to over estimate the good done by the old fashioned Union President, the man who knew the needs and character of every member in the area and who was universally respected." Does the "Co-operator" mean that such men are not now available to run the Unions and the Unions are not capable of reform? Centralisation of finance and decentralisation of supervision are the healthy maxims in co-operation. But the whole inefficiency was brought about by carrying this decentralisation process too far as if with a vengeance and splitting up unions into very small units incapable of any active work. It is an admitted fact that the Unions have failed, and they were made to fail by curtailing their liberties gradually and reducing them to only nominal existence. This was what was prophesied and the expected has happened.

The Supervising Union is the only proper unit for a perfect system of supervision, and at the most it may have its jurisdiction of one taluk to give it the necessary finance and human material. The Central Bank is no substitute for a Union for purposes of supervision whatever may be the efficiency of its paid staff or the capacity of its

directors who are none other than the present governing body members of Unions. By its constitution, location and nature of business, it is unfit to take up original supervision in its hands without local knowledge. The field staff will have no local control and the local knowledge and personal supervision which is most important for the business of lending will never be available to a Central Bank and the advisory body suggested in the article is a mere apology. It may be asked, If the system of Union is so essential for the grant of and repayment of loans, why are there the very heavy overdues and bad debts?

“Co-operator” has rightly pictured the “past history” in his article on “Co-operative Supervising Unions” dated 22-6-'35 and it mostly applies to Central Banks also. Some of the Central Banks were used as communal propagandist institutions, societies were started as a net work for electioneering campaigns, Unions were multiplied in order to get partymen appointed as Honorary Assistant Registrars of whom one was given to each union, and loans were given on personal considerations and for acquiring support in elections. Banks and Unions were captured by such men as a place of honour and for influence and as a stepping stone to enter into local bodies. Investigation will show that bad debts are very large only in societies started after 1920. The failure of Unions may be attributed mainly to the following causes:—(1) Federations took up the entire responsibility of supervision and treated the Unions as mere toys. (2) Supervisors were appointed, paid and controlled by them and directions to them were given direct. (3) The entire Supervision Fund of the District was pooled together and major portion spent for the entertainment of an Executive Officer with a large establishment under him. Even though the Deputy Registrars' inspections and visits were intimated to Unions and their co-operation sought for, the visits of the Executive Officers were mostly unknown and their instructions to supervisors were given direct and never through the Unions. The Unions were given a petty sum of Rs. 100 to Rs. 150 per annum for their working expenses etc. A copy of the budget for 1934-35 allotted by a Federation for a Union consisting of 30 societies with 7 Governing body members and having a total transaction of more than 2½ lakhs in its affiliated societies is given below as a sample, for the information of “Co-operator” who has unjustifiably condemned the Unions and proposed their extinction.

Budget for 1934-35 for a Union: Clerk Rs. 60, rent Rs. 60, postage Rs. 24, stationery Rs. 10 and T. A. to Governing Body

members Rs. 15 Total Rs. 169. The amount actually spent on postage is Rs. 25 and that on books, forms etc. Rs. 27. The actual expenses of Governing Body members to attend a meeting is about R. 2-8-0 and if at least one meeting is held every month the T. A. itself will come to about Rs. 30. How can the office bearers or the Governing Body members be expected to visit societies and exercise supervision?

It is quite uncharitable on the part of anybody to condemn the Unions as failures in the light of the above explanations. The Unions were deprived of all of their resources, all their functions taken up by the Federation, they were actually starved and allowed to have a nominal existence ; yet they are now made responsible for the failure of supervision over societies. Successive Registrars and leading Co-operators desired these change inspite of strong opposition from the Unions and the innocent Unions are made a scapegoat to be held responsible for the failure.

The inherent supervising capacity and facilities are there even now in the local Unions. Abolish the Federations and their spoon-feeding devices. Have one Union for each Taluk and avoid the patronising system of direct supervision by Banks or Federations. Allow a liberal rebate from Central Banks and bring in efficient human material by getting non-agricultural societies affiliated to Unions. Let the qualifications of Supervisors be prescribed and let the Unions appoint them. The Central Bank can help the Unions with a paid Manager for the Union if it is found necessary and he will be able to put the Union right and secure efficiency.

Loans must be given for a period of 10 to 20 years on the mortgage of immovables after proper scrutiny by the Central Banks and crop loans and loans on the pledge of produce must be largely resorted to. If the entire saleable produce of the members of societies is handed over to the societies, there will be no overdues. These things could not be attended to except by a local Union which has local knowledge and other facilities for close scrutiny.

I hope "Co-operator" will come forward with his suggestions of reforming the Unions, as he has done for Central Banks and spare them.

Agricultural Industry—Long Term Credit.

BY RAO BAHADUR A. VEDACHALA IYER.

Co-operators, who are working in the non-official side of the movement, are, without almost any exception, stating in their speeches on public platforms, that the co-operative movement is providing two kinds of credit, one is short term credit and the other, long term credit. The former is provided by primary co-operative credit societies financed and now controlled by the district central banks with the Provincial Co-operative Bank, Madras, as the apex bank of the Presidency, and the latter form of credit is expected to be provided by the Land Mortgage Bank, Madras. The primary credit societies at one time attempted to finance agricultural credit repayable in 1 to 10 years but this was gradually interdicted on the ground that such long term credit should not be made available by district central banks which secured most of their working capital from short term deposit banking. They now confine themselves to short term loans repayable from 1 to 3 years. They are not allowed to give loans for various purposes which require a period of repayment extending over more than 3 years. The only possibility of the members of agricultural societies getting such long term credit is for them to borrow from private money lenders, banks and sahkars, and then to approach the Land Mortgage Bank for long term loan for debt redemption extending over 20 years, provided they have cultivable immovable property—especially wet lands with suitable repaying capacity. Where land mortgage banks have not been established, such long term credit agency is not available; where such banks (Land Mortgage) exist, they can take cognisance only of loans for redemption of prior debts and mortgages, for improvement of lands and for purchase of lands to secure economic holdings. There are various other purposes for which the agriculturists want loans repayable with reference to their repaying capacity in a period of over 3 years and less than 10 or 15 years. The agriculturist has to resort to private money lenders for such purposes. Is it desirable to allow this gap unfilled in the financing of the agricultural industry? Can the movement be said to have tackled the problem of long term credit completely? Which is more important—the redemption of past debts, or the grant of long term credit which will be productive or protective and which will not increase the agricultural indebtedness at high rates of interest?

Agricultural credit must be such as to enhance the income of the agriculturist from the industry. It should be available at easy rates of interest so as to avoid increased interest charges levied by private money lenders. This is an important question which the Registrar and the non-official co-operators might advisedly consider and find a proper solution for. Long term credit for other than debt redemption or for other purposes than those for which a land mortgage bank caters, should be dispensed by a bank (a separate institution), necessarily co-operative, which should have a large share capital and which must issue such a long term credit out of such share capital and must also look up to the Central Land Mortgage Bank for funds by negotiation of its mortgages.

This bank might negotiate its mortgages of immovable property with Central Land Mortgage Bank which ought to get powers to issue debentures on the strength of such mortgages transferred by such long term banks after close scrutiny.

Such arrangement to have a separate organisation for such a purpose is preferable to tacking this work and responsibility on to the Primary Land Mortgage Bank or to the central district credit bank. If co-operators meet together and recognise the gap in the credit system described above, it is not beyond their possibility to work out a safe and practicable arrangement.

I indicate below some details of the proposal. The district central bank will dispense credit repayable in 3 years, through rural credit societies on unlimited liability basis. It will control the work of the primaries either by its own agency or with the help of local unions aided by it with adequate staff and under its control. This is what is now being attempted. The Primary Land Mortgage Bank will cater for a taluk area or less and will take up debt redemption, loans for land purchase and land improvement, repayable in 20 years and financed by the Central Land Mortgage Bank which issues debentures with the guarantee of Government as regards principal and interest. Members will give share capital at 1/20 of the sum to be borrowed.

The Taluk agricultural credit bank will be for a taluk area and will deal with long term credit directly with the individual agriculturists for other purposes than debt redemption. The share capital of the bank should be a lakh of rupees contributable by ordinary shareholders (borrowing members) and preference share-holders. The

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ordinary shares will be contributed by borrowing members to the extent of 1/15 of the amount to be lent. All loans shall be on the mortgage of immovable property. The maximum amount of loan admissible may be fixed at Rs. 600 and in special cases at Rs. 1,000. Ordinary shares may be Rs. 10 each in value and preference shares Rs. 50 each to be paid in lump with guaranteed dividend of 6 per cent. The bank can take long term deposits at rates not exceeding 6 per cent.

It may be permitted to borrow up to 5 times the paid up share capital and reserve, and such power can be raised to 8 times if and when necessary. The directorate may be composed of two-thirds preference shareholders and one-third borrowing members and ordinary shareholders. The lending rate may be fixed at 2 per cent over the rate at which the sums are borrowed. There need be no insistence on residential qualification of preference share-holders. All persons over 18 years of age holding cultivable lands can become members (ordinary share-holders) eligible for loan. Minors can become members (borrowing) through their guardians. Maximum dividend allowable may for the present be 7 per cent. Share capital may be made non-withdrawable but transfers will be allowed. The Executive Committee may consist of 5 persons of whom 2 will be from ordinary share-holders, 2 preference share-holders and one will be nominated by the Central Land Mortgage Bank or the Registrar. Debentures raised by the Central Land Mortgage Bank on the security of immovable property negotiated by this credit bank need not have Government guarantee.

This is a rough detail of the proposal. It can be altered suitably after discussion and in consultation with experts. The above will at least serve as the basis for discussion. I have only to emphasise the point that this question requires speedy solution. This scheme or any other suitable one can be tried as an experiment in any specified area where there is adequate human material. The taluk long-term credit bank can also be made to serve as a responsible agency of the district central bank for marketing and co-operative trade operations inclusive of loans on the pledge of produce.

House Building Societies in England.

BY DIWAN BAHADUR K. DEIVASIKAMANI MUDALIAR, AVL.

(*Joint Registrar of Co-operative Societies, Madras.*)

“The House Building Society in England is a combination of investors and borrowers operating under a measure of Government control to promote the ideals of thrift and home ownership.”

The history of the House Building Societies in England dates back to 1781. Originally these societies were planned upon a terminating basis. A number of people joined together and subscribed a definite sum of money each monthly for a specified period. Each monthly subscription was given to one among them to enable him to build or buy a house. As soon as the period expired, that is to say, after every one of the group had received back his subscription, the society terminated. Subsequently, the terminating nature of the society was given up and the societies were established permanently. One man joined and another man withdrew with the result there was always a certain number of persons subscribing. To-day the terminating societies form a very small minority of building societies.

The Nidhis in the city of Madras and in the Presidency were modelled on these Building Societies in England.

The Building Societies have got *only one object* in view viz., to raise a fund from which advances may be made to members for the purchase or building of houses. No advance is made for any other purpose. The safety of investment in these societies lies in this fact. From the rules of the Halifax Building society it will be observed that the original rules have been relaxed considerably. The society raises money both by way of shares and deposits. Shares are of two kinds; investment shares and borrowers' shares. The investment shares are again divided into two kinds; subscription shares and paid-up shares. The value of each subscription share is collected in instalments—weekly, monthly, quarterly or half-yearly over a specified period. The value of the each paid-up share is paid in one lump sum at the time of taking the share or in instalments. The value of a subscription share is Rs. 120 and that of a paid-up share is only Rs. 10. A borrower's share means an advance made by the society

to a member on the security of a house which he has purchased or built out of the advance made and collected in instalments just like subscription share over a period. Deposits are taken and are repayable at one month's notice. The shares are also withdrawable at short notice. But there is a condition in the rules of the Abbey Road Building society that if the society has not got sufficient money, the shares and deposits will be paid only in rotation in the order of demand. In the Halifax society the Directors have got power to limit the number of shares that can be withdrawn in any month. The deposits taken shall not, however, exceed a certain proportion of the money advanced and outstanding against the mortgage, omitting from this amount the loans which are overdue for more than 12 months. The proportion is $\frac{1}{3}$ in the case of the Abbey Road society and $\frac{2}{3}$ in the case of the Halifax society.

The money obtained in the manner indicated above is given as loans to share-holders for the purchase or building of houses in the shape of borrower's shares. A borrower has to find 25 per cent of the value of the house himself; the balance alone is advanced by the society. The borrower is at liberty to choose the period of repayment which is generally 5 to 20 years. The 15 to 16 years term is the most popular period among borrowers. A table is worked out determining the monthly, weekly, quarterly or half yearly instalment. The instalment includes interest also. The interest charged is 4 to 5 per cent or one per cent above the Bank rate.

Generally the Building Societies in England do not undertake to build or buy properties. Their operations are confined to helping their members to acquire dwelling houses, business premises and other approved properties for themselves by advancing a large proportion of the value upon security of a mortgage.

The growth of Building Societies in England is remarkable. In 1913 their total assets amounted to £ 65 millions but by the end of 1928 this figure had reached the enormous total of £ 260 millions and there has been further substantial progress since. At the end of 1928 there were no fewer than 133,000 share-holders in Building Societies while the number of borrowers exceeded 500,000.

The Halifax Building society is the largest lender of money for house purchase in Great Britain and for more than 20 years past it has held a unique position as the largest Building society in the

world. The following figures are taken from its report for the year ending 31st January 1935, the 82nd year of its working :—

No. of share investors.	Amount of subscription shares.	Amount of paid up shares.
(a) 224,991	£ 8,640,231	£ 62,844,863.
No. of depositors.	Amount of deposits outstanding.	
(b) 198,410	£ 27,309,009.	...
No. of borrowers.	Amount secured on mortgages for building.	
(c) 198,922	£ 78,099,006.	...
	Reserve Fund.	
(d) ...	£ 3,357,868.	...

It is curious that the long term business of this society and also of other societies is done with what we here in Madras call short term money. The subscription shares of these societies are withdrawable after one month's notice and the paid-up shares after three months, if the number to be withdrawn does not exceed ten, or six months, if it exceeds ten. Similarly the deposits too are withdrawable after one month's notice. In regard to withdrawal of shares, however, the Directors of the societies have got powers to limit the number of shares that shall be withdrawn in any month. The safety, however, lies in the fact that loans are repaid—as is the case with our Urban Banks—more or less modelled on these building societies—in monthly, if not, in weekly instalments. The collections and fresh subscriptions and deposits are sufficient to meet all possible withdrawals.

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BANGALORE CITY.

Conferences.

BANGALORE CO-OPERATIVE CONFERENCE.

The First Conference of the Directors of Co-operative Societies in the City of Bangalore commenced its session under the auspices of the Mysore Provincial Co-operative Apex Bank, Ltd., Bangalore, in the Assembly Hall of the Apex Bank on the 13th and 14th July last under the distinguished presidency of M.R.Ry. V. Ramadas Pantulu, B.A., B.L., President, Madras Provincial Co-operative Bank, Ltd. A large number of Directors of co-operative societies of Bangalore had assembled besides many distinguished invitees. Amin-ul-Mulk Sir Mirza M. Ismail, Kt., C.I.E., O.B.E., Dewan of Mysore, was also present on invitation.

Mr. S. Venkatakrishnaiya, President of the Apex Bank, in the course of his welcome address observed :

The financial structure of the co-operative movement in Mysore is somewhat different from that in British India. In British India the primary societies are linked with the District Banks and the latter with the Apex Bank. The same system was prevalent in Mysore. But unfortunately many of the District Banks failed to come up to expectations and most of them have practically ceased to function beyond collecting old dues. The Apex Bank in Mysore has, therefore, been lending direct to primary societies without the intervention of the District Banks. This system of direct lending has the advantage of securing to ultimate borrowers from the primary societies money at a cheap rate of interest ; but the disadvantage is the want of local knowledge and efficient supervision. The Indian Central Banking Enquiry Committee have pointed out that District Banks cannot succeed unless they operate over fairly large areas with a good number of societies affiliated to them. In a compact State like Mysore the scope for the successful working of the District Banks appears to be limited. The proper solution of the problem appears to be the establishment of branches of the Apex Bank at convenient centres when there is reasonable chance of success.

The Apex Bank which was started as a balancing centre and coordinating agency has been so only in name. It is not even functioning as a clearing house. The urban societies in the City of Bangalore stand in a state of isolation and need unification. The ideal accepted in Luzzatti's apt phrase is : " While primary societies should ever strive to be independent they could never afford to be isolated." Out of over 2000 societies in the State only 975 are affiliated to the Apex Bank, of whom only about 400 societies have borrowed from it. The surplus funds of all the societies are not invested in the Apex Bank to enable the latter to balance the excesses and deficiencies. The movement needs

unification and co-ordination for its successful development. The want of co-ordination has led to unwise competition in the matter of attracting deposits and facilitating the borrowing by one member from various societies to the detriment of all. To avoid these difficulties, a frequent meeting of all the directors of the societies in the City to take counsel together and decide upon a common course of action with reference to membership, loan policy, rate of interest on deposits, discounting and rediscounting of bills and the establishment of a clearing house, has become a matter of fundamental importance.

To fulfil these functions efficiently and properly urban banks must have each a trained staff. While the societies should have a free hand in choosing their staff, it is necessary that employees should have proper qualifications. This necessitates the establishment, with financial support from all the societies, of a Training Class both for the present employees and future entrants. I have briefly indicated the various points for discussion and I hope we will be able to arrive at decisions which would be satisfactory to all.

The following are the extracts from the presidential address delivered by Mr. V. Ramadas Pantulu on the occasion.

The Credit Structure—Functions of Apex Bank.

The several items on the agenda when closely analysed seem to me to reduce themselves to one vital problem, namely, what structural alterations are necessary in your co-operative credit organisation, in order to establish sound financial relations between the financing bank and its affiliated societies and to ensure businesslike financing of the Agricultural Industry through rural societies and of the small trader, industrialist and artisan through the urban societies. The President of your Apex Bank has told us just now that your District Co-operative Banks, or Central Banks as we call them in Madras, have practically ceased to function and that the Apex Bank has already begun to lend directly to a large number of primary societies. This position seems to have been accepted as an accomplished fact by your Government, for in their review of the Administration Report of the Co-operative Department for the year 1933-34, they not only say that they approve of the Registrar's proposal to cancel the registration of the Federal Banking Unions, but add that "he is requested to take similar action in respect of the District Central Banks also." These tiny Central Banks which have ceased to function are a source of weakness to the movement and must go.

The situation thus created, coupled with the fact that your Co-operative Central Bank which is older than your Apex Bank and which was originally intended to finance both the societies and individuals has now confined its operations to individuals alone, the co-operative credit structure of your State has undergone radical changes. In a compact

State like yours and in the special conditions of your rural areas, an Apex Bank like yours may perhaps prove a success as the sole credit institution to directly finance a large number of societies. Speaking for myself I prefer a co-operative credit system in which an Apex Bank acts through a required number of large, strong, independent central banks which are in a position to establish true touch with the societies which they finance. Good central banks will be in a better position to stimulate the flow of rural capital into the movement and look to the proper utilisation of the loans by the societies, than an Apex Bank for the whole State acting all alone. My study of the branch banking system elsewhere has also shown me that it has not resulted in increasing the margin of the profit in the primary societies by the elimination of the intermediary Central Banks or in making credit cheaper to the ultimate borrower. For some time to come your Apex Bank may find no difficulty in getting into touch with its constituent societies and serving them well and efficiently. When however a large number of existing societies become active and begin to borrow once more and new societies are formed as conditions for expansion improve, it will have to decide whether it shall establish branches or reorganise a few large sized efficient Central Banks. When such time comes my advice is to instal two or three Central Banks through which the Apex Bank may operate.

There cannot be much doubt or controversy about the functions of the Apex Bank, whether it operates through branches or central banks. If there is to be a real Apex Bank it must necessarily be the financing and balancing centre and co-ordinating agency for its constituent societies. The financial relations between it and its constituent societies must be well and duly regulated. In the matter of fixing the rates of interest on borrowings and lendings and finding investment for surpluses and generally in all essential matters relating to banking business, there ought to be mutual understanding and definite conventions about business relations between the Apex Bank and the societies which it finances. They are under mutual obligations to each other. The Apex Bank must have due regard to the claims of its constituent societies to resort to it to find investment for their surplus funds at reasonable rates of interest and must also endeavour to lend to them at as low a rate of interest as possible. In return for these services the constituent societies must be faithful and loyal to their federal institution. The moment that an outside borrowing proves a little more attractive or an outside investment offers a little more yield, they must not resort to them to the detriment of their Apex Bank, but must normally put their surpluses and reserves in it. They will themselves benefit by thus strengthening the financial position of their Apex Bank and enhancing its prestige in the money market. It is the surest way of securing cheaper credit to themselves. Your idea of creating facilities for full and free inter-change of information

and ideas between the societies in Bangalore and for joint deliberation in matters of common concern is a good one and I am sure will yield good results in course of time.

Discounting of Bills.

In Madras, we do not do this class of business, while, in Bombay it is done on a fairly large scale. I personally consider that discounting of bills is primarily the sphere of commercial banks. If co-operative banks operate similarly then it may also involve lending to non-members which cannot be done without the special permission of the Registrar. Again, unless a co-operative bank has all the facilities available to a commercial bank, it is a risky business to do. Some of the urban banks in Bombay I know have lost heavily in discounting business. I, therefore, definitely advise caution in the matter.

Loans on pledge of gold.

Some of the urban banks in Madras do this class of business and do it successfully. If the services of competent, qualified and honest appraisers are secured, and if due care and caution are exercised this will be a profitable business. Co-operative banks must confine lending against gold to their own members. Indeed, there is no reason why their members should be asked to go to a commercial bank when they offer tangible security of gold while they are readily accommodated on the less tangible security of a D. P. Note backed by a personal surety bond.

I may now be permitted to say a few words generally on the need to unify and consolidate the co-operative movement in the city of Bangalore. There seems to be an overlapping and avoidable waste of effort. Without better organisation it is not possible for the co-operative credit movement to make any impression on the economic life of the people. Bangalore is the second largest manufacturing and trading centre in Southern India. Leaving big industries and commerce to be financed by the commercial banks, the urban co-operative banks can and ought to finance the small manufacturer, the small trader, the artisan and the handicraftsman. There are many such in your city who need finance and who can add to your wealth if so financed. Again there is a large population of factory workers to whom the co-operative movement can render very valuable service. The improvement of the housing of labourers by means of co-operative house-building societies is well worth attempting. It will remove congestion and improve sanitation in labour areas. Even among the general population in a growing city like Bangalore, where the population has increased faster than the dwelling houses, the necessity and importance of co-operative housing schemes, specially for the benefit of the poor sections, cannot be overlooked.

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Rates of Interest.

Before I conclude, I desire to draw your attention to one matter which I consider vital to the movement. It is no doubt not specifically put on the agenda but cannot be said to be outside my brief; for, it has a direct bearing on the items which deal with the stabilisation of your credit structure. It is the question of rates of interest charged to societies and their members. I must say that they are higher than they need be having regard to the money market conditions. I am told it is mainly due to the fact that deposits for long terms were taken when money was dear, in order to advance long term loans and that such costly money is still hanging heavy on the hands of the Apex Bank. But something must be done and done quickly to relieve the co-operators of Mysore from the effects of a policy the bitter fruits of which they have been tasting all through the period of intense economic depression, when relief by way of substantial reduction of rates of interest on loans should have come. The rate which is now charged is what you began with in 1915, during the great war. The Apex Bank cannot expect to evoke enthusiasm among its present and prospective customers, nor can demand loyalty and co-operation from its constituent societies, so long as its credit is dearer than what the conditions of money market justify. Co-operative finance must be elastic and rates of interest must be promptly adjusted to the changing conditions of the market, if it is to serve aright the economic needs of societies and its members. It is no consolation to a member who asks for a loan in 1935 A. D. to be told that he is obliged to pay $7\frac{1}{2}$ per cent because the Apex Bank took deposits at $6\frac{1}{2}$ per cent in the year of grace 1925. I, therefore, urge on co-operators assembled here to find an early solution for this and to decide upon some plan to bring down the rates of interest immediately.

Long Term Credit.

As regards the future, I plead for the complete abandonment of the policy of advancing long-term loans through rural credit societies and to concentrate on short term loans and quick circulation of capital. An increased volume of business will enable societies and banks to work with small margin. Long term credit must be left to the Land Mortgage Banks. Till such time as the Land Mortgage Banks can cater adequately to the long-term needs of the agriculturists, I prefer people going without it from the co-operative societies, than mixing up short-term credit with long-term credit in the rural societies. Loans for ten years are neither here nor there. They are too short for a really long-term purpose, and are too long for a short term purpose, with the result that they cannot be repaid if they are really used for a long-term purpose and their repayment will be put off if used for a short purpose, for there is plenty of time to do so. I have studied this question in relation to the conditions of more than one Province. Everywhere long-term credit through rural societies has proved not only a failure but a serious menace to the credit movement.

The following are the resolutions passed at the conference :—

1. This Conference requests the Mysore Provincial Co-operative Apex Bank to create clearing facilities for the clearance of the cheques

drawn mainly on co-operative societies in Bangalore City and further requests the societies to open current accounts with the Apex Bank.

2. This Conference recognises the desirability and necessity of a Central Co-operative Distributive Agency for the City of Bangalore and requests the consumers' co-operative societies in Bangalore to make a beginning in this direction by forming a Central Distributive Council of their representatives for collecting the indents of the societies, purchasing wholesale and distributing the purchases according to the indents among them.

3. That the Co-operative Movement is a unified and self-contained movement consisting of primary societies federated into a Central or Provincial Bank, and the Mysore Provincial Co-operative Apex Bank has been formed to serve as a common cash box of the movement in the State, balancing excess and want, and facilitating common business.

This Conference, therefore, urges upon the co-operative societies in Bangalore the desirability of investing, as far as possible, their Reserve and surplus funds in the Apex Bank and contributing by all means in their power to increase the capacity of the Bank to assist the primary societies in their co-operative work.

4. This Conference requests the Mysore Co-operative Institute to establish a Co-operative Training Class in Bangalore at an early date and appeals to all the local societies to set apart annually a definite sum of money out of their profits for the upkeep of the class and to arrange to depute their employees for training.

5. That there is need for a full and free interchange of information between societies in Bangalore and for joint deliberation on matters of common concern.

This Conference, therefore, requests the Mysore Co-operative Institute to arrange for meetings of the representatives of the societies in Bangalore City as often as may be necessary for the purpose.

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Recent Utterances. RURAL UPLIFT.

His Excellency the Governor of the United Provinces was presented with an address by the District Board of Jhansi on the 8th August. In his reply he referred to rural uplift among other topics and said :

“ It strikes me as a very encouraging symptom that the need for rural development is now so widely recognized. I fear that in the past we have been inclined to leave the villages to their natural conservatism, which has meant inevitably a considerable degree of stagnation. One of the advantages of taking up this movement for the improvement of village life and conditions on a wide provincial scale is that it does stir up interest ; and in this matter interest is the foundation of practical work. What is needed is, in the first place, interest taken by Government. Of that I can give you very full assurance. All departments of Government which can contribute to the advancement of the life of the villagers in the widest sense will be working together under the guidance of the district officer to give whatever assistance the official machinery and official experience and knowledge can give. In the second place, we require the interest of the landholders who can do much to improve the condition of their tenants by co-operating with the Government on the lines of work that we hope to carry out. I see most encouraging signs of interest taken throughout the province by the landholders in these new activities. And finally, and most important of all, we need the interest of the villager himself, for without that no lasting improvement can be effected.

The villager has got to desire his own improvement and to work for it if we are to achieve practical results ; and as the villager is slow to move and to change his ideas, we cannot expect to get immediate and startling results ; but if we all work sincerely and patiently, remembering at every stage the necessity of carrying village opinion with us, I am sanguine that results will be achieved which will after a time begin to spread rapidly throughout the countryside. For though the villager may be slow to move, he is not impervious to new ideas, and when he sees practical demonstrations of improved conditions and methods, I believe he will be anxious to follow these examples. I am glad to know that you, gentlemen, are in full sympathy with this movement and that both individually and as a Board you will do what you can to encourage it in a practical way.”

THE HAND-LOOM INDUSTRY.

At the first meeting of the Directors of the Madras Provincial Handloom Weavers' Co-operative Society which took place on the 12th August at the office of the Director of Industries, Mr. Green, the Director, who presided over the meeting, made the following speech:—

First of all, I would like to thank you for responding to the invitation of Government to serve as members of the Board of the Madras Provincial Handloom Weavers' Co-operative Society, Ltd., for the first year of its existence. All of the Directors have had extensive experience of the co-operative movement, or of the handloom weaving industry in one form or another, and their knowledge and experience will be invaluable in the conduct of the affairs of the Society.

From the standpoint of the well-being of the rural population, the handloom weaving industry of the Presidency plays a conspicuous part, as there is no other occupation so remunerative as weaving to absorb the population not engaged in agriculture, or to keep the agriculturists occupied during the slack season. The question of whether the handloom weaving industry is progressing or declining is therefore a matter of great economic importance. The statistics of the consumption of yarn in India show that whilst the annual consumption of yarn by the mills has increased from 347 million lbs., during the ten years ending 1924-25, to 527 million lbs., during the ten years ending 1934-35, the increase during the same period in the quantity of yarn consumed by the handloom weavers was from 255 million lbs. to 344 million lbs., or in other words, whilst the mill consumption of yarn increased by 52 per cent, the increase in consumption of yarn by the handloom weaving industry was 35 per cent. It will be evident, therefore, that the development of the mill industry in this country has been largely at the expense of foreign cloth, although, it may in all probability, have arrested the progress of the handloom weaving industry. Up to recently it has not been possible to estimate with any degree of accuracy the consumption of yarn by handlooms in the presidency owing to the discontinuance of the railborne statistics. These statistics, however, have been revived with effect from 1933-34, and they indicate that the consumption of cotton yarn by handloom weavers in this Presidency during the year 1933-34 amounted to 72'6 million lbs., and in 1934-35 to 78'8 million lbs. As the average annual consumption of yarn by handloom weavers in the decade ending with the year 1921 was 59 million lbs., it would appear that there has been a considerable increase in the consumption of yarn since then and that this increase has more or less kept pace with the increase in the number of persons engaged in the industry, as revealed by the Census, and also with the number of looms employed by it is ascertained recently from the Revenue authorities. If we take India as a whole, a consideration of the available statistics indicates that the handloom-weaving

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industry is at least half as important as the power-loom industry, both in respect of production and of value, and many times more important in respect of the employment which it provides.

PERIPATETIC WEAVING PARTIES.

In 1913, a number of peripatetic weaving parties were constituted in order to tour the Presidency and carry to the very doors of the weavers in the villages, the results of technical research and development. Sufficient evidence of the usefulness of this form of demonstration of improved appliances in the village is forthcoming from the statistics collected recently by the Revenue authorities, which go to show that out of 316,276 handlooms at work in the Presidency, as many as 289,440 looms are fitted with fly shuttle slays. In passing, it may be mentioned, that the fly shuttle slay does not lend itself to the production of all kinds of fabrics, and that handthrown shuttle slays are necessary for the manufacture of certain specialised classes of goods. They are also necessary for cumby looms working with handspun woollen yarns, coir looms, and also for kora grass weaving. Hence it may be taken that fly shuttle slays have been introduced in this Presidency to almost the full extent possible. The number of other improved appliances, such as, dobbies, draw boy harnesses, (country jacquards) and warping mills, introduced as a result of the efforts of the peripatetic parties, is also appreciable. The number of dobbies amounts to 17,055, and the number of draw boy harnesses to 4,650.

The general adoption of the improved manipulative processes and appliances demonstrated by the peripatetic weaving parties has had its effect on the consumption of cotton yarn by the handloom weavers which, as I have already shown, has increased to an appreciable extent during the last fifteen years. In the opinion of many who have made a close study of the subject, the handloom weaving industry is economically sound and can withstand competition even with the power-loom, provided certain defects in its organisation are rectified. A consideration of the statistics available in 1933, showed that the handloom weaver had to mauge for four days on the earnings of a single day. What he lacks therefore is continuity of employment. Secondly, he has to borrow money for the purchase of yarn often at exorbitant rates of interest. Thirdly, as pointed out by the Tariff Board, the price which the handloom weaver has to pay for his yarn in upcountry centres, is considerably in excess of the price of yarn and the freight from, Bombay to those centres. Fourthly, as he has no marketing organisation, he has to sell his goods through middlemen who charge heavy commissions. Lastly, his designs are often out of date and he is unable to meet the changing needs and fashions of the consumers of his products. The weaver is therefore in need of co-operative organisations which would

purchase his yarn and dispose of his cloth, providing with cheap credit, supplying him with improved appliances and up-to-date designs, and secure for him continuity of employment as far as possible. These were the considerations which led the Government of Madras to place before the Tariff Board and the Government of India, the case for the handloom weaving industry, and press for the provision of funds for organising the industry. In his capacity as a non-official adviser to the Indian Textile Delegation in connection with the Indo-Japanese trade negotiations, my predecessor, along with others, pressed the claims of the handloom weaving industry for a measure of financial assistance from the Government. Subsequently the Government of India announced their decision to provide special protection for the weaker section of the Indian textile industry i. e., the handloom weaving industry, by way of grants-in-aid to local Governments and Administrations so long as the protective import duties on yarn imposed by the Indian Tariff Textile Protection (Amendment) Act of 1934, continue in force. A scheme was, therefore, drawn up by this department and it has received the approval of the Government of India. In essence the scheme provides for the setting up of a provincial co-operative society in Madras for developing co-operative buying and selling on behalf of the handloom weavers, and for the introduction, on a co-operative basis, of small units of power driven machinery for preparing and distributing ready made warps for the looms, and for the installation of power-driven finishing plant, so as to permit of the finishing of hand-woven cloths, and of the creation of an increased demand for them. The amount of grant allotted to this Presidency was Rs. 26,500 for 1934-35 and Rs. 59,500 for 1935-36, and the Government of India have decided that any unspent balance of the grant remaining at the end of financial year will be again included in the budget for the ensuing year.

The grant will be utilised to provide a subsidy to the Madras Handloom Weavers' Provincial Co-operative Society, Limited, which has been registered with an authorised capital of Rs. 5 lakhs divided into 10,000 shares of Rs. 50 each. The headquarters of the society will be Madras, but the area of operations of the society will extend to the whole of the Presidency. Co-operative Societies intended for the benefit of weavers are, among others, eligible to become members and, each such primary society will, at the outset, consist of at least fifty members. Thirty such societies will be organised in the first instance. It is hoped that the inclusion as members of the Provincial Society, of firms engaged in the production, distribution, or sale of raw materials required by the handloom weavers, such as yarns, dyestuffs, etc., will secure for the weavers' societies, the required supplies of raw materials on advantageous terms, and under guarantee of quality. The provincial society will be managed by private persons subject to the general control of the officers of the

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Departments of Industries and Co-operation, acting as ex-officio members of the Board of Directors of the Society. The Board of Directors of the Provincial Society will consist of fifteen members, the Director of Industries, the Registrar of Co-operative Societies and the Principal, Government Textile Institute, Madras, being ex-officio members. Six of the remaining members will be elected by the general body of the Society from among individual members and firms holding not less than twenty shares each, and the remaining six will be elected by the representatives of member societies from among themselves. The President and Vice-President will be elected by the Board of Directors. The Executive Committee will consist of nine members including the President, Vice-President, Director of Industries, Registrar of Co-operative Societies and the Principal, Government Textile Institute, Madras, the remaining members being elected by the Board of Directors. Two at least of the members of the executive committee will be representatives of member societies. There will be a full time Secretary appointed by the Board who will conduct the affairs of the Society subject to the control of the President. One of the Directors elected by the Board will be the Treasurer. The members of the Board for the first year have been nominated by Government under by-law 14 of the Society.

The functions of the Provincial Co-operative Society will be to raise the money required by issue of shares and by borrowing, to purchase either for cash or credit such raw materials and appliances as may be required for the industry, and retail the same either for cash or credit to the affiliated societies, to grant advances to affiliated societies, to purchase and hold in common or let on hire improved appliances connected with the industry, to purchase or receive for sale the finished products of the affiliated societies and dispose of them to the best advantage, to purchase and supply the requirements of the affiliated societies, and to establish and conduct one or more depots for the sale of the products of the societies.

MARKETING OFFICER.

As the success of the scheme depends upon the regular sales of hand-woven cloths produced by the weavers' societies, a marketing officer will be appointed and attached to the Provincial Co-operative Society. The marketing officer will prepare a standard wage list for hand-loom weavers, regulate the cost of cloths manufactured in primary weavers' societies and co-ordinated the work of the district marketing agents to which I shall refer in a moment. He will also secure forward contracts from wholesale dealers of cloth and pass them on to the district marketing agents for execution. In order to supply the weavers' societies with a wide and varied range of improved designs for fabrics a cloth designer will be appointed by the Provincial Society whose function it will be to

study the designs and patterns of mill cloths which are in general demand, and evolve suitable designs for corresponding types of handloom cloths. In addition to the marketing officer, five marketing agents will be appointed in suitable centres of the Presidency, and each of them will assist in marketing the output of the primary weavers' societies in his jurisdiction. The district marketing agents will take the initiative in the matter of bringing into existence the primary weavers' societies at suitable places, and they will also take steps to revive the existing weavers' societies in their respective areas under the direction and control of the marketing officer and the Board of Directors of the Provincial Society and with the assistance of the officers of the Co-operative Department. Each primary weavers' society will at the outset, comprise at least fifty members. In course of time, the paid marketing agents will be replaced by marketing agents paid on a commission basis only and the services of the paid men will be utilised for new centres. As and when the primary societies get work on a profitable basis the subsidy to these societies will cease, and the amounts will be utilised for the starting of societies in other areas. The activities of the primary societies will be mainly directed towards producing fabrics such as can be marketed in or near their areas of operation. At present there are large imports of mill cloth from the Bombay Presidency. The primary societies will be directed to undertake also the manufacture of similar varieties of fabrics on handlooms to meet the local demand. Fabrics for the export market such as lungies, kailies and Madras handkerchiefs will also be produced and marketed.

While the actual process of weaving will be carried on by the weavers on handlooms in their own homes, and their women folk will undertake the preparation of weft for the loom, arrangements will be made to introduce on a co-operative basis small units of power driven machinery for preparing and distributing ready-made warps for the looms. This will permit persons who are now engaged on the unremunerative warp preparatory processes to be released for more remunerative work in the shape of weaving and thus in every family the number of looms can be increased, their output doubled, and the cost of production correspondingly reduced. Another advantage which this organisation will afford is that it will pave the way for the standardisation of hand-loom products. Unless the quality of hand-woven cloths is standardised, they cannot be marketed in bulk in competition with wholesale dealers of cloth. A powerdriven finishing plant will be set up by the Provincial Co-operative Society so that handwoven goods can be finished properly, and an increased demand so created for them. A small dyeing factory will also be attached to the Provincial Society, where the dyeing of fast colours will be undertaken. Part of the subsidy given to the Provincial Society will be utilised for purchasing and setting up the necessary machinery. In short, the object of the co-operative organisation will be to arrange for the supply of the raw materials required by the members of the district societies on the most advantageous terms possible, to effect a reduction in the cost of production of hand-woven cloth, and to facilitate in every way possible the marketing of such goods. So much, gentlemen, for the details of the scheme. It now remains to set the organisation in motion.

News and Notes.

The Honorary Secretary of the Government Telegraph Employees Co-operative Society, Madras, informs us that in response to the announcement of the prize essay competition made on the occasion of the Society's 10th anniversary, only 8 essays were received and though the Judges were of opinion that none of the essays came up to the expected standard, they have recommended the award of the first prize of a gold medal to Mr. K. Karuakara Menon and the second prize of silver medal to Mr. R. Satyanarayana.

* * *

The Late Rao Bahadur K. Chinnathambi Pillai, Retired Principal of the Pachiappa's College, was an active co-operator, being for many years the President of the Panchayat of the Egmore Branch of the Triplicane Urban Co-operative Society.

* * *

With a view to encourage the working of weavers' co-operative societies, a public meeting was held recently at Calicut with Mr. V. Krishna Menon in the chair. Mr. K. Sarvottama Rao, Deputy Registrar of Co-operative Societies, Calicut, spoke on the occasion on the urgent need for encouraging weaving industry in Malabar which was slowly decaying. He said that unless the public came forward there was no hope for the one lakh weavers in the district who depended entirely on hand-loom weaving for their daily livelihood. The cloths woven by the weavers' co-operative societies managed by the Devadhar Malabar Reconstruction Trust were exhibited at the meeting.

* * *

The Andhra Sahakara Sammelanam, or the Federation of co-operative societies in Andhra districts, has shifted its office from Bezwada to Rajahmundry and revived the publication of its monthly journal under the new name "Sahakaramu." It is edited by Mr. N. Satyanarayana of Alamuru and published at Rajahmundry. It is hoped that the Sammelanam and its journal will hereafter have a smooth and continuous existence.

* * *

The Mudnapalli Co-operative Union in Krishna district collected Rs. 29-13-0 from seven societies in its area for the Quetta Earthquake Relief Fund and remitted it to the authorities. The Chevutapalli Co-operative Society in the same district has remitted Rs. 5-5-8 to the Anantapur Co-operative Central Bank for famine relief in the Ceded Districts.

* * *

According to the review of liquidation proceedings by the Joint Registrar for the quarter ending 30-6-1935, there were 1394 societies under liquidation at the beginning of the quarter. To this were added

69 societies whose registration was cancelled during the quarter; but the affairs of 51 societies were finally closed, leaving the number of societies under liquidation at the end of the quarter at 1412. Out of Rs. 67'28 lakhs to be collected in all these societies, Rs. 1'81 lakhs was collected during the quarter in cash or by adjustments of investments, while the amount written off as irrecoverable was Rs. 1'54 lakhs. These figures are a considerable improvement on those of the previous quarter. The heaviest district is Guntur where the amount written off was Rs. 46,562. The next in respect of amount written off was the Srivilliputhur section of Ramnad district with Rs. 16,034.

* * *

Bangalore City occupies a unique place in the field of co-operation in Mysore State. It holds 12 per cent of the membership, 30 per cent of the paid up share capital, 24 per cent of the reserve fund, 73 per cent of the deposits and 45 per cent of the working capital of the societies in the State.

* * *

The Government of the United Provinces have appointed an Indian officer of the I. C. S. as the special rural development officer to work their scheme for utilising the Government of India's special grant of Rs. 7 lakhs. It is proposed to appoint six organisers in each district, each of whom will be in charge of some 12 villages clustering round a convenient centre. These organisers will be like the supervisors of the rural reconstruction centres run by the Madras Provincial Co-operative Union in their qualifications and the duties expected of them. It is believed that about 3½ lakhs or some 20 per cent of the grant will be spent on the staff, while a sum of Rs. 5,000 a year will be made available as a special grant for each district. The objective of the scheme is the creation of a rational and progressive mentality in the rural population of the Provinces, chiefly by means of better living co-operative societies and panchayats.

* * *

A Bill was recently introduced in the Central Provinces Legislative Council to amend the Debt Conciliation Act. Under the present law a Debt Conciliation Board cannot work in one area for more than two years with the same personnel. It is found that the work before most of the Boards will take more than two years for disposal. It is therefore proposed to amend the Act so as to make it possible to extend the life of the Board for more than two years.

* * *

Mr. George Lansbury, M. P., was given a great ovation when he made his appearance on the platform of the Co-operative Congress held recently at Cardiff and again when the President referred to him as a "great Commoner." In acknowledging the kindness of the Congress he said: "When I think of what co-operation has done since the war and the growth of the spirit of Co-operation, pessimism leaves me altogether."

He also observed "people have said of us (masses) we shall never be able to govern. Whether we can govern or not we can certainly conduct great businesses. We are showing people what co-operative production and co-operative distribution means in every-day life."

* * *

The delegates to the Cardiff Co operative Congress were treated to a very pleasant surprise by the directors of the Co-operative Wholesale Society who arranged for an excursion across the Bristol Channel to Weston-super-Mare. As many as 1750 delegates and friends gladly accepted the invitation. At six places tea was arranged for the guests and at each place they were received by some directors. The object of the excursion was to enable the delegates of the retail societies to get into more intimate touch with the directors of Co-operative Wholesale Society than is possible during Congress proceedings.

* * *

In connection with the Congress an interesting exhibition of articles made by co-operative societies was also arranged. A special feature of the exhibition was that thousands of school children escorted by teachers and co-operator volunteers, came in special trains to see it from different parts of Wales. After spending some two hours in seeing the exhibition they were entertained at tea by different co-operative societies. It is very sensible to create in the minds of people when they are yet impressionable children such pleasant associations regarding co-operation.

* * *

The Federal Government of Canada has introduced an amendment to the Criminal Code making it penal for a trader to gain advantage over other traders by granting higher discounts or rebates or price-cutting. This is in accordance with the recommendation of a Commission known as the Price Spreads Commission. But as there is a fear that the amendment may be so construed as to prevent a co operative store from giving dividend to its members on their purchases, the Co-operative Union has submitted an addendum to the effect that it shall not be so construed and has also made representations to the Federal Premier, the Leader of the Opposition and other members of Parliament sympathetic to the co-operative movement.

* * *

The Government of the U.S.A. is giving special encouragement for the formation of co-operative associations for the supply of electricity to rural areas, having set apart a sum of 100 million dollars to be given as "loans to farm co-operatives to enable them to own power lines." A County Co-operative Electricity Association started last year in one of the States has been able to effect a saving of 48 per cent to its members on their electricity bills.

* * *

Sweden has learnt to walk closely in the footsteps of Denmark in the matter of agricultural co-operation. The extent to which co-operative

methods have been adopted in Sweden is well illustrated by the dairy industry. In 1932 there were in all 1516 dairies in Sweden, of which 717 were co-operative. The milk supplied amounted 2,157,000 tons, the number of producers being 150,000. Of these 109,000 were co-operators and the milk supplied by them amounted to 1,600,000, tons. Thus the co-operative dairies, which represented less than half the total number, produced more than 75 per cent of all the milk supplies and were also responsible for 83 per cent of the butter production. The Swedish Co-operative Dairies Federation, though founded only in 1932, marketed 80 per cent milk and 86 per cent of the butter output of the country.

* * *

Reports from 102 colleges and universities in the United States show that there are now 49 Co-operative Purchasing Organisations in these institutions. They chiefly consist of Co-operative Bookstores, 21 colleges reporting the successful operation of such stores. Harvard University has the largest, with an annual turnover of over £150,000 and similar organisations are also in operation at Princeton, Vassar, Cornell, the Universities of Washington and California, and 15 other colleges. Seven universities also reported co-operative buying clubs, and there are 8 Co-operative Cafes, 7 Housing Societies, and 6 miscellaneous societies, including oil, coal and grocery societies. The University of Washington Students' Co-operative Association last year saved its membership of 56 more than £5,000 in living expenses. This year it has increased its membership and undertaken the administration of 8 co-operative hostels.

A unique event in the history of the Co-operative Wholesale Society was the visit recently paid by representatives of the Parliaments of thirteen nations in the British Empire to the Society's premises in Leman Street, London. The visitors were members of the Empire Parliamentary Association on a tour of inspection of the social and economic life of Great Britain. Sir William Dudley, President of the Co-operative Wholesale Society, presided at the entertainment given to the visitors, during which Mr. G. Riddle (C. W. S. Director) stated that last year the Society imported from the Dominions goods to the value of £12,550,000 while the value of the Society's productions was £32 million. The retail trade of the Co-operative Movement in Great Britain now totals £250 million and the wholesale trade £110 million. The Movement has 280,000 employees, owns 200 factories and shops, and manufactures 1,000 tons of soap and makes 500 sacks (240 lbs.) of soap every hour. Member's share capital totals £300 million. A tribute to the Movement was paid on behalf of the visitors by the Right Hon. J. H. Thomas (Dominions Secretary).

A new short film called "Postman's Knock" has been made by the Co-operative Wholesale Society's Publicity Department to advertise the Society's soap productions. The film will be used in C.W.S. cinema lectures throughout the coming winter season. In addition arrangements have been made for it to be shown in 1,000 cinema theatres throughout the country.

The latest report of the London Co-operative Society shows that net sales for the quarter amounted to £2,948,110, an increase of £286,627 compared with the corresponding period of last year. Membership now stands at 568,620. The annual turnover should reach £12 million this year.

I. C. A. News service.

LIST OF SOCIETIES REGISTERED AND LIQUIDATED

List of Societies registered during the month of July last.

	Name of Society.	District.
1.	The Tirupathi Co-operative Stores, Ltd. ...	Chittoor.
2.	The Bobbili Sugarcane Growers' Co-operative Society.	Vizagapatam.
3.	The Hosur Cattle Farm Employees' Co-operative Stores, Ltd.	Salem.
4.	The Krishna Co-operative Crop Loan and Sale Society, Ltd., Masulipatam.	Kistna.
5.	The Sennamareddipatti Co-operative Labour Society, Ltd.	Tinnevelly.
6.	Maramareddipalayam Field Labourers' Co-operative Society.	Trichinopoly.
7.	Zorepally Co-operative Society ...	Nellore.
8.	Cheekavolu Co-operative Society ...	"
9.	Siddavaram Co-operative Society ...	"
10.	Kothapatnam Co-operative Society ...	"
11.	Dasarapalli Co-operative Society ...	"
12.	Pothegunta Co-operative Society ...	"
13.	Duggunta Co-operative Society ...	"
14.	The Calicut Christian Women Co-operative Thrift and Loan Society, Ltd.	Malabar.

List of Societies whose registration has been cancelled during the month of July last.

	Name of the Society.	Name of the District.	Date of cancellation.
1.	Magatapalli Co-op. Society.	East Godavari ...	2-7-35
2.	Coimbatore Devendra Pallar C. S.	Coimbatore ...	3-7-35
3.	Kannankarainai C. S. ...	Chingleput ...	3-7-35
4.	Karuvanpalayam C. S. ...	Coimbatore ...	4-7-35
5.	Kalapatti C. S. ...	" ...	5-7-35
6.	Chalaseri Christian C.S. ...	Malabar ...	8-7-35
7.	Ulligeri C. S. ...	" ...	9-7-35
8.	Sanoor C. S. ...	Chingleput ...	"
9.	Vannathampalayam F.L.C.S.	South Arcot ...	"
10.	Kerala Co-op. Ayurvedic Vaidyasala, Ltd.	Malabar ...	10-7-35
11.	Poovalai C. S. ...	Chingleput ...	11-7-35
12.	Eguvarpalayam C. S. ...	" ...	"
13.	Bathel Christian C. S. ...	Nellore ...	12-7-35
14.	Satyamangalam Devanga Co-op. Building Society Ltd.	Coimbatore ...	16-7-35
15.	Parithiyur C. S. ...	" ...	18-7-35
16.	Dhumantunigudem C. S. ...	West Godavari ...	20-7-35
17.	Vellanguli C. S. ...	Tinnevelly ...	23-7-35
18.	Tirumali C. S. ...	East Godavari ...	"
19.	Brahmapuram F. L. C. S. ...	North Arcot ...	"
20.	Gudumotu C. S. ...	Kistna ...	25-7-35
21.	Varli C. S. ...	Anantapur ...	26-7-35
22.	Melmudalambedu C. S. ...	Chingleput ...	28-7-35
23.	Sri Orathur C. S. ...	Chingleput ...	30-7-35

Registrar's Circulars.

N. A. 125/35.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 16th April 1935.

T. AUSTIN ESQ., I. C. S.,
Registrar.

CIRCULAR.

Subject :—Relief to borrowers in primary societies—in view of the continued economic depression.

In view of the economic depression prevailing and in order to collect as much as possible of the arrears it was suggested last year to Central Banks and primary societies that the following concessions might be given to borrowers :—

(1) The rate of interest charged on new loans given by Central Banks to societies and by societies to their members might be reduced consistent with the reduced borrowing rates.

(2) Central Banks might collect interest at not more than 6½ per cent on all outstanding loans against societies, provided that the societies paid the entire interest due on or before the close of the year.

(3) Primary societies might collect interest at not more than 7½ per cent per annum on all loans outstanding against members provided the borrowers paid the entire interest due on or before the close of the year.

It was suggested that these concessions might be continued during the current year also (See Registrar's circular No. B. 4731-34, dated 19th October 1934). In view of the prolonged depression the Registrar has had under consideration for some time past the question as to whether any further reliefs than those suggested last year should be given to borrowers in primary societies. The Deputy Registrars were asked to examine the accounts of Central Banks and report whether they could afford to give any more relief. The Deputy Registrars have now reported that the bulk of the deposits in Central Banks have been renewed during the last three years with reduced rates of interest and that most of the Central Banks are in a position to reduce the rate of interest on loans outstanding against societies. It may be that in a few banks the expenditure should be cut down. There is no reason why Central Banks should continue to pay a high rate of dividend on share capital in these days of cheap money. As already advised, no bank need pay more than 5 per cent and the benefit of cheap money should be extended to the borrowers in primary societies who have been hit hard on account of low prices for their produce. A borrower in a primary society will prefer a reduction

REGISTRAR'S CIRCULAR

in the rate of interest on his loan to a higher dividend on his share capital. Similarly a primary society will prefer a reduction in the rate of interest. For these reasons the Registrar now advises all Central Banks and primary societies to give the following further concessions to all borrowers :

(1) Central Banks may reduce further the rate of interest on loans to be given to societies hereafter. Some of them have already done this.

(2) Central Banks may also reduce the rate of interest on all loans outstanding, the reduced rate being made applicable only for the current co-operative year, that is to say, interest may be charged for the current co-operative year at the reduced rate on all loans whether such loans have or have not fallen due or been decreed. This concession is suggested with the idea of reducing the growing burden of interest. In many cases the interest due from a borrower in a primary society is more than the principal. Further accumulation of interest is undesirable.

(3) Central Banks need not charge compound interest on interest not paid.

(4) Similarly primary societies may reduce the rate of interest on all loans to be given hereafter.

(5) Primary societies may also reduce the rate of interest on outstanding loans whether such loans have or have not fallen due or been decreed, that is to say, if interest is paid on a loan outstanding, it may be calculated at the reduced rate from the date of last payment irrespective of the fact that the interest is due not only for the current year but also for the previous years.

(6) Penal interest may be abolished altogether. This has already been done in the case of depressed class societies. During the present period of depression the penalty has no effect on borrowers. The abolition will not affect the financial position of societies adversely.

Primary societies can amend their by-laws suitably to give effect to these suggestions and Deputy Registrars are authorised to register such amendments after examining the financial position of the societies concerned.

(By Order)

K. A. PADMANABHAN,

Manager.

No. B. 5260/35.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 6th April 1935.

T. AUSTIN ESQ., I. C. S.,
Registrar.

CIRCULAR.

Subject:—Relief to borrowers—reduction of the rate of interest—
concessions—continuance during 1935-36.

Read:—Registrar's circulars.

1. B. 1084-34 dated 24-2-1934
2. B. 4731-34 dated 19-10-34
3. A. 125-35 dated 16-4-1935.

In the first of the circulars quoted, the Registrar advised Central Banks and Primary Societies to give the following concessions to their members for the co-operative year 1933-34 :—

- (1) Reduction of lending rates on new loans ;
- (2) Collection of interest by Central Banks and societies on all loans outstanding at $6\frac{1}{2}$ per cent and $7\frac{1}{2}$ per cent respectively provided the interest due was paid before the 30th June ; and
- (3) waiver of penal interest by societies on overdue principal subject to the condition that the overdues were paid in full within a stipulated period.

In the second circular, these concessions were extended for 1934-35 also. On a re-examination of the position, the following further concessions were suggested in the registrar's circular A. 125-35, dated 16-4-1935 :—

(a) Further reduction in the lending rates of Central Banks and societies on new loans to be issued by them ;

(b) Waiver of penal interest by Central Banks on overdue instalments of interest and complete deletion of the provision in the bye-laws of primary societies regarding penal interest ;

(c) Collection of interest for 1934-35 by Central Banks and societies at the reduced rate of interest on *all outstanding loans* whether such loans had or had not fallen due or been decreed ; and

(d) Collection of interest by societies from members at the reduced rate from the date up to which interest was paid already whether interest due not only for the year 1934-35 but also for previous years provided the interest was paid before the 30th June 1935.

2. Money continues to be available at very lower rates of interest. The Government of India have this week floated a loan at 3 per cent per annum. In view of the easy money conditions, therefore the Registrar considers that Central Banks need not raise the rates of interest on deposits and that the benefit of the reduced rate should be extended to the agriculturists whose position has not yet improved and who still require relief. The concessions shown in the past 2 years may therefore

REGISTRAR'S CIRCULAR

be extended for the current co-operative year also. All Deputy Registrars, Sub Deputy Registrars in independent charge and Central Banks are requested to see that societies are made aware of the continuance of the concessions for 1935-36 also and that the borrowers are given relief. The necessary amendments to bye-laws should be got registered soon. In amending the bye-laws, societies may specify a date from which the reduced rate of interest should be charged.

(By Order)

K. A. PADMANABHAN,

Manager.

F. 3366/35.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 13th May 1935.

M.R.Ry. DIWAN BAHADUR K. DEIVASIKHAMANI MUDALIYAR, AVL.,
Joint Registrar.

CIRCULAR.

[*Subject.*—Arbitration—Acknowledgment of debt by the sureties so as to save the loan from limitation—Instructions.]

Several instances have come to the notice of the Registrar in the course of revision petitions filed before him on the awards passed by Arbitrators under Section 51 of the Madras Co-operative Societies Act that societies generally fail to obtain acknowledgment of payments of moneys paid towards debts from sureties within the period of limitation or fail to obtain the consent of the sureties for any extension of time giving with the result that the claims against sureties have to be disallowed. There is practice among societies to obtain annually acknowledgment of debts from the borrower and if this practice is extended to sureties and other parties involved in a debt, the trouble of watching whether the claim against a surety is time-barred or not may be avoided. Societies are requested to adopt this suggestion.

K. DEIVASIKHAMANI,

Joint Registrar.

No. D. Dis. F. 1851/35.

OFFICE OF THE
DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 3rd April 1935.

M.R.Ry. M. GIRIAPPA, AVL., B.A.,
Deputy Registrar.

CIRCULAR.

Co-operative Societies—Arrears of share capital—collection.

The Registrar had occasions to observe while inspecting village credit societies that annual instalments of share capital have not been collected in a large number of cases and this will be evident from the administration report for 1933-34. No steps appear to have been taken by the societies to collect the instalments of share capital from members. The Deputy Registrar wishes to impress on all societies that unless share instalments are collected regularly, the object of collecting share capital as an instrument of thrift cannot be achieved. All societies are therefore requested to collect the arrears of share capital in addition to the loans which are overdue when effecting collections from members.

(By Order),

M. J. NAYAGAM,

Head Clerk.

THE MADRAS JOURNAL OF CO-OPERATION

No. D. 2122/35.

OFFICE OF THE
DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 10 July 1935.

M.R.Ry. M. GIRIAPPA AVL., B.A.
Deputy Registrar.

Reserve Fund—uninvested reserve fund—Remittance to central bank.

CIRCULAR.

The Registrar observes that during his recent tours he noticed frequent instances of failure on the part of the societies to remit their reserve fund to the Central Banks to which they are affiliated. All societies are therefore requested to remit the uninvested Reserve Fund at once to the Central Banks. It is needless to state that the Reserve Fund forms the main strength of financial institution and is a first charge for the remittance for issue of audit certificate.

(By Order),
M. J. NAYAGAM,
Head Clerk.

No. D. Dis. C. 2256/35.

OFFICE OF THE
DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 20th July 1935.

M.R.Ry. M. GIRIAPPA AVL., B.A.,
Deputy Registrar.

CIRCULAR.

Co-operative Societies—Police Employees in the Madras City—restriction in regard to admission in other societies.

There are two Police Co-operative Societies working in the Madras City; The Madras City Police Officials Co-operative Society, Ltd., it intended for those of and above the rank of Sub-Inspectors and the Madras City Police Constables Co-operative Society is for those of the rank of head-constables and constables. These two societies are considered sufficient for meeting the credit requirements of all the employees of the Police Department working in the City. There is no need for any Police Officer of any rank to join any co-operative society other than the Police Co-operative Societies. The Commissioner of Police, Madras, desires that the other societies working in the City of Madras should help him in this matter both in their own interest and also in the interest of the Police force. The societies are requested to see that no policemen are admitted as members in future and in regard to men who are members, if any, to inform the Commissioner of Police the names of such Policemen with the amount of debts due from them.

(By Order),
M. J. NAYAGAM,
Head Clerk.

P. C. U. Circulars.

MADRAS PROVINCIAL CO-OPERATIVE
UNION, ROYAPETTAH, MADRAS.
3rd September 1935.

(To all the delegates of the General Body of the
Provincial Co-operative Union.)

I

Dear Sir,

The Annual General Body meeting of the Madras Provincial Co-operative Union will be held at Madras at 8-30 a.m., on Sunday the 29th September 1935 on the occasion of the 21st Session of the Madras Provincial Co-operative Conference to be held at Madras on the 28th and 29th September 1935.

You are kindly requested to be present for the meeting.

V. RAMADAS,
President.

II

(To all the Member Societies of the P. C. U.)

Dear Sir,

The Annual General Body meeting of the Madras Provincial Co-operative Union will be held at 8.30 a.m., on Sunday the 29th September 1935 on the occasion of the 21st session of the Madras Provincial Co-operative Conference to be held at Madras on the 28th and 29th September 1935. Your representative on the General Body has been informed to the effect and requested to attend.

Please remit if you have not already done so, the annual subscription due by your society, current as well as arrears without any further delay and oblige.

V. RAMADAS,
President.

Magic Lantern and Slides.

PREPARED BY THE

Madras Provincial Co-operative Union,

ROYAPETTAH. MADRAS.

Magic Lantern. This is a Swadeshi article, very suitable for Village Propaganda and quite cheap. It is worked by a Baby Petromax light, which, unlike carbide light, can be used for other purposes as well. The mechanism of the Lantern is very simple. Running cost very little, less than one anna per lecture. **Price of the Lantern Rs. 40 only.**

SLIDES.

The Provincial Co-operative Union has prepared so for three sets of slides for co-operative propaganda.

I. The Evils of Drink and Benefits of Co-operation. This set of 33 slides depicts a very interesting and edifying story of village life. **Price Uncoloured Rs. 35.**
Coloured Rs. 50.

II. Thrift and Co-operation. An urban story. It shows how an educated man in Madras got into trouble owing to his thriftless ways and how he was saved by a Co-operator. 40 slides. **Price Uncoloured Rs. 40.**
Coloured Rs. 60.

III. Rural Reconstruction in Alamuru. These slides illustrate the activities of the Rural Reconstruction Centre at Alamuru and the various benefits conferred on the people by Co-operative Societies and Village Panchayats Educative and Inspiring. 62 slides. **Price Uncoloured Rs. 62.**
Coloured Rs. 93
