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Rao Bahadur K. DEIVASIKHAMANI MUDALIAR,
Registrar of Co-operative Societies, Madras.

THE

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Editorial Notes.

The Madras Co-operative Central Land Mortgage Bank, Ltd.

I

The Annual Report of the Board of Directors of the Madras Co-operative Central Land Mortgage Bank for the year ending 30th June 1933, which was presented to the Shareholders of the Bank is a document of great interest to all lovers of Co-operation in our Province. It shows the steady progress that the Land Mortgage Banks are making in our Presidency. Twenty new Primary Banks were registered during the year and owing to fluctuations in the money market, the Central Bank was able to reduce the rate of interest upon Debentures from 6½% to 5%. The Report also states how Local Boards and Municipalities have been permitted to invest a part of their funds in 20 years Debentures and how Central Banks and the Provincial Co-operative Bank have also been permitted to invest a portion of their Reserve Fund in the said Debentures.

After some discussion, the Directors decided to continue the safer policy of redeeming Debentures with the Principal collected instead of re-loaning it.

One interesting investigation which they carried out, deserves to be widely known. It is well-known that Primary Societies have been lending so-called short-term loans which eventually turn out to be long-term loans and with a view to convert these into regular long-term loans, the Central Land Mortgage Bank conducted investigation in three typical areas Godavari, Tanjore and Bellary and the results are somewhat disappointing.

DISTRICT.	GODAVARI.	TANJORE.	BELLARY.
	Rs.	Rs.	Rs.
(1) Loan Investigated...	8,42,189	2,36,406	63,458
(2) Loan recommended for transfer as longterm with the Land Mortgage Bank ...	1,32,268	19,413	500
(3) Percentage of 3 to 2	15·7	8·2	·8

We are glad to note that out of a demand for principal and interest amounting to over Rs. 2,00,000 only a paltry sum of Rs. 200 and odd was left over uncollected. This is a very good record and if this state of affairs continues, the Land Mortgage Bank will win more and more of public confidence.

II

On the 7th and 8th of October 1933, there was held a meeting of the General Body of the Co-operative Central Land Mortgage Bank and a Conference of the representatives of Primary Banks and the Directors of the Central Land Mortgage Bank. The Hon'ble Mr. P. T. Rajan opened the proceedings of the Conference and Dewan Bahadur M. Ramachandra Rao, the President of the Bank made a speech welcoming the Minister to which the Minister made a suitable reply.

Dewan Bahadur M. Ramachandra Rao, laid stress upon the importance of such a Conference between the representatives of Primaries and the Central Land Mortgage Bank and was glad to note that the Madras Government was trying to put on the Statute Book a special legislation regarding the Land Mortgage Banks and pleaded as he had done before on ever so many occasions to have the Debentures declared, as Trustee Securities. "The success of a Land Mortgage Bank depends on the creation of bonds passing into the general system of Securities in the country and realisable at any time in the general market. Until they are recognised as Trustee Securities, the Debentures will not be as readily negotiable as it is desirable."

He informed the audience that the Debentures issued by the Central Land Mortgage Bank were popular and they could have issued more but for the inadequacy of the Field Staff which prevented them from investigating and effecting mortgages which form a limit to the issue of Debentures. He pleaded for the employment of more staff by the Government and for a guarantee that they will be allowed to have at least five years of continuous service in the Bank. While recognising the justice of the statement that the Central Land Mortgage Bank should employ its own field staff, Dewan Bahadur M. Ramachandra Rao, pointed out by quoting the examples from England and the United States how the Land Mortgage Bank Federations could not be self-supporting in their earlier stages and how they have to depend upon generous help given to them by the State. He also, pleaded for exemption from Registration Fee and Audit Fees for the Land Mortgage Banks.

III

The Hon'ble the Minister in replying to the address, traced the history of the Land Mortgage Banks from 1925 when four Primary Banks were started, through the further stages of recommendation by the Townsend Committee and the Agricultural Commission for the formation of Central Land Mortgage Bank to its actual starting in 1929. He also in a way assured the help asked for the President of the Bank in the matter of Field Staff and their continuance for five years. Exemption from Registration Fee, he said, has been given for the first three years and if the Government feel there is a need for the continuance of the same, he assured them that exemption would be extended. Audit Fee was entirely a matter within the discretion of the Registrar and he being on the Directorate, will do the needful. The Hon'ble Minister made some practical suggestions for the better working of the Bank. He was of opinion that Primaries do not do intensive work in their areas and sufficiently increase their transactions and that is the reason why 36 out of 60 worked at a loss. He hoped that the Land Mortgage Banks would play their important part in the matter of Debt Conciliation work which would be brought into existence if Rao Bahadur T. A. Ramalingam Chettiar's bill is passed. He also suggested that investigation regarding the value of lands etc., should be done by members of the Bank. He sounded a note of warning about overdues and said if this unpleasant feature be not nipped in the bud, investor's confidence will be shaken and Debentures could not be floated as easily as at present. He also suggested that there should be periodic valuations of properties mortgaged and if at any time the security be found insufficient, the borrower should be asked to furnish more. Lastly, he appealed to the Members assembled not to introduce parochial politics but to keep co-operation above all minor differences.

IV

In his address to the representatives of Primary Land Mortgage Banks, Dewan Bahadur M. Ramachandra Rao laid emphasis on the following points. First, he congratulated the Primaries on their prompt payment of instalments due to the Central Bank and exhorted them to keep up this good tradition, in spite of the bad reputation they have of being too strict; otherwise he warned them that the fate of the Land Mortgage Bank system in Punjab will over-take us. He then detailed the very unsatisfactory state of affairs in the Punjab owing to the fact that when loans were sanctioned, properties were valued and repaying capacities were estimated at a very much higher rate than warranted by the present state of affairs. Whereas in this

Province, fortunately for us most of the Primary Banks were started after the depression began. He also pointed out that dues by Individual members to Primaries were not much and that necessary action has been taken in all such cases. Then he went on to state how the Registrar has been addressed to modify the By-law No 49 and give to the Directors some discretion in the matter of granting extensions in deserving cases. The subject of starting branches of the Central Bank, and locating Branch Boards in mofussil centres, instead of starting independent Primary Banks, a matter on which Mr. Ganapathi Iyer had contributed an article to this journal and Mr. Vedachala Iyer's desire to see the Directorate of Primary Banks kept absolutely independent and not subject to the vagaries of election were adverted to. He also referred to the need of getting titles of properties thoroughly examined by competent Legal Practitioners and said that parties might be asked to pay for such technical service. Lastly, he adverted to the need for co-ordinating Land Mortgage Loans with Insurance, a subject, which has been engaging his attention for some time past.

The resolutions passed at the Conference were, however, confined almost to the points dealt with by the President in his speech welcoming Hon'ble the Minister. Some of the points mentioned by him in his opening address, perhaps, have been reserved for a fuller consideration at a later meeting.

A Commendable Measure.

The task of reducing the expenditure in the Central Bank management has been engaging the attention of officials and non-officials alike and the present Registrar has been advising all Central Banks to reduce the size of the Board of Management. In conformity with his advice some of the Central Banks in our Province, the Co-operative Central Bank at Conjeevaram in Chingleput District, North Arcot District Co-operative Central Bank Vellore and South Arcot District Co-operative Central Bank have reduced the strength of their Boards of Management. It is well-known that according to the present constitution each union affiliated to the

District Bank sends a Member to the Board of Directors and in those districts where we have a large number of unions the number used to be large making the Board an unwieldy body of over 30 or 40 members. The North Arcot District Co-operative Central Bank at its meeting held on the 15th October passed a resolution reducing the size of its Board of Management to 16 which is half of its present strength. Of these 5 are to be representatives of individual shareholders and 11 of societies shareholders, but both these are to be elected at a General Body meeting.

Making provision every year against bad debts, starting of an Executive Section in every Bank with adequate field staff to inspect the affairs of the constituent societies are some of the steps already taken to improve matters and this step of effective retrenchment will enable Central Banks to function economically and efficiently. This is only a first step and this principle of reducing the number has to be carried to its legitimate conclusion in the Governing Body of Unions also. These bodies are somewhat unwieldy and costly and money which ought to be available for efficient supervision and educational propaganda is being frittered away in travelling allowance. We hope similar reduction in the strength of the management will be effected in all district banks that have at present unwieldy Boards of Management.

A Successful Co-operative Store in Bombay.

Our attention has been drawn to the fact that a certain article on Consumers' Co-operation in India which appeared in our Journal has not done justice to a very flourishing Co-operative Store working successfully in Bombay and that is the Guzarathi Stri Sahakara Bandar, that is the Co-operative Stores run by Guzarathi Ladies. The report for the year ending 31-3-33 shows that the Institution has been doing good work, that Membership has increased from 283 of the previous year to 322, that Share Capital has also increased from Rs. 7,440 to Rs. 7,990 and the sales of the Swadeshi articles stocked in the stores has also increased from

Rs. 40,000 and odd to over Rs. 60,000. The Society is giving a rebate of quarter anna for every Rupee worth of article purchased and it is run entirely by Guzarathi Ladies in the City of Bombay—all of them belonging to high and respectable families. The articles stocked are all Indian made and customers are pleased with the quality of articles supplied. We wish the Institution all success and we hope it will grow from more to more and will be the beginning of genuine interest to be taken in Consumers' Co-operation by our sisters. They effectively supervise the purchase of family requirements and if they take genuine interest the success of Consumers' Co-operation is assured.

The Bombay Governor on Co-operation.

His Excellency the Governor of Bombay has drawn pointed attention to a few fundamental facts of Co-operation in his address to Co-operators assembled at Poona and in Sind. There is nothing new in the suggestions made by His Excellency ; he has only repeated old and simple truths which are likely to be neglected on account of their very simplicity and which would bear any amount of repetition. Co-operators of Bombay were advised to see that the basic principles of Co-operation are kept in the fore-front and loyally adhered to, such as, for example, carefulness in the selection of Members, Scrutiny regarding the purpose of loans, encouragement of thrift among the Members, supervision of the spending of loans sanctioned for the purpose intended, teaching Members the significance and responsibility of suretyship and of unlimited liability. His Excellency exhorted them to remember that no democracy is possible unless intelligent interest is taken by the people in public affairs and he rightly pointed out that a Co-operative Society is the best training ground for such an equipment.

We were reminded while reading that address of the remarks made by a British Gentleman who was asked some years back to join as a Member of a particular profession a Co-operative Credit Society organised for the benefit of that profession. He said he was willing to join provided the by-laws regarding the chit-fund be deleted.

He had a constitutional aversion to chit-fund because it always held out temptation for a Member to bid a chit and spend the money before he actually contributed his monthly instalments and earned it. His Excellency put the same thing in another form when he said that *Credit must be earned and created before enjoyed* and it is hoped that the village societies, the foundation stone of the whole structure will bear this remark in mind. He also exhorted co-operators to see that they manage their own affairs as far as possible and not to look for help to any outward agency, whether it be Financial Bank or the Government, especially with reference to the present practice of requesting the Government to help them in collecting arrears by summary process. As we said at the beginning these are simple and fundamental truths of the movement but which have been forgotten and we are thankful to His Excellency for drawing pointed attention once more to them.

We also received a copy of his speeches on Village Improvement, a portion of which is printed elsewhere in this number. As we understand from the Director of Information with the Government of Bombay that a few more speeches are to be included together with the replies and opinions received from persons to that scheme, we await with great interest the fuller publication before we venture to make our observations on the same.

Reserve Bank Bill.

One of the most burning problems of the day is the Reserve Bank Bill now being discussed by the Joint Committee of the two Houses of the Imperial Legislature of India. The establishment of a Reserve Bank for India was advocated by the Royal Commission on Indian Currency and Finance and the Central Banking Enquiry Committee set its seal of approval on this. In the Round Table Conference when the constitution of future India was being discussed and shaped the need for a Reserve Bank was felt and the various aspects thereof were considered.

At the present time almost every important country of the world has a Central Bank of its own which in certain countries like

South Africa and India are specially called "Reserve Bank" as there are many existing Banks with which this is likely to be confused if it is called the Central Bank of India; but by whatsoever name it is called, there is no difference of opinion about its functions. It is to be the one authority to regulate the two important items national credit and currency which so far as India is concerned have been in the hands of two different authorities. The National Currency has been regulated by the Government of India in its own way and because the Government is not in daily vital contact with the Banking concerns of India there has been plenty of criticism against the currency policy of the Government. People have openly condemned it as being manipulated not in the interests of India but in the interests of big business in London. There was not a single agency to regulate the credit of the country and what little was done, was done by the Imperial Bank of India which was practically the Financing Bank of other Banks of the country.

There has been a good deal of discussion as to whether the future Reserve Bank should be a State owned Bank or Share-holders' Bank. As Mr. V. Ramadas Pantulu has pointed out in his article on the subject published in the October number of our Journal, the bill of 1927 as originally introduced contemplated a Shareholders' Bank which was modified by the Joint Select Committee into State Bank and when the Government introduced the revised bill, they made it a Shareholders' Bank and that is its nature in the bill now on the anvil. Financial experts are of opinion that there is not much harm in the Bank being a Shareholders' Bank provided proper precautions are taken, provided shares are distributed equally over all the units of territory of the Federated Indian Empire. Certain provisons against cornering of shares by the Rich have been made and these too are considered satisfactory enough; some however, would have it that the State must watch the working of the Bank and take power in the present enactment itself to have it converted into a State Bank, if necessary at some future time. Another point on which there has been unanimity of opinion is that the running of the Bank should be independent of the currents and cross-currents of every-day political life of the country. Politicians as such need not be excluded—nay they could not be excluded. In France where the Ministry tumbles down every other month, if all politicians are excluded, no Reserve Bank can be worked; but the day-to-day work of the Bank should be entrusted to an indepeudent authority who could afford to be indifferent to the smiles and frowns of the party in power. The ultimate aim of the Bank should be to regulate national currency and credit in such a manner as to confer the maximum benefit upon the nation and keep the prices of articles as steady as possible.

In many Banks there are provisions that the Directorate should consist entirely of the nationals of the country, but there are exceptions also, as every nation could not get from within itself all the necessary talents.

Mr. V. Ramadas Pantulu has laid our readers under a great obligation by his informing article which we published in our October number and in a memorandum which is published in this number he sets forth those aspects of the bill which in his opinion require modification in the interests of Co-operation and Agricultural Finance. As the bill now is under discussion and no definite conclusion has been arrived at, it is impossible to foresee what the shape of the scheme would be when finally accepted by our Central Legislature. But the fear expressed by Mr. V. Ramadas Pantulu in the last paragraph of his October article that a change in the constitution will be dictated by Whitehall which would inevitably be under the influence of the City has been fortunately set at rest by the Finance Minister with the Government of India.

Mr. V. Ramadas Pantulu has laid special emphasis upon the need for including co-operative societies working in the Indian States as Shareholders and he has pleaded for specific representation of Co-operative Banks on the Board of Directors. His demand for two Directors on the Central Board will not be considered too much as the talented Editor of the Indian Finance also approved of it. Mr. Ramadas also points out the lines along which certain modifications are necessary in order to make Reserve Bank really help co-operative Institutions, so that the benefit may filter down to the villager.

We fervently hope that all his recommendations will be accepted by the Joint Committee and the bill will be so modified as to confer the maximum benefit upon agriculture, the basic industry of our Motherland and that Co-operative Banks would be made the media to confer the benefit from the Reserve Bank to the ryot whose welfare must be the prime consideration of all of us.

Message to Sind Co-operative Conference.

BY SIR FREDERICK SYKES.

The message sent by His Excellency the Governor of Bombay to the Sind Co-operative Conference :—

" I regret that owing to my other engagements it is not possible for me to inaugurate this Conference, much as I would have desired to do so. A Conference was held in Poona in June last to elicit public opinion on the recommendations of the Reorganisation Committee relating to the Co-operative Movement in this Presidency. It was at that time decided that, in order to save inconvenience to representatives of the Co-operative Movement from Sind and also as the problems affecting the movement in Sind are somewhat different, a separate conference with the same object should be held in Sind. This Conference is a clear indication of the policy followed by me and my Government, of close co-operation with non-official workers in all matters relating to the Co-operative Movement.

" Gentlemen, you may remember that, when I inaugurated the proceedings of the seventeenth Provincial Co-operative Conference last year, I laid stress on the necessity of development of the primary societies on sound co-operative lines. This would obviate the necessity of recovery of the dues of co-operative societies by an outside agency on a large scale and dues would be recovered normally through effective mutual control of the members themselves. The personal credit of the honest, thrifty and punctual member would form the best security for the loans. Once again I would strongly advise all co-operative societies to steer clear of the temptation to advance loans against the tangible security of the borrower and to avoid converting the societies into mere agricultural banks.

" I would again impress upon all concerned the necessity of bearing in mind that the success of the movement is not to be judged from the grandeur of the co-operative structure, however imposing it may appear, but from the extent to which the members of primary societies have really and truly assimilated the principles of co-operation and applied them in the day-to-day working of the society. The object of co-operation is not only to improve the economic condition of the poorer classes but to effect this by instilling in them the moral qualities of thrift, self-selp and mutual aid.

Village Citizenship.

" If you will excuse me, Gentlemen, I should like to digress for a moment at this point from strictly co-operative questions to say a few words on an aspect of the Co-operative Movement to which I attach very great importance; I mean village citizenship and the ability to make the best of village life. I think the co-operative movement can achieve a great deal of useful work in this respect, and it is a matter to which I personally attach very great importance, especially at a time like the present when, in the political upheaval that is taking place, the needs of the villages, are apt to be lost sight of. The villagers, however, are and must remain for as far ahead as we can see in an agricultural country like India, the basis on which the success of any constitutional developments must depend. Unless and until the villagers take an intelligent interest in the affairs of the country, any constitution based on democratic principles must fail. Nor do I think there can be any training in citizenship better than the complete inculcation of true co-operative principles.

" To realise all these aims it is necessary that our efforts should be concentrated on giving organised and continuous training to the members of societies regarding the aims and ideals of co-operation and the best means of realising them. A society should be regarded as a combined effort of individuals to develop on moral and material lines, with emphasis on the moral aspect. This postulates that each member should know the principles of co-operation and that new members should be carefully selected for their honesty and thrift, and that loans should be given for proper objects only and should not be misused by the borrowers. The responsibilities of sureties should be fully and clearly explained to them, and none persuaded to stand as surety by misrepresentation or inducement. In case of default the demand should be instant. The responsibility of all members of the society in case of default by one should be properly explained and all members trained to take an intelligent interest in the working of the society. Rigorous insistence should be placed on thrift and loans should be advanced only for objects which are absolutely necessary. If these conditions are observed, there will be adequate control from within, increasing efficiency of office-bearers,

and the members will form a close community, promoting thrift and honesty and securing, better business, better farming and better living. "

" The outstanding problem at the moment is the question of arrears. The causes which have led up to this accumulation of arrears are well known. Undoubtedly the slump in the prices of agricultural produce and the general depression have precipitated the crisis. But it must also be recognised that credit has been given too easily in the past and that loans have been advanced by village societies to their members in a great number of cases beyond the limit of safety and that the Managing Committees have not shown that lively sense of responsibility towards their financing agencies and their depositors that they owe to them. Default is an infectious disease. When the better members of a society see that their neighbours are not repaying their loans, they naturally ask themselves why they should not also take the same line. They are tempted to keep the money in their own hands and to wait on events. It is going to be extremely difficult to recover lost ground, and in the process I fear that some societies will have to be liquidated, that in some cases money will be lost, and that some people must inevitably suffer for the mistakes of the past. But uphill though the path may be, I see reason to hope that this severe lesson may, in the long run, make for the good of the movement by bringing home to all concerned in it that old economic truth that credit must be earned and created before it can be enjoyed. This is always a slow and gradual process, but to attempt to hasten it is fatal alike to the borrower and the lender.

" The crisis that has arisen has placed the Central Banks in a difficult position. We all know how much the movement owes to the pioneers who established these Banks and built up their credit over a long period of time. The position now is that much of their working capital has been immobilised. Only a small portion of that capital is held by them on a permanent or long term basis, and for the remainder they are under an obligation to meet the demands of their depositors and of the public for repayment on due dates. It is evident that unless their investments in primary societies can be made more liquid there is a danger ahead. And this is a position which Government cannot contemplate with equanimity. It is for you, Gentlemen, to consider the position and to suggest the remedy, and I shall await with keen interest your considered advice to the policy that should be adopted. But I will take the opportunity of making one remark. It is not by removing the ultimate responsibility for granting and recovering loans from the village where it now is and where it should remain to any outside agency, whether Government or a financing institution, that salvation can be found. Special measures may be temporarily justified by a special emergency. But the permanent solution must, I am sure, be one that leaves the control of advances and the responsibility for recovery in the hands of the villagers themselves, who alone can estimate the credit worthiness of their fellow members and bring moral and social presure to bear on them to make them discharge their obligations.

" It will be your task, Gentlemen, to assist Government in ascertaining how far the movement in its present form has strayed from the true principles of co-operation, and, if necessary, to suggest how improvements can be effected. The movement shows certain signs of deterioration, and this is causing anxiety to all concerned. We are in the midst of an economic depression unprecedented for its range and degree, and this has brought to light several defects in the movement formerly unsuspected. While the societies have, on the whole, maintained their credit signifying the confidence that the public repose in them, they have not been able to retain in all cases the loyalty of the members. I trust that in all your discussions your chief interest will be the well-being of the primary societies, which is the true foundation for the success of the movement. I leave you now, Gentlemen, to your discussions, in the result of which I shall take a keen personal interest, and I hope that they will herald a new epoch in the history of the Co-operative Movement in Sind. "

The Bombay Governer's Scheme of Rural Uplift.

The betterment of the villager and the village is the supreme interest of India. The Bombay Presidency has larger city interests than other Provinces, but its main industry, as in the case of the whole of India, is agriculture. The industries of a country are all interdependent. Agriculture must languish when the mills are not busily consuming its products; factories are impotent without the man power and the raw materials which they derive from the villages; agriculture and factories alike are dependent upon efficient transport and ordered markets. Agriculture is the root from which the nation draws its nutriment. It is primarily by and through her agriculture that India will become more prosperous and in her villages that her happiness and well-being will grow. This is not merely because of the numerical preponderance of the rural classes over all others, but because in them reside the very life and soul of the country.

2. In a time of ferment and controversy in the political and economic spheres, it is salutary to hark back to these fundamental facts. It is well to remember the foundations on which the superstructure of our modern civilization is laid. Our cry may well be " back to the land," not in the physical sense but in a conscious reorientation of our ideas and in conceding in all our thoughts and actions a just tribute to the tiller of the soil.

3. The economic controversies of to-day will be a short page in history a generation hence, and the political questions which now occupy our minds will have been displaced by new movements and interests. But if by close study and incessant labour, men and women of our generation succeed in laying some sound bricks in the structure of rural betterment, their work will last and our successors will continue at the point where we have left off.

4. If we are convinced of the soundness of this doctrine, we must demonstrate our faith by works. Believing, as I do, that every class of the community has its own peculiar contribution to make in this great cause I have on various occasions suggested some lines on

which some of the groups of our citizens may direct their efforts. There is the fundamental contribution which the village patils and elders, leaders of the people from time immemorial, must make in interpreting the fruits of modern progress to their villages, and sustaining and regulating the endeavours of their fellow-agriculturists. There is next the essential part which the members of local self-governing bodies and association must play in propaganda co-ordination and the maintenance of continuity. There is again the share which the townsman with his education and knowledge must take in this work, and lastly there is the function of Government and its representatives. I have developed these considerations in the addresses, etc., which will be found in the following pages, which I offer to all those who are ready to participate in this work. Here I need only allude to what appear to be the salient points in the present position—many achievements of science and progress waiting to be introduced or extended among the villages, villages showing a half-awakened interest in some of these things and workers here and there achieving results often excellent in themselves, but withal a vast field for more workers and greater results.

5. Some might suggest that the first step towards achieving what we have in view should be to prescribe in detail a new plan of campaign. But it would be an act of unwisdom to discard the experience of the past or to decry its accomplishments. Organisation is indeed an important element of the campaign, but not the most essential. A more vital requirement is unflagging service, which is ready to submit to discipline. No one who has a full measure of that spirit need falter for lack of suitable instruments or opportunities. I have in the pages which follow outlined some of the methods which exist at present and some of the work which may be done. The same work and the same methods will not be adopted by all, and I should be doing a disservice to the cause if I attempted to dogmatize. I wish to draw upon all the experience which is available and to that end cordially invite practical suggestions from those who have worked in this sphere. The constructive suggestions which I receive will be pieced together to form another section in the revised edition of this pamphlet which I propose to issue, and will also play their part in reshaping the mechanism for successful action of the scheme outlined at the end of this pamphlet.

6. This Presidency starts with one important advantage over many other parts of India in any scheme involving close collaboration between the agencies of Government on the one hand and the actual cultivator on the other. This is the ryotwari system of land tenure which, while encouraging the people of this Presidency to build up a race of sturdy independent farmers, places them in direct contact with Government as their sole superior holder. It is a system which we have inherited, not invented; but as crystallised and administered under the Bombay Land Revenue Code it has eased the burden on the cultivator while exempting him from all direct taxation of agricultural profits; it has given complete security of tenure combined with freedom from frequent fluctuations in the State's demand and has encouraged the bringing of a vast additional area under cultivation. This in itself is an answer to critics whether of the extreme right or the extreme left. There are those who have attacked the administration of this system and charged it with all our economic ills, all the lack of progress in the past. While I should be the last to say that any system, however ancient, is incapable of progress or adaptation to modern conditions, it is significant that a very close and prolonged examination of our land revenue system in recent years has failed to discover a line of advance which would clearly be in the interest of the cultivators, and it seems that the problem is one which may be left for solution to the democratic Governments of the future. But although it is true that any changes in the land revenue system might react for better or worse on rural prosperity, it is of more consequence to realise that, so far from hindering any such future adjustments, progress on the lines now envisaged can only facilitate any changes for the better in the land revenue system which our successors may have the wisdom or the good fortune to discover.

7. What we now want to do is really something independent of all such considerations. It involves taking up a new standpoint. We must discard the idea that village betterment depends entirely on forces from without—on action independent of the will of the villager. We want to convince people that it depends first on things which every villager can do, if all will work together for the common end. Improvement must begin with the village, not end there. Every upward step in the general tone of the villages will react right through the body politic and come back to the village in the form of increased prosperity and increased power of utilising the help which

the State is so ready to offer and of building fresh progress upon it. My object, then, in inaugurating the village movement is to initiate a new method of approach. It is a method which seeks to enlist the help of the villager himself and of the whole public in doing what is within the power of all, and in awakening and harnessing that "Will to Progress" which is, in my view, the key to the solution of India's greatest problem—that of spreading greater material welfare and with it greater contentment among the agricultural population.

8. Meanwhile I place these suggestions in their present form confidently before the citizens of this Presidency. If other Provinces are ahead of us in any respects we hope to learn from them: if we are leading in other respects we hope we may help them to catch up. The problem is so vast and important that action is wanted not only on a Presidency wide but on an all-India-wide basis. But we feel strongly that the cause will best be served by our taking that leading part energetically and earnestly which it has been the pride of our Presidency to take in all progressive movements in the past, and endeavouring to make the villages of Bombay a model for the other Provinces to follow.

The Economic Position of the Zamindari Ryots in the Madras Presidency.

NEED TO REVISE THE MADRAS ESTATES LAND ACT

BY

V. RAMADAS PANTULU.

Introduction.

It is not perhaps so widely recognised as it should be that our tenancy laws have a far reaching effect on the economic life of our farmers. The rights of the cultivators in the soil, the heritability and the transferability of their holdings and the extent of their protection from eviction and enhancement of rents, have many obvious direct and indirect effects on our rural economy. The manner in which a bad system of land tenure may affect agriculture adversely is thus described by Mr. O'Brien in his well-known book "Agricultural Economics":—

> "Farmers may be deprived of the security of enjoying the fruits of their labour or capital investments, the supply of land available for cultivation may be artificially restricted, the fertility of the soil may be permanently lowered, the size of farms provided may be unsuitable, the difficulties of acquiring capital may be increased and the successful application of a progressive agricultural policy may be impeded, owing to the existence of an unsatisfactory system of land tenure."

The Tenancy Acts now in force in India have installed a new type of powerful landlords. It is not now necessary to go into the origin and subsequent history of this neo-landlordism in India. Suffice it to say that there is a general consensus of opinion among those, who are competent to express an authoritative opinion on our rural economy, that the effects of this system of landlordism on the life of our peasantry has, on the whole, been inimical to their economic progress.

Conditions in Zamindaris.

I now propose to deal with the conditions in Zamindaris in the Province of Madras. It must be admitted that, by the Madras

Estates Land Act of 1908, some improvement was effected in the position of the Zamindari ryots in the Province. The Act secured to them virtual freedom from eviction and gave them heritable and transferable rights in the holdings. It also gave the ryots partial immunity from further enhancement of the rents paid by them at the commencement of the Act, except by means of a suit before the Collector and on specific grounds like rise in average local prices of staple food crops and increase in the productive capacity of the soil by improvements effected or paid for by the landholders.

Notwithstanding these benefits conferred by the Act, there are still many provisions in the Act, which affect the ryots very prejudicially, specially in the matter of the determination of rents payable by them and the mode of their levy. It is necessary to examine the effect of those provisions in some detail to ascertain how far the disabilities of the ryots, which still subsist under the Act, are really serious and what remedial measures are called for by way of revision of the Act to redress the ryots' grievances. The position as it now exists after the passing of the Act may be thus summarised :

(1) Prevailing rents not fair and equitable.

The net effect of certain rules of evidence laid down in the Act (sections 27, 28 and 168) is that the rents paid by the ryots at the commencement of the Madras Estates Land Act in 1908, are presumed to be "fair and equitable" in all proceedings under the Act, until the contrary is proved. Is this presumption justified ? I must at once say that it is not. It is well-known that the tenants in Zamindaris, generally speaking, did not enjoy fixity of tenure till the passing of the Madras Estates Land Act in 1908, though, in practice, few of them were actually evicted from their holdings. But, the liability for eviction, by virtue of the condition to quit at the end of the stipulated period, which was generally introduced into the pattahs and muchilikas, was a sufficient lever to force up rents periodically. When the Madras Estates Land Act came into force, the Permanent Settlement was in operation for over a century and many Zamindaris took full advantage of their supposed new status and rights as owners of permanently settled estates, to periodically enhance the rents paid by the tenants, with the result that in 1908, the ryots in many instances were paying high competitive rents. This can be verified by a comparison of the aggregate amounts of rents

collected in 1802 and 1908 in the several Zamindaries in the Province. The large difference between these two figures cannot be accounted for merely by the extension of cultivation in the interval, or causes other than the enhancement of presettlement rents. The figures adduced at the recent session of the Andhra Provincial Zamindari Ryots' Conference are telling. The investigations into this question that are now being made by the representatives of the Zamindari Ryots' Associations will, I have no doubt, secure ample materials which will establish the gravity of the situation.

The causes which led to this situation are not far to seek. Contracts to pay enhanced rents were enforced by civil as well as revenue courts. Not enforcing the condition to quit entered in a pattah and refraining from evicting a ryot from his holding, were deemed to be a sufficient consideration for a contract to pay such enhanced rent each time an enhancement was claimed. The statutory presumption raised in 1908 that the rents paid at the commencement of the Act were "fair and equitable" until the contrary is proved, has therefore in my opinion no valid basis or foundation in fact. It is opposed to the history of landholding in many estates.

Section 11 of the Old Madras Rent Recovery Act of 1865 laid down that even in districts and villages surveyed by the British Government prior to 1859, and in which money assessments have been fixed on the fields, such assessment was to be considered proper rent only *in the absence of express or implied contracts* to vary such assessments. It is now somewhat difficult to get the records relating to that settlement to ascertain how far the money rents thus fixed on fields still prevail in Zamindaries.

Any plea that the rents paid in 1908 were the result of antecedent settlements based on the then average price levels or any other just and reasonable criterion, is therefore to my mind wholly untenable and no legal or moral sanctity should have been attached to the fact that certain rents or rates of rents were paid at the time of passing the Act. The idea of conferring, by the Madras Estates Land Act, a new status with permanent occupancy rights on the tenants *with the burden of heavy competitive rents* paid till then by them as tenants, whose status was different and who did not statutorily enjoy fixity of tenure, is essentially and radically unsound. Occupancy rights coupled with high and oppressive rents do not possess much value from an economic standpoint. It is mainly for this reason that the holdings in zamindaris are poorer as bankable assets as compared with ryotwari holdings of the same productivity, to raise capital and credit on. That the zamindari ryots are rack-rented, generally speaking, and pay much more than ryotwari pattahdars, hardly admits of any doubt. The following observations of the Madras Provincial Banking Enquiry Committee will be found instructive in this connection :—

> "A ryot holding under a zamindar, or the Kanamdar under a jenmi, is less well off than one holding direct from the Government.
>
> * * * *
>
> In consequence, other things being equal, land in zamindari is less readily saleable outside and, therefore, less valuable than that in ryotwari villages."

It is the painful experience of co-operators all over India that this economic inferiority of the zamindari ryots' holdings has all along stood in the way of the development of the movement in those areas. The latest testimoney in this respect comes from Dewan Bahadur M. Ramachandra Rau, the President of the Madras Co-operative Central Land Mortgage Bank. In a memorandum which he has just issued to the Primary Land Mortgage Banks to ascertain whether lands can be valued on the assessment basis for the purpose of securing mortgage loans, he suggests the adoption of 20 times the land tax paid by ryotwari pattahdars according to settlement registers as the basis for fixing the loans by a mortgage bank, and says:

> "The Zamindari tenants in many parts are rack-rented and pay more than ryotwari agriculturists by way of rent. It is suggested that 15 times the rent may be taken as the basis in the case of zamindari lands."

(2) No Rational Economic basis for Rents.

In the absence of any regular system of survey, classification of soils and ascertained taram rates in the zamindaris in the past (as in the ryotwari tracts) each zamindar adopted his own method of fixing rents, with the result that no two zamindaris present identical features in this respect. Indeed in one and the same zamindari, rents paid on lands of the same description and quality with similar advantages, differed from village to village and sometimes from field to field in the same village. Again, the forms in which rents are paid present an amazing variety. This can be seen from the enumeration of the different kinds of prevailing forms of waram rents contained in section 40,

which deals with the commutation of rents. That section begins with this somewhat confusing catalogue of such forms : "Where for any land in his holding an *occupancy ryot* pays rent in kind, or on the estimated value of a portion of the crop, or at rates varying with the crop, or partly in one of these ways and partly in another, or partly in one or more of these ways and partly in cash . . ". There can be no stronger proof of the absence of any rational system of rents collected on lands in zamindaris in this province. There are no data to assess the exact economic effect of these numerous forms of waram and crop-war rents either with reference to the capacity of the land to bear them or of the capacity of the ryot to pay them. These rents cannot, generally speaking, be now made to correspond to any ascertainable fraction of either the gross or the net produce. In each case, it is a matter for research or conjecture.

(3) Provisions for commuting Waram Rents unsatisfactory.

The provisions of the Madras Estates Land Act dealing with the commutation of waram and crop-war rents and the settlement of fixed money rents in lieu of such rents have created new difficulties of considerable magnitude. In these proceedings, the average local prices during the preceding 10 years (or any other shorter period for which alone evidence is available) afford the basis for arriving at the money equivalent of these rents. During the Great War and the Post-War period, the prices of local staple food crops, as is well-known, ruled very high. Consequently, where waram rents were commuted and fixed money rents were settled in certain Zamindaris, for instance in the years between 1914 and 1930, the 10 years' average of the prices of staple food crops, which was abnormally high was taken as the basis. Again, in settling these rents, the Settlement Officers are not controlled by the provisions of the Act which limit the enhancement of rent to 2 annas in the rupee on the ground of rise of prices. The legality of enchancement of over 2 annas in the rupee under the settlement proceedings was upheld by the Madras High Court. After the catastrophic fall in prices since 1930, it is no wonder that the new money rents are found to operate most oppressively. To make the position still more intolerable by virtue of section 178 of the Madras Estates Land Act, rents so settled cannot be reduced for a period of 20 years on the ground of fall in prices, however unconscionably high they may be with reference to current prices.

Section 38 of the Act, which deals with reduction of rents on the ground of fall in prices, curiously enough says that such *fall* in prices must be due to causes *not temporary*. I fail to understand how causes for fall of prices can be permanent, unless it is presumed that the prices which fall by certain causes can never recover again. I am not aware of any such causes. The Act does not speak of causes which are *not temporary* when permitting enhancement of rents on account of *rise* in prices. Why this distinction is made, it is difficult to explain.

(4) No Provision for remission or suspension of rent.

The Act does not contain any provisions for the remission or suspension of rents even when a total failure of crops occurs by causes like inundation, drought or pest. Indeed, a Division Bench of the Madras High Court went so far as to lay down that, though evidence was adduced to the effect that remission of rents on such grounds was given for over 40 years in a zamindari, no such custom could be pleaded or evidence of it admitted under the Act. In order to claim such remission by way of reduction, a ryot must show under section 38 that his holding became *permanently* deteriorated by deposit of sand or other specific causes, or that the crop failed by a *permanent* failure of supply from an irrigation work. So, ryots cannot get remission under the Act by way of reduction of rent, even when crops totally fail in an year by inundation or drought.

It is argued that just as remission of land revenue is a discretionary relief afforded by the Government at their pleasure in ryotwari tracts, the grant of relief by way of remission of rent must be similarly left to the pleasure of the zamindars. This argument on analogy is untenable. The Government's Local Revenue Officials' action is regulated and controlled by well-defined rules and instructions issued by the Government and the Board of Revenue and any injustice done by the local officials can be remedied by superior officials who are required to ensure the proper application of these rules and instructions and who may also be approached easily by the party that is aggrieved. Are we to believe that a similar administrative machinery exists in zamindaris, or can be expected to be set up in future, to deal with remission of rents in the same regulated and systematic manner?

Nor am I able to understand the plea that the introduction of a provision into the Madras Estates Land Act for remission and suspension of rents constitutes a violation of the land holders' rights under the Permanent Settlement. This contention assumes that the rent collections of the zamindars, on the basis of which the Peishkush was fixed, were computed without making any allowance for remissions in bad seasons and on the footing that zamindars always realised full rents from their tenants even in years when no crops were raised or when they failed completely. There is no basis for such a contention. My study of the Circuit Committee's Report and the accounts which formed the basis of the Permanent Settlement show that, in striking the averages of collections on which the Peishkush was fixed, allowance was made for such short collections in bad years. It seems to me that it can be argued with greater reason that it is the denial of a right to remission of rent when crops failed that will constitute a breach of the Premanent Settlement, and not a provision for such remissions.

(5) Rent burden very unequal in unsurveyed estates.

The situation in zamindari areas which are not yet surveyed (of which there are still many) presents additional difficulties. Rents now paid in such areas must have been fixed on fields within certain boundaries as they existed then or on areas ascertained by some kind of measurement with indigenous instruments such as rods, poles, ropes, chains and the like, or on the computation of extents supposed to consume a certain quantity of seed grain expressed in terms of some old measure then in use or on the basis of the extent of land that one plough can cover or one labourer can reap in a day and so forth. It must be clear to any one who has had experience of these unsurveyed zamindari tracts how unequally the rent burden is distributed there on the holdings. I have known cases where a *Katti* of land in the East Coast districts was found to vary from 6 to 30 acres when surveyed on the modern scientific system. Where some of these areas are now surveyed with modern appliances and the fields are reduced into English acres, ryots are made to pay in some cases as much as 2 to 4 times the old rents, though the holdings have remained the same all along. The spirit and intention of the section 42 of the Act, which purports to provide against alteration of rents in consequence of modern surveys, are frustrated by the decisions of the Madras High Court to the effect that, if the Pattah and Muchilika contained a term that the rent will be altered with the area on remeasurement, section 42 does not apply and that the land-holders can recover rents on new areas as determined by survey without going to the Collector for getting the rents altered. The effect of these decisions is ruinous and must be got rid of quickly by an amendment of the section in a suitable manner.

(6) Landholder's summary powers to distrain.

The extraordinary summary powers which the Act gives to landholders in this province to demand and recover arrears of rent have very disastrous effects on the economic well-being of the ryots. Under the Act, a landholder may issue a demand for arrears of rent alleged to be due to him and without getting the decision of any court on the validity of the demand or of the correctness of the amount claimed, he can distrain through his own servants the crops and movables of the ryots. Similarly for alleged arrears of rent (not decreed or ascertained) he can apply for sale of the ryots' holdings. The ryot is required by the Act to contest such notice of sale by means of a suit before the Collector if the dire consequences of the sale of his holding on the mere application of the landholder are to be averted. The hardship to the ryots involved in the exercise of such drastic summary powers by Zamindari servants must be evident to any one who knows anything about the administrative arrangements that exist in most estates and the composition of and the manner of recruitment to the Zamindari services. Cases of inclusion of illegal cesses and other illegitimate claims in demands issued against ryots are by no means uncommon and many of them do not come before the courts, for the ryots prefer rather to submit to such exactions than to embark on a ruinous litigation with the powerful and resourceful landholders.

The helplessness of the zamindari ryot to resist such illegal exactions is aggravated by the fact that in many estates he does not enjoy requisite facilities to ascertain whether the demands made against him are correct or not, by easy access to village accounts to verify what is due on his pattah, even if one is issued to him. The pattahs themselves in numerous cases have no relation to the actual occupation of the land, for a transfer, voluntary or involuntary, of a ryot's holding is not readily given effect to by the necessary mutation of names in the accounts or the issue of a pattah in the

transferree's name. The perpetuation of the provisions of the Madras Estates Land Act, which countenances this extremely undesirable system, is wholly indefensible. It is a relic of medieval times or of feudalism and is an anachronism. It breaks the economic backbone of the Zamindari ryot.

(7) Old Waste and Private Land.

There are now numerous provisions in the Act which enable the landholders to treat lands not hitherto cultivated and ryoti land which is surrendered, abandoned or relinquished by ryots, virtually as his private land, though not in legal theory. He is not bound to relet it and may add it to his *Kamatham*, or home farm, if he wishes to cultivate it himself. If he does not wish to cultivate such lands himself, he can demand and receive any amount of premium for re-letting ryoti lands which have come into his hands. He can, in other words, practically sell the *kudivaram* rights in them and also stipulate for an annual rent being paid on them. The category of land called "old waste" is an anomaly and whatever reason there might have been at the time of the passing of the Act for its creation, there is now no reason to perpetuate it. There is no justification to permit the landholder to let such land on such terms as he pleases until the ryots purchase occupancy rights in it by payment of 2½ times the annual rent. All these provisions are serious economic handicaps to the extension of cultivation in Zamindari areas where ryoti land is insufficient for the tenantry.

(8) Other Economic disabilities—Pastures, Forests and Irrigation.

There are numerous other disabilities under which the zamindari ryots labour, and which have serious adverse reactions on their economic life. Two of them which were very much in the forefront in recent discussions might be selected for mention. In the matter of the access to pasture lands and forests adjoining the zamin villages, the ryots are subjected to considerable hardship. The ryots enjoyed rights of grazing their cattle and admission to forest lands for getting fuel, leaf manure, timber for agricultural implements and the like from time immemorial. The Act being, however, wholly silent about such well-understood customary rights, the zamindars took unfair advantage of the omission and have been denying those rights. Indeed, this interference with such customary rights is indulged in, not infrequently, to bend the ryot to the landholder's will to subserve the purposes of the latter, the latest development in this direction being in connection with voting in elections to legislatures and local bodies. The other item to which attention may be drawn is the zamindars' neglect to repair the irrigation works and the unauthorized increase of ayacuts under them to realise more rent to the prejudice of the older ryots having lands irrigated from such sources. The obligation of zamindars to respect the customary rights for supply of water and to repair irrigation works is a well-known feature of the agricultural economy of the country. Nevertheless, the provisions of the Madras Estates Land Act in regard to such obligations are woefully defective and render the ryots helpless. They are made to pay wet rents even when irrigation channels are blocked up and sufficient water does not flow through them. To claim a reduction of rent on the ground of failure of water supply, the ryot must establish under section 38 of the Act that the failure is *permanent*. What is meant by it is difficult to understand. If the channel is repaired, water will flow and not till then. So long as the state of disrepair continues and there is no adequate supply of water, the landlord must be held to be disentitled to wet rents.

THE REMEDIES.

(1) A fair and equitable standard of rent must be fixed by statute.

If there is to be any genuine attempt to remedy the position stated above, any Bill to amend the Madras Estates Land Act must contain effective provisions to place the rents payable by ryots on a really " fair and equitable " basis. This problem naturally presents a two-fold aspect; the bringing down of the existing money rents, where they are excessive, to a just and reasonable level and the commutation of the existing waram rents and rents varying with the crops and so forth into money rents, fixed on lands according to the same just and reasonable standard. Are the landholders prepared to concede this essentially just claim of the ryots, and if they are, what is the criterion whereby the level of the existing and future money rents should be standardised? This is the main problem which awaits solution.

The most effective solution to my mind consists in laying down a standard of fair and equitable rent so as to enable the ryots to obtain redress by taking appropriate proceedings under the Act. By the application of that standard, they can get their rents reduced,

whenever they are excessive, to the proper level and can get the existing waram and crop-war rents commuted into fixed money rents with due regard to the same standard. I suggest the assessment payable on similar land held on ryotwari pattah in the neighbouring Government tract as the most equitable standard. As the Government say that they base their land revenue demand on the half-net-produce rule, the standard suggested by me conforms to the half-net-produce theory as well. There are indications in the Act (*vide* section 34 for instance) that half of the net produce is all that the landholders are entitled to as *melvaram*. Similarly when additional burdens are imposed on the land such as enhancement of water cess for instance by the State, the Zamindar must bear one half of it. It is gratifying to note that the Madras High Court recently recognised this principle. As it may be difficult to gather the materials necessary in each zamindari area and in each case to determine the half net produce (out turn) and to determine the proper average price to commute the value of that produce into its money equivalent, I have adopted the neighbouring ryotwari land revenue assessment on lands of the same quality as the standard. The land revenue records of Government villages are easily accessible and the standard can be worked without much difficulty. If half net rule is more accurate it may be adopted instead. Probably is some areas half the may be a more suitable Standard. Some landholders suggest half the gross produce as the standard. This is simply unthinkable for the ryot will be out of pocket if he pays half the gross produce as rent. The landholders are aware of the complaint of the ryotwari pattahdars about the heaviness of the burden of Government revenue itself and of the agitation for its reduction. So, landholders have to consider whether they can justly claim from their tenants higher rent than what a neighbouring Government ryot pays to the State. I am of opinion that they will find it impossible to sustain that claim before any impartial tribunal or a legislature constituted on a really popular and democratic basis. Wisdom therefore lies in landholders acceding to this essentially legetimate and reasonable demand of the ryots. The Government, if it has any faith in the justice of its own standard of land revenue, must back up the zamindari ryots' demand for the adoption of the same standard in the Estates.

The Permanent Settlement effected with zamindars did not, in my opinion, contemplate that rents could be raised over their presettlement level by zamindars in the past at their pleasure or that zamindari ryots should be made to pay more than Government ryots. A true and just construction of the Permanent Settlement Regulation and the Sanads justify this contention of the zamindari ryots.*

(2) Machinery for speedy and inexpensive settlement of rent.

In order to give effect to this scheme to standardise rents some suitable machuery must be set up, whereby disputes between the landholders and ryots resulting from the levy of excessive or heavy rents or rates of rent in particular tracts may be settled in a speedy and inexpensive manner. The heavy artillery of the Settlement Chapter cannot be readily put into action for this purpose, even if the procedure is somewhat simplified. It is too expensive and cumbersome to be availed of by the ryots for the due redress of their grievances. Moreover, the provisions of the Chapter dealing with the settlement of rents, as I have already shown, are very unsatisfactory and, in some directions, add to the present difficulties of the ryots. So, I suggest that the Local Government may be empowered to entertain, after some preliminary enquiry, if necessary, and to refer for decision disputes about rents either to an Arbitration Tribunal set up for the occasion, as and when it arises, or to permanently constituted land courts competent to deal with such disputes.

The grounds on which such disputes can be raised and the general principles on which they shall be decided, may be laid down in the Statute; other details regarding the enquiry may be supplied by rules framed under the Act. The plea that the existing money rents on particular lands or in particular tracts are excessive and that the lands cannot bear them, or that crop-war rents on any land or in any locality are heavy and should be replaced by money rents fixed on the lands and the like, shall be deemed to be grounds which are admissible to base such disputes on. If the general idea of settling rent disputes, somewhat on the lines of industrial disputes in the manner suggested above, is accepted, the details of the scheme may be further elaborated and the proposals of the landholders in regard to the limitations, if any, under which the existing contracts may be reopened may also carefully examined with a view to arrive at a reasonable agreement.

Such survey as may be found necessary by the Tribunal for the settlement of the particular dispute may be made at its instance ; but the landholders must bear the initial cost of the survey. There is no valid reason to saddle the ryots with any portion of the cost of the survey whether under the settlement chapter or in these proceedings before special Courts other than what is now provided for in section 180 of the Estates Land Act. The rents settled by means of an award or decree of the tribunal shall be binding on the landlords as well as the ryots who occupy the lands in the area in respect of which the dispute is referred for settlement. The scheme has the following double merit; *firstly*, it will dispense with the necessity of individual ryots resorting to courts for relief, involving themselves and the land-holders in numerous suits and of ensuring the quick settlement of acute local disputes in any small area which disturb the peaceful relations between landholders and ryots in that area, without going through the very costly and elaborate process of survey, record of rights and settlement of rents of large tracts; and *secondly*, it will dispense with the necessity for the Government to intervene with their police or military to merely maintain *Status quo* by enforcing law and order without settling the dispute and redressing the grievance of the ryots however real it may be. When the dispute is settled, in the manner suggested, by an impartial tribunal, the Government can discharge its responsibility to maintain law and order more satisfactorily by enforcing the observance of that decree than by perpetuating an unjust state of affairs with the aid of the police or the military.

(3) Statutory provision for remission, suspension and temporary reduction of rents.

The two proposals set out above, if accepted, will tend gradually to place the money rents payable by ryots on a just and reasonable basis.

* The Madras High Court, in a case relating to the Gudur Pargana in the North Vallur Estate in the Kristna district recently decided that, where the revised *peishcush* was fixed (in restoring the Pargana which was sold for arrears of *peishcush*) on the basis of the assessment then subsisting, the zamindar's demand of the rates for land and water would be limited by the rates of assessment, on which the settlement was based. The Court held that "the rate of rent was not merely a contract between the Government and the proprietor, but a matter of the terms on which he held his estate from Government and he could not go behind the Government Order which fixed the *peishcush* as well as the rent payable."

(S. As. Nos. 1339 to 1341 of 1931—— *65, Madras Law Journal, Short Notes, Page 18.*)

But this alone will not suffice. The need to give relief by way of remission or suspension and temporary reduction of rents, whenever a good and sufficient case exists for such relief, is equally great. A provision for mere suspension of rents will not do. It is suggested in some quarters that the experiment of annual relief by way of adjustment of rents based on Index figures of prices, somewhat on the lines recently proposed by the United Provinces Government, may be tried till prices recover and get stabilised. I am definitely of opinion that the United Provinces formula will not work in this province. In Zamindaris which are not surveyed and where no settlement of rents is yet made, it will be almost impossible to apply any such formula. Even where survey and settlement of rents were done, it will be difficult for the ryots to get evidence of the average figures of the prices, on the basis of which any commutation may have taken place or a settlement or resettlement of rents may have been made. Such evidence will be necessary to apply the U. P. formula. I have already said that, in the case of money rents paid at the commencement of the Act and which continue to be paid thereafter, no evidence will be forthcoming about the basis on which they were fixed. In reality, they were competitive rents, generally speaking. So, the most practicable solution is to embody in the Act general provisions for relief, by way of remission, suspension and temporary reduction of rents, to be given in accordance with definite and detailed rules to be framed under the Act by the Local Government with the approval of the Legislature. When landholders fail to comply with those rules, the Collector shall have power to order the relief under the rules.

(4) Abolish Landholders' powers to distrain or sell without decree.

The summary powers of the landholders to demand and recover arrears of rent by distraint or sale of the ryot's holdings without first getting the legitimacy of their demand decided by a court and the power of the landholders to effect distraint by their own servants must be done away with. Such powers are not enjoyed by landholders in any other civilised country. Even in British India, except in one province, no other Tenancy Act vests the landholders with such wide powers as the Madras Estates Land Act does. In Bengal, whose Tenancy Act Madras copied, (often times without a due appreciation of the differences in the conditions of the two provinces) similar

powers which once existed were taken away by recently amending the Bengal Tenancy Act. This is a most urgent reform. The ryots will enjoy no real economic freedom unless these summary powers of the landholders are abolished.

Closely allied with these powers of demand and summary recovery of arrears of rent, is the question of registering transfers of holdings in the Zamindar's accounts promptly and correctly. If transfers are not entered in the accounts and pattahs are not issued to the real owners, much injustice and hardship will be done and stringent provisions to compel registry of such transfers and penalising non-compliance with them are urgently called for.

(5) Abolish old waste and premium for letting ryoti land.

The provision in the Act relating to old waste must be altogether eliminated. There is no justification to treat even non-occupied lanka land as old waste as suggested in some quarters. If it is considered that the provisions of the Act relating to the determination of rents on ordinary ryoti land cannot be applied to shifting cultivation in new lankas, special provisions may be enacted. The provisions of section 25 of the Act, which empower the landholder to demand and receive a premium, when letting ryoti lands in his possession must be repealed. The limit of landholders' private lands must be strictly defined to prevent its extension.

(6) Statutory Provisions regarding pasture and forest lands.

The hardships caused to ryots by denial of access to pasture and forest lands must be redressed by a provision in the Act to compel landholders to set apart adequate extents of such lands for the use of the ryots wherever available. When they cannot agree on the rates of rent to be paid for pasturage and forest rights, the Collector must be empowered to settle them. A prescribed extent of such land must be set apart free of rent, and a reasonable rent must be charged on the remainder. There must be provision for the management of such pastures and forests being entrusted to Panchayats composed of the villagers.

(7) Repairs of Irrigation Works.

The existing provisions of the Madras Estates Land Act, dealing with the repairs of irrigation works must be improved in two important respects. *Firstly*, the cost must be recovered from the landholders and the work executed by Government agency, if the landholders fail to carry out the Collector's orders to repair the works. If the ryots are required to find the money in the first instance and then recover it from the landholders, the provisions about repairs will be a dead letter. The fear that landholders may be asked to find in an year much more than the financial position of the estates warrants is unjustifiable for the Collector is vested with ample discretion in the matter. The Collector's discretion must not be fettered by any arbitrary limit. *Secondly*, there must be a clear provision that, if the irrigation works are found to be in a state of disrepair and the ryots do not get the required supply of water, the Collector when directing the landholders to repair them, must further order that the landholders shall not collect wet rents so long as the state of disrepair continues and not even dry rate when the land is fit only for raising irrigated crops.*

(8) Provision for Government control over the administration of the Zamindaris necessary.

Finally, I suggest that the Local Government has to take some power, by incorporating an appropriate provision either in the Court of Wards Act or the Madras Estates Land Act, to exercise some control and supervision over the administration of the zamindaris and to appoint, or require the landholders to appoint, proper type of officials to certain posts, where administration is bad and relations between the landholders and ryots are strained. The Government has an obligation under the Permanent Settlement Regulation and the Sanads to prevent the administration of estates from falling into the hands of inefficient or corrupt officials who are incapable of protecting the just and legitimate rights of the tenantry.

A former Governor of Madras once told the Madras Legislative Council that the Court of Wards Act, the Impartable Estates Land Act, and the Madras Estates Land Act were parts of a single scheme to keep the zamindaris in a healthy condition, and that the Court of Wards Act was intended to be a *therapeutic*, the Impartable Estates Land Act *prophylactic*, and the Madras Estates Land Act *hygienic remedy*. Without an efficient and reliable administration in the estates, it is impossible to ensure the due observance of the provisions of the Madras Estates Land Act and the prevention of the oppression of the zamindari tenants.

* The Non-official Bill to amend the Madras Estates Land Act which was drafted by me in 1932 and motion for leave to introduce which in the Madras Legislative Council by Mr. Sami Venkatachalam Chetty is now pending, was based on the facts set out and the remedies suggested above.

An appeal to Legislators.

In conclusion, I desire to emphasise the fact that the disabilities of Zamindari ryots are not the concern of Zamindari Ryots' Associations alone. It is a problem of national importance. The state of our agriculture, which is our most important national industry, will naturally depend upon the economic efficiency of those to whose hands it is entrusted. It therefore becomes the duty of all those engaged or interested in schemes of nation-building to realise the effects of the manner in which land is held, on the well-being of our agricultural industry and to strive to modify the existing theory and practice of such land-holding with a view to create a self-reliant and prosperous body of peasant proprietors. To achieve this aim the ryots must be roused from their placid and pathetic contentment and fatalistic repose. Their rights should be fearlessly championed. At the same time, the enlightened self-interest of the landholders must be appealed to and they must be persuaded to realise that their true and lasting interests are indissolubly bound up with the prosperity and contentment of their ryots. In this readjustment of the relations between landholders and ryots and the reconstruction of our rural economy on new foundations, the legislators must play a just and bold part. The revision of the Madras Estates Land Act with a view to remove the disabilities of the ryots must not be made a party measure. The legislators must handle the problem with the sole aim of improving our rural economy and making a substantial contribution to the emancipation of our peasantry, on whose economic strength, the happiness and efficiency of the nation largely depends.

Recent Utterances.

THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK.

Dewan Bahadur M. Ramachandra Rao Pantulu, President of the Madras Co-operative Central Land Mortgage Bank, in requesting the Hon'ble Minister to open the Conference of the representatives of Primary Land Mortgage Banks and of the Directors of the Central Land Mortgage Banks, said :—

On behalf of the Board of Directors of this Bank and on behalf of the representatives of the Primary Land Mortgage Banks now present here, I extend to you a hearty welcome. Since the establishment of the Central Land Mortgage Bank at the end of 1929, the Board of Directors and the representatives of the Primary Land Mortgage Banks have been regularly meeting at the time of the annual meeting of the shareholders of the Central Land Mortgage Bank to exchange their views on the many complicated questions that have arisen for solution. This is the fourth time that they are so meeting and these discussions have been very useful in the solution of important problems that are continuously arising in the day-to-day administration of the Central Land Mortgage Bank and its affiliated organisations. As the Minister in charge of the Department of Co-operation, we desire that you should know our difficulties and that you take your part in finding solutions for them. We are, therefore, thankful to you that the Land Mortgage Bank Bill which has been introduced by you will solve some of the legal difficulties that have arisen in the administration of these banks. The Bill is now in an advanced stage and I beg to express the hope that it may be placed in the Statute Book without any avoidable delay. I know that you are doing your best in the matter and that there are questions now under discussions between the Madras Government and the Government of India which have not as yet reached the final stages, and I trust that in the near future, conclusions will be reached which may prove satisfactory to us and to the Government.

Trustee Securities.

I must take this opportunity of mentioning some of our immediate problems requiring your attention. You are already familiar with the subject of the recognition of the debentures of this Bank as

trustee securities which has come up before the Government frequently during the last two or three years. This step has been recommended by the Townsend Committee on Co-operation, the Royal Commission on Agriculture, and the Central Banking Enquiry Committee, and notwithstanding the high authorities of these Committees and Commissions, this has not been done as yet. The delay in recognising the debentures as trustee securities cannot be laid at the door of the Madras Government who have invariably supported the request. The matter has been already taken to the Government of India on three different occasions. On the first occasion they stated that the subject will be considered after the report of the Indian Central Banking Enquiry Committee was available ; and on the next occasion it was stated that the debentures would be a different class of provincial securities and that the question of recognising these debentures as trustee securities could be considered only after the introduction of the new constitution. This position was controverted and finally the Government of India have intimated that if the Madras Government guaranteed both the principal and the interest payable on the debentures, they would undertake the necessary legislation for the amendment of the Indian Trusts Act. The position was again reviewed in the Select Committee on the Land Mortgage Banks Bill and they have unanimously recommended that the necessary guarantee should be given. I beg to express the hope that the Government of Madras will have no hesitation in accepting this recommendation. The whole scheme for financing the Central Bank depends on the acceptance of its debentures by the general public and their stability and popularity in the share market. The main object of all land credit institutions everywhere is the mobilisation of land values and raising funds thereon by the issue of debentures. The success of a Land Mortgage Bank depends on the creation of bonds passing into the general system of securities in the country and realisable at any time in the general market. Until they are recognised as trustee securities, the debentures will not be as readily negotiable as it is desirable.

Purchase of Debentures.

Notwithstanding the delay in the recognition of the debentures as trustee securities, I am glad to say that the response of the public in the purchase of our debentures has been very satisfactory. On account of the easy conditions of the money market, the bank was able to reduce gradually the rates of interest on the bank's debentures from 6½ per cent. to 5 per cent. and the total amount received and promised up-to-date towards the purchase of debentures is about Rs. 29 lakhs. Of this Rs. 10,73,200 has been received from the Co-operative institutions; Rs. 6,06,100 from District Boards and Municipalities; Rs. 1,97,500 from Life Insurance Companies; Rs. 9,19,300 from individuals; and Rs. 1,14,500 from other institutions. Debentures have been taken from distant stations outside the presidency such as Lahore, Baroda, Rangoon, Dharwar and other places The merits of these debentures as permanent non-speculative investments backed by the collective responsibility of the mortgages of immovable property are now recognised by the investing public. But they insist that the debentures, as already explained, should be readily saleable in the market, and this cannot be done without their being recognised as trustee securities. The insurance companies in all countries where Land Mortgage Credit Institutions have been established have invested their funds largely in Land Mortgage Bank debentures and the insurance companies in this country naturally insist upon the recognition of the debentures as trustee securities so as to make them readily saleable. I have no doubt that you and the Madras Government have readily recognised this essential condition for the success of the debenture scheme and I trust that the difficulties in the way will be removed as early as possible. Indeed we have now arrived at a stage when there has been a very larger demand for our debentures than we could comply with. Under our by-laws we cannot issue debentures till we have in hand mortgages of an equivalent value, and on account of the inadequacy of the staff appointed to enquire into the loan applications, we are labouring under very serious difficulties in keeping pace with the demand for our debentures.

Inadequacy of the Staff.

At the time when the Central Land Mortgage Bank was established, Government decided to appoint two officers of the grade of Deputy Registrars for the inspection of these banks on behalf of the Central Land Mortgage Bank and the Trustee and it was laid down that an officer of the grade of Deputy Registrar must be employed at the rate of one for every, 15 Primary Banks. In addition to these two officers, the Registrar proposed and the Government accepted the proposal that the services of an officer of the grade of Assistant Registrar or Deputy Tahsildar should be made available for each

Primary Bank to tour and enquire into every application for loan and to inspect and appraise all mortgages tendered, and 10 Sub-Deputy Registrars were appointed. At that time when these decisions were taken, there were 18 Primary Land Mortgage Banks in existence. Since then the number of Primary Banks has increased from 18 to 60, and notwithstanding this increase, the staff of Sub-Deputy Registrars has not been proportionately increased with the result that considerable inconvenience is being caused for want of staff and that loan applications are being delayed. In some of the Districts there are as many as 7 to 8 Primary Banks under a single officer. An application for the increase of Sub-Deputy Registrars during the current year has been pending for some time and there is an insistent demand for the formation of new banks from various parts of the presidency. It is proposed to establish 20 more Banks during the current year bringing up the total to 80 Banks. In these circumstances, a substantial increase of Sub-Deputy Registrars for the investigation of loan applications is a matter of imperative necessity for the satisfactory working of the whole scheme. The original proposal is that there should be a Sub-Deputy Registrar for each Primary Bank and in view of existing conditions, it is desirable that not more than 3 Banks should be placed under each Sub-Deputy Registrar. Otherwise the jurisdiction would be too unwieldy and the work of inspection and investigation will not be satisfactory. Under the present arrangements, it looks as if the retention of the staff now employed for the investigation of loan applications and for the inspection of banks is to be considered by the Government every year. Such an arrangement will be entirely unsatisfactory. In order to go ahead with the programme of developing the whole scheme, it is very necessary that the Government should sanction the staff for a definite period of say at least 5 years and not from year to year. Unless such an assurance is forthcoming, I venture to say that a steady and continuous programme of the expansion of Land Mortgage Banks cannot be pursued. The present state of things is so unsatisfactory that I am inviting your attention to this matter for your immediate consideration. There were applications for nearly 30 lakhs of rupees during the last year and nearly one-third of them could not be considered for want of the adequate staff. It is also necessary to appoint another Deputy Registrar for the inspection of these banks. The Board feels that unless these steps are taken as early as possible, there will be considerable difficulty in dealing with the large volume of loan applications now being received by the

Primary Banks. The benefits now derived from the Land Mortgage Banks by the ryots requiring long term loans are now being increasingly appreciated and unless the question of the additional staff required for the purpose of the investigation of these loan applications is satisfactorily solved, difficulties in the working of the scheme will increase. In this connection, I should like to say that in according their sanction for the retention of the present staff for the current year, Government were pleased to observe that this bank is expected to meet the cost of the district staff from its own funds from 1934-35. As will be seen from the Audit Report of the current year, it is impossible for the bank to provide funds for the outdoor staff in the near future. We all desire that the day when the bank may be able to pay for its own district staff may come as early as possible ; but in the meanwhile, Government has come to the help of the bank, and I trust they will view the request for the increase of the staff with sympathy and generosity. Land Mortgage Banks in other countries have always been given generous help from public funds in the early stages until they are able to stand on their legs by the large increase in their business, and I beg to express the hope that you may be able to render the necessary assistance in this matter to the bank without any delay.

Registration and Audit Fees.

There is one other matter to which I would invite your attention ; that is the question of exemption of Land Mortgage Banks from registration fees and audit fees. In G. O. No. 579 Ms. Dev. d/27-4-33. Government have exempted the Land Mortgage Banks from the payment of registration fees for a period of 3 years. That period will soon expire. The Land Mortgage Banks are under peculiar disabilities in this matter. The primary borrower gets the mortgage document registered in the first instance and that document is assigned to the Central Land Mortgage Bank by another assignment deed and it is again reassigned to the Trustee. Under the present system, the transaction will go before the registering officer three times in some way or other and the payment of the registration fees thrice over is a great hardship. Apart from the Land Mortgage Banks, I think the question of exempting all Co-operative Societies from the payment of registration fees should now be taken up and the levy of half the registration fees from other Co-operative Societies cannot now be justified. The levy was sanctioned by Government

as a measure of retrenchment and the present financial condition of the province no longer requires this levy and Co-operative Societies should have the benefit of the exemption hitherto enjoyed.

In regard to audit fees also, the exemption for three years granted by the Government is now over, and audit fees are being charged from this year. The Primary Banks are still in their infancy and 34 out of the 60 Primary Banks are still working at a loss and are meeting their establishment charges out of their share capital. In regard to the 26 Banks that have earned some profits, I should like to say that the profit is so meagre that they cannot afford to pay any audit fees at any rate in the immediate future. The Townsend Committee laid great stress on the importance of building up for reserve funds and in the interests of the banks, I suggest that they may be exempted from the payment of the audit fees for at least another three years when the question can be reviewed. The total reserve funds of all the Primary Banks is only Rs. 18,000 and the question deserves every consideration. The policy of encouraging the banks to build up strong reserves is only possible when these charges are not made by the Government.

Conclusion.

Finally there seems to be an impression in high quarters which have the decision on questions of policy in their hands that in asking for assistance from the Government, financial or otherwise, for the satisfactory working of the Land Mortgage Banks, we are asking for exceptional treatment at the hands of the Government. I have several times controverted this position and wish to reiterate that in all countries where Land Mortgage Banks have been a success, the success has been achieved by the ungrudging help given by the Government. Our lending rate and the borrowing rate are fixed by the By-laws in order to make loans as cheap as possible to the ultimate borrower. In these circumstances, the administrative and other charges can only be satisfactorily met by some amount of help from the Government. This has been the practice in Europe and America. I need not dilate much on the subject as I have already pressed this aspect of the matter more than once. For example, when the land mortgage corporation was established in Great Britain in 1928 for the identical purpose of affording facilities for long-term credit, Government provided for the payment of £.10,000 towards the administrative charges of the Corporation for 10 years. By the Act of Incorporation the Government undertook to pay to the Company at its inception a total sum of one million two hundred and fifty thousand pounds free of interest for a period of 60 years to begin its operations. The Government also undertook to subscribe to the debentures of the Company to an amount not exceeding one-fourth of each issue and not exceeding in the aggregate one million two hundred and fifty thousand pounds. In addition to these facilities, the Government undertook to procure the underwriting of debentures to be issued by the Company up to a sum not exceeding five million pounds. This magnificent help immediately established the bank in public estimation in Great Britain, with a view to facilitate the free flow of funds for the purchase of debentures of land mortgage institutions in America, the Federal Farm Loan Act definitely laid down " that every Federal Land Bank, and every National Farm Loan Association, including the capital and reserve and surplus therein and the income derived therefrom shall be exempt from Federal, State and local taxation". I am inviting your attention to these examples with a view to show how far Governments in other countries have rendered help for similar institutions intended to benefit the agriculturists, and I trust, Sir, that you may be able to pursue a similar policy in this province. I now thank you for the interest you are taking in coming here to initiate our proceedings and request you to open the Conference.

MINISTER'S REPLY.

The Hon'ble Mr. P. T. Rajan, in declaring the Conference open, said :—

" Let me, with your permission, trace briefly the events which led to the formation of these Primary Land Mortgage Banks. It was realised as early as 1920, that the Rural Credit Societies were not in a position to offer facilities of long-term credit to the agricultural classes in this presidency ; for, mostly, as you know, the Co-operative Banks received funds for short periods which they cannot consistently with sound principles of banking invest in long-term loans extending to 15 to 20 years necessary for the discharge of prior debts and redemption of mortgages. That was also one of the defects of the Co-operative Credit Movement in the earlier stages and this circumstance largely contributed to the overdues in credit societies. The necessity, therefore, of treating short and long term loans as a distinct class of business was felt. After a good deal of consideration, a

beginning was made in 1925 with the previous approval of Government. Four Primary Land Mortgage Banks were registered accordingly during that year, and of these I am glad to note, Conjeevaram, Ambur and Gudlavalleru Banks are making good progress. The primary object of these banks then was to provide loans for the redemption of mortgages on agricultural land, but the improvement of land and of the methods of cultivation were also intended to be within their scope. The banks were expected to obtain money from share capital, deposits and debentures. It was also recognised that they would depend largely on debentures to be issued on the security of lands of the members and Government proposed to take up the debentures to the extent of Rs. 50,000 in each bank provided the public first took up the other Rs. 50,000. The public were allowed interest at 7 per cent. on these debentures while the rate payable to Government was put down at 6½ per cent., the conditions being that the total value of debentures actually in circulation at any time should not exceed the total value of the mortgage bonds and other assets assigned by the banks to the Trustee. The maximum loan to be granted to an individual was put down at Rs. 1,000, and the interest charged at 9 per cent. on his borrowings. The area of operations of the banks was restricted to a group of villages within a radius of 6 or 7 miles from their headquarters. Since then very many developments have taken place in the working of these banks. The number of banks rose from 4 in 1925 to 20 in 1929. The maximum borrowing power of individual members has been gradually raised from Rs. 1,000 to Rs. 5,000. The area of operations of the banks has in many cases been extended beyond 6 or 7 miles. The objects of these banks have been widened so as to include the purchases of land in special cases. But there has been one trouble all along. By the end of 1929, of the 20 Land Mortgage Banks in existence, only 5 floated debentures. The chief difficulty experienced was in selling debentures locally in spite of assurances.

Formation of Central Land Mortgage Bank.

Meanwhile, the Townsend Committee, on Co-operation appointed by the Madras Government examined the progress made by the Land Mortgage Banks and recommended the establishment of a central organisation for financing the Primary Banks. The Royal Commission on Agriculture also suggested the formation of a central mortgage institution so that the issue of these debentures might be restricted to a central organisation with better prospects of purchase of debentures by the public. Consequently towards the end of 1929, the Madras Co-operative Central Land Mortgage Bank was formed. The bank is composed of individual non-borrowing members and Primary Land Mortgage Banks affiliated to the Central Bank and the directorate is representative both of the individual members and primary banks with a nominee of the Registrar approved by the Local Government and the Registrar of Co-operative Societies himself as an *ex-officio* director. The Central Mortgage Bank is empowered on the precedents of mortgage institutions in Europe and America to issue interest-bearing debentures on the security of the mortgages executed by the borrowers in favour of the Primary Banks and assigned by them to the Central Bank. In this connection, I am happy to state that the Central Land Mortgage Bank is so well managed that it has become popular with the investing public. At present, it cannot accept all the money, which is offered to it as the flow is so rapid that the Bank is unable to find an outlet easily. Credit for the successful working of the Bank is due to the President, Dewan Bahadur M. Ramachandra Rao and the Board of Directors. The Central Land Mortgage Bank has been lucky in having secure- the services of my old friend, Dewan Bahadur Ramachandra Rao, the veteran public worker. He has served the public so well and so long that he deserves their gratitude. I wish to acknowledge his great help to me in connection with the Central Land Mortgage Bill which is being considered by the Council. I have great pleasure in congratulating the Board of Directors and particularly the members of the Executive Committee of the Bank on the success so far achieved.

Government Assistance.

Government have undertaken to guarantee interest from Provincial Revenues on all debentures issued during the first 5 years to the extent of Rs. 50 lakhs until the debentures are paid off or redeemed by the Bank. Government have lent the services of two Deputy Registrars of the rank of Deputy Collectors to inspect the Primary Banks on behalf of the Central Bank and the Trustee. They have also appointed 10 Sub-Deputy Registrars who scrutinise the loan applications and forward them to the Central Land Mortgage Bank. You may also be aware that in the first year of the formation of the Central Land Mortgage Bank, Government have given a free grant

of Rs. 15,000 towards the expenses incurred on the establishment and the contingencies of the bank and in the second year they have given another subsidy of Rs. 14,000 towards the administrative charges of the Central Bank. Government had provided a cash credit up to a lakh of rupees on which the Central Land Mortgage Bank operated during the year 1930-31. The President of the Land Mortgage Bank has asked for additional staff. The Registrar has applied for 4 additional Sub-Deputy Registrars for the current year and I accept there will not be much difficulty in giving this staff. He has also applied for 6 more Sub-Deputy Registrars for the year 1934-35, and I may assure you that the matter will receive my sympathetic consideration. Another request made is that the staff should be sanctioned at a stretch for 5 years. The sanction for the staff is being renewed year after year, as it is temporary. I may say that the staff will continue until such time as Government think it necessary in the light of the finances of the Central Land Mortgage Bank and you need not therefore be afraid of these annual sanctions. I shall also consider the request made for an additional Deputy Registrar for the inspection of the Primary Mortgage Banks. But I must now say that, as Government have already pointed out, the expenses incurred on the outdoor staff should be met from the funds of the Central Land Mortgage Bank. Though you may require Government help in the initial stages, I am sure you will agree with me that you must eventually provide for the staff at your expense. I see that this subject is coming up for your consideration at this Conference. As regards the levy of audit fees, you know that Land Mortgage Banks are exempt from payment of fees for a period of 3 years from the date of starting and even after the period I am sure the Registrar will consider the question of remission in deserving cases, under the powers vested in him.

In regard to the payment of registration fees, Government have been very sympathetic towards Land Mortgage Banks. They have exempted the mortgage banks from the payment of fees up to April 1935 and I shall be glad to see, the financial condition of the province permitting, if the concession cannot be extended by Government. The President has referred to the help which Governments in the West have been giving to land-credit institutions. I think from what I have stated above, you will agree with me in saying, that the Local Government have rendered all possible assistance to the Mortgage Banks and have not lagged behind in this matter. Government have always at heart the interests of the agricultural classes whom the mortgage banks are intended to benefit.

Land Mortgage Banks Bill.

Recently, a bill has been introduced in the Council to facilitate the working of the Land Mortgage Banks in this Presidency following the recommendations made by the Townsend Committee and the Royal Commission on Agriculture for a separate legal enactment dealing with Land Mortgage Banks, as they differ materially from co-operative credit organisations. The main features of the Bill relate to the conferring on the Mortgage Banks of the power of sale of the mortgage properties without resort to Courts and the guarantee of interest on debentures issued by the Central Land Mortgage Banks. The various provisions of the Bill as amended by the Select Committee are now under the consideration of Government. An important amendment made by the Select Committee is with regard to the Government guarantee on the principal in addition to the interest payable on debentures issued under clause 4 of the Bill. In this connection, I am glad to note the appreciation by the President of the Central Land Mortgage Bank of the efforts made by the Government to get the debentures issued by the bank recognised by the Government of India as Trustee Securities. The matter is receiving the earnest consideration of the Local Government and ere long, I hope we will achieve our object.

A Few Practical Suggestions.

I will now proceed from this historical retrospect to a few practical suggestions which I venture to make on the working of the Primary Banks. Before I do so, I should like to say that the working of the Primary Banks has been satisfactory so far. There are, at present, 60 Primary Land Mortgage Banks in our presidency. There is a great demand for the starting of more banks. While I realise the need for more banks in suitable places, I wish to emphasise the necessity for intensive development of existing Primary Banks so as to serve the needs of the ryots in the locality in which they are now situated to a greater extent than at present. I gather that the biggest working capital in any one Land Mortgage Bank in the presidency does not exceed 3½ lakhs, while the average working capital of a bank comes to Rs. 67,000. I would like directors of Primary Banks to explore the possibilities of redemption of prior indebtedness in

deserving cases and try to admit men who can be brought within the fold of the Bank and their prior debts redeemed through the agency of these banks. The question of indebtedness of the agriculturists of the locality over which the jurisdiction of a Primary Bank extends, should be investigated through the paid staff of the Bank and all possible cases which deserve help should be examined by the Primary Banks. It is by some such intensive investigation that the utility of the Primary Banks would be considerably felt in the areas which they are intended to serve. Incidentally, this intensive development and increase in the mortgage business would lead to a reduction in the rates of interest on loans which, you will admit, is essential in the present conditions. I gather that of the 60 Banks, 34 Banks have worked at a loss during the year ending June 1933. If work is done on the lines I have suggested, it is possible to prevent the loss arising in the Banks. I commend this suggestion for your consideration. In passing, I may inform you that Rao Bahadur T. A. Ramalingam Chettiar proposes to introduce a Bill in the Legislative Council for the settlement on a voluntary basis of debts through Debt Conciliation Board, and I am sure the Land Mortgage Banks can play a large part in the payment of debts compounded through the good services of the Debt Conciliation Board, if and when that Bill becomes Law.

Another practical suggestion I would like to make is with regard to the investigation of loan-applications and valuation of properties offered as mortgages by members of the Primary Banks. There is need for very great care and caution in the investigation of the applications. Ultimately, the security for the debenture-holders is the land offered as mortgages to the Primary Banks which in their turn assign them to the Central Land Mortgage Bank. You will, therefore, realise the responsibility which rests upon you in this particular matter. This is more so at a time when the country is passing through an economic crisis which has resulted in a marked fall of land values. Unless extreme care and caution is restored on investigation, especially in these days, the banks and a vast body of debenture-holders are likely to be affected adversely.

I would like to draw your attention to the overdues in Primary Banks. I find that on 30th June last, members in 19 Banks had overdues to the extent of Rs. 81,000 under principal and Rs. 23,000 under interest. I do not want the story of village credit societies repeated in Land Mortgage Banks. Unless these arrears are checked and timely action taken to recover them, the position may grow worse. You are aware that the increasing overdues in village societies have given a great deal of anxiety to the Central Banks and to the public, and any such increase in overdues in Land Mortgage Banks is likely to shake the confidence of the debenture-holders. I would, therefore, request you to take immediate steps to recover these overdues in full and to take steps to prevent their recurrence.

Revaluation of Lands.

One another point noticed in the working of the Primary Banks is the necessity felt for additional security for the loans advanced to the members when periodical revaluation of securities has disclosed that the land originally mortgaged was insufficient. You realise the importance of periodical revaluation, and I am sure you will promptly obtain additional mortgages if situation demands it. Lastly, I may just state that you should guard against the mistakes which co-operators have long committed in village societies. You should profit by the experience gained in the working of rural societies. Those defects, which are such a common feature of the working of these societies and with which you are familiar, should not be allowed to recur in the working of Primary Land Mortgage Banks. Mortgage banking is a responsible and difficult business, and on the efficient management of all these Banks the success of the mortgage movement depends. I appeal to you, therefore, to devote yourselves disinterestedly and watchfully to the work of these Banks and make it a success. If in some European countries Land Credit System has been a success, and I do not see any reason why it should not be a success in this country also with all the assistance which the Mortgage Banks have been getting, both from the Government and the public, if I have dealt at length on some of these points, my excuse is my real interest in the movement.

" A Warning."

One word more and I have done. Of late, there has been a tendency for politicians to enter the movement and consciously or unconsciously import parochial factions and controversies into the co-operative institutions. The results of such actions in cases which have been brought to the notice of the Government have been disastrous. Unless this tendency is checked and political factions are eschewed altogether, the whole movement will be heading towards inefficiency and barrenness. If I ventured to warn you against this, it is my genuine belief in the movement that has prompted me to do so. I hope you will take this in the spirit in which it is meant. It shall always be my earnest endeavour to further the best interests of the movement and the welfare of the agriculturists. With this assurance, I have great pleasure in declaring the Conference open and wish your deliberation every success.

Extracts.

THE PLACE OF CO-OPERATION IN GRAIN MARKETING.

By Lew Hutchinson, Director, Alberta Wheat Pool Board.

(Delivered at Regina World Wheat Conference.)

A large proportion of our marketing systems, including that of grain, and the various trade arrangements under which we operate, have been established without sufficient consideration as to their effect on the primary producer. Most of the rules under which the game of marketing is played were framed by other interests, who could not be blamed for this so long as the farmers of the world sat back indifferent. But surely, in this enlightened day and generation, no thinking man or woman will deny that the marketing of his own product is quite as properly the farmers' business as producing the crop.

The Farmer in Business.

A grain producer's co-operative simply means the farmer attending to an exceedingly important branch of his business, and is a non-profit organisation like all true Co-operative Associations, seeking to secure for its members on the basis of an average price for the whole year, regardless of the time of delivery of the grain, a fair share of the consumers' dollar, the farmers themselves carrying their own risk.

We cannot turn back the hands of the clock of Time, or stop the wheels of progress from revolving. The mechanized aids to agricultural production will not be abandoned for the yoke of oxen and the walking plow of the pioneer. Wheat will continue to flow in large volume to the elevator immediately after harvest.

Under the Co-operative system of grain marketing, the member receives an initial payment on delivery of his wheat somewhat below the prevailing market price, thus carrying his own hedge. The smaller the initial payment, the safer will be the financial position of his organisation. As the sale of wheat warrants, further payments are made, with a final adjustment at the end of the crop year when the member receives all that his grain brought, less actual operating costs and whatever may be set aside as reserve. I trust I may be pardoned for going into so much detail on a subject which is quite familiar to many of you, but I do so to give a clear picture of what is involved.

It will thus be seen that under the Co-operative system of marketing, the tremendous pressure which occurs during the heavy delivery period and which would have caused absolute disaster during the last two years but for artificial relief, is eliminated. It is true that the producer carries the risk, but why should not he ? It is his business and he pays the whole shot anyway in the final analysis.

Basis of Co-operatives.

Producers' Co-operatives in this country are founded to a considerable extent on the general principles developed by the Consumers' Co-operative Movement in Great Britain, with the necessary modification and adaptations to meet the producers' requirements. The basic principles are virtually the same: universality, democracy, equity, unity, economy and candor.

Universality requires that the movement should embrace any race, language, color or creed. The principle of democracy accords each member one vote in the affairs of the organisation, thus guaranteeing equality of control. Equity provides for fairness, impartiality and justice to all, extending favoritism and special privileges to none. The principle of unity requires that the organisation keep out of all affairs not directly concerned with its primary objective. Economy demands the elimination of all waste and leakage, the keeping down of operating expenses, and doing away with unnecessary middlemen. The principle of candor requires that the members be kept in close touch with the business affairs of their organization, and that there should be a willingness at all times on the part of the executive to keep the members well informed and impart to them all information which may help them to get a clear idea of the condition of their Co-operative. A movement built and maintained on these principles, regardless of any difficulties is on a sound foundation and will endure.

An Important Point.

Those entrusted with the administration of a grain producers' co-operative must never lose sight of the fact that in a soundly organised co-operative, the producer is the owner of the grain and does not relinquish that ownership until the grain is bought and paid for by the processor, consumer or their agents. Thus, when such questions arise as preserving the integrity of the certificate final, they must take the longer view as the owner of the grain and jealous of its reputation, rather than the shorter view as a large handler of grain and interested only in the profits made through this handling. If it is a question of retaining in our standard sample varieties incompatible from the millers' standpoint

with our standard varieties, however, desirable and profitable these varieties might appear from an elevator standpoint, the wider view as owners must predominate, realizing that anything that shakes the confidence of the buyer in our certificate final is bound to react against the producer and would entail an ultimate loss to our industry that elevator profits, enticing at the time, would never of set.

If, as many of the experts who have addressed this Conference have stated, a reduction of the amount of wheat that is delivered into marketable channels would result in a better price, it is certainly the clear duty of a producers' co-operative to very seriously consider that question. It is hardly necessary totell an intelligent audience that sheer bulk of exports, regardless of price, does not solve the problem of unprofitable production. Naturally, if the co-operatives were only handling concerns, they would be very critical of any move to reduce volume of output, but being also the owners of the wheat they must consider a price above the cost of production, as paramount.

These are but a few instances of how a well organised co-operatives can serve the interests of the producers who compose it.

The fact that the price to the producer has been stressed, may seem to the idealist a little sordid ; and to the representatives of other classes somewhat selfish, but surely it is justified when you take into consideration that the agriculturists, together with the other primary producers, are the only producers of new wealth, the rest of the world's business consisting of processing and distributing what they produce. Equally important is the fact that, as a class, the farmer is the world's largest consumer.

Where to Start Revival.

It is freely admitted that when the consumer has purchasing power, all classes benefit thereby. To put it more bluntly, when the farmers of the world have money to spend, the wheels of commerce turn. When the farmers have no money as we have ample evidence the past few years, the wheels of commerce cease to turn. It seems rather strange that this simple truth has not been more seriously considered by the powers that be, for it would seem that here is the logical place to start in our efforts of reconstruction, following it up with whatever other adjustments are found necessary.

The educational value of producers' co-operative is very great. The members, meeting from time to time, and discussing the problems of their organisation, which involve a fairly general view of world conditions, also acquire a much broader knowledge of their whole business than would otherwise be possible. It is of the utmost importance that the administration should keep in the closest possible touch with the membership, not only to assist in the education of the members but to be educated by them. Should the Board of Directors take the attitude that they are of more importance than the organization, it would soon prove fatal to either the organisation, or, more probably, the Board.

Goodwill and Loyalty.

The success of the Co-operative depends primarily on the goodwill and loyalty of the members to their organisation and that in turn depends greatly on the honesty, efficiency and sound business management of the administration. Too much stress cannot be laid on this point, for nothing could shake the confidence of the member quicker than bungling, inefficient handling of its business, particularly in accounting for his funds.

In conclusion, I would point out that the whole trend of modern business development seems to be towards consolidation. On every hand we see the individual and small concerns merging into or being put out of business by large amalgamations, and the world's trade getting into fewer and fewer hands, and in no line is this more noticeable than among the overseas millers and purchasers of our wheat, and the same is true of world exporters of wheat. Whether this is desirable development or not, it is taking place. It is only common sense to meet combined buying with combined selling, so the only way the producer or consumer can hope to hold his own is through organisation and there is no organisation holding out more hope for the producer than a soundly organised and capably managed co-operative marketing organisation which he himself owns and controls.

GRIEVANCES OF THE TANJORE RYOTS AND REMEDIES.

(In a series of articles appearing in the 'Hindu', under the caption "Tanjore Land Problem" by "A Ryot", he has brought to light the several grievances of the Tanjore Ryots. Those grievances and the suggestions made by the writer in the 'Hindu', are summarised below.

Editor M. J. C.)

1. The ryotwari system, under which Government is entitled to take away one half of the net produce of land, is opposed to all sound canons of taxation and has actually proved to be an evil.

2. The evil has been aggravated by the periodical resettlements occurring once in thirty years, during which the ryot has to pay to Government annually a fixed amount in cash,equivalent to the value of half the net staple produce on his land, calculated on its average price for the preceding twenty non-famine years.

3. The assessment on wet land at the last resettlement, has been made particularly heavy by the Resettlement Officer over-estimating the gross out-turn of paddy and under-estimating the cultivation expenses and by valuing the price of paddy at an average price of Re. 1-14-6 per kalam of 27 3/5 Madras measures, without excluding the abnormally high prices of two years, *viz.*, 1918-19 and 1919-20.

4. All these, followed by a steady fall in price of paddy, recurrence of bad years, heavy cattle mortality, increase of other land-burdens by way of increased water-cess and land-cess and education-cess, have reduced the margin of profit on wet lands estimated by the Resettlement Officer not only to nil but also to considerable minus.

5. In order to meet this continuous minus and to keep his body and soul together, the ryot has been obliged to borrow to the extent of his maximum capacity and in many cases even more, as will be borne out by the figures of the co-operative department.

6. He is now disabled from paying even the interest or any fraction thereof to his creditors, including the co-operative society and is, therefore, threatened with suits and decrees.

7. All attempts on his part to sell away his lands have proved futile, there being no proper purchasers for them.

8. He is, therefore, obliged to convey his lands, wherever possible, in favour of his very creditors for very low prices, simply to avoid being dragged to court and facing incidental troubles and humiliation.

9. The Mettur Project, so far as the old delta is concerned, not being likely to confer any increased benefit by way of better irrigation or better drainage or to act as a safeguard against local floods caused by the north-east monsoon rains, the proposals, *viz.*, (1) to increase the water-rate

on dry land, from Rs. 4 to Rs. 15 per acre for first crop and Rs. 7½ for second crop, (2) to raise the Taram assessment of wet lands under second and third class source of irrigation to that of the first and second respectively, (3) to levy newly water-rate of Rs. 10 per acre on registered wet inam and zamindari lands against all vested interests and (4) to charge a flat rate of Rs. 7-8-0 per acre for all second crop on wet land in the place of the present half the taram assessment, which exceeds Rs.7-8-0 in the case of the first taram only and varies in the case of the other 11 tarams from Rs. 7-2-0 to Rs. 1-13-0, will lead to nothing but disaster.

10. In order to make land-holding possible, the Government should not only reduce the present assessment on wet lands by 50 per cent. besides suspending all the fresh land burdens proposed; but it should also take simultaneous steps to give effect to the recommendation of the Indian Taxation Enquiry Committee, *viz.*, to assess lands at a rate not exceeding 25 per cent. of the net income, as defined by that Committee; and;

11. Until a reform of this kind is effected and until a statutory limit is placed on future enhancement of land burdens in any shape or form, no co-operative society or Land Mortgage Bank and no amount of Government help by way of Land Improvement loans or otherwise, can secure the salvation of the ryot.

These grievances of the Tanjore ryot and the remedies proposed therefor, must apply more or less equally to the ryotwari landholders in the other parts of the presidency. It is hoped that all the members of the Legislative Council will, without any delay, put their heads together and press with all the force at their command for the immediate reduction of assessment on wet lands by 50 per cent. and for the adoption, before long, of the recommendation of the Indian Taxation Enquiry Committee, which has been arrived at, after a careful examination of land systems in various other countries. It is no use asking for appointment of a committee, which means time and expense and ultimate shelving of the matter. There are no fresh points to be elucidated. That, on account of causes beyond his control, the ryot has now to sell double the quantity of paddy, which means also his own half share of the net produce to pay the Government assessment, is clear. Nothing short of immediate reduction of assessment by 50 per cent. can meet the situation. It does not require a committee to say this.

In this connection, a word of advice seems necessary to our co-operative friends, who, without understanding the real situation, are pleading for extensions of time for repayment of existing loans and grant of 20, 30, and 40 years' long-term loans. Will these gentlemen look into the real economic condition of the ryot and see that, even under the most favourable conditions, the income he gets, is not enough to meet his cultivation expenses and Government demand and also to keep his body and soul together and that the grant of any amount of extensions or long-term loans, will be no good except perhaps to a very few persons who can be counted on one's fingers.

Reviews.

RECONSTRUCTION AND EDUCATION IN RURAL INDIA.

BY

Dr. Prem Chand Lal, Ph. D., (London), George Allen and Unwin, Ltd., Price 10 shillings.

The author has culled his data from Sriniketan, with which he was associated for a number of years. The General principles, enunciated for the adoption of Rural Workers are, therefore, the outcome of his inductive study within the precincts of 'Viswabharati'. The author gives a comprehensive account of the various ramifications of the work done at Sriniketan. He has dealt with a number of topics, (1) the Education of Adults; (2) the Education of Women and Girls; (3) Vocational Training; (4) Scout Movement and (5) Rural Education. The Rural Education imparted at Sriniketan, is in consonance with the ideals nurtured in the poetic atmosphere of Santiniketan. Recreation, which whets innate faculties; (2) cultural activities embracing dramatic music and folk-songs; (3) the building of an ideal home; (4) the cultivation of citizen-ship and civic, responsibility; (5) the inculcation of religious principles which include tolerance towards other persuations; (6) the development of health and (7) encouragement in the field of social service, are within the curricula of studies of Sriniketan. We invite the reader to pass through the vestibules of these details in and around the "Abode of Wealth", while laying stress on the great principles which govern the activities of the torch-bearers of to-day, in diverse situations and circumstances. Self-dependence, Social-Service, Singleness of purpose and Freedom of movement, are practised here. The Majesty of the Gandhian principle, that one must cook one's own food and wash one's own clothes, is admirably, vindicated here; the boys who hail from the country-side, bury their differences of caste and creed in their endeavour to translate into action the ideal of bringing about co-operation between city and village; and the young hierophants of co-operation study the condition of neighbouring villages and carry their scout-activities into places which hunger for succour and service. Routine is under taboo. The master is no task-master but a friend, guide and philosopher to the pupils. A medley of subjects is not huddled together to foster desultory study among the scholars. No subject or activity is paid thought to until the one which engages the attention of a particular class is studied to the finish. The skill of Japan and America is requisitioned in certain handcrafts for the advantage of Indian students. What is best in the Eastern lore, is wedded to, what is best in the Western Science. Rural Reconstruction at SRINIKETAN is but the necessary supplement of the cultural advancement of SANTINIKETAN. The poet has studied the needs of the semi-starved villagers and made provision for them, while inviting various peoples of the world to share the bliss of his "Abode of Peace". The turn-over which SRINIKETAN presents, may not be quite promising; but what counts most, is in the words of Rabindranath himself, "Confidency in life, the truth that is in us, as it will overcome opposition and conquer space and Time".

Rural Reconstruction and Co-operation, go hand in hand, and in as much as the book abounds in precious thoughts on these twin subjects, we invite those interested in National Service, to cone over its lines and derive ineffable inspiration.

J. S. M.

REPORT OF THE SERVANTS OF INDIA SOCIETY 1932-33.

The Report of the Servants of India Society for 1932-33 is, as usual, a record of steady and unostentacious work done not spasmodically but according to well-devised plan from day-to-day. The society has adopted a good policy of co-operating with other organisations having similar aims and it is refreshing to read to what great extent they have carried out this principle. Though started originally for political work and the report itself defines the society as political body of life-workers, yet in course of time each member was allowed to choose his own field of activity in conformity with the original aim; hence we find that over and above substantial political work done by members like Right Hon'ble, V. S. Srinivasa Sastri, Hirday Nath Kunzru and others, a very large number of members took an active part in Labour Movement, Education, Rural Uplift and Co-operation and other aspects of social service. In the field of politics, they have tried to tackle problems not only connected with British India but some members have specialised in the political problems connected with Indian States; and they run their own Journals, to give expression to their own views on politics and other important aspects of life. So far as, our own Province is concerned, Mr. V. Venkatasubbaiya, the senior Member of the Madras branch, has been devoting his attention to Co operation and Mr. S. R. Venkataraman, a new recruit, over and above helping Mr. Venkatasubbaiya, has been taking active part in Labour Movement, Scout activities and those connected with the Local Self-Government. Mr. R. Suryanarayana Rao, has been looking after the Devadhar Malabar Reconstruction Trust, at Calicut and the Depressed

Classes Mission in Mangalore and Mr. K. G. Sivaswamy, with his Headquarters at Mayanur in Trichy District, has been attempting to do Rural Reconstruction Work there, in all its multifarious aspects.

The finances of the institution, are not in a very satisfactory condition and every lover of India, will do well, to contribute a portion of his spare-money towards helping this very useful institution.

S. K. Y.

PRIMER OF RURAL CO-OPERATIVE CREDIT.

By Mr. K. SRINIVASAN, M. A.

We have received, a copy of the Primer of Rural Co-operative Credit, by Mr. K. Srinivasan, M. A. This is intended for use by village Co-operators and it is written in easy Tamil, so as to be easily understood by them. There are six chapters dealing respectivety with fundamentals of Co-operation, By-laws of Societies, Management, records, audit etc. We echo the sentiments of our Veteran Co-operator, Rao Bahadur, A. Vedachala Iyer, that every Rural Co-operative Society will use the booklet for educating rural co-operators.

S. K. Y.

CO-OPERATION IN INDIA AND ABROAD.

By Rao Bahadur, S. S. Talmaki, B.A. LL.B., Honorary Secretary, Provincial Co-operative Institute, Bombay, with a foreward by, Sir Lallubhai Samaldas, Kt., C.I.E., (Price Rs. 3-8-0 or Sh. 6/-)

As the name itself suggests, it is a book treating with the fundamental principles of co-operation in all its forms in India and Abroad and the development of the various phases of the Co-operative Movement in Europe and in India, in popular language.

The book is divided into eight different sections, three relating to the historical, economical and legal aspects, and remaining five, dealing with, the main divisions of the movement, the federation of Primary Societies, finance, organisation and general, which includes education in co-operation and education for co-operation. The author has brought to bear upon the subject matter of each section, the experiences gained by him, as the Honorary Secretary of the Provincial Co-operative Institute, and has compared in each section, the various sides of the movement, both in India and in all foreign countries, where the movement has taken now and has made valuable suggestions for its expansion in various directions in this country.

The book will prove a valuable addition to the already existing literature on the subject and will serve as a Vade Mecum for all co-operators in India and for all foreign students of Indian Co-operation.

S. V.

Correspondence.

CHODAVARAM,
20th October, 1933.

From

M.R.Ry. R. SATYANARAYANA PANTULU GARU, B.A., B.L.,
Chodavaram (Vizagapatam Dist.)

To

THE EDITOR,
THE MADRAS JOURNAL OF CO-OPERATION, ROYAPETTAH,
Madras.

Rules under Act VI of 1932.

While perusing the revised rules framed by the Government of Madras under their rule making power conferred by the Act as printed in The Madras Journal of Co-operation, Vol. XXV, No. 2 of August, '33, I felt some points to be in doubt, which may be cleared at the earliest opportunity.

XXII. 17 (*c*):—Establish his right by instituting a suit:—*The form is not indicated* * :

From the rules, it would appear that the Registrar of the District, has revisional powers over the orders or actions of the Sale Officer. Is it the intention of the Government that the suit against the claim order of the Sale Officer must be launched before the Registrar or before the ordinary Civil Court (Which does not include Panchayat Courts constituted under the Madras Village Courts Act.)

XXII. 4 (*n*) :—Exemption from attachment :—The exemption in Section 60 C.P.C., will by force of Section 60 (*b*) comprises the exemption contained in Section 61, C.P.C. also. Under the rules the exemption seemed to be confined to articles covered by Section 60 only, because under 4 (2), the rule makes provision for the attachment and sale of crops or ungathered products of *land belonging to the defaulter.*† If this interpretation is not correct, Section 4 (*d*) conflicts with 4 (*n*). Then, there is another question to be dealt with. The land must belong to the defaulter:—Very many land, owning-defaulters-are not direct agriculturists. The crops raised in their land, would invariably be raised by the cultivating tenants. If such crops are attached and sold for the arrears of the land-owning-defaulter, the acutal sufferer would be (the non-defaulter) cultivating tenant.‡

* Ordinary Civil Court. (*Editor M. J. C.*)

† There is no conflict. Such portion of agricultural produce as is exempted under section 61, will also be exempted. (*Editor M. J. C.*)

‡ The cultivating tenant's share of the produce, will we expect to be released on a claim by him and the defaulting land-owners, share of the produce, will be sold. We are unable to see any difficulty or conflict. (*Editor M. J. C.*)

Again in almost all the rural Societies, the members and consequently the defaulters would be tenants. These tenants may be "ryots", under the Madras Estates Land Act or usual lessees. If the term "land belonging to the defaulter" can mean the "Kudiwaram interest" of the ryot and if his crop is sought to be attached. and sold, the Zamindar or land-owner can, distrain and re—sell the same by virtue of his first charge conferred on him, by a special statute and the rules under the Act also make the sale by the sale-officer subject to a prior encumbrance, if any. In the case of ordinary lessees, the crops would seem not liable for attachment, under the rules, as the land does not belong to the defaulter lessee, who is only a tenant at will or from year to year. It makes no difference, even if he is a lessee for an indefinite period because, in all these cases, the land exclusively belongs to his (non-defaulter) lessor. In very many cases, these lessees would possess no immoveable property or little other moveable property, worth mentioning. His mainstay is the crop raised by him. If that crop raised by him in a land (not belonging to him) cannot be attached under Section 4 (*d*), it is certain, many debts in the rural Societies must remain undischarged. If that be the case, the rules under reference requires modification, as all the rules under the Act, are intended to confer simple and speedy remedies and substantial and real help for the Co-operative Societies.

II. RAJAHMUNDRY.

We have received, copies of correspondence that has passed between the Secretary of the Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry, and the Deputy Registrar and Registrar of Co-operative Societies. The Bank in 1932-33, appointed a duly qualified auditor, who had audited their accounts, as Auditor for 1933-34 also; but they have been told that G. O. No. M. S. 224, dated 21-2-33 is definite, "that no extension of non-official audit of societies should for the present be permitted and that the departmental audit, should be the rule". In virtue of it, the Deputy Registrar made arrangements for having the bank audited by an Inspector of the Department. The Bank wrote back that their original arrangement would continue and that Inspector's services were not required. The Registrar has cut the Gordian knot by withdrawing the permission granted to the said auditor. The Bank, questions the right of the Government, to pass the G. O. mentioned, in spite of the general power vested by the Act and rules thereunder in the Registrar to authorise a person to audit the accounts of a Co-operative Society.

If civilisation is permanently to be sustained and steadily to be improved, Co-operation must be found in Society at its roots.

District News.

Vellore. On Sunday the 15th October, 1933, the North Arcot Co-operative Central Bank, Ltd., held its annual meeting and passed a few resolutions of a far reaching character, which are reviewed editorially. On the same day. the Hon'ble Mr. P. T. Rajan, Minister in charge of Co-operation, unveiled the portrait of Rao Bahadur, K. Deivasikamani Mudaliar, Registrar of Co-operative Societies, Madras, in the premises of the Central Bank. The Minister was given an address to which he made a suitable reply. Mr. Ramadas Pantulu, then made the speech given below. There was a Tea Party and the whole function was a great success.

Mr. V. RAMADAS PANTULU'S SPEECH.

Permit me to thank the President and members of the Board of Management of the Central Bank, Vellore, for having kindly invited me to this function, as the representative of the Provincial Co-operative Bank and the Provincial Co-operative Union. You traced the history of the career of Rao Bahadur, K. Deivasikamani Mudaliar, our present Registrar, from the very beginning of his connection with the movement, to date and it is certainly a career that one could be proud of. I am an ardent advocate of Indianisation and I have always been of opinion that the post of the Registrar should be occupied by an Indian. I am sure, I am not giving out any secret, when I tell you what took place in the Townsend Committtee of which I was a member, as the representative of the Provincial Bank and the Provincial Union. The Committee was comprised of three Europeans or rather five, if I include, the Secretary and Mr. H. N. Hood, the Registrar. I know, the opinions of these two, influenced the members of the Committee more than anything else. Mr. Devadar, Mr. Ramalinga Chettiar and my late, lamented friend, Mr. K. T. Paul, a Co-operator of international repute and myself were able to convince the European members of the legitimacy of our claim in the matter of having an Indian, as the Registrar and to get it recorded in the report definitely, as one of the recommendations of the Committee. The experience and knowledge gained about the working of the movement, is completely lost to the Country, if a Non-Indian holds the post. It is really curious to note that when the portfolio of Co-operation was in the hands of Europeans, there have been a succession of Indian Registrars like, Sir P. Rajagopalachariar and Dewan Bahadur R. Ramachandra Rao and L. D. Swamikannu Pillai and when the portfolio was transferred to the hands of Indian Ministers, we had a succession of Non-Indian

Registrars. I hope, Sir, that you would remove this anomaly during your regime. Now coming to the present incumbent of the post, if what you have expressed about his excellent qualities and capacity for work are to be taken as true sentiments and not the usual conventional ones, there is no one better fitted to occupy the post than Rao Bahadur, K. Deivasikamani Mudaliar. You were kind enough to wish him, at close of your speech long years of such service to the public It is a prophetic utterance. It is in your hands to prove the prophecy true by appointing him to the post.

I request you, Sir, to grant this united prayer of the Co-operators.

DISTINGUISHED ECONOMIST'S TRIBUTE TO ROCHDALE PIONEERS

O Pioneers ! to you I return thanks, not only for having given an organisation, which for millions, has obtained comfort and improved conditions of living, which, as an economist has said, was the only successful social experiment of the 19th century, but above all, for having taught us an admirable lesson in modesty, by showing us that all our knowledge, all the wisdom of the Scribes and Pharisees, all that is set down in books and in the law, all in the name of which we instruct and govern mankind, is not worth in foresight and motive power the action of a few humble workers who simply lived, laboured and suffered with no other teaching than is derived from manual labour, the thought of our daily bread and an unshakable faith in the advent of Justice.—The late Professor Charles Gide of the University of Paris.

Every Co-operator helps not only to secure more of the good things of life for himself but for all.

***

The foundation of co-operation was the co-operation of the consumer and consumer's co-operation is the only hope of the world.

***

The substitution of co-operation for competitive individualism, is the application of a philosophical principle fundamental in character.

***

The Co-operative Movement has established the fact that unselfishness pays.

***

Co-operation is intended to place people in a position, which will enable them to create new wealth for themselves.

City News.

LIST OF NEWLY FORMED BOARD OF DIRECTORS OF THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK, LTD., MADRAS.

1. M.R.Ry., Dewan Bahadur, M. Ramachandra Rao Pantulu Garu.
2. „ Dewan Bahadur, P. Sitaramayya Pantulu Garu. (*Nominated*)
3. „ C. Gopal Menon Avergal.
4. „ Dewan Bahadur, G. Narayanaswami Chettiar Avl.
5. „ Rao Bahadur, T. A. Ramalingam Chettiar Avl.
6. „ Dewan Bahadur, T. Raghavayya Pantulu Garu.
7. „ V. Ramamurthi Garu. (*Razole Land Mortgage Bank.*)
8. Professor N. G. Ranga. (*Ponnur Land Mortgage Bank.*)
9. M.R.Ry., Rao Bahadur, C. Sambasiva Chettiar Avl. (*Conjeevaram Land Mortgage Bank.*)
10. „ P. S. G. Ganga Naidu Avergal. (*Peelamedu Land Mortgage Bank.*)
11. „ Rao Sahib, K. V. Thiruvengada Mudaliar Avl. (*Tiruvarur Land Mortgage Bank.*)
12. „ Rao Bahadur, K. Deivasikhamani Mudaliar Avl., (Registrar of Co-operative Societies Madras) (*Ex-officio.*)

RESOLUTIONS ADOPTED AT THE CONFERENCE OF REPRESENTATIVES OF PRIMARY LAND MORTGAGE BANKS, HELD ON 7-10-33.

1. This Conference is of opinion, that the Central Land Mortgage Bank, Ltd., will not be in a position to meet the cost of the District Staff for some time to come and requests the Government to lend the services of the requisite staff for the next five years.

2. That in view of inadequacy of the present staff, the conference requests that not more than 3 Banks should be entrusted to each Sub-Deputy Registrar and the number of Sub-Deputy Registrars, should be substantially increased.

3. This Conference requests that the registration charges and audit fees, should be remitted for the next three years.

4. The sense of the house is that the lending rate should not exceed 2 per cent. over the borrowing rate of the Central Bank.

5. The Conference is of opinion that borrowers should be encouraged to take out an Insurance Policy simultaneously with the mortgage loan.

6. The question of starting Branch Boards, is deferred for further consideration.

7. Specific reports of the difficulties about obtaining encumbrance certificates should be sent by the Primary Banks to the Central Bank.

8. The Primary Banks are prepared to provide all the further share-capital required by the Central Bank, and the subsidiary by-law No. 8 will be amended, if necessary.

The strongest argument in favour of Co-operation, is the ethical one.

***

There should be co-operation on both sides of the counter.

***

Co-operation is built on the great spiritual values of friendship, service, trust and brotherhood.

***

The Co-operative Movement has been and is a social and educational force of great value to the community.

***

The Members of a Co-operative Society, should not be a mere aggregate of units but a family of individuals, whose highest duty and pleasure is to promote their mutual welfare.

Registrar's Circulars.

E. 4309/33.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, dated 17th October, 1933.

M.R.Ry. RAO BAHADUR, K. DEIVASIKHAMANI MUDALIAR AVL.,
Registrar.

MEMORANDUM.

Rules under the Madras Co-operative Societies Act—Supply.

The Superintendent, Government Press, Madras, states that copies of the rules issued under the Madras Co-operative Societies Act, are available for sale at the Government Press, Mount Road, Madras. Deputy Registrars are requested to inform Central Banks, Unions, etc., that, if they desire to purchase copies of the rules, they may apply to the Superintendent, Government Press, direct.

By order,
P. R. SUNDARAM,
Manager.
20-10-33.

To all Deputy Registrars and Sub-Deputy Registrars in independent charge.
,, Sub-Deputy Registrars in charge of Institutes.
Copy to the Madras Journal of Co-operation.

Every Co-operative association, should aim at becoming not merely a financial society, but a human society in the highest sense.

***

Self-help and self-reliance, are the basic principles of Co-operation.

***

Co-operation offers the best channel in which diverse currents of thought are unified in one life-giving stream.

***

The path of co-operation, is the path of Union, Social, Religious and Political.

No. F. 4317/33.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, dated 30th September 1933.

M.R.Ry. RAO BAHADUR K. DEIVASIKHAMANI MUDALIAR AVL.,
Registrar.

CIRCULAR.

[SUBJECT.—*Liquidation—Societies to be dissolved in the year—List to be drawn up in consultation with representatives of Co-operative institutions.*]

The Executive Committee of the Madras Provincial Co-operative Union, has resolved in its meeting held on 27th August, 1933, that in regard to the liquidation of societies "the ordinary procedure should be that the list of societies to be liquidated during the year should be drawn up at a meeting of the representatives of the District Bank, the District Federation, if any, Supervising Unions, and the Deputy Registrar of the district." The Registrar accepts the suggestion. The Deputy Registrars and Sub-Deputy Registrars in independent charge, are requested to draw up a list of societies to be liquidated in a year, in the manner indicated in the resolution, with due regard to the working of societies as disclosed in the latest audit, *interim* audit and *other inspection notes*. *This list* should be very carefully drawn up, so as to give weight to the views expressed. In making out this list, the suggestion made by the Townsend Committee, *viz.*, "immediate attention must be given to the rectification, if possible, of all dormant societies, or failing this, to their liquidation" may be kept in view.

2. The Deputy Registrars will please note that it is not obligatory on them to propose the cancellation of registration of all societies so included in the list as circumstances may change in the meanwhile. Enquiries may be held into the affairs of these societies in the order of urgency or necessity, and only if they are found to be thoroughly bad or insolvent or beyond revival and rectification, they should recommend their liquidation. This does not fetter the discretion of the Deputy Registrars in recommending the dissolution of societies, which are not included in the list, if their affairs warrant such a course.

3. It is also suggested that the Central Bank in each district may arrange for the meeting of these representatives after the compilation of statistics and preparation of annual statements every year and draw up the list of societies to be cancelled.

K. DEIVASIKHAMANI MUDALIYAR,
30th September 1933. *Registrar.*

To Deputy Registrars and Sub-Deputy Registrars in duplicate.
,, Federations.
,, Central Banks with the request to communicate the information to the Unions.
,, the Madras Provincial Co-operative Union, Madras.
,, all Co-operative Institutes.

PUBLICATIONS RECEIVED.

From United States Department of Agriculture:—

1. (*a*) Year book of Agriculture 1932.
   (*b*) Do. 1933.
2. Report on the working of the Dharapuram Co-operative Urban Bank, for 1932-'33.
3. Report on the working of the Prakasapuram Co-operative Society, for 1932-'33.
4. Annual Report on the working of the United Provinces Co-operative Union.
5. Annual Report of the Tirupathi Co-operative Town Bank, Ltd., for 1932-'33.

University of Kentucky :—

1. Bulletin No. 331 ;—Soils and Fertilizer Experiments, Lexington Farm.
2. Bulletin No. 332 ;—Winter versus Summer Feeding of Corn to Steers.
3. The 19th Annual Report of the Coimbatore District Public Servants' Co-operative Society, Ltd., (1932-'33).
4. The 13th Annual Report of the Kaveripatnam Co-operative Town Bank, Ltd., (1932-'33).

The quality of one's desire for a Co-operative Common-wealth, must be determined by one's willingness to work for it."

***

Utilise annual meetings for Educational purposes.

***

The task of changing the social system from Private ownership to Co-operative Ownership, has not merely an economic significance, it has human, moral and religious significance.

***

Co-operation is collective individualism.

***

All experience teaches us that Co-operative Societies composed of non-co-operators, cannot permanently succeed.

THE RESERVE BANK OF INDIA BILL, 1933.

MEMORANDUM

Presented to the Select Committee on the Bill.

BY

V. RAMADAS PANTULU,

President,

The Indian Provincial Co-operative Banks' Association and The Madras Provincial Co-operative Bank.

This Memorandum is confined to problems of Agricultural Finance, in which co-operators are specially interested, and to the relations of the Co-operative Banks with the Reserve Bank.

I. CONSTITUTION OF THE BANK AND CO-OPERATIVE BANKS.

(a). Shares and Votes.

Co-operators are as vitally interested as the other sections of the public in this country in securing a sound constitution for the Bank. Nevertheless, only those aspects of the constitution of the Bank, which intimately bear on agricultural and co-operative interests, are dealt with here. On the question whether the Reserve Bank of India should be a State Bank or a Shareholders' Bank, I am not in a position to speak on behalf of the co-operative interests in India as a whole. Speaking for myself, I am definitely in favour of a State Bank. I am, however, in a position to say that, if the Reserve Bank is to be a Shareholders' Bank, co-operators want some material modifications in the scheme of the Bill. Without suitable modifications co-operators feel that the poorer middle classes, specially members of the rural Co-operative Societies, will have no facilities to become shareholders or to acquire the right to vote in the elections to the local boards and the Central Board.

Fixing the value of a share at Rs. 500, the power to vote being made to rest on possession of at least two fully paid up shares, absence of a limit to shareholding by any person, allowing ten votes to a person in proportion to his shareholding up to Rs. 10,000 (20 shares) and requiring the members of the local boards and Directors of the Central Board to put in Rs. 10,000 share capital, will, it is apprehended, lead to the concentration of the shares in a small number of wealthy families in each of the five areas.

Wealthy and influential families and concerns will try to command as large a number of shares as possible, and will naturally monopolise, with the aid of the voting power such concentration of shares in their hands gives, the elected places on the Local Boards and the Central Board. A dividend of 5 per cent. (which may go up to 6 per cent.) is surely an attractive investment for wealthy men in these days.

So, on behalf of co-operators, I suggest that the value of the share be reduced from Rs. 500 to Rs. 100, that a suitable maximum limit, not exceeding Rs. 20,000, be placed on shareholding by a single individual and that the co-operative maxim of "one man one vote" be adopted (the right to vote by proxy being rigorously limited, if not altogether abolished). The Reserve Bank being a national institution, though constituted on a shareholders' basis, and not a commercial or profit making concern, the application of these principles will be eminently appropriate and will give the institution a really democratic character. There is nothing new in these proposals, for they are identically the same as those found in the Bill of 1928. Except in regard to one of these matters, namely, fixing a maximum limit to individual shareholding, the London Committee has not given any reasons for the changes they have made in the plan of the 1928 Bill. The London Committee's opinion, that placing a limit on shareholding will interfere with the marketing of Reserve Bank shares, is not convincing. Such limit may prove an obstacle to speculative transactions; if so, it is a desirable limitation.

(b). Co-operative Societies as Shareholders—Societies in Indian States.

(*i*). *Definition of Co-operative Societies* :—Clause 4 (3) (*c*) permits a co-operative society registered under the Co-operative Societies' Act, 1912, to become a shareholder in the area in which it has its principal place of business. This clause and clause 10 (2) (*d*) require amendents on the lines of clause 2 (*e*) so as to include societies registered under the Act of 1904 and to cover the cases of Bombay, Burma and Madras, which have now their own Co-operative Societies' Acts. The India Act of 1912 is not in force in these three provinces.

Note :—Under the Co-operative Societies' Act, a society may invest its funds only in the shares of another co-operative society with limited liability. It is, of course, open to the Local Governments to make a rule under the Co-operative Societies' Act, specifically permitting societies to invest their funds in the shares of the Reserve Bank. (*Vide* Section 32, sub-sections 1 (*c*) and (*e*) of the Co-operative Societies' Act II of 1912.) The question whether that course should be adopted or whether a provision should be made in the Bill, is a matter which requires examination.

(*ii*). *Provincial Co-operative Banks* :—Clause (2) (*e*), which defines a provincial co-operative bank also requires an important drafting amendment. It says that the "*sole*" business and object of such a bank must be the financing of other co-operative societies. But, all provincial co-operative banks do some small business in other directions as well, So, the word "sole" must be replaced by the word "main."

Note :—In connection with the definition of "Provincial Co-operative Bank," there is one matter to which I would like to draw attention. There is no Provincial Co-operative Bank in the United Provinces, though there are many central banks. It is undesirable to leave out from the scope of the Bill those banks altogether simply because there is no Provincial Bank. So, in regard to the United Provinces, select Co-operative Central Banks possessing the capital qualifications of a scheduled bank and approved by the Local Government, may be brought within the scope of the Bill, so as to enable the Reserve Bank to deal with them under Section 17.

(*iii*). *Mode of exercising the rights of share-holders*:—In connection with shareholding by companies and co-operative societies referred to in clause 4 (3) (*c*), it is not clear how a shareholding company or co-operative society is to exercise its power of voting as a shareholder. Some such provision as is contained in section 13 (3) of the Co-operative Societies' Act, 1912 or Section 16 (2) of the Madras Co-operative Societies' Act (VI of 1932) or Section 80 of the Indian Companies' Act seems to be necessary.

(*iv*). *Societies in Indian States* :—Apart from these drafting amendments, I desire to suggest a substantial amendment to clauses 2 (*e*) and 4 (3) (*c*). The effect of these clauses, as they stand or even when amended as suggested above, is to exclude the co-operative societies in the Indian States situated in the areas of the five Share Registers. Some of the States have their own Co-operative Societies' Acts, under which societies are registered; and a few of them have Apex Co-operative Banks which correspond to the Provincial Co-operative Banks in British India. The subjects of the Indian States included in the areas of the Share Registers qualified to become shareholders. So, it is suggested that clauses 2 (*e*) and 4 (3) (*c*) may be so amended as to bring co-operative societies in the Indian States also within their scope.

(c). Representation of Co-operative Banks.

In the Bill of 1927, as amended by the Select Committee, and also in the Reserve Bank Bill of 1928, there was an express provision for the representation of the Provincial Co-operative Banks by an elected director on the Central Board. The provision is now absent, evidently as election by interests other than shareholders has been dropped. It is, therefore, suggested that provision may be made for a representative of the Co-operative Banks being nominated to each of the Local Boards by the Central Board and by the Governor-General-in-Council to the Central Board.

Another director to represent the general agricultural interests of the country should also be nominated to the Central Board.

In regard to the qualifications of the members of local boards and the directors, I suggest that the shareholding prescribed may be reduced from Rs. 10,000 to Rs. 2,500. If it is not found possible to do so in all the cases a special exemption may be made in the case of a member of a local board or a director of the Central Board nominated to represent Co-operative Banks.

II. BUSINESS WHICH THE RESERVE BANK MAY TRANSACT AND THE CO-OPERATIVE BANKS.

(a) Agricultural Finance.

(*i*) *Maximum Limits.*—Clause 17 (2) (*b*) empowers the Reserve Bank to *purchase, sell and rediscount* bills of exchange or promissory notes bearing the signature of a Provincial Co-operative Bank drawn or issued for the purpose of financing seasonal agricultural operations or the movement and marketing of crops. Clause 17 (4) (*c*) similarly empowers the Reserve Bank to make *loans or advances* against the security of bills of exchange or promissory notes as are eligible for purchase or rediscount by the Bank. In both these sub-clauses, there is a limit to the bills of exchange and promissory notes to be so dealt with. Bills or notes which may be so purchased or rediscounted shall not at any time exceed *one fourth* of the total face value of bills and notes purchased by the Bank and loans and advances made shall not also exceed *one fourth* of the total loans and advances made by the Bank. This double limitation will considerably curtail the volume of finance which the Reserve Bank can provide for agriculture. It is well-known that, at present, the Bill Market is not well developed and that the banks mostly give accommodation on a system of cash credit. If the Bill portfolio of the Reserve Bank does not assume adequate size in the near future, agricultural finance will be considerably curtailed. It is, therefore, suggested that either another overriding maximum may be fixed or that the proportion may be raised from *one-fourth* to *one-third* in both these clauses. The former suggestion, namely, that a second over-riding maximum be fixed, is supported by the recommendation of the Indian Central Banking Enquiry Committee, which says; "If the limit prescribed in the Reserve Bank Bill for holding agricultural bills with a longer maturity than three months is, at any time, less than the share capital of the Bank, the total face value of such bills may at the discretion of the Bank go up to the amount of the share capital." (*Vide* paragraph 609 of the Committee's Report.) The latter suggestion, namely, of increasing the proportion from *one-fourth* to *one-third* finds support in the proposals that were put forward before the World Economic Conference by eminent and responsible economists, and is to be found in the Reserve Bank Acts of some European countries.

(*ii*) *Period of Maturity of Agricultural Paper.*—Another provision that requires consideration is the period of maturity of agricultural bills, eligible for purchase or rediscount under clause 17 (2) (*b*) or for loans and advances under clause 17 (4) (*c*), which is fixed at 6 months. The Indian Central Banking Enquiry Committee, after a careful consideration of the question, have recommended that the period may be increased to 9 months in order to serve agricultural needs adequately. In Central Bank Acts, like those of Bulgaria and Yugoslavia the nine months' maturity is now to be found. The most recent case is that of the Federal Reserve Bank Act which was amended by the Emergency Relief and Construction Act of 1932, by which the period of maturity of paper which the Federal Reserve Banks may discount, has been enlarged to nine months.

(*iii*) *Loans and Advances on Promissory Notes supported by documents of titles to goods.*—Clause 17 (4) (*c*) requires amendment in two directions. Firstly, it restricts the power of the Reserve Bank to make loans or advances against the security of promissory notes of a scheduled bank or Provincial Co-operative Bank supported by documents evidencing title to goods only to cases where such promissory notes were taken as security for "*cash credit*". There is no reason to exclude from the scope of this clause promissory notes given for "loans or advances". In the next place, the operation of this clause is limited to five years. Assuming that the object is to develop a Bill Market proper in this country as soon as possible, the period fixed is too short. Agricultural enterprise is now severely handicapped by economic depression and very little credit is liberated by the Banks to agriculturists either for seasonal agricultural operations or for movement and marketing of crops. The result is that most Co-operative Banks are now surplussing and for another five years, they may not require funds for financing agriculturists. The real need arises when the credit of the agriculturist revives and the value of his produce rises, and it will be a matter for regret if the operation of this clause should come to an end just at the time when agriculturists may require larger finance. It is, therefore, suggested that the period may be raised to at least ten years, if it is not possible to remove the time limit altogether.

(b) Commercial and Trade Bills and Co operative Banks.

Clause 17 (2) (*a*), which empowers purchase, sale and rediscounting of bills and promissory notes arising out of commercial and trade transactions, excludes Provincial Co-operative Banks from its scope and confines itself to scheduled banks. It is extremely desirable to include the Provincial Co-operative Banks within the scope of this sub-clause as well. The Urban Bank Movement is now developing in this country. The Urban Banks, that is, Co-operative Credit Societies with a limited liability, operating in urban areas, are primarily intended to finance small traders, artisans and those engaged in cottage industries. A description of their useful and growing activities is to be found in the several Provincial Banking Enquiry Committees' Reports. These Urban Banks are financed by Co-operative Central Banks for such purposes. These Co-operative Central Banks, in their turn, derive their finance from the Provincial Co-operative Banks on promissory notes. Moreover, Consumers' Stores and Industrial and Trading Societies, like Sugar Factories, Handloom weaving societies, and milk supply unions, to mention only a few varieties of new co-operative ventures, are fast springing up. In order to encourage all these co-operative enterprises and to finance them through Co-operative Banks it is desirable to include the Provincial Co-operative Banks also within the scope of clause 17 (2) (*a*).

(c) Holding or trading in Government Securities and Co-operative Banks.

Clause 17 (2) (c), which empowers the Reserve Bank to purchase, sell or rediscount bills of exchange and promissory notes issued for the purpose of holding and trading in securities of the Government, also excludes Provincial Co-operative Banks from its scope and confines itself to scheduled banks. The Provincial Co-operative Banks, all over India, have large holdings in Government securities, and buy and sell them for their constituent central banks and their individual members. The volume of this business has grown considerably in recent years, especially after the commencement of the economic depression, with the outlet for the investment of their funds in co-operative loans becoming severely restricted.

I give below the figures for holding in Government Securities of the larger Provincial Co-operative Banks in India :—

1.	The Madras Provincial Co-operative Bank, Ltd.			... 151	lakhs.
2.	The Punjab	,,	,,	... 150	,,
3.	The Bengal	,,	,,	... 98	,,
4.	The Bombay	,,	,,	... 94	,,
5.	The Central Provinces and Berar		,,	... 92	,,
6.	The Bihar and Orissa	,,	,,	... 27	,,
			Total	... 612	,,

In addition to the above, the Central Banks affiliated to the various Provincial Banks, hold large sums in Government Securities; for instance, the Central Banks in the Punjab hold Rs. 100 lakhs and those in Madras Rs. 56 lakhs.

These figures clearly show that some of the Provincial Co-operative Banks have much larger holdings in these securities and perhaps do more business in this line than some of the smaller scheduled banks. I, therefore, suggest that Provincial Co-operative Banks may be included within the scope of clause 17 (2) (*c*).

(d) Purchase and Sale of Land Mortgage Debentures.

Clause 17 (8) empowers the Reserve Bank to purchase and sell the Securities of the Government of India, Local Governments or Local Authorities or Indian States. But, it does not include securities issued by other agencies even if the principal and interest thereof has been guaranteed by the Government of India or a Local Government. There is no reason why the Reserve Bank should not buy and sell securities issued by a co-operative land mortgage institution, if the principal and interest thereof are guaranteed by Local Governments. In Madras, the question is one of immediate practical importance, as it is said that the Government of Madras intend to guarantee the principal and interest of the debentures issued by the Madras Co-operative Central Land Mortgage Bank, Ltd. The Indian Central Banking Enquiry Committee has definitely recommended the inclusion of such class of securities within clause 17 (8). (*Vide* paragraph 611 of their Report.)

(e) Loans and Advances on Movable Goods and Wares.

In order to enable the Reserve Bank to exercise adequate influence on the credit situation of a predominantly agricultural country like India and to make the benefits of such an institution available for agricultural advancement, it should be empowered to give cash credit, loans and advances on the security of movable

Edited by Prof. S. K. Vegnanarayana Iyer, M.A.,
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