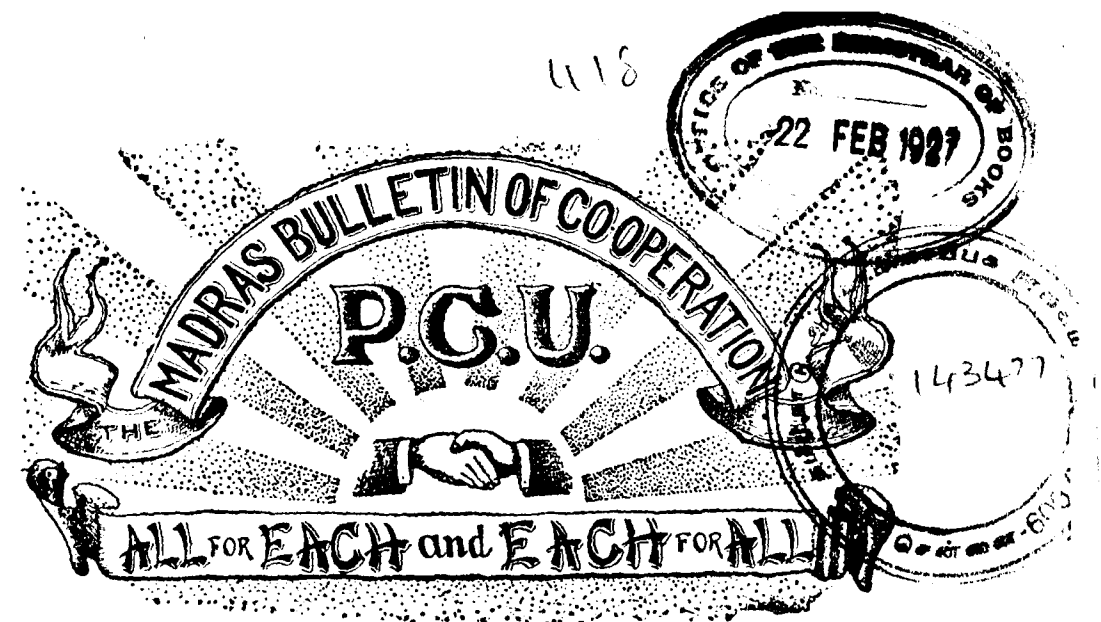




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LAND MORTGAGE BANKS.

BY THE HON'BLE V. RAMADAS PANTULU.

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The words "Rural Reconstruction" are now on the lips of every Political and Social Reformer in India. But the essential prerequisites for reconstructing Rural India are not clearly perceived. When we know that 75 per cent of the people live in villages and pursue the occupation of Agriculture either as land-owning cultivators or landless farm-tenants or field labourers, it is obvious that the entire problem centres round the improvement of Agriculture as an industry and bettering the economic condition of those who depend upon it for their sustenance. Agriculture is a unique and universal industry. It produces the materials which are required to satisfy all human-wants, food, clothing and articles of domestic use ; it produces the raw materials required for most other industries. It

52
V. M. M. J. N. 18.7

will be bare-truth to assert that what promotes agriculture benefits mankind and that progress of agriculture and progress of civilization go hand in hand. Nevertheless it is not treated like other industries in the matter of finance. Every industry is nourished on capital and credit and a major portion of the available resources is spent on the promotion of industries other than agriculture. This is partly to be accounted for by the general belief that Agriculture which yields quickly recurring periodical returns is capable of financing itself. But as Mr. Wolff observes very rightly "under pressure of advancing times, agriculture has long since become from the easy self-rewarding occupation, which it is understood once to have been, a business of money and enterprise like all other business-having the same tasks set to it but not the same means at its disposal wherewith to accomplish the tasks". Mr. Wolff then proceeds to ask the following two pertinent questions. (1) "We congratulate ourselves upon the amazing growth and development of our banking, our trade and our industries. But what resources have we not placed at the disposal of those callings.* (2) Could we treat agriculture in the same way as other industries, is it not at any rate conceivable, that, what with production cheapened and facilities afforded for taking advantage of the market and for acquiring those useful implements, that helpful machinery and that forcing "Power" which modern invention has made accessible, we might make it fare as other industries fared?" All evidence available on the subject points to the unmistakable conclusion that the future of the

*Mr Wolff effectively summarises those benefits and I extract his passage because the aims of Rural credit are precisely the same as business credit. 'We have fed them with large supplies, alike of money and of instruction and intelligence. We have replaced slow and sparing hand labour by the rapid and creative output of the engine and the loom, multiplying harvests while increasing their bulk. We have introduced perfected machinery, we have removed anachronistic shackles and insisted upon full freedom of practice. We have recast all the organization of the industry, arranged our commerce so as to enable men to take advantage of even the slightest turn of the market, of every opportunity which may offer even an infinitesimal gain. All these things presuppose a larger command of money. They are absolutely impossible without it. But for additional money invested they assure a pretty safe return. And to provide that money, we have developed a system of credit which places fund almost without limit at the disposal of the trader or manufacturer of position—credit without which, so every man of business will readily allow, all this huge world of industry could not subsist for a day. The capital of those of whom it is composed would be utterly inadequate to its purpose. So we have created the "acceptance," which buys at pleasure, just as occasion may demand, for every enterprise which promise a profit. And we have added the "overdraft," which is about the most effective help to the business man in practice, who is in a position to command it."

agricultural progress depends on a sound system of capital and credit. This is especially so in the case of India.

Rural Credit.

Credit granted for the promotion of any line of agriculture is called Rural Credit and is mainly of two varieties—the short term credit and the long term credit. The capital needed for the carrying on of agriculture as a profession, to meet the daily needs of husbandman, such as cultivation expenses, cost of ordinary repairs, value of seeds and fertilisers and so forth is supplied by what is known as short term credits.* This form of credit is unsuited to finance farmers for such purposes as liquidating his old debts, effecting permanent improvements to his holdings, converting an uneconomic holding into an economically profitable one by sinking wells or executing other costly works, purchasing new land and so forth. Needs of this kind can be satisfied only by long term credit. There are three fundamental considerations which we have to keep steadily in view in regulating long term credit.

Firstly.—We should advance to the ryots a sum sufficiently large to effectively start them on their business by placing in their hands funds required not only to lift their existing debts but also to leave a surplus to serve as capital wherewith to improve the land so as to ensure increased returns. Persons who are mainly benefitted by this form of credit are those who wish large loans and who can offer substantial security. Men with small uneconomic holdings and slender security to offer or landless tenants cannot be helped with this description of credit to any appreciable extent.†

* We are not now concerned with this form of credit. The security for it is guarantee and personal liability, tangible property being looked upon as only collateral. Land Mortgage Banks do not concern themselves with short term credit.

† Economic conditions in the Presidency do not permit of substantial help being given to the large class of poorer small holders. Roughly the total extent of land including that in Zamindari areas may be put at 46½ million acres. The total number of landowners being 13·62 millions, the average extent of holding amounts to a little less than 3½ acres. As the ratio of wet and dry lands is 1 : 3, we may roughly fix the extent of ownership as one acre wet and 2½ acres dry. It has to be noted that this is only the average extent and that those who own holdings of less extent should be larger in number. As per quinquennial census of 1920-21, the following is the number of pattas paying within Rs. 30.

		No. in Lakhs.	
Pattas on which payment is Re. 1 and less	Single	...	5·08
	Joint	...	3·77
Over Re. 1 but within Rs 10 "	Single	...	16·79
	Joint	...	9·26
Over Rs. 10 but within Rs. 30	Single	...	5·74
	Joint	...	3·76
" "		Total	...
		Total No. of Pattas	...
			44·4
			48·61

Secondly.—The loan should be made repayable without putting the ryot to the necessity of borrowing from another source to discharge it, or selling his holding for its repayment. In other words the loan should be recovered from the margin of the profits on his holding. Ordinarily an indebted agriculturist would have stretched his personal credit to the limit and another loan on ordinary money lending basis becomes impracticable, although his holding may have a real margin of security over and above his unsecured debts. So the long term credit has necessarily to be spread over a large number of years and recovered in small dribblets. The maximum time allowed for paying of loans for such purposes is 30 years in Finland, 33 years in Chile, 36½ years in New Zealand, 42 years in Australia, 50 years in Italy and Japan, 54½ years in Austria, 55½ years in Switzerland, 60 years in Denmark, 63 years in Hungary, 68½ years in Ireland and 75 years in France. The annual payment required of the borrower in those countries for extinguishing the debt varies from 3½ per cent. to 7 per cent. of the principal of the loan. The instalments arranged for, upon this percentage, include payments towards interest as well as principal.

Thirdly.—Long term loans should be regulated by a system of controlled borrowing. If cheap and long credit is offered to the improvident farmer and no control is exercised over the purposes for which it is borrowed and the manner of his spending it, the result will very often be the ruin of the ryot and it defeats the very object for which the loan is advanced.

Complications of Rural Credit.

It is not easy for an agriculturist to obtain cheap credit for several reasons. The business of farming is a precious and risky one. The husbandman is never absolutely certain of being able to reap the fruits of his labour and investment. Devastating floods, excessive rains, or drought may destroy his crop. Famine and pestilence may carry away his flocks and herds. He is helpless when confronted with such situations and if he survives them he finds himself penniless. Another characteristic which makes farming a precarious business is the extremely perishable nature of his products. They must be sold quickly or else they deteriorate and become unmarketable. Milk, cream, butter, eggs, fruit and the like which are produced at much cost may often have to be sold below their cost price, when they do not find a ready and profitable market. Even food stuffs like grains and pulses cannot be stored long and have to be disposed of ordinarily before the succeeding harvest. A third feature is, agriculture not being a concentrated industry, opportunities for united effort on the part of the farmers are few and this makes their economic position weaker as compared with groups of men engaged in

other forms of concentrated industry. In India and countries like India where the land is owned by a large number of petty cultivators with poor and uneconomic holdings of miserably small extent, the precarious and risky nature of their occupation comes into greater relief. It is no wonder therefore that an average agriculturist finds it difficult to command credit.

In addition to these factors which complicate ordinary rural credit there are further difficulties in the case of long term credit. The conditions on which we insist, to control and regulate long term rural credit, make it impossible for a money lender to resort to it. No individual and few joint stock companies can afford "to tie up their capital and take it back in dribblets as it is refunded bit by bit out of the earnings or savings from the soil during a long series of years". It is only a special type of institutions known as land credit institutions or *Land Mortgage Banks* that can embark upon this kind of banking. A brief account of the main features of these institutions is the object of this paper.

Types of Land Mortgage Banks.

The correct method of studying problems connected with the Land Mortgage Banks is to study the institutions themselves as they are now functioning in various countries all over the world. How far they can be adapted to the conditions of India can be accurately judged only by that process. Full and accurate accounts of their working are available. When we deal with organisations like Co-operative Societies or Land Credit Associations, it is well to remember one fact, namely, that the organisations have sprung up more as practical solutions of peculiar local difficulties and were not conceived at their inception as embodiments of any definite theory of economic organisation. This process of study is of necessity often reversed in the class room and the lecture hall. The common aspects and principles which may be extracted from the institutional features are first expounded and the institutions themselves are cited as illustrations of those principles. This method has the advantage of making the subject interesting to the ordinary student or lay listener by saving him from the infliction of details which are usually dry except to the scientist or the research scholar. I shall therefore adopt it and classify Land Mortgage Banks into certain groups with well marked common features. They may be classified under distinct heads on different principles.

They may be divided into Public, Semi-public and Private. Public Land Banks are owned and operated by the State. They are practically departments of Government. They own no share capital. They obtain the funds required for granting loans either by appropriation (budget grants) or by issue of debentures guaranteed by the State. The profits are

either devoted to some public purpose or utilised for extension of business. Semi-public Land Credit Associations are those in which State is a part owner and participates in the management or control or assumes a responsibility of some sort. Private Land Banks (so also Semi-public ones) may be associations of borrowers or of lenders (that is Joint Stock Companies) who carry on land-mortgage credit operations with the minimum of State interference. When they are Joint Stock companies their aim is to make profits and declare as large dividends as possible. When they are associations of borrowers "they have no capital stock or lucrative object and if they happen to accumulate a surplus from earnings or savings, it belongs to the members and is distributed in rebates of principal and interest in proportion to the amounts paid up on their loans." Another basis on which Land Credit Associations may be classified is this:— They may be *Co-operative*, *Quasi-Co-operative* or *Non-Co-operative*. A detailed description of the various kinds of Land Mortgage Banks is clearly beyond the scope of a small paper like this. The Co-operative type is represented by the Prussian Farm Mortgage Mutual Credit Associations, which are Associations of borrowers. The Non-co-operative type is represented by the numerous commercial and joint stock banks working all over the Continent of Europe. They work for profit and declare dividends, but the State exercises control over their operations in order to ensure that they do not work hardship to borrowers and that they fulfil their obligations to their investors and debenture holders. In between these two types there are institutions which combine co-operative and commercial ideals in varying degrees and so quasi-co-operative in character. Associations with membership of borrowers and non-borrowers operating over large areas and formed with a share-capital and on limited liability basis but in which each member has a single vote irrespective of his share capital and the dividend on share capital is fixed at a low maximum may be taken as illustrations of quasi-co-operative institutions.* A brief description of the co-operative type of Farm Mortgage Mutual Credit Association will I hope be interesting and I therefore summarize below its features as narrated by Mr. Morman in his excellent book on Rural credits (See pages 76—96.)

The Mutual Credit Associations or *Landschafts* are organisations of borrowers. They have no need of capital. They aim at keeping interest low and do not carry on business for profit. Each member pays a small entrance fee to meet necessary expenses, initial cost of land valuation and other incidental charges.

* For a brief but clear description of the Land Mortgage Banks in various countries the interesting chapter on Land Mortgage Banks in Mr. Strickland's studies in European Co-operation (1925) may usefully be consulted.

Landschafts.

The fundamental idea of these associations consists in replacing the single mortgage on an estate where creditor and debtor meet together and transact their business by an institution that undertakes it for the land-owners of a district and acts as intermediary between owners of farms seeking credit and owners of money seeking investment. These associations of borrowers are established without capital. Members who desire to borrow make applications to the association for loans and submit their lands to valuation which is done by independent assessors. Then the members mortgage their properties to the credit association which is then placed in a position to dispose of the combined credit of the entire membership. As the Association has no capital from which it can pay the loans, the money required for the purpose is raised by issuing bonds. These bonds are secured by the mortgages on the farms of all the members and they are sold in the open market. The bonds are made payable to bearer and are issued at par with various nominal values ranging from 25 to 1000 and bear interest at rates varying from 3 to 4½ per cent. usually. Their market value naturally depends upon the rates of interest they bear. The credit association however does not directly sell these bonds but turns them over to the borrower to the amount of the loan desired and the borrower in turn executes an individual mortgage bond to the amount in favour of the association. As already stated the bonds which the member receives are not secured by his specific mortgages only but by all the assets or mortgages of the association. In order to realise the money desired the landowner himself has to sell the bonds handed over to him by the Association. He may do so personally or through his banker. They may sell below or above par. Any loss or risk in selling the bonds is a risk assumed by the borrower. If the bonds are sold the owner of the estate is the debtor to the credit association and is responsible for the debt personally and with his property. On the other hand the Association is debtor to the holder of the bonds who purchases them in the market. No more bonds can be issued than are covered by the mortgage of like amount and bearing equal interest. The holder of the bonds no doubt has only a personal claim against the Association but his great guarantee lies in the fact that every bond is secured by a corresponding mortgage of the credit association, since it may safely be affirmed that, as a rule, the mortgage indebtedness does not exceed half the commercial value of the land mortgaged.

As an aid to promoting the sale of bonds and conducting other banking business on behalf of their members some of the German Mutual Credit Associations have established banks. The borrower avails himself of their services and deposits the bonds received by him from the Association in these banks and is paid their market value in cash. The holder

of these bonds who thus purchases them may sell the bonds whenever he wants his money for any purpose. There is always a ready market for them, they are regarded as first class securities for investment for trust funds.

The repayment is made by small annual or semi-annual payments on a system of amortization which will be explained presently. The debtor can pay off his mortgage at any interest period by giving previous notice but he cannot be called on to pay except in terms of the contract. The debtor can make the repayment if he likes in bonds instead of money. This gives a great advantage to the debtor in this way. If the bonds are selling above par when he is prepared to repay his debt he has to pay only par value to the Credit Association. But if the bonds are selling below par he can go to the market, buy bonds, pay off his debt in bonds and take up new bonds at lower rates of interest. For example, if a bond having a face value of Rs. 100 is selling for Rs. 90 the farmer buys 100 bonds for Rs. 9,000 and thereby cancels his Rs. 10,000 mortgage and gains Rs. 1,000 in this transaction. The Credit Association incurs loss by this but it meets such losses by means of sinking fund which has come into existence in the course of years as a result of savings in running expenses, premium on bonds and other profits. Since the farmer borrowers are themselves the association, the accumulated profits or savings in the sinking fund belong to them. When the sinking fund reaches 5 per cent. of the outstanding obligations of the Association no more has to be paid into it. Then the profits are applied in reducing the indebtedness of the members by applying it on amortization. Thus the farmer debtor reaps all the benefits. This in brief is the character of the Mutual Mortgage Credit Associations organised on a co-operative basis. The bonds of these associations are regarded as perfect types of secure investment and are quoted on the exchanges throughout the German Empire.

Debentures.

Besides issuing negotiable bearer mortgage bonds of the kind described above, there is another system of raising funds for financing land-mortgage credit. It is the system of debentures. It had its origin in the old idea of making land the basis for the issue of paper money; for, it was argued that there was no reason why land which is more stable than coin or goods and merchandise should not furnish such basis. However, apart from its history the debenture came into use in land-mortgage banking on perfectly intelligible basis. Sound banking does not permit deposit investments being lent out on long term mortgages. Depositors who put their money in Bank at short calls do so on the understanding that they may be withdrawn at the time agreed upon. It will therefore be an abuse of this trust on the part of the Bank if it sinks such

funds in loans which the average depositor would not himself like to make. No deposit bank can afford to immobilise its assets in that manner. So to the extent that a Bank wishes to so immobilise and depart from the established usage of Commerce and Banking it must do so by some special device whereby an investor may be attracted to lend his money for being utilised in a long term investment. This device is the debenture. The difficulties following from the erroneous notion that land may be used as security for bank credit is overcome by the evolution of debenture which comes as near to mobilising land values as possible.

They are payable to bearer and are of various denominations and generally exempted from taxes. Their circulation is facilitated by simplifying the formalities for transfer and making them legal investment for almost all kinds of funds including trust funds. Their redemption is secured by statutory limitations which prevent excessive issue.

Mode of Repayment of the loan.

The method of extinguishing the mortgage is a matter of vital importance. In order to afford genuine relief to the borrower the debt should be made repayable gradually by the slow returns of the soil. It is true that the loan advanced usually bears a definite ratio to the market value of the security, say one half or two thirds and sometimes even three fourths. But this circumstance has no bearing on the arrangement for reducing the mortgage. The market value is sometimes determined by peculiar standards. Speculation, competition, fancy and even sentiment may account for abnormal land values. The true standpoint, therefore, from which land should be valued as security out of which the debt is to be recovered is with reference to the net returns from it which remain after deducting cultivation expenses, value of necessary repairs, taxes and cost of farmer's subsistence. If a further allowance is made to compensate ryot for his personal labour which he renders free, then the returns are still further reduced and approximately correspond to fair rent on the land. It will be impossible to effectively improve the economic condition of the indebted ryot if he is permitted to obligate himself to pay a larger annuity than the revenue of the mortgaged property. It is on these lines that in France and certain other countries limitations are imposed on licensed land credit companies regarding maximum instalments demandable by them.

When the principal and interest of the mortgage loan cannot be repaid in full on a specified date or on demand it is discharged in one of the following four ways.

(1) By equal instalments of a specified portion of the principal together with interest annually or semi annually or lesser intervals. For

example if a loan of Rs. 1,000 is repayable in 25 years he may make 25 annual payments of Rs. 40 or 50 semi annual payments of Rs. 20 together with interest on the remaining unpaid balance of the principal. He may vary the mode and make 15 annual payments of Rs. 30 and 10 further annual payments of Rs. 55 thus reserving heavier instalments for latter years when interest charge becomes smaller.

2. By payment of interest on the full amount of the loan and in addition 1 per cent or more per annum as long as it runs. A portion of this extra payment is deducted for the working expenses of the Bank and the remainder is put into a sinking fund. It is carefully invested and the accumulated sum is utilised for redeeming the debentures which were given to the borrower for his mortgage. This is the system employed by the German *Landschafts*. In this mode the exact date when the mortgage will stand extinguished cannot be foretold, for the accumulations to the debtor's credit which go to reduce the debt depend upon the savings and profits made by the *Landschaft*.

3. In the third method, like the 2nd, the borrower pays interest on the full amount of the loan *plus* one half or one or more per cent per annum as long as it runs. This excess however is credited to him as on a deposit account drawing interest. The debt is cancelled when this deposit account and the loan account cancel each other. This is the method employed by the Austrian Savings Banks. In this method also the date of the extinction of the debt cannot be fixed in advance as the bank rate fluctuates from time to time and is always lower than that paid by the borrower.

4. The fourth is the method generally known as true *amortization* and is the one adopted by the French Land Mortgage Banks. By *amortization* is meant the method of paying off a debt by regular instalments within a time fixed in advance. The annuity to be paid to amortize the debt is determined by the length of the credit and the agreed rate of interest and remains level during the entire period of the loan. Suppose a ryot gives a mortgage for Rs. 1,000 with 5 per cent interest. In addition to interest he agrees to pay 2 per cent per year of the principal. This makes a total of 7 per cent a year or a payment of Rs. 70 per year. This sum of Rs. 70 which represents the first year's interest and payment to the principal continues to be the same throughout. While the annual payments are thus always the same, the amount of payment on the principal debt is always increasing. The mortgage is paid off in a definite *period* at a fixed *rate* of interest both of which the debtor elects to stipulate when entering into the contract. The table given at the end helps to explain the entire process of *amortization* clearly. On a mortgage of Rs. 1,000 running for 26 years at 5 per cent the ryot pays an interest of

Rs. 798 and completely discharges his debt by paying annually 2 per cent. of the principal debt in addition to the interest. But in a straight mortgage on the same terms as regards the amount of mortgage, interest and length of time, the ryot pays Rs. 1,300 in interest alone and still owes the entire original debt at the end of 26 years. If you construct a similar table providing for a longer period then the annual repayment under principal will be less. For instance if the stipulated rate of interest is $4\frac{1}{2}$ per cent. a payment of an additional 1 per cent. out of the principal will leave the farm clear of the entire debt in 40 years. A debt of Rs. 1000 at $4\frac{1}{2}$ per cent. interest will be fully discharged by 40 annual payments of Rs. 55.

Amortization—its benefits

Two outstanding advantages of this scheme are patent.

Firstly.—"The process enables the borrower to utilise his small savings for the reduction of his debt and practically to adjust its size and length and the amount of his annual dues to the capacity of the land and himself for repayment"

Secondly, "The accumulation of the fractional payments builds up a sinking fund which makes any debentures issued against the mortgages more secure as time progresses and assures their final redemption". In other words the older becomes the debenture the more sound it becomes. The credit of devising this process of *amortization* is generally attributed to a Bank in Stockholm in 1754. The idea seems to have passed from Sweden to England and thence back to the Continent. Its history shows that it had its origin in the first object namely, relieving debtors by converting their existing indebtedness into obligations with more equitable and tolerable terms and the other object of making securities safe and convenient for investors was a secondary matter which was developed later on. Mr. James, B. Mormon is undoubtedly right when he says that *amortization* is the safest, easiest and best method of reducing land mortgage indebtedness, of all methods hitherto conceived and put into practice. It revolutionises the financial status of the ryot (the debtor) by making him and not his creditor the arbiter of the mode of extinguishing the mortgage loans. It is the only system which takes full note of the precarious nature of the profession of agriculture and the low economic condition of the ryot. Indeed Royer says that without giving full play to all the possibilities of *amortization* "every real estate credit system is an incomplete and fragile scaffold deceiving the public and endangering the welfare of any nation relying on it".

Agencies to issue Mortgage Bonds or Debentures.

The power to issue bonds and debentures is beset with great responsibilities and dangers. If any and every person is permitted to issue

them, the farmers' credit would be ruined very soon and the investing public will be exposed to grave risks. Suppose a Private company purchases lands worth Rs. 25,000 and issues Bonds to the value of Rs. 1,00,000 and sells them to the public. What is the position then? We have a real value of Rs. 25,000 and a paper value of Rs. 75,000 which is worthless. In such cases the investor can have absolutely no guarantee as to the value of the land, as to the ratio of the bonds issued to land values or as to the value of the bonds issued to the mortgages themselves. The one problem connected with bonds and debentures is to make them more and more liquid, that is, create greatest possible facilities to convert them into cash assets in cases of emergency. This aim is secured mainly by creating confidence in the value and stability of the real wealth or security on which they are based. An American writer says that a Scheme which permits uncontrolled issue of bonds and debentures by private agencies is in its intent not better than "counterfeiting" and characterises it as "wild cat financing ruinous to investors and discredit to Sound Farm Mortgage Bonds". Many countries have therefore placed Legislative restrictions on the power to issue bonds and provide for strict supervision over the issue and sale of Land Mortgage Bonds and Debentures.

Another danger of uncontrolled agencies issuing these bonds or debentures consists in the system being made very costly for a farmer by charges in the shape of commission and other incidental costs for contracting these loans, the comparatively short time that the larger part of them run and the large expenses connected with the renewal of these loans and so forth. Even in the case of Life Insurance Companies in the United States of which 75 to 80 per cent now lend part of their funds on land mortgages, the opinion of informed American writers is that farmers are not well financed by being granted loans on first mortgages by those companies on account of the incidental costs for contracting the loan being so large as to vary from one and a half to five per cent, although no exception can be taken to rates of interest charged by the companies.

So it is only institutions that are duly empowered and vigilantly supervised by the State that ought to embark on the business of issuing bonds and debentures to raise money for land credit.

Constitution and Working of Mortgage Banks.

No particular type of Land Mortgage Bank can be asserted to be best suited to the whole of India. Conditions differ from Province to Province. Task of drafting a constitution for a Land Mortgage Bank suitable for the Province of Madras is certainly not an easy one. In my Supplementary paper on Land Mortgage Banks in Madras I discussed three schemes and suggested a fourth one as being more suitable.

The Guzaret Committee's Scheme which was recommended as being suitable for the Presidency of Bombay has many good features about it and with certain changes may be adapted to the conditions of this Province *

In my opinion our Land Mortgage Banks should be primarily Associations of Borrowers (with membership opened to a few non-borrowers) on a limited liability basis and with a low paid up share capital proportioned to borrowing and a fairly wide area for operation. We must limit the number of shares owned by a single member and enforce the rule of *one man one vote*. To secure suitable persons to take part in their management, it may not be objectionable to allow non-borrowers to take shares subject to a prescribed limit. They may be called preference shares and a provision may be made for their extinguishment at the end of a defined period.

In Europe the Joint Stock Land Credit Institutions follow the Great French Model of Credit Foncier.

The most important work of a Land Mortgage Bank is the valuation of properties offered as securities. This work is one which requires for its due discharge training and knowledge of Rural, Economic and Agricultural conditions and an acquaintance with the Land Revenue System of the Province. The success of these Land Credit Institutions

* The type of new organisation which the Committee contemplates is a Mortgage Bank for a District, the term "District" here signifying not the revenue division known by that name, but a fairly large tract with more or less similar agricultural and economic conditions. The membership of this body should be open to all holders of agricultural land and agriculturists within the area of operations, on their subscribing to at least one share. Capital should be raised by shares of the denomination of Rs. 50 or so; and it should be obligatory on members who wish to borrow to contribute to the share capital in some fixed proportion to their borrowings. This proportion should not, however, exceed one-Twentieth of the borrowings. Dividends on the shares should be restricted to the rate of interest payable on the mortgage bonds to be issued by the Bank. Liability should be limited and should not exceed the face value of the shares. Loans should not exceed 33½ per cent of the value of the lands mortgaged, and bonds up to the limits of the loans outstanding should be issued periodically in series, each series bearing the same rate of interest and the same terms of repayment. Interest should be payable half-yearly and the period of the bonds might be fixed from ten to fifty years. This should be governed by local conditions; and if loans are given for longer periods, the term of repayment of the Bonds should also be correspondingly longer. The work of recovery will be facilitated, if powers of foreclosing mortgages by a speedy procedure, similar to those granted in other countries, are conferred by legislation on Land Mortgage Banks.

depends largely upon the efficiency with which land is valued, titles are investigated and the credit of the borrower is assessed. Valuation and inspection include payment to legal Advisor. The work of the Office establishment mainly relates to the duty of issuing loans and recoveries and the maintenance of accounts. The cost of the establishment and working expenses depends upon the volume of work and other circumstances. There are no materials to work out accurately the percentage of cost of running a Land Mortgage Bank. Mr. Strickland fixes it at 1 to 2 per cent. A Committee of the Madras Provincial Co-operative Union fixed it at 3 per cent. It ought not to exceed 2 per cent. in my view.

State aid.

State aid in one form or another is essential for the success of Land Mortgage Banks. The notion that State aid has a tendency to make a farmer less self-reliant is either a superstition or a special pleading. Whatever application it may have to charitable doles it can have no application to state aid in the shape of a sound system of Takkavi and land improvement loans or supply of initial capital to Land Banks. In India where State is the universal Landlord and derives a large portion of its revenues from land and where 75 per cent of its subjects are agriculturists, State aid to agriculture is more than a moral responsibility. State aid is to be advocated on two main considerations.

(1) State has a duty to protect its most necessary industry by rescuing the cultivator from economic exploitation by money-lenders and middlemen. If a tenant for want of credit or other causes fails to supply the soil with fertilizers or improve it, depletes the soil's fertility beyond legitimate limits. No State ought to permit such ruinous depletion, for it is a recognised duty of the State to protect the soil and land wealth for the benefit of future generations.

(2) It is the duty of the State to set the example to and encourage institutions to invest their funds in farm mortgages, by itself doing it or guaranteeing the debentures. The State can help the Land Banks in a variety of other ways. It can contribute to the cost of valuating lands, investigating titles and assessing the credit of borrowers, either by making money grants or by lending the services of its officers. It can permit trust funds to be invested in farm mortgages and make debentures trustee

securities. It can grant concessions which apply to co-operative societies. It can improve the system of record of rights to ensure safety of titles. It can advise the ryot on the best and most economic methods of agriculture through its expert officers and instruct him in proper use of credit and against its misuse. It can inaugurate a system of rural school education and promote the economic and social development of rural population. All these are aids to the success of Land Mortgage Banks. State has been the cause of success of Land Banks in every country in Europe and State aid is a prominent feature in America. Mr. Morman says "that State-aid does not make the farmer less self reliant is shown by the fact that the farmers are among the most prosperous in the country in those States where loans are made to them"*

State aid by *legislation* is of course necessary in a variety of directions to enable Land Mortgage Banks to function properly. These banks must be registered and their powers defined either under the Co-operative Societies Act or the Indian Companies' Act or some other enactment in force to govern them. Then the State has to legislate to establish a correct record of rights without which the investigation of title will be an uphill task. In what is known as the Terrance system of registration of farm titles and land mortgages the State has in some countries provided

* The Federal Farm Loan Act of America, 1916, is intended to strengthen Farmers' Associations with *State help*. At the top is the Federal Loan Board consisting of the Secretary of the Treasury as Chairman and other 4 members nominated by the President of the U. S. A. There are 12 Land Banks operating throughout the State under the management of 5 Directors appointed by the Loan Board. The Secretary of the Treasury is authorised to make deposits in these banks till they themselves own 50 million dollars. The Banks began with 75 lakhs share capital. The Farmers' loan Associations subscribe to the Share Capital in the Federal Banks. These consist of ten or more farmers and the association is empowered to send a loan application to an amount which should be not less than 20,000 dollars. "The association is the co-operative agency through which loans are initiated, the application of their proceeds is supervised, collections are made and local interests of borrowers are reserved." Each member should subscribe for 5 per cent of his loan as share capital. The value of a single share is 5 dollars. The Federal Banks issue loans equal to the value of the mortgages held on the approval of the Federal Farm Loan Board.

an assurance fund in order to compensate any landowner for loss incurred in being deprived of any lawful interest in his property through no fault of his own and on account of a mistake in record of rights for which some State official is responsible. Then the State alone can invest the Land Bank with power to effect summary recovery of loans and to foreclose the mortgage on default of payment on due dates. These powers while essential for the soundness of the Land Credit Banking System as a whole as well as for the safety of the individual bank place a dangerous weapon of oppression in their hands from the standpoint of the borrowers. So legislation in this behalf must protect the borrower's right as well. The right to foreclose is *prima facie* an immoral one. Suppose a farmer who borrows Rs. 1000 on the mortgage of land worth Rs. 3000 and commits default. What is the justification to the lending bank being permitted to foreclose the mortgage and deprive the farmer of property worth Rs. 2000? So in some countries foreclosure is prohibited unless the outstanding debt covers a major portion of the value of the property given as security. Mr. Herrick rightly points out that the *interest rate*, on a mortgage made from free or cheap money advanced by the State, or raised by the sale of bonds guaranteed by the State, or issued by the institution connected with the State, reflects, ultimately, the public standing and credit of that State and therefore is often naturally low. So it is a heresy to minimise the value of State aid, especially as we find that it is a predominating feature in the larger and more attractive land credit institutions in Europe and America. The political argument that in Bureaucratic India State aid tightens official hold on rural life does not impress me.

The aim of Land Mortgage Banks is to establish a sound rural credit system. Mr. Herrick effectively summarises the work of land mortgage banks in the following words:—"The chief if not the only lessons to be learnt by a study of European land credit systems are the wonderful benefits to the farmers, of unrecallable long term reducible loans and the ease and abundance in which money may be obtained for them by the issue of debentures or mortgage bonds secured either by the solidarity of the group of landowners or by the assets of a company officially supervised and properly managed." To finance the farmer adequately and satisfactorily is to lay the solid foundations of a prosperous economic and social rural life. It is the right way to set about reconstructing India.

The Amortization of Land Mortgages.

Amortization Mortgage.			Straight Mortgage.		
Pay- ment No.	Interest at 5 % Rs.	Paid on Principal. Rs.	Amount of mortgage debt. Rs.	Interest at 5 % Rs.	Amount of mortgage debt. Rs.
1	50 00	20 00	980 00	50 00	1,000
2	49 00	21 00	959 00	50 00	1,000
3	47 95	22 05	936 95	50 00	1,000
4	46 85	23 15	913 80	50 00	1,000
5	45 69	24 31	889 49	50 00	1,000
6	44 47	25 52	863 96	50 00	1,000
7	43 20	26 80	837 16	50 00	1,000
8	41 86	28 14	809 02	50 00	1,000
9	40 45	29 55	779 47	50 00	1,000
10	38 97	31 03	748 44	50 00	1,000
11	37 42	32 58	715 86	50 00	1,000
12	35 79	34 21	681 66	50 00	1,000
13	34 08	35 92	645 74	50 00	1,000
14	32 29	37 71	608 03	50 00	1,000
15	30 40	39 60	568 43	50 00	1,000
16	28 42	41 58	526 85	50 00	1,000
17	26 34	43 66	483 19	50 00	1,000
18	24 16	45 84	437 35	50 00	1,000
19	21 87	48 13	389 22	50 00	1,000
20	19 46	50 54	338 68	50 00	1,000
21	16 94	53 07	285 61	50 00	1,000
22	14 28	55 22	229 89	50 00	1,000
23	11 50	58 00	171 39	50 00	1,000
24	8 57	61 43	109 96	50 00	1,000
25	5 50	64 50	45 46	50 00	1,000
26	2 27	45 46	...	50 00	1,000
797 73			1,000 00	...	1,300 00
			...	1,300 00	1,000

CO-OPERATIVE EDUCATION

BY DEWAN BAHADUR R. RAMACHANDRA RAO.

It is admitted everywhere that the co-operative movement in the Madras Presidency to-day stands in need of a few urgent remedial measures. The most important thing to do is clearly to put the primary society on a firm basis by teaching it correct methods. And this teaching must be continuous as the panchayats are scattered, are uneducated, have no examples to follow and are frequently changing. It is a gratifying feature, however, to see that Central banks are willing to utilise a large part of the profits in entertaining establishments to inspect societies and unions and in educating panchayats. So in a sense the most difficult factor—the financial—in the policy of education is solved.

My purpose in writing this brief note is, whilst drawing attention to the necessity of appointing a large staff of teachers and the possibility of finding funds for them in the enlightened selfishness of the central banks, to point out how essential that the teachers, *i.e.*, the members of the contemplated establishments, should be themselves thoroughly grounded in correct co-operative work and principles. For the salaries offered, we can recruit even graduates in economics. But the general education is not enough. They should be specially taught co-operation and trained practically.

It is not necessary for me to labour the position, but I consider that it is the duty of the State to find funds for training candidates for the offices referred to. Two kinds of training are obviously indicated—one for supervisors of unions and the second, a higher course, for the new members. Mr. Hood, our new Registrar, is such a friend of the movement and his grasp is such that it will not be necessary to argue him into accepting the importance of the above suggestion. And the Hon'ble Minister for Co-operation knows the villager so well, his needs as well as his imperfections, that this suggestion has only to be advanced to be accepted. And when central banks are prepared to spend thousands, let not Government grudge to spend a few units.

I suggest that two schools be opened, one under the direct management of selected officers of the Department, and the other under the Provincial Co-operative Union the entire cost of which, while it should be quite as much as that incurred on the first school, should be disbursed as a grant by Government. For the contemplated rapid expansion, even two schools are inadequate; and let us test which kind of management turns out better stuff.

Before I close, I wish just to add a warning that unless action is taken and taken immediately on the above lines, the setback in the movement will become so deplorable that it will take years and immense money to pull it back again.

A SCHEME FOR THE ABSORPTION OF THE SURPLUS FUNDS IN THE PROVINCIAL BANK.

BY MR. V. C. RANGASWAMI

(Secretary, The Madras Central Urban Bank Ltd.)

The growth of surpluses in the Madras Central Urban Bank Ltd., has long been a matter of anxious concern to the Executive Committee of the Apex Bank. It may not be out of place to mention here that the large influx of deposits from Local Bodies in Central Banks has contributed in no small measure to the embarrassments of the Provincial Bank. To whatever reasons its present plight may be due, it cannot be supposed that the movement in this presidency has reached the stage when the financial resources of the Provincial Bank have become unwanted. The unexplored field is very wide, both intensively and extensively. The Madras Central Urban Bank Ltd., however, hopes that the present situation is only a temporary phase in the progress of the movement in this presidency.

The Executive Committee has put before Central Banks a scheme for the consolidation of existing societies and starting fresh societies and offers to subsidise Central Banks. The pith of the proposal is that the Provincial Bank will pay to Central Banks a bonus of half per cent. on all loans taken by Central Banks before 30-6-27, provided the aggregate amount borrowed does not fall below 3 lakhs; and the bonus so earned is to be spent entirely on expenses connected with the pushing of the scheme.

With the exception of six banks, all the other twenty-four Banks have replied to the proposals. Most Banks have piously blessed the scheme and passed the matter on to Unions. The exceptions are Srivilliputtur, Chittoor, Malabar, Tanjore, Conjeevaram, Madura and Tinnevely Banks where specific schemes for improvement have been framed by Central Banks to get through the work. These Banks have also appointed special staff.

It is hoped that effective measures will be taken by Central Banks to utilize for the benefit of the movement, the large and growing resources of the Provincial Bank.

BY MR. G. SRINIVASARAGHAVACHARIAR, MADURA.

A scrutiny of answers to the questions received by Mr. A. Srinivasachariar of Srivilliputur in regard to property statements has revealed that, partly on account of the imperfection of the form prescribed and partly on account of the indifference of the panchayatdars and office-bearers, property statements now furnished by rural societies are mostly unreliable, figures given therein being either very rough estimates or mere guesses. It is no doubt true that signatures of members are taken to the statements in token of their accuracy; but this, being only formal, means in most cases nothing. If the property statements are to serve their intended purpose, there is no reason why members themselves cannot be called upon to furnish annually accurate statistics in regard to their assets and liabilities and the societies required to compile their property statements after getting those statistics verified by a knowing member of the Panchayat and, wherever possible, by village officers also. As a matter of fact, a member, wishing to borrow from a Nidhi or a Joint Stock Bank, is required to answer a number of searching questions with regard to his assets and liabilities, and there is absolutely no reason why, after a 24 years' working of the 'Co-operative Societies' Act, a similar procedure may not be insisted on in the case of society members. I append below a form of property statement to be forwarded to societies annually by their members and I commend it for adoption by all rural societies. The filling in of the form annually will be to the interest of the members themselves, as that will give them an opportunity to survey the economic condition—a duty of paramount importance but rarely done—and set people also to seriously think of ways and means of improving it. There should be little or no difficulty in filling in or getting the form filled up, as every ryot gets or can get a patta for his holdings yearly, showing also the kist payable by him. The individual property statements will no doubt be kept confidential by societies in order to respect the feelings of members who may not like the details of their assets and liabilities to be known to the outside public.

No.....NAME OF SOCIETY.....

Property Statement of Member No.....

NOTE.—(To be furnished to society by every member at the time of admission and on the first June of every year).

1. Name of Member.....
 2. Father's name.....
 3. Address.....
 4. Immovable property.....
- (See page 270 for details).

A. Within the area of operations.

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graph TD
    (1) Dry --> Ext1[Extent.]
    (1) Dry --> Val1[Value.]
    Ext1 --> ac1[ac.]
    Ext1 --> cents1[cents.]
    (2) Wet --> Ext2[Extent.]
    (2) Wet --> Val2[Value.]
    Ext2 --> ac2[ac.]
    Ext2 --> cents2[cents.]
    (3) Others --> Ext3[Extent.]
    (3) Others --> Val3[Value.]
    Ext3 --> ac3[ac.]
    Ext3 --> cents3[cents.]
    (4) Total --> Ext4[Extent.]
    (4) Total --> Val4[Value.]
    Ext4 --> ac4[ac.]
    Ext4 --> cent4[cent.]
    (5) Gross Income --> as[as per col. 7]
```

B. Outside the area of operations of the society.

TOTAL.....			
		No.	Value.
5. Movable property.—	(a) Cattle		
	(b) Jewels.		
	(c) Cash transactions.		
	(d) Others.		

6. Loans.—

- (A) On mortgage.
- (B) On promissory note.
- (C) On others.

No.	Principal. Rs.	(C) On others. Interest. Rs.	Total. Rs.	Rate of interest.	If mortgage loans, description, extent, Survey No. and extent of the land mortgaged.
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7. Amount of net income on item 4 after what is required for agricultural expenses Rs..... payment of kist: Rs.....and Household expenses: Rs..... Rs.

8. Do.....on other sources of income—(a) Salaries.
(b) Trade.
(c) Others.

9. Remarks.....
I do hereby affirm that the particulars furnished above are true to my knowledge.

Signature of the member.

Signature of the member.

Date.....
Place.....

Verification certificate of panchayatdars and village officers.
Signatures.

4-A. Within the area of operations.

Taluk.	Village No. & Name (Ryotwari, Zamin or Inam).	Survey No. & Name of the field.	Dry, wet Jari House etc.	Extent,		Amount of average annual gross income on item No. 6.
(1)	(2)	(3)	(4)	Ac.	Cents.	
In item 5, the share enjoyed by the member,						
Extent		Value	Nature of right (whether patta enjoy- ment or mortgage etc.)		(7)	
Ac.	Cents.	(6)				

4-B. Outside the area of operations.

CARDAMOM AND ITS USES.

BY. G. SRINIVASARAGHACHAVACHARIAR,

(Retired Deputy Collector and Assistant Registrar of Co-operative Societies, Madura.)

The following reply has been received from the Director of Industries, Madras, to the enquiries about cardamom and its uses, made on behalf of 'The Cardamom Planters' Co-operative Banks in the Madura District, the origin and history of which are published in the Madras Bulletin of Co-operation for August 1926. While expressing their thanks to the Director, the members of the Cardamom Planters' Co-operative Banks will be obliged to the public for any further information that they may be able to furnish on the subject.

"As regards uses, I understand that, besides their use in chewing pansupari, they are used in cake and condiment manufacture, for flavouring cakes and liquors and as an ingredient in German sausages. They are used also for medical purposes and although the oil distilled from the so-called 'greater cardamom' of Nepal (*ammonium subulatum*) is apparently used in France and United States of America as a carminative and in connection with perfumery, it is the true cardamom (*Ellettaria cardamom*) which is grown in South India and Ceylon which forms the best material for the oil. I understand that the oil derived from the greater cardamom has more the odour of camphor than of cardamom and that it is inferior to the oil derived from the other variety. It is, however, reported that it pays better in India to sell the seed than to distil it and that the best qualities of the seed fetch a good price in the foreign markets, e.g., London, Hamburg and New York. The chief market is said to be London, the brokers in Mincing Lane handling this product in considerable quantities.

Only the inferior quality of the seed, i.e., those that are undersized, dark and half-ripe are ordinarily distilled in India. Mon. J. Prioris,

'Atihur Flower Plantations', Vercaud, who is a grower and distiller of cardamom sells his best seeds and uses only the inferior variety for oil distillation. I understand that he is prepared to purchase large quantities of the seed if offered at a cheap rate. The Essen Flour Products, Mysore, manufacture a superior kind of oil valued at Rs. 75 per lb and this is evidently derived from good seeds. Recent English and Continental quotations for the oil range from 9 sh. 6 d. to 12s. per oz. Messrs. W. J. Bush and Co., Ltd., Ash Grove, Hackney, London E. S, Stevenson & Howell Ltd., Standard Works, Southwark Street, London S.E.1, Polak and Schwarz, Essence Distillers, Zaandam, Holland, Schimmel & Co., Miltitz, near Leipzig, Germany, are some of the principal distillers of the oil. It should not be difficult to find a good demand for pure cardamom oil for pharmaceutical purposes and use in perfumery, food products etc.

As regards the plant required for distillation of the oil which is the only finished product derivable from cardamoms, I should be pleased to suggest an economic still for the purpose if you would furnish me with information as to the quantity of the better variety of the seeds that will be available per season for purposes of distillation. *Prima facie*, Madura would appear to be more suitable for the purpose than Bodinayakanur in view of the better facilities for marketing the product. The approximate yield of the oil from the seed is furnished below:

Ceylon	...	...	2.5 to 6 per cent.
Malabar and Mangalore	...	...	4.5 to 8 per cent.

As regards curing the raw produce for the market, I may state that information on this point was furnished to the Registrar of Co-operative Societies at the close of the year 1924 for communication to the cardamom planters of Bodinayakanur. I am enclosing, however, a copy of the note then furnished, the information in which was partly gathered from persons in the West Coast who have had experience in the line and partly derived from books on the subject.

If you require any further information on the subject, I shall be pleased to furnish the same as far as available."

Note on Cardamon Curing.

When the fruit is gathered about October to December, it is conveyed to drying sheds and left exposed for a few days on mats. They are then detached from the stalks and the desiccation is completed by suspending them in flat baskets over a gentle slow fire. In Coorg, the pods are picked from the stalks previous to drying, which is effected entirely by exposure to the sun. Several markets prefer cardamoms of a pale yellow colour to those of a dingy grey. The grey cardamoms are bleached to this end. This is done by exposing the seeds to the fumes of sulphur in closed receptacles for a short time. The sulphur is burned in a shallow earthen pot, and left burning for an hour or two, the fumes spread about and coming in contact with the seeds bleach them rapidly.

The following method is also adopted by some curers. A large earthenware vessel is filled with water into which pounded soapnut

(Sapindus trifoliatus) and Sikkai (Acacia concinna) in the proportion of 2 lbs of the former to quarter pound of the latter for about 5 gallons of water are placed and well stirred. Another vessel contains a strong solution of common soap in water. 130 lbs of cardamoms can be treated by the above solution of soapnut and sikkai. Small quantities of seeds are thrown into a small pot containing a small amount of the soapnut and soap mixture and a man or woman works up a lather with the seeds. This process is repeated once or twice, the cardamoms well washed with pure water and dried on mats exposed to the sun for 4 or 5 hours. The next operation is to nip off the short stalks, which is done by means of a pair of scissors. The stalks are carefully cut so as not to injure the cardamom itself.

There is also another process, viz., starching, which some curers adopt besides bleaching. The starch is prepared by pounding together rice, wheat and country soap with butter milk. The paste is dissolved in a sufficient quantity of water and the solution sprinkled over the cardamom to be starched as they are being rubbed by the hand.

Some people sell the seeds without the husk but these are said to lose their flavour quickly. Whole seeds are preferred.

**Statement showing Exports of Cardamoms from the
Madras Presidency during the last three years.**

Names of countries of destination.	Quantity. Cwts.			Value. Rs.		
	1923-24.	1924-25.	1925-26.	1923-24.	1924-25.	1925-26.
British Empire.						
1. United Kingdom.	572	579	636	1,62,036	1,64,055	2,03,121
2. Bahrein Islands	12	...	...	2,970	...	...
3. Ceylon	93	3	1	28,785	407	143
4. Straits Settlements (including Labuan)	6	9	5	1,340	3,100	1,291
5. Aden and Dependencies	...	...	7 lbs.	...	...	31
6. Mesopotamia	...	...	10 Cwts.	...	...	3,305
7. Fiji Islands	...	...	50 lbs.	...	...	190
8. Other countries	...	25 lbs.	...	100	100	...
Foreign Countries.						
9. Germany	63	...	...	21,266	...	...
10. Japan	...	...	1 Cwt.	...	...	560
11. Sweden	...	...	50	...	...	16,398
12. Egypt	7	...	...	2,240	...	...
13. United States of America, the Atlantic Coast...	...	40 Cwts.	15	...	20,250	7,000
14. Denmark	...	...	10	...	...	2,240
15. Muscat Territory and Frucoal Oman	...	...	2	...	...	500
16. Other countries...	4	1	...	920	480	...

Names of Exporters.

1. Messrs. Pierce Leslie & Co., Ltd., Calicut.
2. Mr. Damodar Manji, Calicut.
3. The Ganga Commercial Agency India Ltd., Calicut.
4. Mr. Hajee Syed Ahined Bagdade, Calicut.
5. Mr. Syed Sadak Bagdade, Calicut.
6. E & S. Co-operative Wholesale Society Ltd., Calicut.

1. Messrs: Harrison & Crosfield Ltd., Tuticorin.
2. Mr. A. R. S. Thirumeninatha Nadar, Tuticorin.
3. " M. S. Shanmuga Nadar, Tuticorin.
4. " M. S. S. Sankaralingam Pillai, Tuticorin.

1. Messrs: Binny & Co., (Madras) Ltd., Armenian Street, Madras.
2. Messrs: Volkart Bros., Mangalore.

THE MADRAS PROVINCIAL CO-OPERATIVE UNION, LTD.

(Extracts from Proceedings)

Governing Body Meeting (9-1-1927.)

- I. Resolved that Unions in Tamil Districts be supplied with English copies of the Bulletin at a concession rate of Rs. 2.
- II. Resolved that copies of all publications of the Provincial Co-operative Union be supplied free of cost to affiliated institutions paying Rs. 25 annually.

- IV. Resolved that certificates of affiliation be printed and supplied to affiliated institutions.

VI. Read Registrar's letter No. 1444-26, dated 27th Decembr '26 communicating the reply of the Director of Agriculture, regarding Resolution No. III-C of the XIV Madras Provincial Co-operative Conference to the effect that the Agricultural Department be addressed to arrange for every demonstrator doing intensive work in at least one Union area within his jurisdiction.

Resolution: The Director's reply will be published in the Press and the Co-operative Bulletin.

Advisory Body Meeting (9-1-1927).

27 members were present. The Hon'ble Mr. V. Ramadas, President of the Provincial Co-operative Union, occupied the Chair.

The Chairman, before proceeding with the business of the meeting, briefly explained the action taken so far on the resolutions passed at the last Provincial Co-operative Conference.

Resolutions.

I. This meeting of the Advisory Body of the Madras Provincial Co-operative Union, Ltd. conveys its heartiest congratulations to the Hon'ble Mr. A. Ranganadha Mudaliyar, B.A.B.L., formerly Vice-President of this Union, on his appointment as the Minister for Development.

II. The Advisory Body offers its hearty congratulations to our brother co-operators namely, Messrs. S. Kumaraswamy Reddiyar, M.R. Seturathnam Iyer, R. Srinivasa Iyengar, A. Seetharama Reddiyar, T. Adinarayana Chettiyar, C. V. Venkataramana Iyengar, A. Parasurama Rau, A. Ranganadha Mudaliyar and Bikkanna Venkataratnam who have succeeded in the recent elections to the Legislative Council, Madras.

III. Resolved that the XV Madras Provincial Co-operative Conference be held at Madura on the 16th 17th and 18th of April, 1927.

IV. Resolved that the following gentlemen be invited in the order named below to preside over the Conference. :—

1. Sir Lallubhai Samaldas
2. Dewan Bahadur R. Ramachandra Rau
3. Sir T. Desikachariar

V. Resolved that M.R. Ry Rao Sahab N. Ramaswamy Iyer, President of the Madura-Ramnad Central Co-operative Bank be the Chairman of the Reception Committee of the Conference.

VI. Resolved that a Committee be appointed consisting of the Hon'ble Mr. V. Ramadas, and Messrs K. G. Sivaswamy, N. Satyanarayana, T. Srinivasa Rau and A. Vedachala Iyer to report on the changes if any which are called for in the constitution of the P. C. U. and on the draft rules for the conduct of the Provincial Co-operative Conference.

VII. Resolved that a Sub-Committee consisting of the following gentlemen be appointed to deal with all matters connected with the holding of the conference and exhibitions, etc.

Messrs. Rao Sahab N. Ramaswamy Iyer,
K. Venkaswamy Rau,
G. Srinivasaraghavachariar,
T. Adinarayana Chettiyar,
K. R. Venkatarama Iyer,
T. C. Srinivasa Iyengar, and
The Hon'ble T. R. Venkatarama Sastriar

VIII. The following gentlemen be elected as representatives of the P. C. U. to the following institutions:—

M. C. U. B. —Mr. K. G. Sivaswamy
C. C. P. Works—Mr. V. Venkatasubbayya
T. U. C. S.—Mr. G. Srinivasaraghavachariar
Sadananda Printing Works—Mr. V. Krishna Menon

IX. Resolved that a list of candidates who have undergone training in the Advanced Co-operative Training Class conducted from October '26 to January '27 be published in the Bulletin.

X. Resolved that certain resolutions proposed by Mr. K. G. Sivaswamy Ayyar be considered at the ensuing Provincial Co-operative Conference.

V. RAMADAS,
President.

THE MADRAS PROVINCIAL CO-OPERATIVE UNION Ltd., Circular No. 1 Dated 20th Dec, '26. to all Dt. Federations.

With reference to the correspondence between the Provincial Co-operative Union and the Registrar in regard to the place of the Deputy Registrars in the Co-operative Movement, the Registrar has informed the Provincial Union in his letter Dis. B. 3657 of '25 dated 23-4-26 that as far as possible the Dt. Federations will be consulted by the Deputy Registrars in regard to non-credit activities.

Circular, No. 2 dated 8-2-27.

District Federations and District Councils are informed that with reference to a resolution passed at the last Madras Provincial Co-operative Conference to the effect that the Agricultural Department be addressed to arrange for every Demonstrator doing intensive work in at least one union area within his jurisdiction, the Director of Agriculture has sent the following reply to the Registrar.

"I am at all times ready to work in close touch with your Department, and my Agricultural Demonstrators are at the disposal of the union as far as my limited staff will allow and having due regard to the fact that they have other work to do.

"I would point out that any work of the nature proposed in the resolution must depend for its success on the amount of attention the Unions themselves are prepared to give to it, and on the degree in which they are prepared to co-operate with the officers of my Department. It is obvious that the latter cannot be expected to do all the work in such cases. Wherever we have had success, it is because the individual members of the co-operative societies have been willing to take their fair share in the work.

"Before I can make any particular plans for work such as is asked for in the Resolution, I should be glad to have from you a list showing which of the Union Secretaries are prepared to spend, say, a week of his time in each month to devote to intensive work in conjunction with one of my officers, travelling about with him and taking his share in the work. I shall then be in a position to let you know in how far I can meet you with staff at my disposal."

2. The Registrar desires that the information required in the concluding portion of the Director's letter be furnished at an early date. All District Federations and Councils are requested in consultation with the Unions to comply with this requisition as early as possible.

3. The action taken in this respect may be kindly communicated to the Provincial Co-operative Union.

T. SRINIVASA RAU,
Joint Secretary.

To All District Federations and Councils of supervision,
Copy to all Local Unions,
Copy to the Registrar of C. S. Madras.

Circular No 3 dated 8-2-'27.

In pursuance of resolution No. I. passed at a meeting of the Governing Body of the Madras Provincial Co-operative Union, Ltd., held on the 9th instant, all local unions in the Tamil districts affiliated to this Union are informed that they are entitled to get a free supply of only the Tamil Bulletin. In case they require the English Bulletin also, the same will be supplied to them at a concession rate of Rs. 2 per annum. This will take effect from the commencement of the next co-operative year.

T. SRINIVASA RAU,
Joint Secretary.

To all affiliated local unions in Tamil districts.

Circular No 4 dated 8-2-'27.

In pursuance of Resolution No. II passed at a meeting of the Governing Body of the Madras Provincial Co-operative Union, Ltd., held on the 9th instant, all affiliated institutions paying a contribution of Rs. 25 annually are informed that copies of all publications of this Union will be supplied to them free of cost.

T. SRINIVASA RAU,
Joint Secretary.

To all affiliated institutions paying a contribution of Rs. 25 annually.

RECENT NEWS.

A meeting of the Board of Directors of the Chittoor District Central Bank was held on 21st November 1926. Resolutions were passed emphasising the need for early resuscitation of bad and indifferent societies for which a special staff of two Inspectors was sanctioned for one year, stating that an Administrative Section be formed at once for the above work, requesting the Department to supply the Bank with copies of auditor's reports on the working of societies and the Registrar to grant a subsidy of at least Rs. 1,000 for the holding of training classes for panchayatdars of rural societies, union governing body members and supervisors at various union centres. Rao Sahib T. Srinivasa Rao, Vice-President of the Bank, was placed in charge of the Administrative Section and empowered to carry on the work of that section direct,

subject to the general direction and control of the Executive Committee of the Bank.

A student's association for rural reconstruction work has been formed in Madras. A preliminary meeting of all those interested in the cause met in the Y. M. C. A. on 27th November 1926. A constitution was then drafted which has since come into force. The association supplied every member going home for Xmas with a questionnaire on rural conditions. The materials gathered by the members was, it is understood, to be considered at a meeting of the Association on 16-1-1927, and decisions made regarding further action.

Rao Bahadur Dr. Gopalenandra Chatterjee, founder of the Central Co-operative Anti-malarial Societies, Bengal, giving evidence before the Royal Commission on agriculture on the 3rd ultimo said that great improvements in agriculture were possible by the use of agricultural implements and that the agriculturists of this country would take to the use of implements if they were shown that they would be benefited by using them. He opined that there were no facilities to give this knowledge to the ryot and that a central society on the lines of the Anti-malarial Central Society would go a long way to improve matters.

The Co-operative Societies in Rajshahi Division met in Conference at Naogaon on 13th December 1926 under the Presidency of the Nawab of Dacca. The Hon'ble Nawab Syed Nawab Ali Chaudhri, Member of Bengal Legislative Council, opened the Conference. In doing so, he observed that the co-operative movement was an achievement of the 19th century; and that it was equally an achievement of the administration of Lord Curzon to have introduced this movement into this country. Co-operation, he said, was "not only a most effective medium for the dissemination of the results of agricultural experiments and research and popularisation of agricultural improvements, but was also the best agency available for assisting cultivators to improve their agriculture." He hoped that the co-operative movement would serve as the training ground for the civic virtues of the people.

The President, in his address, sounded a note of warning against co-operative societies resorting to politics.

Under the auspices of the Tinnevely Bridge Co-operative Society, Dewan Bahadur R. Ramachandra Rao delivered an instructive public lecture on the "Value of Co-operation" on 15th December 1926, with Mr. A. M. C. Tampoe, I. C. S. Collector of Tinnevely, in the chair. The meeting was held at the Das Maidan, Pudugramam, in Tinnevely Bridge.

He also addressed a meeting of the Board of Directors of the Tinnevely District Co-operative Banking Union on the same day when,

Mr. Oaten, Director of Public Instruction, Bengal, giving evidence before the Royal Commission on Agriculture on the 5th instant laid stress on the importance of primary education in rural areas and said that 'the inadequacy of rural primary education had been detrimental to agriculture as also to other rural activities' in Bengal. His observation that the expansion and improvements of primary education in rural areas with the curriculum kept related to the lives of boys would result in a rise in the ability and culture of the agriculturists without detriment to their practical life afterwards applies not only to Bengal but to the whole of India.

An agricultural exhibition was organised at Dacca in connection with the visit of the Royal Agricultural Commission. Mr. Nawab Ali Chaudhury in his opening speech observed that 'as a result of the Commission's labours, valuable suggestions of far-reaching character were expected which, when adopted, would result in greatly improving the most important industry in this country, adopting its methods to modern conditions and ideas, increasing the out-put and thus considerably changing the face of the countryside for the better.'

In reply to an address presented by the Co-operative Union at Adoni, the Hon'ble Mr. A. Ranganadha Mudaliar observed with reference to the request of the co-operators for provision to be made for their representation on the Local Boards and Municipal Councils that 'they had not bettered either the work of the Boards and Councils of the co-operative movement' and deprecated 'the craze for honorary offices in people who did not realize the responsibilities and duties attached to them.'—(*The Hindu*, 8th January).

The annual General Body meeting of the Madura City Co-operative Stores was held on the 8th instant. The annual administration report for the year 1925-26 which was unanimously passed showed that though there was a slightly all round increase in membership, shares and reserve fund, the purchases made by members had decreased while those of non-members had increased. The net profit of the stores during the year amounted to Rs. 4136 and odd against Rs. 1242 and odd of the previous year.

The Advanced Co-operative Training Class, Madras. This class conducted by the Madras Provincial Co-operative Union for three months from October last was the second of its kind and closed up by the 11th inst. An examination was held between the 9th and 11th inst. 20 students sat up for it and we are glad to state that all of them came out successful. Four of them got a I class, five were placed in the II class while the rest were declared to have passed in the III class.

NOTES AND NEWS.

WHAT IS WRONG WITH THE MOVEMENT.

II

The absorption of the surpluses in the existing rural societies is a work which by its very nature throws out a number of problems demanding immediate solution. The problem is bound up in the first place with educating the honorary workers in the movement who have no larger ideals of a co-operative credit society. So long as the society has not been conceived as a rural organisation for satisfying all the credit needs of all the members at all times, the existing credit societies degenerate into petty banks run by a few people who utilise them on odd occasions as a supplementary agency to the existing money-lending agencies. The ignorance of the ordinary member entails a larger duty on the Panchayat to enquire his needs and satisfy them, which is hard to expect at present. The community of caste, relationship, sect and subject prevents the spreading out of the society into the lives of the whole village folk. Absence of trust coupled with unlimited liability narrow the scope of work of the society to the known few. The old world ideas of lending on the security of property rule out expansion of transactions to the earning but landless members in the village. Economic conditions as the existence of a landlord and tenant class do not facilitate the growth of transactions among them. The growing agricultural classes who need credit and are anxious to improve themselves are unable to conduct the Panchayat, and the Village Schoolmaster, the karnam or the agent of the landlord becomes easily the Secretary entrusted with the sacred responsibility of spreading out this grand movement to the poor and the needy. Amidst these natural difficulties, are the hardbound and wooden rules and regulations which cramp the growth of the society. No remuneration to the Village Secretary except on the basis of net profits. As if clerical work has to be undertaken only in profit societies! The reverse is the fact.

The work is pioneering work. The Secretary has to educate the member that the society is his bank. That education alone will solve all those knotty questions of non-repayment of loans, penal interest becoming normal interest, reloaning, retainment of cash balance, misappropriations, locking up of money in the panchayat and the like. The

• The first Editorial article under this heading appeared in the issue for October '26.

remedy lies not in the use of the rod, not in threats of prosecution, arbitration, decrees, and auction but in making the member realise that he is injuring the lender in himself by his promise to repay when he could not, and slackness to repay when he could. The appeal should be to the moral element in him, to the civic instincts in him, and thus the pressure of the disciplined organised group of co-operators in the village should be introduced in the place of these unco-operative methods, methods which, while reproducing that of the money-lender, fail to render even his little beneficent services.

If amidst these depressing circumstances, you have been able to create some life in the village, some larger sense to work the society for the benefit of all the villagers, the difficulties outside make the work more difficult. The Local Union has to recommend the loan. Sometimes it has been formed under pressure with a view to reduce non-union societies, or sometimes to suit the convenience of a stray interested co-operator in an area. Neither geography, nor compactness, nor community of interest of the members of the area, nor the enthusiasm of the educated classes in towns for co-operative work, nor the hard and earnest work of a supervisor cements this body. It hangs loose, the educated classes bossing and dictating without sympathy, perhaps unconsciously, as is very often the case when the non-official invested with power becomes a worse bureaucrat than the paid official. The order goes round to quicken collections and a second edition of it is issued from the union, the same is repeated by the panchayat through registered notices and the whole affair degenerates into a collection season. If it is for stimulating loans, the story is repeated. All paper government, no human touch and the member fears this army of dictations and rules and conceives his society as a new engine of oppression.

Now you increase the maximum borrowing power of the society, you anyhow put life into the panchayat but the union refuses to move. It fears to understand and sympathise with the troubles and tribulations of the needy ryot. It shudders at an increase of transactions as it may lead to difficulties in collections, which as explained above are done by an appeal to forces which awake more the brute rather the man in man, and take the member farther and farther away from the society. Such a method will only deter a growth in transactions for it will be courting a trouble of collections. The union has not broadly conceived its duty. It again must show its power. Added to these difficulties arising out of a want of co-operative outlook, are those which crop up owing to haphazard formation of unions. Distance may prevent the quick recommendation of loans. Want of community of interest, or in its place the spirit to serve, bars the easy obtainment of a quorum for the meeting. Want of

knowledge of local needs takes away the understanding sympathy in dealing with the loan. Even where all these features are present, where a union secretary is sympathetic, visits societies, and thirsts to serve them briskly, amanuensis may be wanting. No clerk to expedite correspondence and no able supervisor to coach up societies in preparing loan applications in the proper form! No funds in the union for its proper conduct excepting some decent contributions from one or two good societies which may sometimes happen to be an urban bank or a store and therefore are taxed for the benefit of other societies excepting themselves! Or funds may be overflowing, but no proper control over the supervisor! Or control may be alright but the supervisor may be one who has been declared eligible for the post for copying a few audit statements or helping an inspector in some additions or multiplications of interest products! Imagine under these circumstances the delay that will occur in the recommendation of loans and, the society however much it wants to live, despairs, for the local member laughs at a panchayat which calls for those who need loans but fails to supply them with the loans required.

Granted everything is alright—a sympathetic governing body, an able supervisor who keeps alive the vigilance and the enthusiasm of the member in the society, a clerk to put up papers who makes himself felt by his prompt despatch of replies, and a society panchayat alive to its interests—even then the atmosphere may be wanting. This atmosphere is given by the officer and his subordinates who take their cue from the former. If societies are to be tested and tried before transactions are expanded, the limit of loans is made small and the maximum borrowing power ridiculous for the village. The better and the more needy are repelled from joining, in the suffocated atmosphere you are asked to take less when you want more, and you cannot use it for the intended purpose. *Benami* should be followed to satisfy the requirements of the more needy. If you resolve to increase the maximum borrowing power, you are asked to exhaust the old maximum borrowing power which is too high for small folk and too small for big folk. The latter do not require it and for the former the panchayat does not feel confident to lend more when their requirements are less. Finally you are branded as inefficient. Again, one officer says short term loans, another long term, a third loans on the pledge of produce and the bugle call is repeated, the poor member is confounded, verily he cries out 'Sir, please make some arrangement by which your advice will be uniform and understandable.' Safety guides an officer, and at once the union and the District Bank see whether each member has one-eighth of the net assets—What a fall! The non-propertied man is

nowhere—Loans on net assets of each member and not on his repaying capacity! No greater fall to the movement and no greater tragedy than this!

Well, the atmosphere is alright, traditions and conventions established in a district, let us grant, are sound and broad, let us also grant that the union understands that it cannot interfere with the discretion of the panchayat in the case of individual loans and it can only see to the sound working of the society, and that the loan application or the by-law amendment passes through the portals of the union. Does it have fair chances of sanction or are there any more obstacles on the way?

The society, in the first place should know how to draft an amendment, and secondly, the union must have the common sense to understand that it can only reject or recommend amendments but not alter them. It should also understand that it cannot reduce loans in the case of individual members but only recommend or not, a loan. The amendment reaches the Assistant Registrar. He is in a fix. He has at least 500 societies to audit and is very often visited with a number of surprises like the Police Inspector, with misappropriations at one place, factions at another and so on. A few bad societies have to be revived, a few enquired under Sec. 35, a few to be closed and a few are in the process of liquidation. And when amendments go, he is somewhere in camp. And to increase our difficulties, he is asked to send up the amendments for registration to the Deputy Registrar who under the new dispensation has been removed from the field of credit to non-credit. A cumbersome procedure! An ordinary Assistant Registrar will depend on his clerk to send up the amendments, an extraordinary Assistant Registrar will conscientiously do the business. And with what materials is he to judge whether a society should be permitted to expand? He cannot have personal touch with all and sundry societies. He ransacks the audit order, perhaps a little aged. No latest report of the society is available. He cannot understand whether this new benefit of increased maximum borrowing power, will be extended to all the members, for the loan applications do not pass through him as of old. Perhaps by the time he judges of the maximum borrowing power of the society, a new Panchayat has come into being of which he has no knowledge, overdues have increased, cash balance is retained, and the new maximum borrowing power is asked to feather the nests of a few! Who knows? The Assistant Registrar must have a full knowledge of the working of the society—He calls on his head clerk to put up papers—Good Heavens! old files, the establishment of four shudders, trembles in their shoes, 'all papers bundled in one heap! A vigorous

search, the Assistant Registrar cries out no training for these fellows in indexing and filing, well the thing must be gone through. After all, Co-operative Department, a reluctant tail hanging by the coat of the Government! Who cares? Papers pending innumerable and, breathless, he sends the amendment to his officer for disposal. Well the same story is repeated, meanwhile the society which sent its amendment for registration loses all enthusiasm for the work, and is it not a matter for surprise that so many societies are still living and doing some transactions under such difficulties?

What became of the loan to the Central Bank? That institution—oh! it is pathetic to think of it—was once opening its coffers to the societies according to the dictates of the officer—now, of course according to the dictates of the union. It does not know its clients. The supervisor has his ultimate superior in the union, the inspector in the officer. The audit reports the Bank receives are belated. And its staff is not trained for the great task of financing rural agriculture and industries started on the organised basis of co-operation. It is nervous—it has no means of knowing what is done with the money it distributes, whether loans are issued liberally to all on the basis of repaying capacity, spent on the concerned purposes and repaid on the proper dates. What then? Apply checks and counterchecks through the loan application form! Call for the list of individuals to whom the loans are to be issued, call for fuller details as regards net assets of members, repaying capacity, dates of repayment and dates of harvest! Call also for a fuller property statement, S. No., L. No., value of land classified according to tarans, crop, yield, income from supplementary occupations, number of persons in the family. The older statement has to be read in the general body and signed by each member. The richer classes may not like it as it exposes their assets to the public gaze. Then call for individual property statements signed and testified by each member. Even this is not enough. A list of those who require loans may go to the Central Bank. But the panchayat may distribute the loans among themselves. Then detain applications from individual members to be filed in the Central Bank. Paper government to the finish! And this is followed up by a reduction of the loan in individual cases in some banks because the member has not got $\frac{1}{8}$ net assets. Is the society after all an agent of the Central Bank or an independent institution run by the borrowers themselves?

In the midst of these institutions is the district federation without men and money, and without power to influence the institutions for good. It again follows the old order, circulars, orders, instructions from the head office. It is to educate unions but it has no men, paid or un-

paid, of commanding position to do the work. It is to propagate co-operation, at best this ends with vigorous work during the collection season. It is to organise training classes, only those who know something of co-operation will attend them but not the ordinary member of the village. It is to control the supervisory staff, the latter may control it. It is to train supervisors, at best it is training for the collection season.

What then is the remedy? The coming Provincial Conference will be doing its duty only if it sets the movement on the right royal road towards the achievement of true co-operation. The Conference should first understand the guiding principles in propagating this movement. The one is that arrangements should be perfect for sound propaganda on co-operative lines in rural areas and the appointment of a trained staff in Central Banks and Local Unions for the same work. The second is that sufficient provision should be made among the non-official agencies for the exercise of due control by the top institutions over the bottom ones. Village secretaries, union clerks (called as supervisors, generally speaking, by mistake), a new set of supervisors and the staff of the Central Banks should be trained, examined and certified for the work. It should also be remembered that as the practice of co-operative banking rests on a civic and moral outlook of the members, sound, large and efficient propaganda is absolutely necessary. Governmental staff subject to rigid rules, transfers and changes of office is hardly suited for this purpose. Patriotic non-officials can be found to undertake this task while the common man leading an unsophisticated life in the village needs only a little guidance to bloom into a genuine co-operator. Connect these two through existing organisations or otherwise to leaven rural life. We would request our co-operators to think over these problems and come to sound conclusions.

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We invite the attention of official and non-official co-operators to an article published elsewhere in this number by M.R.Ry. Dewan Bahadur R. Ramachandra Rao, Avl., C.S.L., on the subject of Co-operative Education.

* * *

The Royal Commission on Agriculture has come and gone. A number of witnesses, officials and non-officials, were examined between 12th and 25th November. Almost all problems in relation to agriculture and the ryot, of course excluding those connected with land revenue and land tenure, were discussed by the Commission with the witnesses. We are aware that the arrangements were not so efficient as to obtain

The Royal Commission on Agriculture.

the evidence of the best official and non-official witnesses whose views would have been immensely valuable to the Commission. Rao Bahadur N. Gopalasami Iyengar, Registrar-General of Panchayats, would have given useful evidence to the Commission on the administration of local institutions if he had only been requested to do so. Rao Bahadur V.T. Krishnamachariar, who had served both in zamindari and ryotwari areas would have immensely helped the Commission with the knowledge of the economic condition of the ryots. Among the non-official witnesses, Rao Bahadurs A. Vedachala Iyer and M. K. Venkatachariar, both retired Joint Registrars, would have helped the Commission largely with their experience and knowledge. Rao Bahadur C. S. Subramaniam of Bellary, Mr. S. Muthia Mudaliar, Mr. R. Srinivasa Iyengar and a host of other useful witnesses have not been invited to tender evidence before the Commission. We are unable to understand the reasons for the hasty arrangements. The official evidence has shown one thing and that is the need for the amalgamation of the activities of the departments which have something to do with the ryot population in this country. Non-official evidence has shown the need for expert assistance to the cultivator. Pressure of space forbids us from analysing fully the evidence tendered before the Commission. We are issuing shortly as a separate handbook the official and the non-official evidence tendered in Madras. Two witnesses were examined about the Co-operative movement in the Presidency. The Registrar and the Joint Registrar gave joint evidence and explained the achievement of the Co-operative Department. The Hon'ble Mr. V. Ramadas and Mr. K. G. Sivaswamy gave joint evidence on behalf of the Madras Provincial Co-operative Union about the possibilities of the co-operative movement for the advancement of the ryot. We were told that the Commission might recommend the formation of Agricultural State Banks for the reduction of indebtedness and for an increase in the State staff for the education of members of co-operative societies. But our representatives have made it very clear both in their memorandum and oral examination that financing banks alone are the fittest agencies for raising long term loans and that a State Bank would only become another edition of the present system of Takkavi and Land Improvement Loans, and that the Government agency would be more costly in administration and fail to achieve the object of self-help. They have also made it clear that whenever propaganda of any new idea, organisation of men for joint effort, assistance for the administrative work of local institutions, and supervision for them has to be undertaken, the non-official agency is the best suited for the work. They have also urged the need for amalgamating the propaganda side of the Agricultural and Industrial Departments with the Co-operative, and for broadening the constitution

of supervisory and propaganda bodies with a view to associate largely the educated classes in the area. Undertaking of non-credit work through Central Banks, supply of experts by the State for banking and trading, State loans at low rate of interest for purchase of plant, machinery and building of godowns and prevention of export of manures were the important reforms suggested by our representatives. Pressure of space again forbids us from dealing with various questions in the memorandum which will be published with the other official and non-official evidence.

* * *

We have received a copy of G. O. 1473 dated 13-10-26 reviewing the financial statements of Central Banks for the quarter ending June 1926. The Registrar deals with the proportion maintained in several Central Banks of owned capital to liabilities and states how the shortcomings have been or will be soon remedied.

There is one passage in the Registrar's report to which pointed attention of co-operators in general and Central Banks in particular may be invited. With reference to the explanation of a Central Bank for exceeding its borrowing limit that the excess was the inevitable result of past transactions, as no fresh deposits had been received for the last eight months except Abkari, District Board, and Municipal security deposits, the Registrar points out to the Bank "that it is not compelled to receive these deposits and *that rates of interest on all kinds of deposits should be kept very low in order to restrict the flow of deposits to the amount required*". We invite attention to the words in italics.

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