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THE LATE SIR LALLUBHAI SAMALDAS.

THE INDIAN CO-OPERATIVE REVIEW

VOL. II. OCTOBER, 1936 No. 4

EDITORIAL NOTES

THE LATE SIR LALLUBHAI SAMALDAS

The Co-operative Movement in India has lost in the death of Sir Lallubhai Samaldas, which occurred on the 14th October, its oldest and most revered leader. He was the pioneer of the Movement in Bombay and was responsible for many an organisation in that Province. He was one of the founders of the Bombay Provincial Co-operative Bank in 1911 and served as its Chairman from 1922 to 1925. He was connected with the Bombay Provincial Co-operative Institute from its inception and was its Vice-President from 1918 to 1921. He served on the Maclagan Committee on Co-operation, whose report is a classic on the subject of Co-operation in India. He was chosen the Chairman of the Committee on Co-operation in Mysore in 1921. He was invited to preside over many a Co-operative Conference outside his own Province. He was the first President of the Indian Provincial Co-operative Banks' Association and of the All-India Co-operative Institutes' Association, of which he was one of the promoters. The last office that he held until the time of his death was the presidentship of the Bombay Provincial Co-operative Land Mortgage Bank, which he tended with paternal care. His is the longest and most distinguished record in the co-operative field in India.

But Sir Lallubhai, true to his early native environment, was a shrewd businessman as well. He helped in starting the Bank of India, the Bank of Baroda and the Indian Cement Company. He was elected Director of several other banking and industrial concerns, including the Tata Iron and Steel Works. He presided over the Industrial Conference, 1913 and was President of the Indian Merchants' Chamber in 1917-18. He was appointed member of the Indian Mercantile Marine Committee in 1923 and he was for some time (1925) member of the Executive Council of the Government of Bombay. He was a nominted member of the old Bombay Legislative Council (1910-13) and was elected to the Council of State in 1920.

His interest in agriculture was not less keen. He was responsible for the Nira Valley Sugar Scheme, which was financed by the Bombay Provincial Co-operative Bank. At his seventieth year he undertook a heroic journey to Japan and on return gave a glowing account of Japan's enterprise. He passed away full of honours at the age of 73.

He was out and out an optimist and his faith in Co-operation seldom wavered. He was a staunch friend of all good causes and he was beloved of patriots like the late Gopal Krishna Gokhale and of Mahatma Gandhi. He was the pink of courtesy and had abundant good humour, which should have lightened the successive onerous duties he took upon himself after his retirement as a Revenue Officer of the Bavnagar State.

Co-operators in India, in Bombay in particular, will sorely miss the very genial personality of Sir Lallubhai Samaldas. The great consolation is that of all his services to the country, the greatest is the dedication of his son, Mr. Vaikunth Lal Mehta, to the cause of the Co-operative Movement. This 'chip of the old block' is a hundred per cent co-operator and has none of the business distractions of his great father. Our sympathy goes out to him and the other members of his family in full measure on this occasion of his sad bereavement.

LAND MORTGAGE BANKS

Our invitation for contributions on the subject of land mortgage banks has had a good response as will be seen from the full, informing and critical accounts given of the working of long-term credit in the Punjab, Bombay, Mysore and Madras. Experiments have also been tried elsewhere, as in the Central Provinces and Bengal, but on a smaller scale. The lessons of experience are faithfully recorded by the writers which may serve for future guidance. We wish here to lay stress only on a few salient points that strike us. It is rather strange that it took more than a quarter of century for co-operators in this country to realise the imperative need for administering differently short and long-term credit. Old habits die hard and the transition period is one of peculiar difficulty. The Punjab, in particular, which was a pioneer in this as in some other fields, made the mistake, in the name of caution, which was bound to end in failure, even though Mr. M. L. Darling was at the helm of affairs. The duration of the loan was not sufficiently long, it was only ten years, but it was deliberately kept so on the notion, 'To pass straight from the one (the short-term loan of the ordinary credit society) to the other (the long-term loan of the western land mortgage banks) may very well end in failure, if not disaster.' Maximum individual borrowing power was Rs. 10,000, though in practice it was reduced to Rs. 5,000. The large dimensions of the loans squeezed out the small holders and the short duration led to defaults, notwithstanding extensions granted for repayments. And all this was before the depression! Apart from limitations of land tenure, of restraints on land alienation, of small holdings, of education and of poor management, the short duration of the loan was enough to damn the enterprise. Even twenty years, to which Madras seems to have pinned itself, may not be sufficient for genuinely productive enterprises, which cannot always repay themselves within that short period. We unhesitatingly plead for the extension of the period, the maximum of course, to forty years as was recommended by the Indian Central Banking Enquiry Committee and the Registrars' Conference of 1934.

We find now that the loans of land mortgage banks are practically confined to the redemption of old mortgages and the clearance of prior debts of applicants. This is no doubt urgent in the face of threatened foreclosure by creditors and it is best combined with the work of Debt Conciliation Boards set up in some Provinces for scaling down debts—though we agree that in some cases it is better to dispose of the land at a favourable opportunity with the help of Trustees, as suggested by Dr. B. Pattabhi Sitaramayya in the columns of this *Review*. We heartily endorse the view that loans should be granted for the enlargement and consolidation of holdings and for development purposes. It is up to the Development Departments to formulate definitely paying propositions in the shape of improvement and equipment and new lines of culture requiring large investments that can be repaid only in a long period. Changes in land laws will also have to be made in the best interests of the cultivators as well as of the land mortgage institutions. There can be no insuperable difficulty in amending the Land Alienation Act so as to make it possible for the land mortgage bank to acquire the lands of those who default in their repayments of loans. But it is more difficult, though the reform is necessary in larger interests and must come some time, to check subdivision of land pledged to the bank.

There is one feature in the working of the Madras Land Mortgage Bank—there is a danger of its being copied by others—that is not quite commendable. It is the annual redemption by lot of debentures, particularly those carrying higher rates of interest originally floated, far more than called for by annual collections received by the Central Land Mortgage Bank. The constant exercise of this option, provided for in the by-laws, is bound to annoy and upset the calculations of genuine long-term investors, who will fight shy of these debentures the moment the money market conditions cease to be easy. Readers will be interested to note that the question of taking away the option of redemption and purchasing in the open market, or otherwise retiring the debentures, to the extent of principal collections is engaging the attention of the Board of the Central Bank.

In Provinces and States, where there is no prospect of starting land mortgage banks in the near future, some arrangements must be made to raise long-term funds in order to supply long-term credit to agriculturists. Unless this is done the economic position of the agriculturist will deteriorate. If short and long-term loans are carefully separated from the primary society at the bottom right up to the Apex Bank at the top and suitable arrangements are made to secure long-term funds for long-term loans, the existing co-operative institutions may be utilised to dispense long-term land mortgage credit without the stability of the co-operative credit organisation being in any way disturbed. The Provincial Governments must, in the interests of the agricultural classes, come to the financial rescue of the co-operative organisations in order to enable them to give such long-term loans. Long-term funds must be found for this either by grants from provincial revenues or issue of debentures guaranteed by the Local Governments.

CO-OPERATIVE HOUSE BUILDING

On the subject of long-term credit for house building, the response to our request has not been adequate. The most conspicuous gap is in the side of Bombay, which next to Madras has the largest number of housing societies and has sunk capital therein of about a crore of rupees, which is double that of the amount employed in Madras. Bombay has also been the pioneer in India in respect of the adoption of the co-partnership system in housing, which is common in western countries and which is eminently suited to the conditions of the working classes in the cities. We find here and there a few attempts to follow that system, as for instance in Secunderabad of which a neat account is given in this issue by Mr. M. A. Wahab, where it is intended for workers among backward tribes. But the principle is undoubtedly worthy of adoption by all those who have no desire or prospect of settling down in cities nor the means to pay even in several instalments for the full ownership of houses. It is not merely to escape the profiteering tendencies and the whims and fancies of private landlords that the system is advocated. It is a co-operative end in itself and is designed to foster a sense of solidarity, a true co-operative spirit among homogeneous groups of citizens who are trusted to manage their affairs in common. A splendid example of such a scheme of collective housing of workers has been furnished by the Amalgamated Clothing Workers of America who have organised the Amalgamated Housing Corporation in the New York Suburban area, where a five-storeyed building with 1,185 rooms has been completed for the accommodation of 300 families. The scheme was financed by the famous Metropolitan Insurance Company. The Corporation obtained exemptions from the City and State taxes and was thus enabled to fix a low rental.

Co-operative building societies in this country have been almost entirely confined to help the middle classes to build their own houses. Indeed it is a misnomer to call them co-operative building societies. For they are, with a few exceptions, merely credit societies offering loans for long terms—usually 20 years—at rates far higher than those that prevail in Europe. Sites are often purchased jointly and plots allocated to individual builders. Construction is generally done by members each in his own fashion. There is no joint purchase of material or joint expert supervision of construction. There is nothing of harmony in the planning of houses and seldom is any provision made for public parks and other amenities. A refreshing contrast of this chaotic state of affairs is afforded by the Co-operative Model Town in a suburb of Lahore of which a fine description is given by Mr. K. C. Varma in this issue. We are only sorry to hear the cases of petty personal prejudices that are said to have been imported there. We earnestly hope that they will not become endemic!

As for the financing of building societies, a variety of societies and institutions are found in the West. There are mutual benefit building societies, popularly known as building societies, in England with the sole object of financing the building or purchasing of houses to be individually owned by borrowing members. In their working they resemble our so-called building societies in some respects, and in other respects they function like the popular " permanent funds " of Madras. Some of them have, in addition to affording credit facilities, engaged technical staff to help members building houses. The bigger consumers' societies and friendly societies of England invest their surplus fund in the erection of houses for the occupation by their own members as tenants, with the option to purchase them by paying small instalments along with the rents. None of our consumers' societies—not even the T.U.C.S. which is by far the biggest—has surplus for any such investment. On the other hand some of our big urban banks, central banks and most certainly the provincial banks can spare some long-term capital that can go some way towards the erection of the houses of their members. At any rate, the Provincial Banks of Madras, Bombay and the Punjab with their standing and prestige in the money market should find little difficulty in raising long-term money by issue of debentures to finance building societies, if the Local Governments threaten to withdraw from the field as the Madras Government seemed to do last year.

No doubt, so far the Bombay and the Madras Governments have done most to finance building societies. The Bihar Government, on the other hand, as Mr. A. B. N. Sinha points out in this issue, has done nothing to foster house building even though two great opportunities offered themselves—one in 1912 when Patna was made the capital of the new Government which created a demand for many houses and the other in 1934 when the terrible earthquake destroyed many a house. The Madras Department of Co-operation proposed last year to organise a provincial co-operative building society mainly for the purpose of raising long-term funds for financing building societies, relieving the Local Government of this function which it was performing so long. The several defects of the scheme we are not inclined to discuss here, as it was still born, and no further attempts have been made in this direction. Meanwhile, it is the duty of the other strong financing institutions in the country to think of their own ways of financing building societies, as banks do in other countries like Germany and Italy and even as co-operative banks did in our country—notably the Shamrao Vithal Co-operative Bank of Bombay which financed the famous Saraswat Co-operative House Building Society. Let us not overdo the idea of a separate provincial co-operative credit institution for each variety of co-operative credit.

THE ASSEMBLY DEBATE ON AGRICULTURAL INDEBTEDNESS

We publish in this issue extracts from the most important speeches on a resolution, moved in the Indian Legislative Assembly last September, recommending the appointment of an All-India Committee to enquire into the extent and effects of agricultural indebtedness and propose ways and means to extricate the agriculturists from their present plight. There was no doubt some rambling discussion, as is natural on a subject of such absorbing and universal interest on which everyone could say something. But the majority of speakers had telling arguments and supplied interesting and useful information relating to several provinces and on different aspects of the problem of indebtedness, which all co-operators will do well to study closely. There was no lack of sympathy or understanding on either side, though there was a clear division on the main question of the need for such an enquiry just at present. The spokesmen of the Government of India and of the Provincial Governments opposed the motion, after surveying the situation in different provinces and questioning the wisdom of a Central Committee at this juncture. But when pressed to a division the resolution was carried by a very large majority.

The mover of the Resolution, Mr. N. C. Chunder of Calcutta, traced in some detail the growth of agricultural indebtedness, as estimated by some committees and commissions in the past, and pointed out the serious consequences of the evil as it has developed in the last six years of the depression. He wanted a Committee on country-wide scale, and one that would devote its entire attention to this problem of debt unlike its predecessors which discussed debt as one of several problems which they had to tackle. Himself and his supporters anticipated the objection of the Government of India that it would be encroaching on the spheres of

Provincial Governments and that it was a transferred subject. They pointed to the number of enquiries in the past on problems of agriculture, education, health, etc., and the central departments and advisory bodies already set up and even now proposed on the very subjects. The need for co-ordination was stressed in respect of the laws enacted as well as the desirability of some common procedure in the administration of similar measures in different Provinces. One member questioned the *bona fides* of some Provincial Governments in enacting the laws, which were administered in a 'half-hearted and dilatory' fashion without proper provision of funds and any power of compulsion of recalcitrant parties.

Sir Girja Shankar Bajpai speaking on behalf of the Government of India gave a long recital of the series of measures taken by the Central Government in the past and the Provincial Governments in the last few years to tackle the growing evil of agricultural indebtedness. He could have spared the members a reference to the " liberal policy of remissions and suspensions of land revenue " in the Provinces as a measure of relief, which we know has been anything but liberal. He adverted to the definite conclusions reached by the provincial representatives at the special Economic Conference convened by the Government of India in 1934 to consider steps for the amelioration of agricultural indebtedness. They pointed out the diversity of agricultural conditions particularly of land tenures, in the Provinces and the need for special legislative and other measures suited to each. He said the Government of India did not disclaim any responsibility for bringing the Provinces together for discussion at Conferences and for ascertaining the progress of relief given. But in view of the fact that most of the measures were of recent origin, he thought there was little to be gained by a fresh enquiry by a Committee especially on the fundamental questions examined " most comprehensively and competently " by the Central Banking Enquiry Committee.

Mr. M. L. Darling, who had been sworn in as an expert member that morning, spoke at length on the motion and indeed covered a wider ground. He recognised that that problem was not altogether provincial, though the methods of dealing with it varied with local conditions. He was not sure whether there was an urgent need for further enquiry now when one looked at the formidable pile of reports on the subject in the last 60 years. Nor was he convinced that there was a crying need for any more legislation controlling moneylenders or restraining borrowers. Indeed the Government of the Punjab which could not be accused of being the friend of moneylenders, felt that legislation had gone too far already and there was no need to encumber the Statute book any further. Mr. Darling pointed out the tendency of the agriculturist moneylender to replace the professional moneylender as 'one of the less satisfactory features of the recent legislation!' All moneylenders had a bad time of it now that the borrowers had declared in effect a moratorium that many legislators wished. Though extraordinary times might require extraordinary remedies, he was of the view that an enquiry was not only needless but might prove a handicap to further experiments.

The concluding speech was that of Sir Henry Craik, the Home Member of the Government of India, who emphasised the delicate constitutional position in which the Government of India was now placed and feared the fate of a Central Committee not really wanted by the Provinces, which were soon to enjoy Provincial Autonomy. Recent legislative measures had been enacted by the Provinces in consultation with the Government of India which was keenly watching the situation and calling for reports on the working of the recent Acts. More than that the Government of India was not prepared to do at present.

We ourselves feel that there is not much to be gained by a roving all-India Commission making a fundamental enquiry of the kind that the Banking Committees were charged with only recently. Whether they discharged their duties well or ill, it seems to us that little purpose would be served by asking another Committee, going round the sub-continent for a few months to accomplish an essentially academic function of finding out the total indebtedness in the country. On the other hand it would be far easier for Local Governments to collect and furnish data on the extent of land mortgaged and transferred to money-lenders. A small special staff may be more effectively engaged by each Government for the purpose, even as the Madras Government deputed a Special Officer for the task last year. Only it was wrong to have entrusted one individual and that a Government Officer with the wider task of discussing the effects of legislation in the past, on which experts differ, and to have asked him to formulate ways and means of giving relief, on which again different points of view would have to be considered. If the collection of unimpeachable data is faithfully done by the departments of Local Governments as it ought to be done and sent up to the Central Government, a Committee of carefully chosen experts in the line, official and non-official, may sit at the centre, discuss the effects and suggest ways and means. The Committee may also look into and encourage non-official research by Universities and other bodies, including provincial co-operative institutions. It is worthwhile having a permanent Committee or Board whose function will be to suggest from time to time legislative and administrative measures to solve not only the problem of debt but also the allied problems of agricultural economics. We, for our part, would like to build up a central institution of enquiry and research for the guidance of co-operators on the model of the great Horace Plunkett Foundation.

CO-OPERATION AND INDUSTRIAL CROPS

BY

MISS MARGARET DIGBY,
Secretary, The Horace Plunkett Foundation, London.

The term " industrial crops " is vague but it is probably best defined as crops which require a fairly elaborate industrial process of manufacture before they are fit for human consumption. The finished product is also more frequently a fabric or an essence than a food. At least a dozen such crops have been the subject of co-operative action in one or more countries. These are cotton, silk, flax, wool, tobacco, sugar beet, chicory, potatoes, cocoa, hops, opium and flowers for perfume, to which should be added the by-product, straw. Some attempt has been made to organise the co-operative marketing of rubber and hemp, but no great progress is recorded. The method employed varies from country to country and from one commodity to another, more particularly as regards the number and character of the operations, ranging from simple bulk sale to complete manufacture, which are carried out by the co-operative society. The textile crops may perhaps be considered first.

TEXTILES : COTTON, SILK, FLAX, WOOL.[1]

The most elaborate organisation of cotton marketing has taken place in the United States. Co-operation was introduced on a large scale in 1921 in one of the whirlwind campaigns for which America is famous. Non-stock, non-profit-making associations were set up, and members signed a five-year contract for their whole output, which they surrendered to a seasonal pool, receiving an advance of 65% of the assumed value, secured on the cotton in the warehouse. It was hoped in this way to control the whole cotton crop and therewith the price level. This proved impossible. Sales were often slow, and on a falling market there was discontent with the average price and with the classing. Members' own creditors were pressing and they wanted the full price on delivery. The organisation was modified by the introduction of optional pooling, contracts for a part only of members' crop or for a term of years and either full payment on delivery or agreements by which the member denotes at what time his cotton should be sold. Local co-operative associa-

1. Wool is hardly a crop, but though production differs from that of the other textiles, the marketing problems are so similar that it seems worth including.

tions are united in the American Cotton Co-operative Association, which handles national and international marketing. A peculiarity of the system is that, though a number of co-operative cotton gins exist, they are all separate undertakings, also on a non-stock, unlimited liability basis which in turn sell to the cotton marketing societies. Co-operative cottonseed oil mills are a comparatively new development.

Co-operative marketing of cotton is carried on in China. Members deliver to local collecting points under contract which runs with their membership. They either gin their own cotton or the collecting point carries out this service for a small fee, returning the seed to the owner. The collecting point (which is organised as a small separate society) does not grade but sends each member's cotton in a separate parcel to the district union, which grades and makes a loan of from 60%—70% of the ruling market price to the local society, which redistributes it to the member. After sales have been completed, any balance after deduction of expenses and small commission by the Union and local societies is paid out to the member.

In Egypt, where cotton is the principal crop, there is no central co-operative marketing organisation, but a number of local societies hold joint public sales, attended by the big merchants. It is hoped later to set up a federal selling organisation in Alexandria. There are the beginnings of co-operative marketing in Bulgaria, Morocco and one or two other countries, including India, where certain local societies have done well.

The Japanese silk industry is elaborately organised in co-operative lines, different types of society dealing with different stages in the process. The simplest kind of society merely arranges for the collective sale of silk cocoons. This, however, was relatively unprofitable, and there was, moreover, a traditional cottage industry for the hand-reeling of silk. Consequently, perhaps the most widely established type of society was that marketing members' hand-reeled silk. Such societies have been working for the past 50 years and have built up an elaborate federal organisation, but they have undergone a gradual change. As it became increasingly difficult for hand-reeled silk to compete with machine-reeled, the societies set up their own factories. At first, members reeled their own silk in the factories, much as they might have used a co-operative reaping or threshing machine. Later, paid workers were generally substituted. Some societies were started on these lines from the first, others go a step further and manufacture silk cloth, but these seem to be approaching the capitalist form of organisation. With these may perhaps be classed the societies of factory owners for the joint marketing of either reeled silk or silk fabrics. In 1927, a National Raw Silk Marketing Co-

operative Federation was set up with the object of selling direct to the larger firms and avoiding small local manufacturers. Since then, the Japanese silk industry has felt the effects of the slump and a good deal of government control and restriction has been applied not always in the interest of the co-operative societies, which have smaller establishments than the capitalist manufacturers and are thus probably less influential and also less easy to fit into a scheme of rigid technical rationalisation.

Silk is also produced in Southern Bulgaria and several societies for the drying and marketing have existed since 1921. These societies are without share capital, but a small percentage is deducted annually from the sums due to all consignors and is used to build up the societies' capital. Loans for the construction of buildings were obtained from the Agricultural Bank, but have for the most part been paid off. Members may obtain a small loan before delivery, an advance up to 80 per cent. of the value on delivery, and the balance on final sale. Cocoons were formerly sold to Italy, but when this trade was stopped by sanctions at least one large society set up its own silk filature.

In Italy, about a fifth of the national production of silk cocoons is sold either through special co-operative drying and marketing societies or through general farmers' societies. The establishment of drying rooms was helped forward by the grant of State loans. A central co-operative marketing agency was established in 1930. A few local societies have begun their own spinning and weaving, but the experiment has yet to become general. France and Yugoslavia also have co-operative silk marketing societies.

Flax is an important product in Russia and the Baltic countries and is grown to some extent in other European countries, including Ireland. Flax sales in Russia fall within the Collective Farm system, but in Latvia, Lithuania, Estonia and Poland they are organised, at least in part, on co-operative lines. In Latvia the general purposes societies buy flax from their members. In Lithuania, linseed is also bought and special flax growing societies have been formed with the object of improving strains and methods of cultivation. There are also two co-operative linen factories. In Czechoslovakia and Ireland flax scutching and retting societies have existed for some time and might have had a wider development if the market for flax had been more favourable. As it is, the external competition of artificial silk and cotton with linen, and the internal competition of cheap Russian flax, have reduced many of these societies to inactivity. Latvia, where there were factories as well as marketing societies, has had the same experience.

Co-operative wool marketing is characteristic of a different set of countries, more particularly of Great Britain and the United States. In

England, five or six large societies handle a substantial part of the wool clip. Members deliver fleeces to a grading and storage centre where they are classed, the member receiving an advance on the wool delivered which the society pays out of a temporary bank loan. Later, samples are sent to the London wool auctions, where the whole clip is sold. In Scotland, a somewhat different method of selling is pursued. There are no auctions, and the co-operative society sells direct to manufacturers at home and abroad. In Scotland the society admits not only individual members, who are usually large farmers, but also clubs and small societies representing the farmer with a few sheep.

In the United States the first societies were pools of the most primitive description, in which a group of farmers dumped their wool ungraded and a sale was arranged, usually to a single buyer. The more developed type closely resembles the British model, with the exception that marketing contracts are usual and that contracted members can get a small advance before the delivery of wool. An interesting development is that of a National Wool Marketing Corporation selling the wool of the local associations direct to the mills. Not all is graded, that from large western flocks which is known to be fairly uniform is frequently sold as delivered from the farm. Most associations, especially in the west, market mohair as well as wool.

In South Africa, both wool and mohair are sold through the (national) Farmers Co-operative Wool and Produce Union, which is affiliated to the Overseas Farmers' Co-operative Federations, with offices in London. In Canada, too, a national organisation, the Canadian Co-operative Wool Growers, acts for the whole Dominion.

BEVERAGES: COFFEE, COCOA, HOPS.

Of the three main non-alcoholic beverages—the infusions—tea alone never appears to have been the subject of co-operative handling except by the Consumers' Co-operative Movement. It is a plantation product, and the plantations of the English and Scottish Co-operative Wholesale Society constitute the only variation from purely capitalist production.

Coffee is in a rather different case. In Africa especially, there are both small and large producers, and the former have made a beginning with co-operative marketing, the Kilimanjaro Native Co-operative Union marketing coffee for 16 affiliated societies in Tanganyika. Moreover, coffee has its substitutes and what might be called its recognised adulterants. Chicory is the most important, and in Czechoslovakia the production of coffee from chicory is to the extent of 70 per cent. in co-operative hands. Two sets of organisation are involved. In the first, chicory roots are received from members, mechanically sliced and dried in kilns. In the second, a more elaborate plant is required. The dried slices are received from a circle of contributing kilns, roasted and milled to a fine dark powder. Members receive a cash advance on delivery and the balance after sale. In most cases the roasting plant is the property of a federal organisation, to which the local kilns are affiliated, but occasionally they supply to roasting factories run by the Consumers' Co-operative Movement. One of the federal factories also manufactures the so-called corn coffee from roasted rye.

Cocoa is marketed co-operatively both by European planters and Negro peasants in Trinidad and Tobago, the latter running their own fermentaries built with credit obtained by members individually from the Local Co-operative Credit Society, and selling through the Cocoa Planters' Association. The first of these fermentaries was started in 1928, has developed with marked success and found imitators.

African peasants have also made a good beginning with the marketing of cocoa in the Gold Coast and Nigeria. In the Gold Coast the movement began in 1929 with some help from Government in the method of organisation. The object was to sell in bulk to merchants. Members subscribed share capital and warehouses with the necessary bags and weighing machines were installed. Working expenses are met out of a small commission. Consignments of cocoa are examined by an officer of the Department of Agriculture and a certificate of purity issued. A beginning has been made with small advances to members during the off season, but this is dependent on the growth of each society's own funds. At first the Government undertook a good deal of the responsibility for central marketing, but now a Joint Marketing Committee has been formed of representatives of the 250 local societies, with full power to arrange the sales of cocoa. A similar system is developing in Nigeria where, in 1934, a marketing union was formed with 30 affiliated village societies.

Hops stand in a somewhat different class, if only because they are merely an ingredient and not the main basis of an industrial product. They are not a widespread crop, and attempts to organise their marketing co-operatively have not been particularly successful except in England. Even here, however, the problem of the recalcitrant minority proved particularly difficult, and the Hop Marketing Co-operative Society gave place to the National Hop Marketing Board with compulsory powers.

SUGAR BEET, POTATOES, STRAW.

The grounds for grouping together the above three products are that they are all field crops of temperate climates and that particularly costly machinery is required in order to prepare from them a marketable industrial product.

In Holland, sugar beet is the next most important agricultural industry after dairying, and 65 per cent. of the output and nearly all the larger factories are in co-operative hands. Their establishment was accompanied by a perpetual struggle with private interests. Each factory is based on a shareholding membership, the shares being high (about £33) and each carrying a contract to supply 20,000 to 30,000 kilograms of sugar beet. Nevertheless, all members are comparatively small farmers. Beet is delivered to collecting stations after the harvest is weighed, tested and a first instalment of the price, based on sugar content, is paid within a month. Four out of the seven co-operative factories sell jointly through one of their number, which has a refinery, one sells independently and two through a private merchant.

Bulgaria has one co-operative sugar factory carrying through the whole process, from raw beet to refined sugar and using the Consumers' Co-operative Movement as its selling agent. An interesting point is that factory workers as well as beet growers must be shareholders in the society. In the United States, Yugoslavia and Czechoslovakia, however, co-operation has not proceeded beyond farmers' bargaining organisations selling beet to State or private factories. In France, there are farmers' beet distilleries but no co-operative sugar factories. In the U.S.A. there are a few societies producing maple or cane-sugar.

The industrial use of potatoes is for alcohol, various types of flour and starch, and as a dried product for stock-feeding. The first is probably the most important and the most truly industrial. It has its origin in most Central European countries in the former great estate where it was usual to turn a portion of the potato output into industrial alcohol, which could later be used for farm machinery. Where great estates have been broken up, as in Czechoslovakia and Estonia, the distillery has frequently become co-operative property. In Czechoslovakia there are nearly 300 co-operative distilleries. Members take up one share for every three hectares and are pledged to deliver 10 quintals of potatoes per hectare. The distillery manufactures the raw spirit and sells it to the Czechoslovak alcohol monopoly, which is composed to the extent of 72 per cent. of agricultural distilleries and 28 per cent. of refineries and industrial distilleries. The output is controlled by Government and allocated among the various distilleries. By-products are returned by distilleries to their members and used for cattle-feed.

In the Netherlands, where potatoes are planted freely, particularly as a cleaning crop on newly drained land, and where relatively small farms and not great estates are the rule, potatoes are converted into meal and starch rather than alcohol. Here co-operative factories control 80 to 90 per cent. of the output of potatoes for this particular purpose. Shares and contracts to supply are much as in Czechoslovakia. A first payment is made on delivery and a second in six months. It is also in the Netherlands that straw-board factories on co-operative lines have developed successfully and have proved a particularly economical way of disposing of straw in a district where there is not much livestock.

TOBACCO, OPIUM, PERFUME.

Tobacco was one of the first products to be sold co-operatively in the United States, but the earliest efforts were more in the nature of a growers' strike against low prices than a co-operative selling service. Even in the great rush to form co-operative societies about 1920, the dominating idea was that of a price-fixing monopoly reinforced by "iron-clad" contracts and able to hold up supplies if buyers proved recalcitrant. This system broke down, as perhaps it deserved to, and the American tobacco marketing societies which survived or have since been set up have modified and liberalised their contract system and improved their service, with good results.

In South Africa, co-operative tobacco marketing societies control something like 90 per cent. of the output, assisted by the law, which allows any co-operative organisation which controls a given proportion of the crop to take over compulsorily the marketing of the whole crop within the district. Co-operative marketing of tobacco is also carried on in Rhodesia. In South Eastern Europe a good deal of tobacco is grown by small peasant proprietors. In Bulgaria, there are 22 large societies united in a National Union. Members take up a share and assume a liability of five times the share. There is no contract to supply. Advance payments are made on delivery, full payment is made after the tobacco is sold. The societies have their own drying and fermenting rooms and employ their own staff to sort and pack. Much tobacco is sold to the State monopolies in various countries.

Opium, the area planted much restricted by League of Nation's regulations, is also a crop of South East Europe and is sold through co-operative societies in southern Yugoslavia. The co-operative production of flower perfumes is more widespread. Attar of roses is one of the national products of Bulgaria, and many of the distilleries are co-operative. In Dalmatia (Yugoslavia) rosemary is similarly treated, and in Southern France and French North Africa geraniums and other plants are grown for their perfume, distilled by co-operative enterprise.

ted Secretary of the Geographical Society but declined this post as, by this time, he was already interested in the Russian Socialist movement, which was just beginning then, and felt that he could only consecrate his life to his country and not to science.

Kropotkine joined a group of young men, who called themselves "Nihilists"; at the head of this group was a certain Tschaikovsky. As this society had anti-governmental purposes, all its members were arrested one after another. Kropotkine himself was arrested in 1874 and shut up in the famous Peter and Paul fortress in Petersburg out of which he managed to escape with the help of his friends in 1876 and travelled to England. From England he came to Switzerland where he was before and joined the anarchist League, the so-called Jura-Federation. Here, in the company of simple Swiss watch-makers, his theory of life was definitely formed. In a little town of Western Switzerland Kropotkine started the edition of an anarchist paper *Le Revolte*, where most of the articles were written by him. He travelled many times to France and England. In 1883 Kropotkine was condemned by a military court to 5 years' imprisonment for the organisation in Lyons of an anarchists' workers' revolt. He was liberated in 1886. After this Kropotkine lived mostly in London, where he was busy with literary and scientific work. He collaborated in many British magazines and encyclopædias. He returned to his native country, Russia, after the revolution of 1917. He hoped that the revolution would bring order in Russia, the order which was his dream for many and many years. But great was his disappointment with the Bolshevik regime. He lived in Moscow and became co-operator. The Bolsheviks did not succeed in making Kropotkine their partisan. He died in Moscow on the 8th February 1921.

Although Kropotkine was from 1872 member of the International League of workers, and a disciple of the Russian anarchist Bacounine, he cannot be considered as a follower of pure anarchy; he was much more a pacific anarchist, like the famous French geographer and anarchist Elisee Reclus. Whilst Bacounine was a follower of revolutionary and violent methods, Kropotkine still hoped that one could achieve much and better without violence. This was repeated many times by Kropotkine to the author of these lines in Moscow.

Kropotkine distinguished himself by an extreme idealism in theory and in practice. This can be seen, for instance, in his booklet "To the young people," which, although translated in nearly all languages of the world, is understood by few.

Very important are also his other writings: *Mutual help as a factor of evolution* and *Fields, Factories and Workshops.* The first book was

highly esteemed in British co-operative circles; it even became a reader in co-operative schools.

This book opposes the falsely understood Darwinism, which took from the great scholar in natural sciences only the high-sounding phrase "Struggle for existence of every-one against every-body" which also influenced Marx and the Marxist circles by the drawing up of the class-struggle theory. Whilst this theory lifts mutual struggle to a factor of evolution, and to a first-rate factor too, Kropotkine, in his book "Mutual Help," asserts, that only mutual aid, and not mutual struggle, brings the real progress. He proves this by means of zoological and sociological examinations. After some sound studies about animal life Kropotkine comes to the conclusion that in the animal kingdom association can be found on all scales of development. He writes: "Life is a struggle; and in this struggle only the more adapted survive. But the answer to the question: with what weapon can we best accomplish this struggle? resounds: "Through mutual help, which overcomes competition between individuals of the same kind. Do not struggle! Struggle and competition are always unwholesome to the species and they have many ways of avoiding it. That is the way of nature, which is not always realized, but is always efficacious. That is the watch-word that comes to us out of the thicket, the forest, river, ocean.... And therefore get together, practise mutual aid! This is the surest way to give the highest safety, the best guarantee for existence and progress for all and everybody, for body, soul and morale. That is what nature teaches us, and that is what was done by all the animals which have reached a higher degree in their class. That is also what was done by the human being—the primitive human beings; and that is why the human being attained the degree where we now are."

Kropotkine writes further that the opinion of most Europeans about the "savageness" of primitive tribes is wrong. As to the mutual help between the "savages" of the same origin one could find many examples of higher humanity and *charity* between them. But even otherwise one could ask little more from the social feeling of the primitive. Kropotkine quotes the fact that Bushpeople of South Africa never sit to their meal without shouting thrice to see if there is somebody who would like to share their meal with them.

Kropotkine attributes a very great importance to the mediaeval rural community, under which could develop new forms of culture: agriculture attained a high degree of development, the home industries developed to a higher perfection. Wildnerness was conquered, cut through by streets, and settled everywhere by colonists, which left the original communities and created new ones. Markets and fortified points and places of open worship were erected by rural communities of the "Barbarians."

The counter part of the rural communities in the country were the guilds in the towns. "If the guilds were so largely spread," writes later Kropotkine, "if they existed for a thousand years, this was due to the fact that it was not only a union for eating, or church-visiting, or assisting at funerals. They corresponded to a deep and strong feeling in people's nature, they were even more, they were a union for mutual help through advise in all emergencies and situation in life." The guilds were, so to speak, co-operative societies, which corresponded to the needs of the mediaeval people.

Kropotkine attributes the mediaeval culture, which left us such monuments as the gothic churches, precisely to the work of those guilds. When the guilds were abolished by the State, this was a draw-back for culture.

The better we know the mediaeval town, the clearer we see that it was not only a political organisation for the defence of certain liberties, but also an organisation for mutual aid, a union for production and conception, in one word for the whole of social life. At the same time this organisation was not enforced by Government.

Kropotkine speaks also about the co-operative organisation proper which he calls the crown of all kinds of organisation. *Inter alia,* he writes that co-operation in Russia is a natural product of the middle age. The history of the colonisation of South Russia and Siberia is the history of co-operatives for hunting and fishing, which were followed by the rural communities.

Kropotkine thinks one could imagine the future society as an association which would have with each of her members the following agreement:—

"We are ready to dedicate you our buildings, shops, streets, means of communication, schools, museums, etc.,......under the condition, that you from your side, will give your work for us, every day for four or five hours from the time you are 20 to your 45th year. You can choose yourself the group you like to join, or you can constitute a new group but only under the condition that this group will produce what is required of them, as fixed beforehand. And for the time which is left free, unite yourself in groups, with which you like for rest and enjoyment, for scientific or artistic work entirely after your taste. Thousands of associations will put before themselves the following task: what to-day is a privilege of few, will then be open for everybody."

Kropotkine does not give a place for the State in his future society, then all functions of the State will be done by special voluntary associations.

Of the same, if not so radical, opinion are many theorists of modern co-operation.

For Kropotkine the State signifies "abolition of individuality, initiative and creative activity." The more numerous are the duties towards the State, the less are the obligations of the citizens towards each other. Whilst the State opposes the free development of the individual, the instinct of solidarity proper to everybody weakens naturally.

An adversary of the State, Kropotkine was a strong adversary of capitalist industry. Like John Ruskin, the English philosopher, Kropotkine attributed great importance to artisan's labour, which he opposed to the mechanisation of modern industry. He also preferred the country to the town. In his book "Fields, factories and workshops" Kropotkine comes to the conclusion that the return of humanity to agriculture is inevitable.

Kropotkine was not only an adversary of the State but also of Parliamentarism. Further as well as Bacounine, Kropotkine was an enemy of Centralisation and of Bureaucracy.

Under the pretext of division of labour, we have sharply separated the brain worker from the manual worker. The masses of the workmen do not receive more scientific education than their grandfathers did; but they have been deprived of the education of even the small workshop . . . As to the men of science, they despise manual labour. How few of them would be able to make a telescope, or even a plainer instrument? . . . Nay, they have raised the contempt of manual labour to the height of a theory!

—*P. Kropotkine.*

MORTGAGE BANKS IN THE PUNJAB

By

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ORIGIN.

The Punjab is the first province in India to start the experiment of Land Mortgage Banks. But before an actual experiment was commenced, a careful enquiry was made to discover where would be found the best chance of success. As a result of such inquiry Jhang was selected. This is a district which up to a few years ago, was largely a waste, but which is now becoming a flourishing agricultural tract in consequence of the extension of canal irrigation. The landowners possess extensive areas of land, of which the value is rapidly rising; this feature affords sound security for loans, the security which the Punjab moneylender loves; next door is the rich colony of Lyallpur to which many of the Jhang moneylenders went to seek fortunes that were only too easy to find. The money earned in Lyallpur was lent out freely to their neighbours of Jhang, and the easy credit thus provided soon tempted the owners to extravagance that led inevitably to debt and mortgage. In the earlier days, land in Jhang was of little value and large tracts were encumbered for sums which now appear ridiculously small, the lender was usually able to secure the pick of the lands of his victim, and it is this fact, the best lands being encumbered for small sums, that has provided the opportunity for the Co-operative Mortgage Banks. On the completion of the Settlement Operations in 1880, over 1,15,000 acres of land were under mortgage; the area steadily increased till it exceeded 2,00,000 acres. The preliminary enquiry suggested that in many cases a few years' produce of the land encumbered would suffice to pay the debt; in some cases, owing to improved communication and consequent rise of prices, the debt was less than the value of one year's produce. As the holdings were unusually high for the Punjab, so also were the debts: and the ordinary credit society could do little to meet the needs of bigger owners. Under the circumstances it appeared that if long-term loans could be advanced at a low rate of interest there would be good reason to expect valuable results in a short time.

The scheme was discussed at a large meeting of landowners and as a result of it a mortgage bank was registered under the Co-operative Societies Act II of 1912 in June 1920, with headquarters at Jhang.

But before attempting to extend the experiment of establishing mortgage banks in other parts of the Province it was thought desirable to examine the actual working of Jhang scheme for 5 years. After getting sufficient experience of the pioneer institution and being convinced of its utility a second bank was started at Mianwali in 1924. The third followed next year at Soneoat in Rohtak district. By this time the advantages of these banks had become obvious; therefore 5 new banks were registered in 1926, one each at Gurgaon, Lyallpur, Toba Tek Singh, Samundri and Sheikhupura. Two new banks were organised in 1927, one at Gujranwala and the other at Shahpur. Only one new bank was established in 1928 at Naraingarh and one in 1929 at Bhalwal. Their number thus in 1929 rose to 12 and after that year the registration of new banks has been stopped. Therefore their number stands at the old figure of 12 now.

THE JHANG CO-OPERATIVE MORTGAGE BANK.

This was the first mortgage bank in India. It was registered on 30th June, 1920; it commenced its operations on the following lines: The bank advanced loans for (a) redemption of mortgage, (b) land improvement, (c) liquidation of old debts and (d) purchase of land. Membership was confined to owners of land in Jhang district. Each member was to take one share of Rs. 10 for every Rs. 500 or fraction thereof, which he borrowed. Liability was unlimited. Every loan was secured by a mortgage in a form prescribed by the Punjab Alienation of Land Act. As further security, the member might be required to mortgage, not only the land redeemed, but all his other immovable property to the bank. In addition, two personal sureties were taken to relieve the committee of the trouble of worrying the member for repayment.

Profits were indivisible; the maximum loan should not exceed fifteen times the estimated annual profits (after deducting land revenue) of the land mortgaged, and the loans should not be for more than 20 years. A member wishing to take a loan should send his sharemoney as prescribed, together with an application and record of his debts. His land was then inspected by a member of the Committee on the spot. He reported on the condition of the land, the financial and moral circumstances of the applicant and his sureties, and particularly as to whether it was advantageous to the applicant that his land should be redeemed on the bank's terms. The valuation of the net profit was a real difficulty at first, and one member of the committee gave a misleading account which might have led to trouble, but for the extreme caution in the selection of members. This report formed the basis of action taken, and accordingly, it was necessary to secure for the Committee the best men in the district.

The great obstacle to rapid progress of the bank in the beginning was the want of long-term funds. The bank had the power to issue debentures, but none was issued by it for the simple reason that there was no market for them.

The bank started its work with a loan of Rs. 50,000 from the Jullundur Central Co-operative Bank, the original of this type in India. The sum enabled the bank to commence business and to redeem mortgages; as repayments were received they were remitted to the Jullundur Central Bank. Later on a sum was placed at the disposal of the bank from the amount allotted to the Registrar under Co-operative Societies Act. These funds in 1922 were somewhat as follows:—

	Rs.		Rs.
Share ..	4,211	On loan ..	1,11,084
Profit ..	1,097	Cash in hand ..	2,553
Government loan ..	77,000		
Jullundur loan ..	31,329		
Total ..	1,13,637	Total ..	1,13,637

Up to 1922 the bank had advanced Rs. 1,04,777 for redemption of mortgages, Rs. 26,875 for liquidation of old debts, and Rs. 14,000 for improvement of land. The area redeemed up to 1923 with the aid of the bank was 1,970 acres; under the security scheme total area taken by the bank under mortgage as cover was 7,014 acres, so that there was ample security for the loans. In addition to the area referred to, the loans were used to redeem 739 date-palm trees. By 1922 six members had repaid the mortgage money, although the bank was in its third year. Repayments in the beginning always exceeded the instalment fixed as the following figure will show:—

Rabi 1921. Demand Rs. 4,526. Recovered Rs. 6,651.
Rabi 1922. Demand Rs. 8,476. Recovered Rs. 12,937.

The bank worked successfully for some years but in 1928 on the eve of depression, 112 out of 216 borrowers defaulted. This wholesale default was due to the failure of the Rabi harvest but it was not excused as the whole of the principal due was postponed by the bank, in other words these 112 defaulters paid neither principal nor interest. Their number later on was reduced to 50 and even less. The incident, however, is pregnant with warning. In the first place, the bank is the oldest in the province and shows what may happen with age.

Secondly, it serves an area where the need for a mortgage bank is undoubted, but where education and character are not sufficiently developed to ensure the wise application of a loan or its punctual repayment. Thirdly, it has drawn its clients more from the landlord than from the peasant-proprietor, with the result that loans have been larger than were prudent. In 1930 they averaged Rs. 3,852 and in 1935, Rs. 2,076; fourthly, it operates over a whole district, consisting of 3,400 square miles which is too large an area for a mortgage bank run on co-operative lines. This mistake was not repeated and mortgage banks were restricted to a single *tehsil*. A further point that might have militated against its success was that it was started before the ordinary credit society had taken vigorous root in the district. The village credit society teaches much that is of value for the working of a co-operative mortgage bank and until it is firmly established in an area, a mortgage bank should rarely be started there as it is a much more difficult form of co-operation.

The position of the bank on 31st July, 1931, was as follows:—

The number of members, all individuals, was 539. They held 1,545 shares. The share capital amounted to Rs. 15,450 and Reserve fund to Rs. 17,120 and loans from Provincial Bank Rs. 2,06,416. The number of loans granted was 314 and the total amount advanced was Rs. 5,75,007. The principal outstanding was Rs. 2,12,121 on 31st July, 1931. The area mortgaged as security for the principal outstanding was 74,539 *kanals*. 3 outstanding loans exceeded Rs. 5,000 each. The number of defaulters was 69. The sums advanced for the objects given below were:—

		Rs.
1.	Repayments of old debts ..	1,43,175
2.	Redemption of land ..	2,93,482
3.	Improvement of land ..	1,34,350
4.	Purchase of land	Nil

Its present position is apparent from the statement that follows:—

The number of its members is 420. It has a working capital of Rs. 1,58,297. Shares amount to Rs. 12,440, deposits Rs. 1,010, and Reserve Rs. 9,188. Loans amount to Rs. 1,35,959.

It advances loans up to 10 times the land revenue. Only one loan was given in 1935. 106 borrowers defaulted. 6 borrowers applied for insolvency. 5 loans of the value of Rs. 5,724 were secured by taking fresh securities. There are 8 members who are mutually sureties for each other for Rs. 9,498. 23 members made repayments amounting to Rs. 4,290 out of their annual income, 35 members paid Rs. 6,120 by mortgaging their land and one member gave back Rs. 950 by sale of his land.

Execution proceedings were taken in hand against 25 members for Rs. 27,887 but only Rs. 3,299 was recovered. In 13 cases no recovery could be made. It is working at a loss. Now the chief work of this bank, as of all other banks, is to make recoveries and secure loans without advancing new ones.

WORKING OF LAND MORTGAGE BANKS IN PUNJAB—MEMBERS.

Every member of a mortgage bank in the Punjab must be: (1) an individual cultivating, managing or living on the proceeds of agriculture or forest land ordinarily in the area of the operation of the bank, of good character and sound mind and of not less than 18 years of age and competent to contract, except in the case of a minor heir or nominee of a deceased member, (2) an individual nominated by Government or Registrar as an officer in the bank or as a member of the Managing Committee.

SHARES.

With the exception of the nominated member, every member has to hold one share for every Rs. 500 which he borrows from the bank, subject to the condition that no member can hold shares of which the nominal value exceeds Rs. 1,000 or one-fifth of the total of the share capital actually subscribed. Non-borrowing members, except the nominated member, have to hold at least one share each.

AREA OF OPERATION.

The Jhang and Mianwali banks operate each over a whole district. The area of operation of all other banks is confined to a single *tehsil*, usually an area of 750 to 1,000 square miles with a population of 1,50,000 to 2,00,000.

OBJECTS OF LOANS.

Apart from agricultural credit societies, only owners of agricultural land may become members. Loans are made for the redemption of land. But as the disease of land purchase at an uneconomic price is virulent in the Punjab, no loans are now advanced for the purchase of land by any bank. Loans are also made for the liquidation of unsecured debts, and are available for the improvement of land; but there is little demand of money on this account. As a result of a Conference of Mortgage Banks in April, 1930, loans for the redemption of land and for the payment of old debts have been stopped for the present; for the fall in

prices has reduced the effective rate on usufructuary mortgages to not more than five per cent, and has made it hard for the creditors of all kinds to recover their dues; and there is no reason why a bank should harm its members by giving them loans at a higher rate of interest than they are actually paying on the one hand, or, on the other, help the money-lender at its own considerable expense.

MAXIMUM LIMIT OF LOAN.

To guard against all dangerous possibilities of facile credit, no bank originally was allowed to lend any one more than Rs. 10,000. This was subsequently reduced to Rs. 5,000 and again lowered to Rs. 4,000. The maximum loan can in no case exceed 15 times the estimated annual net profits (after deducting land revenue and other charges imposed by a public authority) of all immoveble property given in mortgage by the borrower, or 10 times the profits of all his own immovable property given in mortgage, together with that of any immovable property specifically mortgaged to the bank on this account by the sureties, whichever amount be the greater provided that 30 times the land revenue may be assumed to be not more than 15 times the profits of the land assessed to land revenue.

A loan not exceeding 30 times the land revenue of the land on which it is secured was at first given after a summary inquiry by the Directors. But since 1930 the limit has been reduced from 30 times to 5 times the land revenue or Rs. 4,000, whichever is less. For the most part banks advance from Rs. 1,000 to Rs. 3,000 at a time, but in the prosperous district of Lyallpur, where holdings are substantial, loans have averaged Rs. 3,218 each, and in the poverty-stricken district of Gurgaon only Rs. 595. The amount outstanding represents only Rs. 35 per acre mortgaged. Considering that the average price of the land in the Punjab is well over Rs. 200. It is clear that the material security is ample.

HOW TO BORROW.

Any member desiring to borrow from the bank has to give a notice to the Secretary and at the same time has to deposit in full the value of the extra shares prescribed. The money is not taken into capital unless the loan is sanctioned. If it is not sanctioned it is returned to the member if he so desires. The application has to be made in a form prescribed by the Committee, and has to show the area (in acres) and land revenue of the land, if any, which is to be redeemed, the area and the land revenue of the land offered as security, the nature and value of other property offered, and the name of the co-operative society, if any, which will give security as required by the bye-laws. The application is then, if complete, entered in the register of applications in order of receipt.

In all cases in which the loan exceeds 30 times, now 5 times, the land revenue, the valuation of the property and the estimation of the net profit are carried out after local inquiry by persons appointed by the bank. The bank also obtains confidential report in a sealed cover from at least one of such valuers. If a loan is made wholly or partly on the security of the co-operative society, the committee of the society has to be consulted about the valuation and estimation and is invited to sign the open report. The valuation of land assessed to land revenue is based on : (1) an extract from Khasra girdavari for not less than 3 years, showing the crops grown ; (2) the Settlement Officer's estimate of the out-turn of such crops, if such an estimate was made ; and (3) the return of prices annually made to the revenue authorities by their staff.

The Committee require a borrower, before receiving a loan, to mortgage as additional security either all his remaining immovable property, or his own immovable property yielding an annual net profit 3 times as great as the instalment due on the loan in any one year, whichever be the less. Every borrower has also to give two reliable personal sureties. In the event of the death of any surety or for other sufficient cause the bank may call upon the borrower to produce another surety. Extracts from the revenue record have to be filled in support of statement, with regard to property contained in record, and the position of the borrower and the sureties, and the valuation of their property has to be verified at such intervals as the Committee may prescribe. The land revenue and income tax paid by sureties are shown by extracts from the records maintained by Government.

PERIOD OF LOANS.

According to the model bye-laws the maximum period for which a loan can be granted is 20 years. But in practice no loan is advanced for more than ten years, and since 1930 it has been decided that further loans might, if suitable arrangements could be made, be given in approved cases for 15 years. It may be stated here that the period allowed for repayment of loans is 30 years in Finland, 33 years in Chile, 36½ years in New Zealand , 42 years in Australia , 50 years in Italy and Japan, 54½ years in Austria, 57 years in Switzerland, 60 years in Denmark, 63 years in Hungary, 68½ years in Ireland and 75 years in France.

Some urge that loans should be given for longer periods in this Province also. At Mianwali a number have been given loans for twenty

years, but there is danger at present in this, for with an uneducated and unbusinesslike peasantry the benefit obtained by a loan is quickly forgotten and only the burden remembered with consequent difficulties as to repayment. When the cultivator is sufficiently educated to understand the virtue of punctuality and sufficiently developed in character habitually to practise it, it will no doubt be possible, and also desirable, to extend the period. But at the out-set these banks will be well advised to confine themselves to the class of business intermediate between the short-term loan of the ordinary credit society and the long-term loan of the western mortgage bank. To pass straight from the one to the other may very well end in failure, if not disaster. After careful consideration the conclusion forced on one's mind is that as long as a bank is in the experimental stage, the period of loan should not exceed 20 years in this province but after that stage is passed it might be extended from 20 to 40 years subject to special precautions being taken to ensure regular payments.

No loan is granted to a member, residing in an area in which there exists a co-operative credit society for membership of which he is qualified, save on the security of the society, in addition to the security provided above. The society is liable as surety for each loan so given up to a maximum of Rs. 1,000 in the case of each loan, and its liability is not diminished until the amount outstanding is reduced to Rs. 1,000 or less. The loans to be paid for improvement of land are made by instalments fixed by the Committee for each such loan.

WHEN A LOAN MAY BE RECALLED.

The bank is entitled to recall the entire amount outstanding on any loan : —(*a*) If the borrower defaults in any payment of principal or interest ; (*b*) If the borrower fails to produce a new surety when required to do so ; (*c*) If the mortgaged estate becomes subject to attachment or forced sale ; (*d*) If the mortgaged estate is declared by the Committee to be in danger of serious deterioration in value ; (*e*) If the borrower is declared by the Committee to have acted contrary to the interests of the bank ; (*f*) If the registration of the Co-operative Society, on the security of which the loan has been wholly or partly taken, is cancelled ; (*g*) If for any reason the borrower or any of the borrowers ceases to be a member of the bank. The bank may require a suitable partial payment of the debt if the mortgaged estate has depreciated in value.

Every loan becomes due for immediate repayment in full if any part of the mortgaged property passes out of the possession of any borrower (or any one of two or more individual joint borrowers) through death, alienation or otherwise. The bank may in such cases transfer the liability or renew the loan by agreement to the successors in interest of the borrower who have to hold shares as required by the bye-laws. Every loan becomes due for immediate repayment in full on the cancellation of the registration of the bank.

RATE OF INTEREST.

The rate of interest on loans granted by the bank to individuals, so far as a credit society is not liable as surety, was 9 per cent per annum and has been reduced to 7 per cent in some cases. The rate of interest on that loan or part of loan in which a society is not a surety has to be repaid in full before the other part. Interest at 12½ per cent was charged on any instalment in arrears. The rate of interest was reduced to 7 per cent by some banks. Even this is too high a rate in these days of cheap money.

COST TO BORROWER.

The borrower has to pay the expenses incurred: (1) on the valuation of the land and the estimation of the net profits which the Bank undertakes on his behalf; (2) in redeeming the land from previous mortgages, if this duty is undertaken by the Bank; and (3) all other expenses incurred by the Bank in dealing with the borrowers or with claimants contesting his rights in respect of the mortgage.

PRESENT POSITION.

The figures that follow indicate the present state of these Banks:—

	1933 Rs. Lakhs	1934 Rs. Lakhs	1935 Rs. Lakhs
Working Capital.	20·59	19·73	18·86
This is made up as follows:—			
(1) Share Capital	1·17	1·16	1·15
(2) Reserve Fund	·99	·97	·93
Loans from:			
(a) The Provincial Co-operative Bank	16·95	16·35	15·66
(b) The Punjab Co-operative Union	1·13	·91	·78
(c) Government direct	31	·30	·30
(d) Miscellaneous deposits ..	·04	·04	·04

Rs. 15·66 lakhs lent by the Provincial Bank include Rs. 5 lakhs of debentures issued by it.

Almost all mortgage banks continue in default as regards repayment to the Provincial Bank. Rs. 1·46 lakhs were recovered by these banks from their borrowers in 1935 as against Rs. 1·77 lakhs in 1934. Overdues however slightly decreased from Rs. 5 lakhs to Rs. 4·71 lakhs. In 1935 only Rs. 2 lakhs of new loans were advanced. Gujaranwala issued a loan of Rs. 1,600 for the liquidation of old debt and Naraingarh Rs. 2,000 for redemption of land.

Owing to the fall in prices, mortgage banks generally have not been able to recover to an appreciable extent the principal instalments due on loans. Default in the Ambala Division has been aggravated by the failure of the monsoon between 1929 and 1932 and floods in 1933. The Provincial Bank, with a view to help mortgage banks, sometime back reduced its lending rate to 5½ per cent. with retrospective effect and, ignoring instalments of principal in arrear, agreed to accept repayment of the existing principal debt to it over a period of 10 years in 20 half-yearly instalments.

DIFFICULTIES.

There are many difficulties in the working of a mortgage bank in the Punjab.

1. The greatest difficulty is to create a proper balance between the interests of the creditors and those of the borrowers. In a mortgage bank the directors can hardly be creditors, and as dividends are not paid they have no personal interest in the profit. Their sympathies are with the borrower rather than with the bank. In order to safeguard the interest of the bank no director is now given a loan.

2. The rate of interest charged by the mortgage banks is so high that the members cannot possibly repay out of the lands redeemed by them or even those mortgaged as security with the banks. It is for this reason only that no further loans are being issued. The question of the reduction of the lending rates should be seriously considered if these banks are to be of any use to the agriculturists.

3. The last resort of recovery is to take temporary possession of the land mortgaged with the bank. But this is not only a difficult job to manage but generally results in loss to the bank. If the land of the debtor is taken in possession its rent is not enough to cover the charges for interest even. Therefore it is very difficult to recover the principal. It has been calculated that the average return from lands in these days

of depression does not exceed 3 per cent. while the interest charged by mortgage banks is not less than 7 per cent. Therefore under these circumstances it is difficult for the borrowers to pay off their debts. In some cases in Lyallpur, no income was realised from the land taken in possession, although the revenue demand has to be paid.

4. When the lands are leased out by the banks, as in Lyallpur, the villagers try to stand in the way of the banks, as their sympathies are always with the debtors and therefore they combine and thus keep the rent low. The outsiders are not allowed to take lease of land by intimidation and they do not come forward to take lease of scattered pieces of land for a short-term of one year. Physical possession is not possible when villagers join hands against the banks. In Lyallpur, for instance, the total lease money for 24 squares of land was Rs. 3,099, while the amount of interest involved was Rs. 7,392 at 9 per cent.

5. The continuous depression has exhausted the resources of the borrowers. Where they find it difficult to pay the Government dues, the question of payment of debts becomes of secondary importance to them.

The banks do not accept Batai terms. The defaulters are either big landlords or peasant proprietors who are protected by the former. Execution of awards is a difficult problem. When pressure is brought to bear on the debtors and the sureties they run to Courts and apply for insolvency. There are cases in which the borrowers or their sureties can pay but as they find that they can evade payment, they refuse to pay. Execution through courts has lost all its effects in Gurgaon. Attachment cannot help where there are no assets attachable. Detention in jail is of no avail in Gurgaon as was seen in cases of five debtors sent to jail without any better result. The proceedings in civil courts are so dilatory in all their stages that a person who does not mean to pay can avoid payment for a long time.

The working of Land Mortgage Banks is a very difficult concern and the Directors in them must have adequate knowledge of agricultural conditions, capacity to estimate fairly accurately the value of land, the yield, the income and expenditure of a borrower, and must be men with sterling character and unselfish in their actions. The work done must be accurate and true to facts as any exaggeration would hit hard the interest of mortgage banks and any haphazard depreciation will work against the interests of the agriculturists especially of the poor men with small extent of lands and small repaying capacity.

6. Most of the defects that have appeared are due to inexperience, and given a good directorate, can be remedied. The good directorate is the crux, and in most areas not easily found. The directors in many

banks do not take any interest in their working and generally render very little help in recoveries. There is, as a matter of fact, apathy and opposition in secret if not openly at every stage. The unwholesome task of recoveries mainly falls on the Departmental staff.

7. After a good committee, the greatest difficulty is to get borrowers to repay their loans punctually, and to go on doing so far ten years or more. An ordinary peasant has still to learn to distinguish between productive and unproductive expenditure, to borrow only for the former and save for the latter, and whenever he borrows, always apply the loans to the purpose for which it was given. He has also to learn to be punctual in repayment instead of forever postponing it; to reduce his expenditure or increase his efforts rather than default; by intelligence and thrift, to make both ends meet where they did not meet before; and in good year to put something by for the bad; in short, to provide for an obligation before it rises instead of trying to evade it after it has arisen. To build up the character of the peasant and develop his intelligence is, therefore, indispensable to the cure of his financial ills. With the heavy burden of debt and the growing desire for land improvement, no one can doubt the widespread need for the mortgage credit; but the experience of these 12 mortgage banks leaves it equally in no doubt that mortgage credit cannot succeed, unless education and character are sufficiently developed to ensure wise lending and punctual repayment.

8. The staff of the banks is generally not efficient and this is due to low pay and uncertain service. It is very difficult to find the right type of men to carry on the business of the bank. It has been found that the most useful man for employment in these banks is one having practical land revenue experience and a knowledge of practical co-operative banking, and honest men with these qualifications are not easily available.

In one bank, the combination of a new Honorary Secretary with an untrained clerk led to loans being carelessly issued. In another, a loan of Rs. 2,000 was advanced about some years ago on the security of land, which the borrower led the bank to believe as his own property. It was subsequently discovered that he had only an occupancy right in it.

9. Inadequate enquiries and misapplication of loans:—"It is reported from one district that a director brought a large number of shareholders to the general meeting for the election of directors at his own expense, and that there have been cases at meetings where directors fight like pleaders to get the loans sanctioned which they have recommended". In Lyallpur district, a member took a loan of Rs. 1,400, and within three months applied for insolvency. On his loan application

he had stated his outside liabilities to be Rs. 3,000; but in the insolvency petition he stated them to be Rs. 11,500. In the same district a director, after inquiry, recommended a loan to an applicant for Rs. 4,400 for the repayment of old debt. The loan was issued. Shortly afterwards, his other creditors filed an application for insolvency against him, and the loan given to him by the bank is reported not to have been passed on by him to his creditors before the application for insolvency was filed. In other cases, borrowers have failed to produce the receipts of their creditors within a reasonable time, which raises suspicion that the money has not been properly applied; in others receipts produced are not of the same creditors whose names were given in the loan application. All this suggests that in Lyallpur the chief object of life is to borrow money in any way possible. It may perhaps be urged that an honorary worker, with his own business to do cannot be expected to devote enough time to do an honorary job properly. The obvious reply is that he should not undertake the job at all. If a director did not do the work it would be difficult to get it done at all, for the profits of the banks are not, in most cases, enough to pay for a salaried employee. There are cases in which the Punjab Co-operative Union and the Provincial Co-operative Bank have been paying a Sub-Inspector, who is attached for duty to a mortgage bank, which pays only travelling allowance. This is against the principle on which Co-operative Banks should work, which is, that if the bank cannot afford it, its members should give it gratuitous and free service.

QUESTION OF NEW BANKS.

Requests are received for the opening of new mortgage banks, but as can be seen from the figures, previously noted, the number does not increase. It is not possible to finance a large number of new banks; hitherto, most of these banks' finance had been derived from Government loans. Unless those who are likely to borrow from a mortgage bank have for some time been to the school of comparatively sound finance provided by credit societies, the success of a mortgage bank is too problematical. Again, it is unfortunate that tracts that ask for and perhaps need a mortgage bank are often precisely those, where the starting of one is practically impossible owing to the uncertainty of nature allowing any of the borrowers to earn a living from which to repay their loans; and punctuality is the very essence of a mortgage bank.

In April, 1931, it was decided at a Conference held at Lyallpur to reduce instalments due from borrowers in colony banks by 50 per cent. when the position should be brought under review, to limit future loans to five times the land revenue, or Rs. 4,000, whichever may be less, and to discountenance loans for redemption of land, for liquidation of old

debt, in view of the fall in prices, and the decreased earning power of land, and loans were accordingly restricted. The banks have had a hard struggle to keep their heads above water. Inspite of the halving of instalments in colony areas, there has been a *bona fide* inability on the part of many borrowers to meet their loan obligations. They have mortgaged their future too heavily in a mood of buoyancy and the present catastrophic fall in prices is straining their resources and their "morale" equally.

The mortgage may be, theoretically, an absolute guarantee but owing to the defectiveness of positive legislation it is a guarantee of only comparative value in the Punjab. Mortgage bank experience, particularly in the colonies, would appear to have two lessons to teach: *(a)* the need during period of boom to recognise, define and enforce the healthy limits to this type of credit expansion, and *(b)* the importance of a comparatively cheap rate of interest.

Accusations were made in 1933, particularly in Lyallpur, that Mortgage Banks have been harsh in collecting their dues, but detailed enquiry hardly supports them. In the first place, all Mortgage Banks in the colony areas have over a period of at least three years reduced their demands to half of what was due each harvest, and even in the collection of these reduced demands they have (if only out of policy) refrained from taking coercive measures, except in cases where steps were being deliberately taken by debtors in a position to pay to evade their obligation and thus involve the banks in loss. The Lyallpur Mortgage Bank took possession of debtors' land in 16 cases out of a total of over 150 defaulters; six in 1933 were put under arrest. The Jhang Mortgage Bank shows a comparatively high number of arrests, 15; the Directors there apparently finding that this method gives the best result in certain cases. In the rest of the banks the total number of civil arrests was only 5; no other bank took possession of debtors' land in 1933.

It is, however, noticeable that where outside assistance has been afforded, as by the loan of a Sub-Inspector by the Punjab Co-operative Union, recoveries have greatly improved, and this in itself illustrates the necessity of assistance and control by some impersonal independent organisation. All banks naturally endeavour to keep down their running costs, and the result is only too often an inadequate and inefficient staff. The Lyallpur banks have also been faced with difficult litigation, some of the decisions of subordinate civil courts being at variance with the position as advised by the law officers at Government headquarters, and one of them, Toba Tek Singh, has had considerable trouble in dealing with the cases of physical resistance to the taking of possession by the bank when it was necessary to foreclose on the mortgage, and in two chaks there has been organised obstruction and violence and to obtain the necessary redress is a long and thorny process.

In several Banks, the Directors, now that the issuing of loans has stopped, take little further interest in their affairs, and the invidious task of recoveries is left to the Managers and the Departmental staff. Of one bank it is caustically remarked that the Directors "came not to serve but to suck", and certainly the condition of the bank justifies the comment. The one lesson that the mortgage banks have learnt as a result of the prevailing depression is that the calculation of the income of the borrowers must be based on figures of ten years or more of crops and not on those of the years in which the loans happened to be advanced.

THE PROVINCIAL ECONOMIC CONFERENCE.

The Provincial Economic Conference, called by the Government of India in 1934, examined the possibility of developing land mortgage banks. The discussions made it clear that the essential problem in connection with such institutions in this country lies in the realisation of their security-land. The restrictions on the transferability of land or the rights over land, and the consequent expense, uncertainty and delay in obtaining and executing decrees constitute real obstacles to the development of such banks. The dangers of tampering with land laws and increasing the facilities for the alienation of land were so great as to outweigh the advantages for improving the character of the security on which credit could be obtained.

THE ALIENATION OF LAND ACT.

The Alienation of Land Act in the Punjab imposes a serious limitation on the land mortgage banks. Under this Act, the land of an agriculturist cannot be sold by a mortgage bank. It can, however, be leased for 20 years only. It follows, therefore, that no loan can be given for more than 20 years. And this period is not considered enough for mortgage loans. The Registrars' Conference suggested that the maximum period of loans should be extended to 40 years.

REGISTRARS' CONFERENCE: SUGGESTIONS.

The question of the improvement of land mortgage banks has engaged the attention of the successive Conferences of Registrars. The Registrars' Conference in 1934 recommended that the present system of co-operative Land Mortgage Banks in the provinces of Madras, Bombay,

the Punjab and Assam requires modifications in the following directions; (1) the maximum period of loans should be extended to 40 years; (2) the rate of interest should be reduced as low as possible; (3) there should be a Government guarantee of principal as well as of interest; (4) efforts should be made to extend the operations of these banks so as to cover the entire existing debts in all cases in which the conditions governing land mortgage banking are satisfied; (5) the land mortgage banks and the rural credit societies should, as far as possible, work in co-ordination in supplying the long and short-term credit needs of rural co-operators.

The Conference also recommended that the Government should encourage the establishment of co-operative land mortgage banks in provinces where they do not already exist and where conditions are suitable.

The idea of co-operative land mortgage banks has attractions in theory which it loses in practice. Mortgage of agricultural land, or even of urban land in many towns, is the worst form of security for long-term loans any one can offer, except in very special circumstances such as new residential areas in rapidly expanding towns. From no other form of security have so many disasters sprung, and certainly no other form possesses such snares and pitfalls when taken for long-term loans. Even as collateral for short-term loans, a mortgage of land is best avoided in all sound systems of credit. There are a thousand loan offices in Bengal repenting that they ever touched it. In Madras, where prospects seem at the moment more promising, special legislation, special staff and special financial aid have been provided by Government. Without these, it would seem unwise to press mortgage banking on co-operative lines in this Province.

SIR JOGENDER SINGH'S SCHEME.

The following scheme was prepared by Sir Jogender Singh, Minister for Agriculture, Punjab, for consideration of the Registrars' Conference held in 1934.

"The Government of India should immediately constitute an Agricultural Credit Department consisting of a couple of experts, who should either prepare a scheme for a Central Mortgage Corporation with branches in provinces or help the provinces to form Provincial Mortgage Corporations. The Department can be subsequently absorbed by the Reserve Bank when it comes into existence.

The indebtedness of agriculturists is estimated at Rs. 800 crores. If present creditors were guaranteed payments, they would be prepared to accept almost one-fourth of the amount. The funds for Mortgage Corporation can be found by:—(1) Government making advances and establishing a guarantee fund to which the Provinces should contribute. (2) Making it obligatory on all Insurance Companies and Banks to take the license for doing business in provinces. (3) The license should provide that a definite portion of the working capital of (*a*) Insurance Companies and (*b*) Banks should be invested in long-term debentures issued by the Mortgage Corporation. (4) The Mortgage Corporation should be legally authorised to settle agricultural debts and to issue debentures in payment. It should be obligatory to the creditor to receive the debentures.

The Central Government and the Provincial Governments should undertake to guarantee the debentures. The advances made by the Government should be free of interest on the lines of English Mortgage Credit Corporation, set up by the Agricultural Credit Act, 1928. The debentures stock should be trustee security."

The proceedings do not indicate if any opinion was expressed by the Conference on this scheme.

SUGGESTIONS FOR IMPROVEMENT—PROPOSAL OF MORTGAGE BANKS' COMMITTEE.

The question of reorganising and improving the mortgage banks was considered by the Co-operative Conference held at Lahore in March, 1935, under the presidency of His Excellency the Governor, who is keenly interested in the Co-operative Movement. This Conference appointed a Committee to consider the problem in detail. This Committee was of opinion that the following alterations in the organisation of the existing mortgage banks were essential:—

(1) There must be more stringent official control over the lending operations of the banks; (2) The Mortgage Banks must have increased facilities in regard to the taking over of defaulting debtors' land, and must also have preferential rights over other creditors; (3) The security provisions must be tightened up, both as regards principal debtors and sureties;

As regards (1) it was suggested that the existing constitution of the mortgage banks should not be materially changed, but that the directorate should not have power to sanction loans; they should, with the assistance of the staff paid by the bank or by Government, scrutinise loan applications, carry out valuations and examine titles and make their recommendations accordingly, but the power to sanction loans should rest with the Assistant Registrar in the case of smaller loans (say upto Rs. 2,000) and with the Registrar in case of loans above that

amount. It was considered essential that such additional staff as was found to be required for the efficient working of the Mortgage Banks should be engaged, but in practice, and to avoid duplication, it might be advisable not to keep the mortgage banks' staff separate, but to increase the existing credit staff, and re-distribute work so as to leave them time to give full attention to the mortgage banks' business. The local staff must to a large extent be responsible for all local investigation in connection with applications for loans. Government should be asked to provide a grant for each mortgage bank equivalent to the pay and travelling allowance of a Junior Inspector (say Rs. 100 *plus* Rs. 30 per mensem.).

In connection with (2) legislation will be necessary. What is desirable is that mortgage banks shall be unable to take prompt action against defaulters' land mortgaged to the Bank, *i.e.*, (*a*) to execute at once awards made in favour of the Bank by arbitrators appointed in accordance with the Co-operative Societies Act and Rules, without the intervention of Civil or Revenue Courts, (*b*) to take possession immediately of the land of defaulters mortgaged to the bank in accordance with the terms of the mortgage and (*c*) to exercise preferential rights over other creditors in the case of an application for insolvency.

As regards (3) every loan should be secured not only by a mortgage or the necessary area of land by the mortgagor himself, but also by corresponding mortgages by not less than two sureties. It was suggested that urban property belonging to borrowers should also be taken into consideration in fixing the amount of loan to be given: it was decided in regard to this that discretion in individual cases must be left to the sanctioning authority, who would have to consider to what extent the property increased the borrower's repaying capacity.

Some reorganisation will also be necessary of the central body; the present system of finance through the Provincial Bank is not satisfactory since the Trust Deed executed upon the issue of debentures insists on debenture-holders being given a floating charge on all the assets of the Bank as a whole, the result being that it is crippled in its operations as the apex bank of the Central Credit Banks. The simplest method would appear to be to register a Central Land Mortgage Bank as a separate institution, but actually to administer it as a department or branch of the Provincial Bank, thus effecting a considerable saving in overhead expenses. This Central Land Mortgage Bank would raise capital for the use of the local Mortgage Banks by the issue of debentures; with the improved security afforded by the measures already detailed in dealing with the local banks, it would be justifiable to ask Government to guarantee at any rate interest on these debentures, even if not principal. Even if the Government guarantee was of interest only, it is probable that 25 year debentures should be issued at present at 4 per cent.; the Central Land Mortgage Bank constituted as above could, it is calculated, work on a margin of ½ per cent., and the local mortgage banks on not more 1½ per cent., the money would then reach the borrower at 6 per cent. It will be seen that the assistance asked from Government is of two kinds: — (a) the guarantee of the interest on the Central Land Mortgage Bank's debentures and (b) a grant equivalent to the pay and travelling allowance of one Inspector per bank (about Rs. 1,500 per annum per bank). This would ensure that the supervision of the Bank's business was adequate and efficient, and that full attention was given to collection of instalments.

Further recommendations were: — (1) The maximum period of loans should be 20 years. Debentures being, as noted above for 25 years, this allows a five years' margin for short collections owing to bad harvests or other unavoidable causes. (2) Banks should be established not only where Conciliation Boards are set up, but in any areas in which conditions seem favourable to their working. (3) Some control is advisable over the future borrowing of debtors of the mortgage banks.

These recommendations follow in broad lines the Madras Scheme. The Madras system is more centralised than the Punjab, it is generously subsidized by the Government. It is reinforced by legislation and its debentures are fully guaranteed by the Government. Largely in consequence of this guarantee there is much closer control.

The recommendations of the Committee are under the consideration of the Government. The Legislative Council recommended in March, 1936 to the Government that active steps should be taken to found a Provincial Land Mortgage Bank in the Punjab on the lines of the recently established Bombay Bank. It has recently been decided that the matter should be left for the consideration of the Government, after Part III of the Government of India Act 1935 comes into force.

The system of land mortgage banking is essential for the development of an agricultural province on scientific lines. The present time is favourable for reorganising and improving the existing system as money-lenders are now showing a greater readiness to compound their dues and to accept smaller cash payment, while another favourable factor is the abundant supply of funds in the money market.

LAND MORTGAGE BANKS IN BOMBAY PRESIDENCY

BY

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The problem of Land Mortgage Banks in Bombay Presidency as elsewhere in India is closely connected with the problem of rural indebtedness. Attempts at finding out solution of this problem were made in Bombay Presidency as early as the nineties of the last century by Justice M. G. Ranade and Sir William Wedderburn. Later on, in the first decade of this century, Sir Lallubhai Samaldas submitted a scheme to Government for the solution of this problem and Sir Dinshaw Wacha also advocated the starting of an Agricultural Bank on the Egyptian model. However, none of these schemes found favour with Government. With the passing of the Co-operative Societies' Act, 1904, hopes were entertained that Co-operative Credit Societies would be able to finance agriculturists for re-payment of their debts. Eventually, Government approved of the scheme of debentures put forward by Sir Lallubhai Samaldas and the late Sir Vithaldas Thakersey, when they promoted in 1911 the Bombay Central (now Provincial) Co-operative Bank. Under this scheme, Government guaranteed interest on debentures up to three times the share capital of the Bank with the maximum of Rs. 20 lakhs in order to enable the Bank to provide long-term finance to agriculturists who were members of Co-operative Societies in the Bombay Presidency for redemption of debts. The Bank did considerable business in its early days in financing long-term credit out of the funds raised from debentures. Later on, however, it directed its activities mainly to financing agriculturists through village societies for current agricultural needs. The Bank continued to finance agriculturists for redemption of debts in some special cases through the agency of village societies, but loans on this account form at present only a small portion of its total advances, e.g., Rs. 5,57,621 out of the total advances of Rs. 85,62,840 on 30-6-'36.

The question of starting a separate organisation for land mortgage credit in Bombay Presidency was first discussed among co-operators in 1923. At the Gujarat Divisional Co-operative Conference held in 1922, a Committee was appointed under the chairmanship of Diwan Bahadur A. U. Malji to examine this question and the Committee in its report recommended the starting of Co-operative Land Mortgage Banks and the formation of Central Land Mortgage Bank which should be permitted to issue debentures to be guaranteed by Government. After further discussions, the then Registrar of Co-operative Societies, Mr. J. A. Madan, submitted to Government a scheme for the establishment of land mortgage banks, and this was considered at a Conference called in 1926 by the Minister in Charge of Co-operation. A Committee was appointed to draft a detailed scheme which was approved by Government in September 1926. Government approved of the registration of three Land Mortgage Banks at Pachora, Dharwar, and Broach as an experimental measure to be financed provisionally by the Bombay Provincial Co-operative Bank, and agreed to buy its debenture worth five lakhs of rupees carrying 4 per cent interest at such discount as would not involve Government in any loss. The services of a Land Valuation Officer for one year free of cost for each bank were also provided. Government purchased from the Bank debentures of the face value of Rs. 2 lakhs at 88 per cent and the Bank sold off the debentures of the remaining amount of Rs. 3 lakhs by private arrangement at rates varying with the conditions then prevailing.

The Broach and Dharwar Banks used to finance their members throughout the district while the area of operation of Pachora Bank was restricted to one taluka only. The three land mortgage banks operated in tracts where cotton was the main crop. Every loan had to be finally sanctioned by the Bombay Provincial Co-operative Bank and the Registrar. Almost all the loans were given for the redemption of old debts. Membership was restricted to borrowers only, though intending borrowers were allowed to be members. The Board of Directors of the Primary Bank included a nominee of the Registrar and of the Provincial Bank and also one elected by the debenture-holders residing within the area of operation of these banks. The position of these banks was as follows on 30-6-'36.

Name of the Primary Bank.	No. of members.	Share Capital and Reserve Fund. Rs.	Loan advanced. No.	Loan advanced. Amount. Rs.	Loans outstanding. No.	Loans outstanding. Amount. Rs.	Instalments in arrears. No.	Instalments in arrears. Amount. Rs.	Profit+ or Loss.— Rs.
Broach	307	7,839	80	1,34,490	67	98,442	40	7,272	+674
Pachora—East Khandesh	154	10,400	71	1,58,364	70	1,34,069	49	18,058	—726
Dharwar	90	14,547	92	1,83,110	90	1,61,683	48	16,045	—5,546
Total	551	32,786	243	4,75,964	227	3,94,194	137	41,375	

The Bombay Provincial Co-operative Bank functioned as a sort of a Central Land Mortgage Bank for financing the Land Mortgage Banks through a separate department. The Bank appointed a separate sub-committee called Land Mortgage Sub-committee consisting of three directors to deal with the business connected with the department. The Provincial Bank kept a margin of about 1½ per cent between its borrowing and lending rates for meeting the expenses of this department. The Land Mortgage Banks had no independent source of income in the beginning as they were not allowed any margin in the rate of interest. They were meeting their expenses from entrance fees, valuation charges and the interest earned on the investment of their share capital. They were, however, allowed grants by the Provincial Bank for meeting their annual deficits.

The Provincial Bank changed this arrangement from April, 1934, and allowed a margin of ¾ per cent to the Land Mortgage Banks and kept to itself a margin of ¾ per cent for meeting the expenses. It thereafter stopped the system of allowing grants to the Land Mortgage Banks for meeting their annual deficits. When the Bombay Provincial Co-operative Bank commenced the work of financing the Land Mortgage Banks in 1930, the monetary conditions were very stringent and it could obtain the requisite funds only at about 6 per cent rate of interest. It advanced loans to Land Mortgage Banks at 8 per cent at which rate the borrowers were also financed by the Land Mortgage Banks. The monetary conditions became easier later on, and the rate of interest on loans to Land Mortgage Banks was reduced to 7 per cent at which rate the borrowers were financed by the Land Mortgage Banks. The whole arrangement was, however, revised from April, 1934. The Provincial Bank, on the whole, secured the requisite funds at 4½ per cent interest taking into consideration the discount at which the debentures were issued. The Bank had to keep 1 per cent as provision for sinking fund and agreed to charge 6¼ per cent to Land Mortgage Banks, from April 1934 for all the loans already advanced and also for all future loans, keeping thereby the margin of ¾ per cent for meeting its expenses. The Land Mortgage Banks were to charge 7 per cent to their borrowers thereby keeping a margin of ¾ per cent for meeting their expenses. The Land Mortgage Banks acted more or less as the agents of the Bombay Provincial Co-operative Bank for distribution of loans and also for recovery of instalments and used to look to that Bank for subsidies to meet their annual deficits. This factor, in the absence of any outside control, contributed to some extent to slackness in the management of the Pachora and Dharwar Banks and it was rather too late when the system was revised. Even then the margin was found to be inadequate for the efficient management of Land Mortgage Banks. The Bombay Provincial Co-operative Bank had advanced upto this time Rs. 4,97,202 to three Land Mortgage Banks on account of 248 borrowers and of this Rs. 4,10,761 were outstanding on 30-6-'36.

A committee was appointed by Government in 1933 to examine the working of the Land Mortgage Banks. The committee examined the whole problem thoroughly. They, of course, came across many defects in the working of these banks. Some of the defects were merely constitutional, while others were due to miscalculation of the repaying capacity of the borrowers. However, they saw a great danger in allowing things to drift. They saw that the burden of debts was becoming heavier day by day due to high rates of interest on the one hand, and the low repaying capacity of the agriculturists on the other. They were of the opinion that unless a machinery capable of materially assisting the agriculturists by substituting the burdensome debts by loans carrying low rates of interest and made repayable by easy instalments was brought into existence, the situation in the rural areas might become grave endangering the social order. They examined various schemes for supplying the finance but came to the conclusion that Land Mortgage Banks with long-term resources were the best agency for supplying long-term finance to the agriculturists. They considered that the best way to obtain the funds was by way of issuing debentures in the market, to be guaranteed by Government as had been the case elsewhere. They recommended the establishment of a Provincial Land Mortgage Bank with Primary Banks in various districts of the Presidency affiliated to it. They also recommended that Government should give some special facilities to the Land Mortgage Banks such as free services of Land Valuation Officers at least in the beginning and should give substantial grants to the Provincial Land Mortgage Bank for meeting deficits in its initial stages. Government have accordingly registered in June last year 10 more Primary Banks bringing the total number of Primary Banks to 13 within the Presidency. They have registered in July 1935 the Provincial Co-operative Land Mortgage Bank at Bombay. Government have promised an annual subsidy of Rs. 500 to each of the newly started Primary Banks and also an annual subsidy of Rs. 10,000, Rs. 7,500 and Rs. 5,000 for the first, second and third years respectively to the Provincial Land Mortgage Bank for meeting the deficit in its working.

The bye-laws of the Primary Banks provide that loans are to be advanced for redemption of old debts, improvement of lands and in some special cases purchase of lands if it be economically beneficial to the applicants. There are two classes of membership. A class membership is open to borrowers and non-borrowers while B class membership which does not carry any right of voting is open to only co-parceners and other persons interested in the property of the borrowers. It is required that the non-borrowing members should hold at least 10 shares each and the borrowing members should hold shares at least of the value of 5 per cent of their borrowings from the Bank. The authorised share capital of each of the Primary Banks has been fixed at Rs. 1,00,000 made up of shares of class A and class B. The face value of A class share is Rs. 5 and that of B class share is Re. 1. The Board of Directors of a Primary Bank is to consist of seven persons having two representatives of borrowing members, 2 representatives of non-borrowing members and one representative of each of the Provincial Land Mortgage Bank, the Registrar and the District Central Co-operative Bank or financing institution working in the area of operation of the Bank. The first Board of Directors is, however, nominated by the Registrar to hold office for the first three years. The maximum limit of an individual loan has been fixed at Rs. 10,000, but this bye-law has been recently amended so as to allow a loan upto Rs. 25,000 in special cases with the special permission of the Registrar. Loans are secured on the first mortgages of immovable property offered as security by the borrowers valued at least double the amount of the loan. The maximum period of loan has been fixed at 20 years, but provision is made for granting of extensions in case of distress or failure of crops, but in no case is the total period of loan to exceed twenty-five years. The loans to the borrowers of the Primary Banks are made repayable by equated instalments which include both principal and interest. The Primary Banks are required by their bye-laws to carry to Reserve Fund at least 50 p.c. of their net profits annually and limit their dividend to the maximum of 6¼ per cent. The Primary Banks are also required to invest their share capital and the Reserve Funds in deposits with or the shares of the Bombay Provincial Land Mortgage Bank or in any securities specified in section 20 of the Indian Trusts Act. Out of the three old Primary Banks, Broach and Pachora Banks have already adopted the revised bye-laws and are affiliated to the Provincial Land Mortgage Bank. Dharwar Land Mortgage Bank is still to adopt the revised bye-laws and is not as yet affiliated to the Provincial Land Mortgage Bank. Ten new Primary Banks registered last year are located at Surat, Nadiad, Dhulia, Jalgaon, Poona, Karad, Nasik, Belgaum, Hubli and Karwar having for their area of operation the districts in which they are situated. Some time was required in organising these Primary Banks. Now they are well settled and are receiving large number of applications for loans. All the Land Mortgage Banks have Land Valuation Officers, appointed by the Registrar, who have to estimate properly the valuation of lands offered as security by the applicants. They are also required to examine and assess the repaying capacity of the applicants and scrutinize the debts and all connected papers submitted by the applicants. The title to the lands is examined by Legal Advisers, appointed by the Primary Banks for the purpose. The applications are then submitted for consideration of the Board of Directors of the Primary Banks. The Primary Banks then forward the applications with their recommendations to the Provincial Land Mortgage Bank through the Assistant Registrar, Land Mortgage Banks. The loan applications when received by the Provincial Land Mortgage Bank are subjected to full scrutiny, and final sanction is communicated to the Primary Banks after the loans are sanctioned by the Board of Directors of the Provincial Land Mortgage Bank. The Primary Banks have appointed Conciliation Boards who conciliate the debts of the applicants to whom loans are sanctioned. The Primary Banks thereafter send requisition forms to the Provincial Land Mortgage Bank and draw loans by cheques. They take loan bonds from their members for the loans advanced and the lands taken in mortgage are re-mortgaged by them to the Provincial Land Mortgage Bank. The following figures show the working of the newly started ten Primary Banks as on 30-9-'36.

Name of the Primary Bank.	Share Capital and Reserve Fund.	Amount of loan applications received.		Amount of loan applications recommended.		Amount of loans advanced.		Remission secured.
	Rs.	No.	Amount. Rs.	No.	Amount. Rs.	No.	Amount. Rs.	Rs.
Surat	26,641	161	3,53,250	38	71,635	11	22,725	3,000
Nadiad (Kaira)	6,081	168	4,37,038	12	24,428	—	—	—
Dhulia (West-Khandesh)	15,886	181	3,53,420	90	1,53,400	28	42,200	12,721
Jalgaon (East-Khandesh)	23,049	397	5,46,900	34	48,550	20	31,810	8,389
Poona.	11,015	203	3,46,825	86	1,10,375	27	39,604	6,723
Karad (Satara)	28,541	221	3,87,930	56	73,321	12	9,850	2,100
Nasik	8,311	107	2,12,185	30	45,324	3	3,450	536
Belgaum	14,000	301	7,72,664	42	88,515	13	26,390	3,242
Hubli (Dharwar)	8,402	162	2,46,695	59	97,050	34	36,142	13,740
Karwar (North-Kanara)	9,775	53	1,28,680	22	62,580	7	13,600	633
Total	1,51,701	1954	37,85,587	469	7,75,178	155	2,25,771	51,084

The Bombay Provincial Co-operative Land Mortgage Bank was registered on 7-12-1935 and was formally opened on 15-1-1936 by His Excellency the Governor of Bombay. The Board of Directors consists of influential persons under the distinguished Presidentship of Sir Lallubhai Samaldas. The Board consists of 15 directors having six representatives from among the share holders of the Bank, five representatives of the Primary Banks, two nominated by the Registrar, one nominee of the Bombay Provincial Co-operative Bank, and the Registrar as Ex-Officio member of the Board. The day-to-day administration of the Bank is entrusted by the Board to an Executive Committee consisting of seven directors. The President, the Registrar and the Managing Director are Ex-Officio members of the Executive Committee. It also includes two representatives of the Primary Banks and one of the two nominees of the Registrar on the Board of the Bank. The authorised share capital of the Bank has been fixed at Rs. 10 lakhs divided into 10,000 shares of Rs. 100 each. Out of this, 5,000 shares of Rs. 100 each were offered for subscription to the public. The subscription list was opened on 15-1-'36 and was closed on 1-2-'36, the shares having been fully subscribed. The limit had to be raised by 500 shares, in order to enable the Co-operative Banks and Societies to subscribe to the shares of the Bank. The remaining number of 4,500 shares have been reserved for Primary Banks which are required to invest in the share capital of this Bank at least to the extent of 5 per cent of their borrowings from the Bank. The shares subscribed by the Primary Banks are fully paid-up while the shares subscribed by others are called up for Rs. 60. The paid-up share capital of the Bank amounts to Rs. 3,66,980 on 30-9-'36. The Bank is required as per its bye-laws to carry to Reserve Fund at least 25 per cent of its net profits annually and restrict dividend to the maximum of 6¼ per cent. The Bank advances loans to the Primary Banks on the security of mortgages obtained by the Primary Banks from their borrowers and transferred to the Provincial Land Mortgage Bank. The loans to the Primary Banks carry interest at 4½ per cent and the Primary Banks are required to advance loans to their borrowers at 6 per cent, keeping thereby a margin of 1½ per cent for their expenses and contingencies. The loans to the Primary Banks are made repayable by equal instalments of principal, and interest is calculated on the daily balances of loans outstanding. Loans are advanced for 5, 10, 15 or 20 years, but provision is made for granting extensions in case of distress or failure of crops, but in no case is the period of loan to exceed 25 years. The Bank has upto 30-9-'36 received 361 applications for loans amounting to Rs. 6,87,495 of which 326 applications for Rs. 4,97,310 have so far been sanctioned by the Executive Committee of the Bank. 15 applications for loans of Rs. 62,530 were rejected while 20 applications for loans of Rs. 44,475 are pending with the Bank. The Bank has advanced upto 30-9-'36 loans of Rs. 2,31,725 in respect of 155 borrowers of 10 Primary Banks. Most of the loans are for redemption of debts while some are for improvement of lands and a few are for purchase of lands also. In fact out of loans of Rs. 2,31,725 advanced upto 30-9-'36 on account of 155 borrowers, loans for Rs. 2,22,935 for 140 borrowers were for redemption of debts, loans for Rs. 5,590 for 12 borrowers were for improvement of lands and loans for Rs. 3,200 for 3 borrowers were for purchase of lands. The Bank has been advancing loans upto this time out of its share capital, but this source will soon be exhausted and the Bank will have to obtain further funds by way of floating debentures in the market. The Bombay Legislative Council has already passed a resolution to guarantee the principal of, and interest on, debentures to be issued by this Bank upto to Rs. 50 lakhs. The Government of Bombay have also agreed to guarantee the debentures upto Rs. 10 lakhs for the present. The work of drafting the terms and conditions of the Debenture Trust Deed has been entrusted to the Government Solicitors and it is understood that the final draft of the Trust Deed has been forwarded to the Government of Bombay for final orders. The Bank is eagerly awaiting the final orders of the Government sanctioning the terms of the Debenture Trust Deed so as to be able to float the first series of debentures of Rs. 10 lakhs in the market.

Mr. V. N. Patil has recently introduced in the Bombay Legislative Council a Bill called Debt Conciliation Bill, the provisions of which are likely to affect vitally the interest of the agriculturists in general and the working of this Bank in particular. The Bill is on the model of Debt Conciliation Act now operating in Central Provinces and Berar. Even if the principle underlying the Bill is accepted, it will require certain modifications in the light of experience now gained in other provinces and inasmuch as the conditions in the Presidency are not quite similar to the conditions prevailing in other provinces where similar Acts are in operation. In fact, Primary Banks affiliated to the Bombay Provincial Co-operative Land Mortgage Bank have already established Conciliation Boards, which conciliate on a voluntary basis the debts of the applicants to whom loans are sanctioned. They have acquired considerable experience in this direction and Government will be well advised to consult the Bombay Provincial Land Mortgage Bank before the Bill reaches its final stages.

Land Mortgage Banks have also found place in two progressive States of Bhavanagar and Baroda. In fact, in the Bhavanagar State the Darbar instituted a novel scheme whereby all the Kheduts within the State were to be completely redeemed of all the debts of the Sowcars. The scheme was dependent for its success on the voluntary co-operation of the Sowcars and the Kheduts. The scheme was to be applied to a big compact area such as a Mahal or Tappa where a majority of both the cultivators and Sowcars were prepared to settle up their accounts. Further, the scope of the scheme covered all customers of the same creditor and all the creditors of the same debtor. Again, as the redemption loan

was to be advanced by the Darbar on behalf of the indebted Khedut and then recovered from him, though of course, by easy instalments, the amount of such loan had necessarily to be limited according to the capacity and solvency of the Khedut concerned. So according to the scheme the amount paid in composition was to be governed by twofold limitations—*viz.*, (1) It should not exceed a sum equal to three times the annual amount of assessment payable by the Debtor-Khedut and (2) that the total amount paid on account of a particular Tappa should not exceed one-fourth of the total nominal outstanding debts of the Kheduts of that Tappa. There had of course been considerable difficulty in the beginning in implementing this scheme due to the hesitation of the Sowcars to come to an agreement but with personal influence and better understanding, the scheme was brought into operation in all the ten Mahals of the State and was brought to a successful completion by the end of 1933. The State accordingly paid off the debts of 12,493 Kheduts. The debts in all amounted to Rs. 86,38,874 which were admitted for Rs. 45,11,183 and were compounded for Rs. 20,59,473. This was all due to the personal interest taken by the Darbar and also to the zeal and perseverance of Sir Prabhashankar D. Pattani and his loyal band of wokers. The State, in fact, has set a noble example for other States to follow.

The Baroda Government is also taking keen interest in the affairs of the agriculturists. A Land Mortgage Bank has also been started in Baroda some three years back with State assistance. The State has offered free services of a land valuation officer for the first 5 years. The State has agreed to guarantee interest on the debentures to be floated by the Bank and to purchase debentures upto Rs. 2,50,000. The State has also agreed to grant subsidies to the Bank for meeting all the expenses of the first year and deficits of the four successive years. The Bank is authorised to accept deposits and issue debentures for financing agriculturists with long-term loans for the purpose of redemption of debts, purchase of lands, and improvement of lands; but the total outside liabilities of the Bank is not to exceed ten times its paid-up share capital and the Reserve Fund. The Bank deals directly with the farmers and advances loans on the security of lands valued at, at least double the amount of loan. The paid-up share capital of the Bank amounted to Rs. 69,575 on 30-6-'36 and the Bank had deposits of Rs. 1,00,800 on that date. The Bank at present advances loans from the share capital and deposits but will have to float debentures soon in order to extend its operations. The Bank had advanced within 3 years Rs. 1,57,775 to 79 borrowers of which Rs. 1,52,555 remained outstanding on 30-6-'36.

Thus the Land Mortgage Banks in Bombay Presidency are still in their infancy. We wish them an era of useful service in the cause of agriculturists in general and the Co-operative Movement in particular.

LAND MORTGAGE BANKING IN THE BOMBAY KARNATAK

By

Mr. B. M. Rao,
Dharwar.

To bring the borrower and the lender closer and to bridge the distance between them the co-operative movement has been helpful to a large extent, which is in evidence even in the nooks and corners of the Karnatak. The presence of nearly 1,200 societies within the four districts of the Division has been of immense help in tapping the local resources and in facilitating the proper and timely finance required by the needy. Co-operative effort can to-day avail of over two crores of rupees for the purpose and this includes owned capital to an extent of nearly half of it or about a crore of rupees. Co-operators felt from the very early times that it was not enough to finance current agricultural needs, or in other words "Short-term finance" was not enough to ease the agriculturist's condition, since he was weighed down with the burden of old debts. Progressive societies took up the task of affording relief by the advance of amounts to redeem their members' old debts. It was not difficult either, since the District Central Banks had large amounts at hand, and the Provincial Co-operative Bank could be depended upon for supplementary finance, if and when needed. Though there was some progress made in this direction a decade back, the practice was not viewed with favour from the point of view of proper banking and the possible complications resulting from the fact that the amounts availed of invariably included deposits for short periods ranging from one to five years.

Finance for the redemption of old debts had to be made available for long periods and at cheap rates of interest, which therefore had to be separately looked for. And this question attracted the attention of co-operators as early as 1921. The Gujerat Divisional Co-operative Conference of that year entrusted the Provincial Co-operative Institute with the task of studying the question and formulating recommendations. A Sub-Committee was then appointed including representatives from the different Divisions (the late Mr. F. T. Nalavadi represented the Karnatak) to do the needful. This Committee arrived at the conclusion that long-term finance was necessary and it should be made available under special arrangements, which called for Government assistance. The Institute brought the matter to the notice of Government and had to wait for a decision.

Meanwhile the Baroda State moved in the matter and had the problem thrashed out by a Committee, whose recommendations took practical effect without much delay. The Bombay Government, after careful thought, offered to give help and directed in 1928 that as an experimental measure three Land Mortgage Banks be organised in the Presidency under the Provincial Co-operative Bank. Government undertook to subscribe to the debentures and also offered to supply expert assistance by the loan of services of land valuation officers. This encouraged the co-operators and the proposed three Land Mortgage Banks came into existence at three places including Dharwar. These three Banks were registered separately in 1928 and 1929.

The Bank at Dharwar was registered on 21-1-1929 and its first general meeting came off on 12-2-1929 when a Directorate was elected as provided in the bye-laws. The area of operations included the whole district; the membership was to consist of intending borrowers, which was a safeguard against the possible difference in interests. The Board of Directors included four elected members along with a nominee of the Registrar, a nominee of the Provincial Co-operative Bank and also one on behalf of the debenture-holders. In the absence of any debenture-holders in the District (since these were not put on the market) one Director was co-opted by the above Board after formation, to make up the full number. This Board was authorised to consider loan applications for amounts between Rs. 750 and Rs. 10,000.

The procedure laid down for the disposal of loan applications was in the main as follows: Applications were to be received from land-holding agriculturists, who were members in "A" and "B" class societies in the area. To facilitate scrutiny of applications by the Land Valuer these were to be received from one Taluka and then another, these in turn being selected for the general conditions, rainfall, crops, etc. The intending member had to subscribe to the share capital and had, in addition, to pay in advance specified amounts (in proportion to the extent of the loan sought) towards valuation fees and fees for legal scrutiny, regarding right and title of the land-holder. As an indication of the future promptness in the payment of loan instalments, the applicant had to get himself certified by the Chairman of his society regarding his previous transactions. He had also to present copies of village records regarding the *bona fides* of his claim and interest in the land offered to the Bank as security. As provided in the bye-laws of the Bank the objects for which loans could be given were: liquidation of old debts, incurring of capital expenditure on modern agricultural implements and machinery, the construction of farm buildings, etc., and purchase of fresh lands for the purpose of better cultivation and improved methods of agriculture. But as was proper the Bank concentrated attention on the first object, *viz.*, liquidation of old debts. This offered the members a double advantage in that there was material relief in the interest that had to be paid to the former creditor and also by the compounding of the prior debts with concessions, the Board members using their influence in this direction.

There was thus a good prospect of work for the Land Mortgage Bank and immediately after the spade work was over, the Bank was flooded with membership and loan applications. The scrutiny of the applications could not, however, be got instantly made, since the appointment of a Land Valuation Officer by Government was delayed for a while due to some technical difficulties. The services of the officer were made available from the beginning of October 1929 and work progressed fairly well after this. For nearly two years the work went on of scrutiny of applications, consideration by the Board, final approval by the Provincial Bank and advancing of loans as finally agreed upon. The Land Valuation Officer had first to go to the village where the lands were situated to see the lands and had, by personal inspection backed by local consultation, to recommend each case with regard to the condition and value of the land, the amounts that could properly be advanced and the instalments that could be fixed for the repayment. These were fixed with the full consultation of the applicant and varied according to the size of the loan from five to 20 years ordinarily. The Board selected a panel of lawyers, who were consulted regarding the title deeds and the legal opinion so secured was also considered by the Board along with other case papers regarding every application. The Board then recorded its opinion and the papers were then forwarded to the Provincial Bank. With a view to facilitate quick disposal of applications the Provincial Bank set up a 'Land Mortgage Department' and had entrusted its work to a Sub-Committee helped by a Senior Inspector. Sometimes slight defects were observed and then the papers would be sent back for additional information or more detailed scrutiny. But this occurred occasionally. The Provincial Co-operative Bank was, however, always agreeable to lighten the work and not infrequently sent down its officer to dispose of papers locally. Notwithstanding the most cordial relations and the good-will that prevailed between the Provincial Bank and the Dharwar Land Mortgage Bank, the latter had to press its claims for more generous considerations in some matters.

The Primary Land Mortgage Bank was an entity by itself and had in its bye-laws provision for profit and accumulation of a Reserve Fund. But there was rarely an occasion to do so, since there was no margin between the rate of interest at which amounts were made available and that at which the loans were made to the borrowers. A budget was prepared from year to year and the deficit was offered to be met by the

Provincial Bank in the form of grant. At one time, however, it was directed that the amounts supplied on this head had to be regarded as "advance" and were to be returned. In recent years the Provincial Bank has allowed a margin on loan amounts at the rate of ¾ per cent. This would enable the Bank to meet the expenses and in due course to declare profits. A large number of borrowers pressed on the Bank the "propriety" of granting loans upto half the value of land mortgaged to the Bank, while the Bank offered upto only one-third of the value. This has proved a prudent proposition, since land values have gone down. On the whole the long-term finance so provided through a District Land Mortgage Bank was not a day too soon; and that it has proved a success has been evident by the fact that more Land Mortgage Banks have been started in the Karnatak of late.

Experience gained in other Provinces, notably in Madras, was availed of in formulating the proposals of a Special Committee which was appointed by the Government of Bombay three years back and the new Banks have all been constituted on a different basis. The establishment of a Provincial Land Mortgage Bank at the head has been a welcome move and so too is the appointment of an Assistant Registrar specially to look after the Land Mortgage Banks. Under the new scheme, 12 new Land Mortgage Banks have been organised in the Bombay Presidency. Three of these are located within the Karnatak, in addition to the one already working. These three Banks have been distributed one in each of the three out of four districts, *viz.*, Dharwar (at Hubli), Belgaum (at Belgaum) and N. Kanara (at Kaywar). The one district to miss the benefit of land mortgage finance (in this division) is the Bijapur District; but it is explained that the scantiness of rainfall therein and the frequent prevalence of semi-famine conditions are factors which could not encourage the institution of a Land Mortgage Bank for the District. There is, however, prevalent among the co-operators of that District the contrary view that long-term finance, if properly made available has more marked utility under such conditions as are prevalent in that district, where to the agriculturist any amount of short-term finance cannot afford adequate relief.

Leaving aside the controversy, the organisation of these Banks cannot but be hailed as offering great relief. Government have offered a good deal of financial help directly and also by the provision of trained hands to work as Managers and Land Valuation Officers. As per new bye-laws drafted for these Banks, the first Board of Directors was constituted by the Registrar. All the three Banks named above were registered early last year and held their first general meetings in the summer of 1935 and have just finished their first year of working. These have collected amongst them an aggregate share capital of over Rs. 26,000 and have received loan applications of over a hundred in each Bank. Many of these applications have been scrutinized and loans have also been already granted to them. An important and interesting feature has been that there is a regular Conciliation Committee in every one of these Banks and these Committees have been able to exert their influence to a material extent in securing appreciable reductions from the old debts.

The above are only a few general impressions of Long-Term or land mortgage finance as made available in the Bombay Karnatak. It is yet too early to calculate the benefits it affords or the difficulties it may have to surmount but no one can gainsay the fact that Land Mortgage Banks have a great future before them and every one interested in the relief of agricultural indebtedness will thank Government and those individuals who have made such finance possible.

Co-operators interested in the problem of long-term finance and the progress of the Land Mortgage Banks in the Karnatak and in the Presidency in general will sadly miss to-day two individuals of outstanding personality both of whom did immense service to the cause—*viz.*, Mr. Punjabi, I.C.S., and the late Sir Lallubhai Samaldas. Mr. Punjabi, as Registrar had a great deal to do with the starting of Land Mortgage Banks and he is at present on leave, probably to shift his field of activities on return. Sir Lallubhai, who had been the Chairman of the Provincial Land Mortgage Bank since its inception, died a few days back. His death leaves a big void in the sphere of co-operation in this Province—nay in India, since he was the first to perceive the benefits of co-operation and was upto the last a staunch supporter of the Movement.

LAND MORTGAGE BANKS IN MADRAS

BY

RAO BAHADUR C. GOPALA MENON,

Vice-President, Madras Co-operative Central Land Mortgage Bank.

THE FIRST LAND MORTGAGE BANKS.

The Co-operative Credit Societies organised under the Acts of 1904 and 1912 were giving short-term credit. In fact they were intended to give credit for seasonal agricultural operations. As time went on these societies began giving loans for longer periods and for purposes other than seasonal agricultural operations. Co-operators of Madras felt that they were mingling short and long-term credit and that long-term credit should be provided by an organisation constituted specially for the purpose. In the year 1924-25 a scheme for special Land Mortgage Banks was approved by the Government of Madras and Land Mortgage Banks on a co-operative basis with power to float debentures were first started. The earliest to be started were Conjeevaram, Gudlavalleru, Madurantakam and Alamuru.

To encourage the public in the purchase of the debentures issued by these banks the Government undertook to invest an amount equal to that invested by the public subject to a maximum of Rs. 50,000 in any one bank and to a further maximum of two-and-a-half lakhs for the whole Presidency. It was laid down as a condition that the public should first take up their Rs. 50,000. It was decided that the formation of these banks should be confined to valuable wet areas. Two Land Mortgage Banks were registered in 1925 and ten in June 1927. But only five of these banks were able to raise money in the market on their debentures and the debentures of other banks did not prove popular. In spite of Government help these banks were not able to raise debentures in the open market even at 7 per cent. The whole position had to be reviewed and the Townsend Committee on Co-operation after examining the position of these banks came to the conclusion that a Central Land Mortgage Bank with an influential directorate must be established to finance the Primary Banks by raising funds by flotation of debentures. The then Registrar, Mr. H. M. Hood, was of the opinion that the formation of a Central agency alone might not attract debentures from the general public to a large extent unless it was backed up by the Government. The Registrar at the suggestion of the existing banks reported to the Government that on consultation with the representatives of these banks the view held was that the Government should be requested to guarantee interest on all debentures issued during the first five years fo the full period of such debentures or in the alternative to take up deber tures at least up to 50 per cent. of the requirements. It was realise on all hands that a certain amount of assistance from Government woul be required and that this initial help should take the form of guarante of interest by Government for at least a certain period and a subsidy fo working expenses for the bank for the first few years.

THE MADRAS CENTRAL LAND MORTGAGE BANK.

The Legislative Council passed a resolution for the organisation o the Co-operative Central Land Mortgage Bank and in December 1929 Mr H. M. Hood, registered the Madras Co-operative Central Land Mortgag Bank, Ltd., as a Co-operative Society under Indian Act II of 1912. The first meeting of the Board was held on 13th December, 1929, at which the late Dr. S. Swaminadhan was elected as the President of the Board. He died soon after and the late Sir Mocherla Ramachandra Rao was elected President in January 1930.

Till the time of the establishment of the Central Bank, the primary banks working till then were all independent units for financing their own needs and a good deal of work had to be done to bring them under the control of the central organisation. The bye-laws of the primary banks had to be amended to permit them to affiliate as members of the Central Bank. At a meeting of the Board of Directors of the Central Bank, held on 29th March, 1930, the following 19 banks were admitted as members (1) Alamuru, (2) Ambur, (3) Kulittalai, (4) Gudlavalleru, (5) Perundurai, (6) Chingleput, (7) Madurantakam, (8) Kambliampatti, (9) Tanjore, (10) Peelamedu, (11) Vadlamannadu, (12) Tiruvannamalai, (13) Kilacheri, (14) Pithapuram, (15) Conjeevaram, (16) Kattumannarkoil, (17) Chengam, (18) Bhavani and (19) Trichinopoly.

As stated above there were banks which had floated their own debentures before the Central Land Mortgage Bank was started and these banks pressed that their power of issuing debentures and thus raising the necessary capital themselves should not be curtailed. The question had to be carefully considered as the entry into the market of different organisations competing with one another might tend to raise the borrowing rate of the banks. It was finally decided that the Primary Land Mortgage Banks which formerly had the power of floating debentures might continue to do so under the following conditions:—(1) That the rate of interest on the debentures should not exceed that offered by the Central Land Mortgage Bank and should be fixed with its approval; (2) that the debenture-holders of the Primary Land Mortgage Banks should have a fixed charge on the mortgaged securities which are

ear-marked as cover for debentures and (3) that the floating charge of the Central Land Mortgage Bank should have a fixed charge on the debenture-holders of the Primary Land Mortgage Banks.

MEMBERSHIP AND CONSTITUTION.

The Madras Co-operative Central Land Mortgage Bank was started in 1929. Individuals and Land Mortgage Banks registered under the Co-operative Societies Act are eligible for membership in the bank. On the 30th June, 1936, the membership of the bank consisted of 195 individuals and 79 Primary Land Mortgage Banks with a share capital of Rs. 3,58,900. The Board of Directors consists of 15 members, 6 being representatives of Primary Land Mortgage Banks. The Registrar of Co-operative Societies is an ex-officio member of the Board and he nominates two directors one from among the individual shareholders of the bank and another person who may not be a shareholder of the bank. The Government took five shares in the bank to enable them to transfer some shares to the Registrar's nominee.

DEBENTURES MADE POPULAR.

The main source by which the Central Land Mortgage Bank gets its funds for making loans to the banks and through them to the agriculturists is by the issue of debentures. The Registrar of Co-operative Societies is the Trustee for the debenture-holders. He is also an ex-officio member of the Executive Committee of the bank. Under the scheme as embodied in the Trust Deed and the Madras Land Mortgage Banks Act, debentures can be issued only to the extent of the mortgages paid for by the bank. Before the debentures are issued the Board of Directors should pass a resolution to float a series of debentures for a certain sum, say Rs. 10,00,000, specifying the rate of interest, the dates of payment of interest and get the permission of the Trustee to so float the debentures. When mortgages for a considerable sum have accumulated they are sent to the Trustee and debentures to the extent of the mortgages are issued.

In the earlier stages of the bank's working great difficulty was experienced in raising the necessary funds on account of the world-wide economic depression which had just then set in. The Government of India were themselves borrowing at 6 or 6½ per cent. and naturally the debentures of the bank could not attract investors. The Townsend Committee in their report considered that the debentures of the Land Mortgage Bank should be a suitable mortgage investment for insurance companies, as they are in England and America. But the debentures were not Trustee Securities and therefore the funds of the insurance companies, funds lying in law courts, and of religious and charitable institutions were not available for investment in the debentures of the bank. The inclusion of the debentures of this bank in the list of Trustee Securities was essential for the success of this bank. These problems had to be tackled one by one. On the recommendation of the Registrar the Government agreed to guarantee the payment of interest on the debentures issued by the bank during the first 5 years till they were redeemed. The High Court of Madras was moved to make a rule under the Indian Trust Act to include debentures issued by the bank in the list of Trustee Securities but the court declined to do so. Thereupon the Government of India was approached by the Madras Government to bring in the necessary legislation to amend the Indian Trusts Act to include the debentures of the bank in the list of Trustee Securities. But the Government of India insisted that the Local Government should guarantee both the principal of, and the interest on, the debentures issued by the bank before the necessary amendment to the Indian Trusts Act could be made. The Government of Madras accepted the proposal and the necessary provision was embodied in the Bill which was passed by the Legislative Council as the Land Mortgage Banks Act, 1934. The passing of the Madras Co-operative Land Mortgage Banks Act and the amendment of the Indian Trusts Act in the Central Legislature were further steps which went a great way in the development of the Land Mortgage Banks in the Presidency. The guarantee of principal of, as well as the interest on, the debentures floated by the Central Bank and the effective powers given for the collection of arrears from borrowers and certain other provisions removed several impediments to the successful working of these banks.

PERIODICAL REDEMPTION OF DEBENTURES.

One important question that is engaging the attention of the Directors of the Central Land Mortgage Bank is that of finding a suitable method of disposal of the annual repayments from the Primary Banks. It was discussed in the earlier years of the starting of the bank whether the principal amounts annually collected from the Primary Banks should be re-loaned or whether debentures should be redeemed to the extent of principal collections made annually. After a careful examination the then Board decided that the policy of redemption of debentures should be adopted and that the collections should not be re-loaned. The policy of retiring debentures whenever necessary has the advantage of reducing the ultimate liability. Although the course adopted was that of redemption, much of the amount so redeemed has been again reinvested in new debentures. The criticism against this policy of periodical and partial redemption every year contained in clauses No. 9 (*a*) and (*b*) of the debenture bond was that it resulted in a constant disturbance to the holders. It is urged that conditions about periodical redemption have the effect of keeping the price of debentures in the open market at a low level.

Under the present scheme, debentures of the Central Bank are issued for twenty years, but not redeemable for the first ten years except to the extent of annual collections and advance payments from the borrowers. The borrowers repay the amount borrowed in 20 years in equal instalments every year and they have also the further right of repaying any portion of the debt at any time during the period of 20 years. When collections are received, the debentures of the series are redeemed by lot to the extent of these collections and the debenture-holders are given the option of receiving the amount covered by the debentures drawn for redemption in cash or to reinvest the same in fresh debentures which carry interest at the prevailing rate. The uneasiness on the part of the investors is that the redeemed debentures carried 4 per cent interest while the new debentures carried interest only at 3½ or 3 per cent. In such cases the conversion of debentures involves some loss to the investors.

The system of drawing lots is based on the following recommendations of the Townsend Committee on Co-operation:—"The bye-laws of the bank should provide for the constitution of a sinking fund. A proportion of the debenture redemption money must be fixed for each year; the proportion will naturally depend upon the length of the period and other features of the debentures. The monies so coming in may be invested where a profitable investment on which bank does not lose is available. We visualize this contingency as not being improbable; if debentures are floated at 5 or 5½ per cent for 20 or 25 years, the chance of gilt-edged securities themselves being obtainable at similar rates is by no means negligible. The bonds of local bodies or other quasi-official corporations which may be certified by the Registrar as safe investments may be available from time to time at the same, if not higher, rates. Failing such investments, if its debentures are available for sale in the open market, the bank may purchase them not above par. If they are not so available, it may repay debenture-holders in some systematized manner. We consider the following to be the best method. Each year the bank should issue six months' notice of the quantity it wishes to redeem. If a sufficient number of debentures is not voluntarily forthcoming for redemption, the debentures up to the required amount may be retired by drawing lots. The bank may offer cash or new bonds up to the value of the bonds so redeemed, but the debenture-holders should have liberty either to accept or refuse the new bonds, and to demand payment in cash."

In sanctioning the establishment of this bank, Government considered this scheme. It was then thought that the constitution of a sinking fund for the investment of collections from borrowers till the amount actually required for redemption was made up, was not feasible, as there were no gilt-edged securities which would fetch the same rate of interest as the debentures. As a matter of fact, the foreign financial experts who came to advice the Central Banking Enquiry Committee were of opinion that if the Land Mortgage Banks were to be a success they should borrow funds in the open market at competitive rates of interest. The Central Land Mortgage Bank has always acted in accordance with this recommendation and has been offering about half a per cent. to the debenture-holders more than what the Government of India have been offering on their loans. In these circumstances, the constitution of a sinking fund was not considered desirable and the G.O. No. 546 Ms. dated 15th March, 1930, sanctioning this scheme finally directed that, " A fund for the redemption of debentures may be opened and maintained under the directions of the Trustee. Debentures may be redeemed by the bank on notice within the time fixed for redemption, or, to prevent, depreciation, may, at its option be purchased by the bank. The bank may, however, waive the right of redeeming bonds for a period of at most ten years from the date of their issue. When the bank decides to redeem debentures, it will do so in a systematized manner."

The scheme of redemption is based on the recommendations of the Townsend Committee, which again were based on the practice obtaining in land credit institutions of Europe and America. In France, " the land debentures have no fixed date for maturity. They are retired by drawing lots every 6 months. At each drawing enough debentures must be called in so that those left in circulation shall not exceed in face value the total amount of loan outstanding." In Italy " debentures are recallable at the will of the bank, but it must retire, semi-annually by lot, debentures equal to the amount of the cash in the sinking fund or due to it. All payments on the principal of loans and the proceeds from foreclosure sales go into this fund. It is debited with all defaults of borrowers...... Each half year the drawing is continued until the total face value of the debentures retired equals the amount of the items under these three heads and thus an exact equilibrium is always maintained between the debentures in circulation and loans outstanding."

In almost all the important land banks of Europe and America the system of redeeming debentures by drawing lots prevails. Some banks repurchase their debentures only if they obtain at par. The chief difficulty is of obtaining proper investment for the collections in a profitable manner till the amount is utilised for final redemption of debentures. The Townsend Committee considered the creation of a sinking fund

which should at least earn the same rate of interest as that on the debentures. In the alternative they recommend the periodical redemption of debentures by drawing of lots to the extent of annual collections as the best suited for the purpose.

The purpose for which land banks were started all over America and Europe was to give loans (1) for the redemption of agricultural land or liquidation of prior debts, (2) for the improvement of land, and (3) for the purchase of land in special cases. The Land Mortgage Banks started in India are based on the same model. The principle adopted in the grant of loans on the mortgage of land is that the net income exclusive of land revenue, etc. from the mortgage lands is at least equal to the equated instalment to be collected on the loan advanced. On 30th June, 1936, the outstanding loans of the Madras Central Land Mortgage Bank amounted to Rs. 78,66,230. The value of the debentures at the end of the year was Rs. 79,44,400, for which there stands in the books of the bank property worth Rs. 2,53,05,578 as security. The extent of land mortgaged to the bank is 59,140 acres. In the first few years there was, however, some impediment to the free flow of loan applications. For the registration of documents, obtaining encumbrance certificates, Government levied half fees, even which was a burden to the Primary Banks, particularly to those working at a loss. Representations had to be made to Government to exempt the Land Mortgage Banks from the payment of fees and this the Government were pleased to sanction.

To-day there are 79 Primary Banks in the presidency mostly serving in the wet areas. When the Central Bank was opened the Primary Banks were first allowed each to carry on their operations only over an area of 5 miles radius. As this was found rather an insufficient unit from the point of view of administrative expenses the jurisdiction of a Primary Bank was extended to a revenue taluq.

PROCEDURE BEFORE GRANTING LOANS.

The most important fact to be borne in mind by the Land Mortgage Banks is the valuation of properties to be mortgaged. Unless the existing market value is found out accurately there is the likelihood of the bank sustaining a loss by the fall in prices. The procedure at present followed in the disposal of loan applications is as follows:—When an application for loan is received the Primary Bank obtains from the party all papers which help to establish the title. The application then is handed over to the Supervisor of the bank and two directors for investigation and report. Encumbrance certificates for the 23 years prior to the date of application are obtained from the Sub-Registrar's office. The Directors and the Supervisor report, the encumbrance certificate and the other title deeds are forwarded to the Legal Adviser who will note his opinion in each case. The whole record will then be handed over to the Sub-deputy Registrar who will scrutinise the record and prepare a report of the results of his scrutiny: the extent and situation of the lands, the applicant's other property and income therefrom, his family expenses now and in the near future, his repaying capacity and the binding nature of the debts. The whole file is then forwarded to the Deputy Registrar who after a careful perusal of the record sends it on to the Central Land Mortgage Bank with his recommendation. After scrutiny of the file and valuation, an office note summarising the information in the records is then prepared and placed before the Executive Committee for final disposal. The conditions under which the loans are sanctioned are communicated to the Primary Bank which has to see that all those conditions are duly fulfilled. Usually all those interested in the property are required to join in the execution of mortgage bond.

It is now the rule that not more than Rs. 10,000 should be advanced to any individual. If the borrower happens to have more debt he will be asked to completely discharge the extra amount from his own resources and file vouchers for complete discharge of debt, the idea being that the borrower should not be indebted to any other body except the Land Mortgage Bank. No loans will be granted on house property but if a borrower owns a house and garden one-fifth of the loan amount may be made up by the security offered. The security for the credit must be based rather on the underlying mortgage than on additional security. It is necessary to see that a sound ratio exists between assessed value of the property and the credit granted on it. The bye-laws of the banks provide that 50 per cent of the market value of lands may be advanced as a loan. But so far only 40 per cent of the value has been advanced.

The question of assessment of the value of agricultural land presents several difficulties. Factors, such as sales value, capitalization of actual net earnings (rents) or assumed present earnings on the capital invested (usually two to three per cent. on farm investment); valuation of each individual items according to the locality in which the land is situated, quality of land, and Government assessment form the basis for valuation. The point to be considered is the amount which can be realised if the property is brought to sale. Experience of local conditions of the rural estate value is needed to enable appraisers to form a correct judgment of proper value. The loan to be granted is for twenty or twenty-five years and hence the need for the exercise of great caution on the part of the directors of a land bank.

THE RESERVE BANK OF INDIA AND AGRICULTURAL CREDIT.

In clause (*a*) of section 54 of the Reserve Bank of India Act provision is made for the creation of a special Agricultural Credit Department.

The functions of this Department of the Reserve Bank are (*i*) to maintain an expert staff to study all questions of agricultural credit and (*ii*) to co-ordinate the operations of the bank in connection with agricultural credit and its relations with Provincial Co-operative Banks and any other banks or organisations engaged in the business of agricultural credit.

Experiments are being carried on in the different provinces by way of Debt Conciliation Schemes. It must take very many years to be tried in all the districts of a province so as to tackle rural indebtedness effectively. The scaling down of debts under Debt Conciliation Acts must be voluntary and not compulsory and the realisation of the reduced debt should be reasonably assured to a creditor. This aspect of the matter is bound to make the progress of Conciliation Schemes exceedingly slow. In the present conditions of the ryot, the creditor cannot be sure of realising even the reduced debt and there is nothing to prevent the same ryot from using the new-found resources for contracting fresh debts. Land Mortgage Banks should find themselves in a position to pay up the reduced debts in a lump sum and the debtor should discharge the debt to the Land Mortgage Banks in a number of years in equated instalments.

One of the duties of the expert staff of the Reserve Bank of India attached to Agricultural Credit Department is to study all questions relating to long-term finance. Reserve Bank is, under its present constitution, intended to meet the needs of the agriculturists for their seasonal operations and seasonal credit. It will also have to make provision for financing the agriculturist for long-term credit. Almost all the major provinces have now established Land Mortgage Banks and the other minor provinces are taking steps to form these banks for the amelioration of the agriculturists' present position. The problems affecting the work of these banks are so technical in character, and the tenures of each province are so varied in their nature that the special staff attached to these banks should possess a thorough knowledge of the land revenue administrative systems. At the last Economic Conference convened by the Government of India a suggestion was made that an expert on Land Mortgage Banking should be employed by the Government of India to visit each province for the purpose of supervising the work of these banks.

When the Agricultural Credit Department is organised as a section of the Reserve Bank of India, problems relating to long-term finance for the agriculturist either through the Reserve Bank and its allied institutions or by other special institutions will have to be tackled. The statutory report which the Reserve Bank will have to present to Government under section 55(1) of the Act will, it is expected, give the broad lines on which this department will finance the seasonal agricultural and long-term agricultural credit.

The Reserve Bank may arrange for the flotation of debentures of the various Provincial Land Mortgage Banks at suitable rates of interest. The Bank may itself invest some of its funds in these debentures. In western countries there are examples of the Central and Government aided banks subscribing to the Land Mortgage Bank's debentures. The commercial banks in those countries have helped land banks substantially once their bonds were recognised as Trustee Securities. The *Deutsche Bank* alone used to 'place' about 12 per cent. of the total bond issues of the country and was the main outlet for the issues of the *Gemeinschafts Gruppe*.

I have dealt with the various aspects of mortgage banking. I do not say that mortgage banking itself is going to bring about the salvation of agriculture. Nothing but better prices for our produce can do it. Success of this form of banking depends on the agriculturists utilising wisely the credit allowed to them.

" Credit is a remedy, but, like many remedies, it is also a dangerous poison (a double-edged tool, a consuming as well as a comforting fire) and in applying the novelty wholesale to the Indian ryot it must be applied with the caution that such remedies require, lest the ryots learn too easily to borrow with a light heart, the lighter that the terms are favourable and repayment so easy and so gradual.........What does it matter to a peasant whether he is ruined by a bank or by a money-lender, by the too facile credit of the one, or the too usurious terms of the other?"

—*F. A. Nicholson.*

LAND MORTGAGE BANKS IN MYSORE

BY

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Though South Indian poets like Tiruvalluvor have sung the praises of agriculture as the noblest of professions and described the agriculturist as the backbone of society, it is a well known fact that it is the least paying of professions. There are numerous instances of persons becoming suddenly rich and amassing large wealth from trade or industries; but there is hardly a case of a person becoming wealthy by agriculture alone. Even at the best of times, agriculture does not ordinarily pay more than about 6 per cent. on the capital value of the land; and in times of depression, like that to which it has been subjected in recent years owing to the abnormal fall in the price of agricultural products, the money return from it is very much less and is barely sufficient to meet the cost of cultivation and the Government demand for assessment. If this be his state even under favourable seasonal conditions, one can imagine what his plight would be if there is a failure of harvests owing to adverse seasons or if there is an outbreak of epidemic diseases among his cattle. He is then necessarily driven to the doors of the money-lender and has to borrow at heavy rates of interest—far beyond his means to pay—to meet the maintenance of himself and his family and for the expenses of cultivation. Once a debtor, he always remains one and it is only a miracle that can free him from his debts.

The problem of relieving the agriculturist from his chronic indebtedness and providing him with cheap money to discharge his prior debts and meet his current demands has been long engaging the attention of public men and administrators in India, as in other parts of the civilized world. So far back as 1892, the Madras Government deputed one of its ablest civilians, Sir Frederick Nicholson, to go fully into the question and submit a report. He accordingly made a thorough and exhaustive study of the subject and submitted in 1895 his admirable " Report regarding the possibility of introducing Land and Agricultural Banks in the Madras Presidency." Even prior to the submission of this report, the subject had engaged the consideration of the administrators in Mysore; and a scheme for the establishment of Agricultural Banks in the State was drawn up and placed before the Representative Assembly in 1894 by the then Dewan, Sir K. Seshadri Iyer. In explaining the principles of the scheme he stated as follows in his address to the Assembly:

"On the one hand, we have large accumulations of unused capital in the country as evidenced by the large balances in the Presidency and Exchange Banks, the refusal of the former to receive any deposits except current ones carrying no interest and the high premium which the Government of India 3½ per cent. securities command. On the other hand, we have the agriculturist suffering from inability to raise the funds required for his *bona fide* purposes except at ruinous rates of interest . . . How to bridge over the wide gulf that thus separates capital from want is one of the most important problems of the day in this country and it is not without considerable diffidence that His Highness' Government approach its solution; but we derive the hope of eventual success from what has been attempted in some European countries, where conditions very similar to ours have existed...... The essential principles underlying the constitution (of the proposed agricultural banks) are:

(*i*) Every bank to be an association of landholders formed on strictly co-operative principles and enlisted on the basis of mutual confidence arising from the mutual information of each other's character and resources. The object to be the common benefit of cheap credit and not the earning of divisible profits.

(*ii*) There should be no share capital, the funds required for the bank being obtained by means of loans raised or deposits received.

(*iii*) The members to contribute their liability only. They will be at full liberty to limit their liability by prescribing a maximum for each individual loan or for the sum total of all loans or to resign at any time and thus escape from further liability.

(*iv*) The funds raised by the bank to be lent only to its members at such moderate rate of interest as will leave the bank a small margin for the actual expenses of its management and for the gradual formation of a reserve fund.

(*v*) The affairs of the bank to be managed by a body elected from among the members themselves and giving their services gratuitously.

(*vi*) No loan to be made except for an approved purpose, such as some agricultural operations which, with ordinary care, may be expected to yield enough to repay the loan and to leave some profit for the borrower."

A beginning was made in the introduction of the scheme in the same year by the establishment of two banks on the lines detailed above; and their number steadily increased from year to year so that by 1899 it had risen to 63 with loan transactions amounting to about Rs. 14 lakhs, almost the whole of which was advanced by the Government to the banks at an easy rate of interest. But though the banks were started with lofty intentions and high hopes of success, they failed unfortunately to fulfil the expectations of Sir K. Seshadri Iyer. In his address to the Representative Assembly, in October 1901, the then Dewan, Sir P. N. Krishnamurthi expressed the disappointment of Government at the unsatisfactory working of the banks and in his address to the Assembly in October 1903, he referred to the failure of the scheme in the following terms:

"The scheme so far may be said to have failed primarily for want of co-operative spirit on the part of the people and secondarily for want of adequate supervision on the part of the organizers of the bank as to the purposes for which the funds borrowed were applied. Probably the entire financing of the scheme by direct grant from Government tended to weaken the motive for self-help and co-operation."

Among other causes which contributed to the failure of the scheme were the great depression in the coffee industry which led to the collapse of the Agricultural Banks at Chicmagalur and Saklespur to which loans of several lakhs of rupees had been advanced by Government on the security of coffee estates, the selfishness and misconduct of the Directors of many of the banks who distributed mostly among themselves and their favourites the large advances made to the banks by Government and took no steps to secure the regular payment of instalments due by the indebted members and the absence of a suitable provision for the summary recovery of the loans advanced to individual members without winding up the banks and bringing them under liquidation.

By the time that the Mysore Co-operative Societies Regulation was passed in 1904, the rot in the Agricultural Banks had extended to such an extent that the Government decided to abandon the scheme and to arrange for the necessary credit facilities being given to the agriculturists through the agency of co-operative societies registered under the Act. In pursuance of the policy, the existing agricultural banks were gradually wound up one by one, and the last of them went out of existence about the year 1917. Meanwhile, the experience gained of the working of the co-operative societies registered under the regulation of 1904 went to show that in Mysore, as in other parts of India, the ordinary co-operative credit societies, while being helpful to the agriculturists in providing them with comparatively cheap money to meet their current requirements, were, by their constitution and the manner in which they obtained their funds, not in a position to grant long-term loans to the agriculturists at easy rates of interest for the clearance of their prior debts and that, for the grant of these long-term loans, a separate class of institutions was necessary which could obtain cheap money in the market and utilize it for the grant of long-term loans recoverable in equated annual instalments including both principal and interest spread over a large number of years. The need for the establishment of such separate land mortgage institutions in Mysore to relieve the agriculturists, particularly in the Malnad, of their heavy indebtedness was repeatedly pressed on the attention of Government; and a brochure under the title of "Land Mortgage Bank, the only Saviour" was published and submitted to Government by Mr. Hosakoppa Krishna Row, a prominent public worker, in 1921. A Committee was appointed by Government in 1925 to go fully into the subject and, on the recommendation of the Committee, the Government indicated in an order, dated 11th October, 1926, their intention of establishing a Land Mortgage Bank in each of the Malnad districts of Shimoga, Kadur and Hassan. But subsequently as it was suggested to them that, instead of separate independent organizations in different places, a Central Bank at Bangalore with local branches in the districts would be more useful, they appointed another Committee in 1927 to examine the suggestion and report on it; and, on the report of this Committee, they passed orders, in April 1929, sanctioning the establishment of a Central Provincial Land Motgage Bank with a share capital of Rs. 5 lakhs and power to issue debentures up to Rs. 20 lakhs, the Government guaranteeing the payment of interest on the debentures at not more than 5 per cent. per annum. The necessary amendments to the Co-operative Societies Regulation were then made by Regulation V of 1929 and the Mysore Co-operative Land Mortgage Bank was registered and started on its career in November 1929 with jurisdiction over the four Taluks of Sagar, Koppa, Saklespur and Tumkur—one in each of the three Malnad districts of Shimoga, Kadur and Hassan and the fourth in the Maidan district of Tumkur.

The above is a short history of the introduction of the Land Mortgage Bank scheme in the Mysore State. The main features of the scheme as embodied in the Mysore Co-operative Societies Regulation and the bye-laws of the Bank as also the orders of Government issued from time to time up to date are as follows:—

(1) The main object of the Bank is to grant long-term loans to *bona fide* agriculturists and landholders, either direct by the Bank or through Primary Land Mortgage Co-operative Societies affiliated to it for the discharge of prior debts whether secured or unsecured, as also for permanent improvements to agricultural land. Provision is also made for the grant of short-term loans for current agricultural operations, but only to persons who have obtained long-term loans from the Bank. Effect has, however, not been given up to now to this provision, either by the Bank or by any of the Primary Land Mortgage Societies affiliated to it, chiefly on account of the difficulty of finding the funds required therefor.

(2) The long-term loans are repayable in 25 to 30 years, either by equated annual payments towards principal and interest or by equal payments towards principal with interest on the balance of principal outstanding. Generally the former system is adopted by the Bank except in the case of coffee and cardamom lands in respect of which the latter system is ordinarily adopted.

(3) Loans are granted only to members of the Bank or its affiliated Primary Land Mortgage Societies. In areas for which Primary Societies have been formed, loans can be granted only through such societies and where there are no such societies the Bank may grant loans direct to its members. The latter practice (of granting loans direct) which was in vogue during the first two years after the establishment of the Bank has now been practically stopped and loans are now issued generally only through affiliated societies.

(4) The maximum amount of long-term loan that can be granted to a member is Rs. 5,000 and the minimum is Rs. 1,000 in the case of loans granted direct by the Bank and Rs. 500 in the case of loans granted through the Primary Societies. Further, no loan can be granted to a member which exceeds (*i*) 20 times the share capital paid by him and (*ii*) 50 per cent. of the value of the agricultural land offered by him as security.

(5) The maximum rate of interest chargeable by the Bank on loans issued by it is 8 per cent. for individual members and 7½ per cent. for Primary Land Mortgage Societies in the case of long-term loans and 9 per cent. and 8½ per cent. respectively, in the case of short-term loans.

(6) The funds required for the grant of loans by the Bank, either direct to its members or to the members of the Primary Societies through the Societies, are obtained by the issue of debentures with the sanction of Government. These debentures are free of income-tax and guaranteed by Government in respect of both principal and interest. They are also treated as negotiable instruments in the same way as Government bonds. The amounts raised by the debentures are to be utilized only for the grant of long-term loans. The total amount of debentures issued by the Bank should not exceed 16 times its share capital plus the reserve fund. Three series of debentures have been issued by the Bank up to now, the first bearing interest at 5 per cent. for a sum of Rs. 2,18,500, the second at 4½ per cent. for Rs. 62,500 and the third at 4 per cent. for Rs. 1,85,100. The issue of a further series bearing interest at 3½ per cent. is under contemplation.

(7) The Government have, to protect their interests as guarantors of the Bank's debentures, taken power to nominate the President of the

Bank and also one of the Directors. At present, the Revenue Commissioner in Mysore is the Government nominee on the Board. They have also appointed the Comptroller to the Government of Mysore as Trustee, with whom all the moneys raised on debentures are to be deposited and drawn from time to time as they are required for disbursement of loans. All the mortgage deeds executed by the grantees of loans are also entrusted to him for safe custody. Two seats on the Board of Directors (the maximum strength of which is fixed at 15 including the President) are reserved for representative of debenture-holders, to be appointed in such manner as may be provided by Government. One of the seats is now occupied by the Comptroller-Trustee and the other by a retired Deputy Commissioner nominated by Government.

(8) Eleven members of the Board of Directors of the Bank (other than the President and other nominee of the Government and the two representatives of the debenture-holders) are to be elected at the annual general meeting of the Bank. Of these 6 at least should be representatives of affiliated Land Mortgage Societies.

(9) The Board generally meets once in 3 or 4 months. For the disposal of urgent and routine business (including the disposal of loan applications) an Executive Committee consisting of the President and 4 other members of the Board is appointed. The Committee generally meets once a month or oftener, according to the state of business.

(10) The President and Directors (members of the Committee of Management) of the Primary Societies are generally elected at the annual general meetings of the Societies. Provision is, however, made in the bye-laws of some of the Societies for the appointment of the President by the Registrar of Co-operative Societies; and the Registrar is also authorized by Government to appoint the local Amildar (Tahsildar) or Sub-Divisional Officer as President and the local Sub-Registrar as Secretary in places in which suitable non-official gentlemen are not available for these places.

The Registrar of Co-operative Societies has no seat on the Directorate of the Bank; but he is generally invited to all meetings of the Board and attends these meetings and helps the Board with his advice and suggestions in all matters relating to the administration of the Bank.

Though the operations of the Bank were restricted at its inception to the four Taluks mentioned above, they have been since gradually extended to other places from time to time, so that at present they are spread over 24 Taluks with 23 affiliated Primary Societies. The total amount of loans sanctioned by the Bank up to date is Rs.. 5,63,825 in

400 cases. Considering that over 5 years have elapsed since the establishment of the Bank the slow progress made in its loan transaction may require an explanation. It is due partly to the severe agricultural depression of the past few years and partly to the difficulty of selecting suitable areas for being brought under the operations of the scheme. Even in normal times, the majority of agriculturists are indebted to the extent of more than 50 per cent. of the value of their lands; and, with the heavy fall in recent years in the prices of agricultural products, the land values had gone down so low that very few of the indebted members were in a position to offer the prescribed security for the loans required by them to discharge their debts. The repaying capacity of the borrowers had also been so greatly affected by the agricultural depression that there was heavy accumulation of arrears in the annual instalments payable by the grantees of the loan. This was particularly the case in respect of the arecanut owners in the Malnad Taluks of Sagar and Koppa to whom large loans had been advanced in the early years of the Bank and who, on account of the very great fall in the price of arecanut, were hardly able to meet even their cultivation expenses in addition to the Government revenue demand and had very little left for the payment of their loan instalments. Any extension of the transaction of the Bank could not, in the circumstances, be easily made in these areas without seriously jeopardising the interests of the Bank. With regard to the selection of fresh areas for being brought under the operation of the scheme, the places most suitable for being brought under the operation of the Land Mortgage scheme are those with unfailing water-supply and assured harvests—like the delta tracts in the Madras Presidency wherein alone the working of the Land Mortgage Banks have met with the largest amount of success. There are comparatively few such places in the Mysore State. The dry and wet lands in most of the Taluks are entirely dependent on rain; and the failure of a single monsoon must seriously affect the repaying capacity of the debtors in these Taluks. Very great care and caution had therefore to be exercised and a great deal of preliminary investigation had to be made before the operations of the Bank could be extended in these areas. Considering all these difficulties the progress made by the Bank so far, though slow, cannot be said to be unsatisfactory.

I have already referred to the maximum rates of interest chargeable by the Bank under its bye-laws on the loans advanced by it. The actual rates now charged for long-term loans are 7 per cent. by the Bank to the affiliated Societies and 8 per cent. by the Bank and the Societies to individual borrowers. These rates were fixed when the debentures were first issued at 5 per cent. Notwithstanding the reduction in the rates of interest paid by the Bank on subsequent debentures, it has not been found possible so far to make a corresponding reduction in the interest charged by the Bank on its loans as, owing to the small extent of the Bank's transactions and the withdrawal of the major portion of the grant which the Government were making towards the working expenses of the Bank during the first few years, the Bank could not meet its expenses with a lower rate of interest on its loans. A reduction of ½ per cent. in the interest charged on the loans has, however, been made for the past two years out of the premium realised on the debentures issued by the Bank. It is hoped that the Bank will be able to make a steady and gradual reduction in its interest rates as its transactions increase and bring them down to about 6 per cent. in the course of the next two or three years.

But however much the Land Mortgage Societies may reduce their interest rates, it will not by itself tend to solve the problem of agricultural indebtedness. Cheap money is not always an unmixed blessing, as it increases the temptation to borrow. The Land Mortgage institutions are not philanthropic bodies but are business concerns; and, if they are to work successfully, they must insist on an adequate margin of safety in respect of the securities offered for the loan advanced by them. The margin of 50 per cent. now prescribed under the bye-laws of this Bank cannot be considered too high. The great majority of the indebted agriculturists are not in a position to furnish even this margin. Both on this account and also by reason of the other limitations placed on loans granted by the Land Mortgage Societies in respect of the maximum amount of loan, the purpose of the loan, the repaying capacity of the borrower, etc., only a very small percentage of the indebted agriculturists can be afforded relief by these institutions. Debt conciliation measures may serve to bring a few more debtors within the reach of the Societies. Some of the Land Mortgage Societies in the State are, in fact, doing a certain amount of debt conciliation by inducing the creditors of their members to grant substantial rebates in consideration of the prompt payment of their dues for which they will otherwise have to resort to the civil courts with their inevitable delays and uncertain results. But even these measures can only help a small number of people. If the agriculturists as a body are to be saved from the crushing burden of their debts, it can only be done by increasing their income and their capacity for saving. The combined efforts of all departments of Government—Agriculture, Industries, Co-operation, etc.—should be concentrated on this object. The income from agricultural land should be increased by the popularisation of up to date scientific and improved methods of cultivation and the introduction of more remunerative crops. Subsidiary occupations—in the form of suitable cottage industries—should be found for the agriculturists to engage them during their leisure hours and off-

seasons and enable them thereby to supplement to some extent their income from lands. Habits of thrift and economy will have to be inculcated among them. Marketing facilities should be provided and co-operative marketing organizations should be formed to enable them to get the best price for their produce and to secure for them some portion at least of the profits that now go to the petty middlemen. Equally important—in fact, more important than all—the Government should come to their help by the adoption of a liberal policy in the grant of remissions and reductions of assessment—particularly during times of distress and depression, so as to save them from the necessity of adding to their already heavy debts by fresh borrowings from the local Sowcars at ruinous rates of interest to meet the Government demands in addition to their other urgent and unavoidable requirements.

"I met with the hope (while touring in Mysore) that out of one source of credit not yet tapped to the full, long-term state mortgage credit, some relief might be found, and I think it will. But it is far removed from the voluntary co-operation of the self-financing village bank. It will succeed, I suggest, in proportion as to the administration is severe, and I do not think that the element of co-operation will be the decisive element in it."

—*C. R. Fay.*

LAND MORTGAGE BANKS IN MADRAS AND ELSEWHERE
A COMPARATIVE STUDY

BY

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The Land Mortgage Banks of Madras have elicited high encomiums from all co-operators in India. In a recent debate in the Legislative Assembly at Simla, Mr. M. L. Darling cited them as the special contribution of Madras to the solution of the problem of agricultural indebtedness and expected the example to be followed by the rest of India. The Madras Central Land Mortgage Bank is now the model that is sought to be copied and its working has been studied at first hand by distinguished co-operators from other provinces. The Punjab was no doubt first in the field and organised a dozen banks in the last decade, but there it stopped. Bombay began with three land mortgage banks ten years back but registered little progress up to 1935. The Provincial Bank, which was the financing agency both in the Punjab and Bombay, floated debentures but not to the full extent of the long-term loans granted. All the land mortgage banks together in the Punjab could not advance more than Rs. 25 lakhs of loans to agriculturists, while the three banks of Bombay advanced only less than Rs. 5 lakhs. There were arrears in repayment to the extent of nearly Rs. 5 lakhs in the Punjab and over Rs. 40,000 in Bombay at the end of the last co-operative year. Mysore had the advantage of a later start with a Central Land Mortgage Bank in 1929 and could avoid the error of running small independent banks, which in Madras could not successfully float debentures and therefore necessitated a central institution. But the Mysore Land Mortgage Societies, of which there are twenty, and through which loans to the extent of Rs. 5½ lakhs have been disbursed by the Central Bank, have not been quite successful. There are now arrears in repayment of instalments to the extent of 45 per cent. of demand—an ominous proportion for a land mortgage institution depending on debentures on which interest has to be paid regularly. Other Provinces and States in India have no long-term credit transactions comparable even with the above.

UNIQUE PROGRESS OF MADRAS BANKS.

Madras lagged behind the Punjab and Bombay in her experiments at long-term credit, but she has taken a long jump and left the others far

behind. She has already 80 Primary Banks all affiliated to the Central Land Mortgage Bank, and a dozen more are likely to be organised this year. Debentures to the extent of Rs. 80 lakhs (net) have been floated, and loans to that extent have been advanced. Repayments are flowing in, at any rate from Primary Banks, very regularly without any default, so that there has been no difficulty in meeting the interest charges of debenture-holders. As annual collections are received some debentures are redeemed, in the absence of a sinking fund. Apart from this, almost all the earlier debentures bearing higher rates of interest have been redeemed and fresh debentures have been floated on the security of mortgaged lands at much lower rates of interest, the present rate being as low as 3 per cent. as against 6½ per cent. which had to be offered at the initial stages. The benefit of the lower rate of interest has been passed on to the borrower in the Primary Bank, who could now borrow at as low a rate as 5 per cent., a rate not dreamt of by the founders of the Movement. Even Bombay cannot contemplate a lower rate than 6 per cent., while Mysore cannot promise a reduction from 8 per cent. in the face of default and small volume of transactions. This proud position of Madras might be hailed as a triumph of organisation, the fruit of the co-operative labours of the great President Sir M. Ramachandra Rao and his worthy colleagues, of the efficient staff of the Central Bank and of those deputed by the Co-operative Department for investigation of loan applications, and of the enthusiastic Directors of Primary Banks. But such results could not have been achieved without the goodwill and the subsidy of the Government of Madras, which not only guaranteed to debenture-holders the payment of principal and interest and persuaded the Government of India to declare the debentures trustee securities, but also placed at the disposal of the Movement a number of officers for enquiry and investigation, for whose services some contribution is now demanded from the Central Bank. The power of sale of land and of distraint of produce or other movable property in default of repayments has also been conferred by the local Legislature. Such aid and power are by no means extraordinary in respect of land mortgage institutions in foreign countries. But Madras has given the lead so far as India is concerned.

ADVANTAGES OF MADRAS.

To be fair, however, to the rest of India, it must be said that Madras has had advantages in the clearer and freer rights on land possessed by the Madras ryots, while in the Punjab the Land Alienation Act has imposed a severe limitation on credit and in the Central Provinces and Bengal which are experimenting with Land Mortgage Banks on a small scale, the cultivator is commonly a tenant with limited rights in land. In

Bombay and Mysore the experiments have been tried in tracts without an assured water-supply and where the crops—cotton in Karnatak and areca-nut in Malnad—have suffered not only from the vicissitudes of season but also from more disastrous fall in prices. Neither Bombay nor Mysore could boast of such splendid soil or system of irrigation on an extensive scale as found in the deltaic tracts in Madras, where the majority of Primary Land Mortgage Banks are located. These banks have not so far defaulted in their dues due to the Central Land Mortgage Bank, which is in refreshing contrast to the heavy overdues of land mortgage institutions in the Punjab, Bombay, Mysore and Central Provinces. But even in Madras, it is not merely the soil or the human material chosen that would account for the lack of overdues. It is also due to the care and caution exercised—perhaps excessive caution born of the reaction against the state of affairs in rural credit societies that had lent monies recklessly.

STRICTER STANDARDS ENFORCED.

The disparity in standards adopted by the old credit societies and the new land mortgage banks in the same region was well brought out by the disclosures of an enquiry conducted a few years back by a special staff in three districts of the Presidency. This was done with a view to find out how far the debts to ordinary credit societies, much of which could not be paid off in a short period and according to promise, could be converted into long-term loans payable to Land Mortgage Banks in a large number of instalments.[1] In East Godavari where the investigation was done in all villages within the jurisdiction of four Land Mortgage Banks, it was found that a total debt of Rs. 8.42 lakhs, only Rs. 1.32 lakhs of debt was fit for transfer. In Tanjore in all villages in the jurisdiction of two Land Mortgage Banks, out of a total debt of Rs. 2.36 lakhs, only Rs. 20,000 could at all be transferred. In the villages served by the Hospet Land Mortgage Bank in Bellary, out of a total debt of Rs. 63,500, only Rs. 500 was considered fit for transfer! The reason given was that most of the debtors did not have sufficient security by way of landed property, nor sufficient repaying capacity to enable them to borrow according to the by-laws of the Land Mortgage Banks.[2] Due allowance would have to be made for the great fall in land values and the prices of produce after the loans were granted by the credit societies.

1. Long prior to this, that is before the Depression, the Madras Provincial Co-operative Bank had conducted investigations in 4 Union areas in Madras which only confirmed the disquieting view held that "members of rural credit societies in many cases do not possess a genuine capacity to repay the sums advanced to wipe out old debts even if 25 or 30 years are allowed." V. Ramadas Pantulu in his address at Dharwar, p. 7 of Supplement to the *Madras Journal of Co-operation*, November 1929.

CHARGE OF EXCESSIVE CAUTION.

The Central Land Mortgage Bank has indeed been accused of excessive caution and rigidity by not only the representatives of Primary Banks at their conferences but also by Mr. W. R. S. Sathyanathan, Special Officer, deputed by the Government of Madras in 1935 to enquire into the problem of agricultural indebtedness—though he does not substantiate the charges by any reference to cases.[3] The authorities of the Central Bank have no doubt been guided by sound canons of finance, but the number that could be helped on such standards would naturally be fewer and confined to the comparatively better off agriculturists, the Mirasdars and Inamdars, who generally do not toil on the land themselves, nor even direct cultivation. Even these could get loans if they wanted almost at the same rate of interest from private, non-professional, investors on first mortgage without any of the embarassing publicity inevitable in an enquiry by the Land Mortgage Banks and the co-operative officials. Only the urge for repayment is not so great; nor are the terms of repayment so easy as in the co-operative mortgage banks. It redounds not a little to the credit of the latter as to the well-to-do individuals resorting to them that such a feeling has been overcome. The observations of the Registrar of Co-operative Societies in Central Provinces are apposite in this connection: "Those whose assets and income are adequate and who can be trusted to discharge their liabilities in a reasonable period generally obtain accommodation from the ordinary *sahukars*. They prefer the *sahukar* as they do not want to go through the rather inquisitorial inquiries into their antecedents, which the procedure of Land Mortgage Banks involves. As the banks become more widely known, it is hoped that a certain percentage of this class will avail themselves of the new credit facilities."[4] The Mysore Registrar complained "Really credit

2. Fourth Report of the Madras Central Land Mortgage Bank, p. 9:
The Eleventh Conference of Registrars of Co-operative Societies held in 1934 recommended a similar conversion into long-term loans of "existing advances which have proved unrealizable within the period fixed for the repayment, provided that the security is adequate and repaying capacity sufficient"—Report of the XI Conference of Registrars of Co-operative Societies, 1934, p. 63.
3. Report on Agricultural Indebtedness, Madras, 1935, p. 67.
4. Central Provinces Registrar's Report for 1934-35, p. 18.

worthy persons are either not fully aware of the working of these institutions or do not find their terms attractive enough to induce them to change their present creditors."[5]

OVERDUES NEGLIGIBLE.

Though in Madras the Primary Banks have not defaulted in their dues to the Central Land Mortgage Bank, their members have in some cases fallen in arrears, especially in the older banks, started prior to the establishment of the Central Bank. It is unfortunate that in the reports of the latter we get no idea of the overdues from borrowers to Primary Banks in respect of the loans granted from out of their own funds, the debentures raised by themselves in the earlier years, though we find from the latest report that on the 30th June, 1936, a sum of nearly Rs. 50,000 was in arrears to Primary Banks in respect of loans granted from out of the Central Land Mortgage Bank funds. This is but a small fraction., a bare six per cent. or one anna in the rupee, of total equated demand by way of both principal and interest. Indeed the smallness of the overdues in these days of depression looks suspicious and it would seem as though loans had been granted to substantial people and not to peasant-proprietors, the men of small means for whom the Co-operative Movement was inaugurated. The successful agitation by which the maximum loan permitted to an individual has been gradually raised from Rs. 3,000 to Rs. 10,000 would lend colour to the contention that smaller ryots are likely to be squeezed out in the scramble for loans, but for the fact that in the last three years about three-fourths of the loans have been actually granted in sums of less than Rs. 3,000 each, and one-third of the loans in sums of less than Rs. 1,000 each. One might indeed doubt whether in granting loans of less than Rs. 500 each the Land Mortgage Bank was not encroaching on the province of the ordinary credit societies, unless it be that such small sums could not in all cases be recovered within ten years.

FUTILITY OF TOO MANY FORECLOSURES.

The ills however of institutions, as of individuals, come with age. Already arrears are greater in the older banks than in the newer ones, in spite of the fact that the tracts chosen earlier were decidedly more fertile and better irrigated. Some of the banks are bound in course of time to be obliged to take up the lands of the worst defaulters, even as the District Central Banks have had to do in the case of short-term loans. Whatever the margin of safety and the marketable value of the lands mortgaged might have been at the time of grant of loans, it is

5. Mysore Registrar's Report for 1934-35,

possible to conceive that in villages where communal solidarity is great and there is no faction, the lands may cease to command a free market or even competitive rents. This has actually happened in rural credit societies in Madras which were once considered model ones and were dominated by a single community. History may repeat itself in the newer field of long-term credit. Indeed, such a situation has had to be faced in more than one Land Mortgage Bank in the Punjab. "The Lyallpur Banks have also been faced with difficult litigation . . . and one of them, Toba Tek Singh, had considerable trouble in dealing with cases of physical resistance to the taking possession by the bank when it was necessary to foreclose the mortgage ; in two chaks there has been organised obstruction and violence and to obtain the necessary redress is a long and thorny process."[6] Even if lands came easily into the possession of banks, is it an economic proposition for them to manage them ? This is not the experience of District Central Banks saddled with lands. In the United States of America, in spite of precautions taken, "the number of foreclosed farms in the possession of federal land banks has been increasing and there is a likelihood of their becoming land-owning bodies instead of land banks." Before the Farm Credit Administration was organised by President Roosevelt in 1933, the twelve federal land banks had acquired outright 13,334 farms valued about 45 million dollars and held 5,169 farms subject to redemption valued about 25 million dollars. And it is said that "the banks are not in a position to operate the acquired farms on a basis which yield satisfactory returns above necessary expenditure."[7] The moral of all this is that in the granting of loans too much reliance should not be placed on the value of the ultimate security which is often arbitrarily determined—by sentiment and speculation as well as by the capitalisation of the current net income. Nor is it wise in the case of a long-term loan to count for ever on the character and repaying capacity of the individual borrower. Repaying capacity is in a long period bound to rise or fall with changes in the strength of the family and the alternative sources of income. It is more important to take into account the farm as a unit and its productive capacity, though in the conditions prevailing in our country it is not easy to adopt this criterion either.

WHY LOANS ONLY FOR THE CLEARANCE OF PRIOR DEBTS ?

In Madras so far almost all loans have been granted for the clearance of prior debts or for the redemption of land from prior mortgages. This

6. The Punjab Registrar's Report for 1933-34, p. 23.
7. A.I. Qureshi, *Agricultural Credit*, p. 71.

policy has the support of tradition and follows the practice of the German Landschaften, most of whose loans were granted for the clearance of prior debts and not for the purpose of agricultural improvement. Nicholson pointed out in his report, "It is a grave error to suppose that he (the European peasant) any more than his Indian confrére, is thirsting after credit with a view to land improvements . . . What the European peasant left to himself requires in credit is the means of buying land at any time, of paying off usurious debts, of finding cheap capital to pay off his co-heirs, of combating by cheaper capital the terrible fall in prices of produce and the continuous rise of expenses, rather than capital sunk in permanent improvements or invested in the higher agriculture."[8] Almost all these conditions can be applied to our country; but there is one fundamental difference that purchase of land at fancy price is not so important a cause of debt, and the land of co-heirs is practically never purchased, with the result that sub-division of land has not been checked. The prior loans of middle-class borrowers in our Primary Banks, we have reason to think, would have been incurred not so much for the purchase of land as for unproductive purposes like the celebration of marriages, for unwise consumption, for litigation, etc. It would be something gained if borrowers were disabled to spend likewise at least after they became members of a Land Mortgage Bank. But are the chances of a second mortgage for securing funds for such unwise expenditure not altogether remote?

Redemption of land from old mortgages or the land-holder from prior debts unsecured but with higher rates of interest is no doubt a desirable thing by itself and should occupy an important place, especially in a period of economic depression, but it ought not to dominate the whole scheme of land mortgage banking to the exclusion of other objects. It is indeed impossible to redeem from debt many a middle-class borrower. As Dr. Pattabhi Sitaramayya has pointed out, what they want is not a Land Mortgage Bank but what he calls a Trustee Bank which would finance trustees who should take over their properties and dispose them of gradually and to the extent necessary to discharge the debts and hand over what remains to the owners.[9]

A GENUINE DEMAND FOR LONG-TERM CREDIT?

We have no details in the annual reports of the advance repayments made by some borrowers of the entire amounts loaned out to them. One

8. Report on Land and Agricultural Banks, Vol. I, p. 43.
9. *The Indian Co-operative Review*, April, 1935.

gets a feeling that in such cases the loans were not really wanted for a long time but resorted to only to tide over a temporary difficulty. It might be that wisdom dawned later and the borrower found there was no use in committing himself to such a long period and it was better to dispose of the land, or he was tempted to seek an alternative source of credit where there was no facility for amortization of debt, but conditions of repayment were not so rigidly enforced. The tendency of an old head of a joint family is not to leave, if possible, a legacy of debt—co-operative debt though it be—to the youngsters who inherit the property. Hence it may be that long-term loans are sought in the first instance because of the facilities offered; but full advantage is not taken of the privileges, and repayments are made by borrowing elsewhere for a shorter period or by sale of property. At any rate this is what happens in the case of our Building Societies' loans, granted for long-terms but often cleared off earlier. Such prepayments might not matter when the Government finances the scheme as in the case of Building Societies. But they are bound to add to the embarassment of the Central Land Mortgage Bank in having to redeem a greater number of debentures than ordinarily anticipated, as long as there is no scheme of sinking fund or outlets for investing for shorter periods.

SHOULD THE DURATION OF THE LOAN BE EXTENDED?

The agitation for the extension of the period for which loans may be granted from 20 years to 30 and 40 years, on the analogy of conditions obtaining in Europe, and newer countries like Australia and New Zealand, appears to us to be somewhat unreal and unnecessary—unless the loans are granted for development and on condition that farms would not be broken up. The proposal had the support of the Registrars' Conference in 1934 and of the Banking Committees before. Too short a period as in the Punjab—10 to 15 years—would not serve the purpose as repayments in instalments would be heavier. Equated payments over a longer period would surely ease the position of the borrower, if the sum borrowed was heavy and the repaying capacity small. But as long as sums are granted not for the purchase of land to make the holding more economic nor for permanent improvements which would increase the earning capacity of the farmer and there is no guarantee either that the farm would be intact whoever might inherit it, not much purpose is served in prolonging the period. It may not be appreciated in the long run by the borrowers themselves. Supporters of the longer period cannot forget that in parts of Europe and elsewhere either the old law of primogeniture permits the eldest son alone to inherit the farm or the new law prevents sub-division below a certain size; or whatever be the law the custom is against sub-division. Says C. F. Strickland: "The

European custom is, generally speaking, to leave the land for one son, who gradually pays off the charge laid by his father on the property for the benefit of the other heirs. If he is unable to do so, he sells the entire property rather than a fraction, after the loss of which he would be unable to make a profit and start life again elsewhere."[10] In the absence of any such law or custom it were better not to experiment with too long a period.

LOANS FOR PURCHASE OF LAND.

Purchase of land by the cultivator is in foreign countries one of the primary aims for which Land Mortgage Banks have been organised. In European countries with old settled land, tenants have been enabled to acquire the lands of landlords who were obliged to give up the lands by legislation or by excessive taxation and increasing costs of cultivation. In either case there was nothing like expropriation; but the cost of acquisition could not be met by the tenants aspiring for ownership and therefore some form of State-aided land mortgage credit had to be granted to approved purchasers to be repaid in instalments over a long period. In the newer countries it was not so much the purchase of land, which could be had for the asking, as the need for large initial capital for reclaiming the land and equipping it with stock and machinery that necessitated the organisation of Land Mortgage Banks with or without State-aid, though latterly in every case the State has come to the rescue.[11] In our country tenancy legislation has often conferred valuable occupancy rights on long-standing tenants without having to pay much to the original owners. But where compensation was provided for, it has not been implemented by the organisation of long-term credit by the State. The Madras Land Mortgage Bank Act and by-laws provide among the objects of loans, the purchase of land, the understanding being that such purchase should not be for a speculative purpose but to enable a ryot to round off his holding and make it economic.[12] So far in Madras there has been little demand for loans for the purchase of land either for making a holding economic or for the creation of small holdings. Perhaps when schemes of settlement of the educated and the uneducated unemployed on new cultivable wastes are taken up, Land Mortgage Banks may play a very important part.

10. *Studies in European Co-operation*, Vol. II, p. 171
11. Belshaw (H.). *The Provision of Credit*, pp. 73-79.
12. Madras Legislative Council Proceedings, 19th March, 1934, pp. 464-5.

LOANS FOR LAND IMPROVEMENT.

Land improvement involving larger capital which could be conveniently paid off only in a long period has been one of the foremost aims of Land Mortgage Banks in all countries. In Great Britain this function has been taken up by the Lands Improvement Company which is guided by official inspection of the land to be improved by the staff of the Ministry of Agriculture "to establish that the property will *prima facie* be improved at least to the extent of the proposed charge." The Company is said to have so far advanced over £15 millions; it now offers loans at 3¼ per cent. net and obtains its loanable funds from insurance companies. Demand for loans is expected to increase with the need now felt for re-equipment of land and buildings to suit the change in agricultural systems and to overtake the heavy arrears of work due to the depression.[13] The Government in this country has also been granting long-term loans for land improvement in the last 50 years but land-owners have made so far little use of such loans for one reason or another. The system has been condemned by co-operators who naturally wanted Co-operative Banks to take up the function. At first this was expected of even Village Credit Societies, whose limitations in this field have been gradually revealed. One of the objects of the Land Mortgage Banks from the first has been that of improvement of land in addition to clearance of prior debts. The latter purpose has absorbed practically all the funds and the former has been neglected for one reason or another. For one thing it was difficult to find among the Directors of Primary Banks persons who could recommend improvements or supervise the utilisation of loans on them. There was also a legal doubt whether a loan advanced for effecting agricultural improvement could bind the sons and other coparceners of the borrower![14] This doubt has now been cleared by the Madras Land Mortgage Banks Act of 1934 which provides that "the improvement of agricultural land or the methods of cultivation shall not be regarded as purposes not binding on a member of a joint Hindu family."[15] Regulations have been framed by the Board of the Central Land Mortgage Bank for the grant of loans for some well-designed improvements. The definition may have to be widened so as to permit of other improvements than those recognised by the old Land Improvement Loans Act of 1883, which are confined to works of irrigation or drainage. Installation of power-machinery for the above purpose and for the processing

13. McMaster (D.R.) in *Journal of the Institute of Bankers*, Part VIII, Vol. VII, pp. 454-55.
14. Notes for the Conference of Land Mortgage Banks, 1934.
15. Madras Legislative Council Proceedings, 23rd March, 1934, pp. 718-19.

of produce of various kinds may be encouraged. Scope for such improvements would be not so much in deltaic wet land areas where paddy is a sure crop; but in tracts where soil is good and suited to other crops and rainfall is not precarious but there is no regular water-supply at present. In the case of such improvements, the yield from investment is little or nothing in the first few years and then gradually rises. Instead, therefore, of equal repayments from the very start, instalments of repayments of principal may commence after a few years and may be so graded as to correspond to the rising income from land. All improvements do not cost the same per acre nor is a fixed period of 20 to 30 years necessry for repayments. Shorter periods may well suit some of them, for which funds may be advanced from the Central Bank's annual collections, instead of utilising these for the redemption of debentures before due time to the annoyance of long-term investors.

SCOPE FOR IMPROVEMENT.

It might be said that the economic depression with the great fall in prices of produce has damped all enthusiasm for such improvements. This cannot be said of the products of dairy-farming and horticulture in which our development has been very slow, though prices have by no means been so discouraging as in the staples even in this country. The Royal Commission on Agriculture deplored this lack of progress in these lines.[16] They drew pointed attention to the need for caution in the organisation and conduct of Land Mortgage Banks and for encouraging productive works. " While there is some demand for facilities to repay old debts or redeem old mortgages, there is no very strong demand for long-term money for land improvements. Land Mortgage Banks will neither fill a gap nor meet a long-felt want; they should replace the system of State loans and displace the money-lender from the long-term loan business; they should introduce a valuable element of control into that business, but their greatest service may be the lowering of interest to a level which will bring many improvements within the class of productive works.[17] Sir G. Bracken, Finance Member of the Government of Madras, in opening the last Land Mortgage Banks' Conference laid his finger on " the weak spot in the present working of Land Mortgage Banks that so much of the money lent is for prior debts of an unproductive character and so little for financing productive expenditure such as land improvement, consolidation of holdings and so on." This is

16. Report of the Royal Commission on Agriculture in India, p. 589.
17. *Ibdi*, p. 466.

certainly not due to the want of appreciation of the authorities of the Central Bank of the importance of productive works. As the Agricultural Commission said in connection with the working of the Land Improvements Act, " what is lacking is not so much capital for land improvement as ideas for utilising it for productive purposes."[18] May we expect the new District Economic Councils and the Provincial Economical Council to formulate definite proposals in particular tracts with the assistance of Development Departments ?

18. *Ibid*, p. 428.

Credit can only play its part in the economy of the farm efficiently, when its functions are fully recognised and when its uses are adequately measured. The problem of agricultural credit in its wider aspects cannot be solved by machinery alone; the machine will always need a high degree of skill in its use. Like other productive industries agriculture requires not only a scientific but an economic technique.

—R. R. Enfield's Report on Agricultural Credit.

THE MODEL TOWN, LAHORE

By

MR. K. C. VARMA, M.A.,
Secretary, Co-operative Model Town Society, Ltd.

ORIGIN

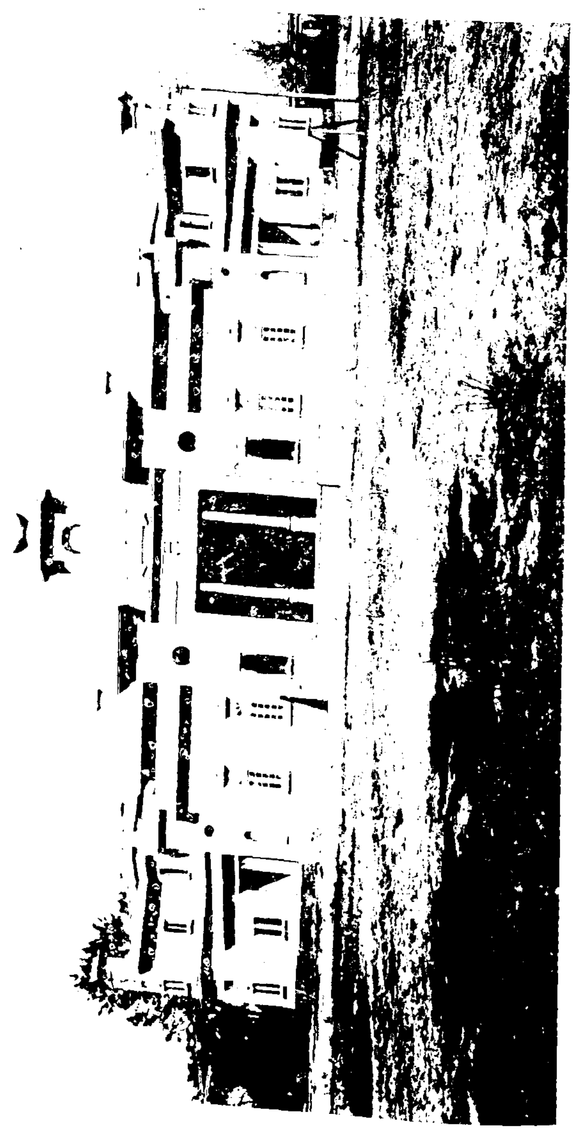
Lahore is the seat of the Punjab Government, and an important centre of educational and social activities as well as of commercial and business enterprise. It has grown from day to day, and is by far the most fashionable station in Northern India. It has a great fascination for educated and go-ahead Punjabis. Other Northerners too wish to reside in Lahore and to have the benefit of its growing interests and importance and many-sided activities. It is no wonder, therefore, to see Lahore expanding in all directions with amazing rapidity. The question of relieving its growing congestion and of providing suitable habitation for its residents has been engaging the attention of several eminent sons of the Punjab for a considerable time past. The desire for a well-ventilated, spacious, and open house, with agreeable and pleasant surroundings, has been growing more and more with the spread of education, specially relating to public health, sanitation and physical culture.

THE SITE

The foundation of the Model Town, by far the most salubrious and well-planned suburb of Lahore, was well and truly laid in the year 1921. The site chosen for this Town could hardly be improved upon. It was the famous Rakh Kot Lakhpat, the favourite of the Forest Department, which was acquired for this purpose. Originally 1,000 acres were considered as more than enough for carrying out the scheme of a Model Town, but as the Forest Department was not willing to part with its beloved Rakh, by bits, the whole area comprising the Rakh Kot Lakhpat, which was in the neighbourhood of 2,000 acres, had, perforce, to be purchased.

The Model Town is situated at a distance of about 5 miles from Anarkali, and 3 miles from the boundaries of the Lahore Municipal Committee. The site was purchased at a cost of over nine lakhs of rupees including the price of the trees that were grown in it by the Forest Department.

THE ORIGINAL SITE OF MODEL TOWN.



THE CLUB BUILDING.

MODE OF PAYMENT TO GOVERNMENT

The Society started by selling fully paid-up shares worth Rs. 100 each to the Public. Rs. 57,000 or thereabouts were thus subscribed before the end of 1922. The first call on land was then made at the rate of Rs. 200 per 'A' class plot and Rs. 100 for a 'B' class plot and Rs. 50 for a 'C' class plot. This brought another Rs. 60,000 or so. Possession of land was given by the Government in 1923 on receiving about Rs. 94,000, being 10 per cent of the price of the land and trees. This amount was paid out of the funds collected as mentioned above, by sale of fully paid-up shares and receipts on account of the first call on land. Thereafter the full price of the land was paid by about 20 instalments, the last of which was paid in March, 1929. Interest was charged at 6 per cent by the Government for permitting us the facility of payment by instalments. Later on remission was given by Government for the price of land that was utilised for public purposes, like Roads, School, Club, Places of Worship, etc.

A CO-OPERATIVE SOCIETY OWNS AND RUNS IT.

The question as to how the proposed town should be run agitated the minds of its founder, Diwan Khem Chand, and his colleagues a great deal. It was decided to run the town on co-operative lines, and with the active support and advice of the then Registrar of Co-operative Societies, the famous Mr. Calvert, the Model Town came to be owned by the Co-operative Model Town Society Ltd., which is by far the biggest society of its kind in the whole of India and perhaps, in the whole of the East. The town has been conceived as a Garden City so that each house could remain open on all its four sides and could also have the advantage of a nice compound and a beautiful garden.

OBJECTS.

The objects of the Society are to promote the economic interests of its members. The main objects are given below :—

(a) To lay out, establish and maintain a garden town.

(b) To bring into existence, construct, manage and maintain works, services and other institutions of various kinds, for the convenience and benefit of members residing in the town.

(c) To build residential houses and other buildings for private and public use and convenience of members.

(d) To provide measures for the protection, safety, and better and more economic living of members residing in the town.

(*e*) To regulate the construction, use and maintenance of all buildings, roads and other erections of various kinds within the town.

(*f*) To impose a contributory cess or rate on the members on co-operative principles, to meet municipal or other charges for residence in the town.

THE PLAN.

The Town is divided into nine blocks. In each block (excepting the 9th which was added later—and has only C class plots) there are A, B and C types of plots and each block is equi-distant from the central area in which all the public places and places of amusement are located, so that there could be no complaint of any block being more favourably situated than any other block. In the scheme of the town a central lake and a hill and terrace gardens are also provided in the heart of the town. The central reservoir, from which water is to be supplied to all the blocks in the town, is to be located on the top of the hill. There are interblock gardens which provide the lungs of the town. And a garden area runs all round.

PLACES OF WORSHIP.

There are 8 places of worship provided in the eight different blocks of the town and a burial ground, a cemetry, and cremation grounds are located on the outskirts and are to be run and managed by Trusts of the different communities. In the places of worship a Gurdwara has already been built by the Sikhs, and other communities are also making efforts to build their places of worship.

SAFETY : WATCH AND WARD.

The Town has been planned to be self-contained and self-sufficient and has complete " Swaraj " within its own limits. There is no police Chauki, but the town is guarded by the Society's own Watch and Ward comprising able-bodied, ex-Military men, some of whom are also provided with arms. The Watch and Ward has been an amazingly successful feature of the society with the result that there has seldom been any robbery or theft worth the name in the Model Town, in spite of its being in the midst of a jungle.

CONSTITUTION.

The Society is run by a Managing Committee consisting of not less than 12 and not more than 21 members including the President and two Vice-Presidents. The Managing Committee is elected for 3 years by the General meeting of members of the Society. One-third of members of

the Committee retire every year and new election for this number is held annually. The Committee has the power to appoint Sub-Committees and at present there are the following seven Sub-Committees :—

(*i*) Finance and Development Sub-Committee which exercises a supervisory control over the whole working of the society and initiates schemes for the development of the town. This Sub-Committee is more or less, the working committee of the Society.

(*ii*) Buildings, Roads, Electricity and Water Works Sub-Committee : This is the Public Works Sub-Committee which controls the buildings, roads, electricity and water works departments, and supervises all kinds of construction and erections in the town and prepares estimates for all constructions and installations in the town for the sanction of the Finance and Development Sub-Committee.

(*iii*) Forest and Watch and Ward Sub-Committee which controls the establishment under it and is responsible for the proper working of the Watch and Ward and Forest Department.

(*iv*) Transport Sub-Committee controls transport service and is responsible for the framing of the time tables and proper running of the bus service.

(*v*) The Lands, Irrigation and Gardens Sub-Committee, which controls the giving out of lands on lease for temporary cultivation and fruit gardening, etc., and is also responsible for the framing of Warabandi for the equitable distribution of canal water.

(*vi*) The School and Sanitation Sub-Committee, which supervises and controls the Society's High School and sanitation of the town.

(*vii*) Legal Sub-Committee, which fixes the fees of Counsel appearing in Society's litigation.

Certain changes in the Constitution like reducing the number of members of the Committee from 21 to 18 or 16, representation ward-wise, by having one representative of each of the various wards of the society, or nomination of a number of members by the President with a view to ensure a majority for him, delegation of specific and extensive powers to the President (which has been dubbed by successive Registrars of Co-operative Societies as ' Un-co-operative '), voting by post, etc. have been made with a view to better the administration of the society. These proposed changes might be individually useful, and on paper, conducive to better management. But as a matter of fact, and in actual practice, they are not likely to make any very material difference. The success or failure will, largely, depend on the men that work the constitution. We heartily echo the famous couplet :

For forms of Government let fools contest,
That which governs the best is the best.

The present working through the Sub-Committees has shown that the administration can be carried on quite effectively and efficiently without calling for any material change in the constitution. As regards delegation of powers to the President, some of our most illustrious Presidents eschewed such delegation as poison. They considered it far better for themselves and the Society to pass orders in consultation with some members of the Committee and thus make the running of the administration more in keeping with co-operative principles.

MEMBERSHIP.

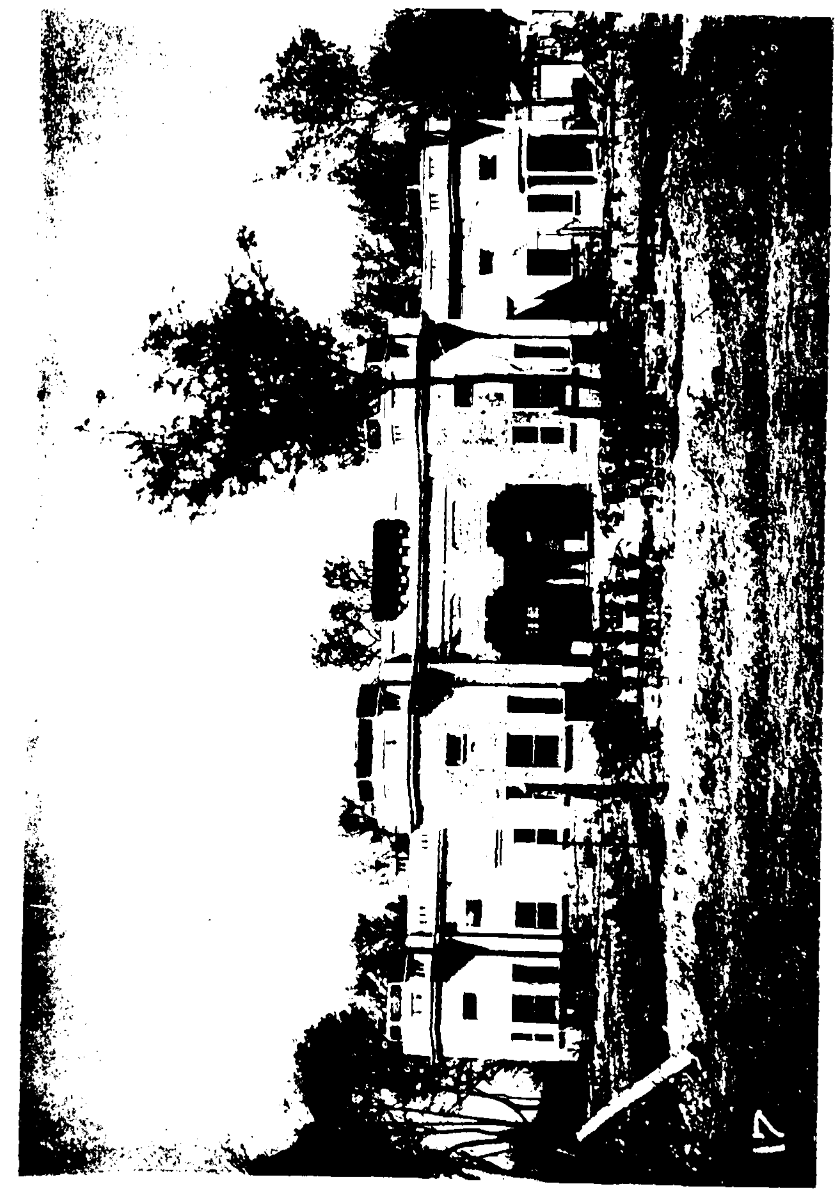
Every person wanting to build a house in the Model Town has to own one share of the society and has to be admitted as a member. He or she must also own at least one building plot. With a view to avoid possibilities of speculation and profiteering, no one is permitted to have more than 2 building plots in the town, nor an aggregate area of more than 12 kanals.

TYPES OF HOUSES.

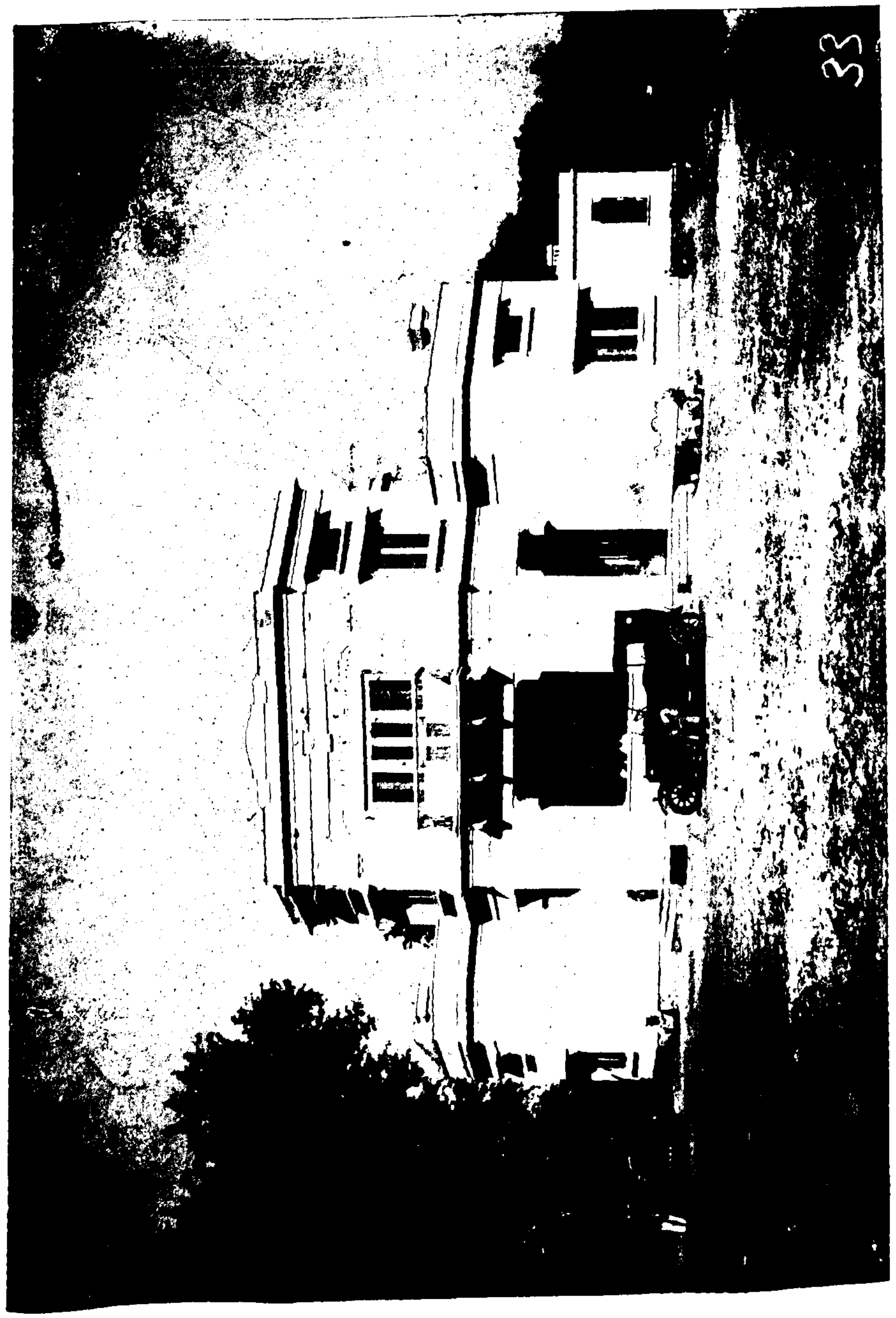
There are 3 types of houses, viz., A, B, and C. A house of the A type is built on an A plot measuring 6 kanals or 3,000 sq. yards. A house of the B type, on a B plot, measuring 4 kanals or 2,000 sq. yards, and a house of the C type on a C plot measuring 2 kanals or 1,000 sq. yards. Originally the price fixed was Rs. 500 per kanal viz., Rs. 1,000 for a C class plot (being the minimum unit of land that can be purchased in Model Town), which works out to one rupee per sq. yard. The present price is Rs. 600 per kanal and from 1st February, 1937, it will be Rs. 700 per kanal. The price is payable either in one lump sum, in which case a rebate of 5 per cent is allowed, or by 8 easy instalments spread over a period of 2 years. Under the building rules of the Society no body can build on more than one-third of the total area, thus making it compulsory to have two-thirds of the land purchased by a member for garden and open air compound, and other similar healthy purposes. Construction is permitted only upto the first floor so that no third storey is allowed.

BUILDING COSTS.

The cheapest house has been built within about Rs. 2,000, and on an average, the cost of construction of a good C class house ranges between Rs. 4,000 and Rs. 6,000 and of a B class house between Rs. 6,000 and Rs. 10,000 and of an A class house between Rs. 8,000 and Rs. 15,000. The supply of materials for construction of houses is easily and cheaply available in and around the town. Expert labour, and supervision, engi-



A CLASS HOUSE.



B CLASS HOUSE.

neering and architectural skill, are available on the spot. The result is that some of the most beautiful houses have been built at an amazingly cheap cost. Most modern designs and equipments like mosaic floors, fly-proof arrangements, flush system, electric heating and cooking, and frigidairs, and wireless installations, are to be found in almost all the new houses built in the town.

ROADS.

The total length of roads in the town is about 40 miles, out of which all roads, on which houses have been built, are either soled, or metalled and tarred. All the important roads are tarred. The streets are named after the roadside trees which are planted on them.

FACILITIES FOR GARDENING.

The town is supplied with perennial canal water so that each house is connected with the canal distributory, thus affording ample opportunity to members for growing nice gardens.

TRANSPORT SERVICE.

In the summer 30 to 40 buses ply between Model Town and Lahore and in the winter season between 40 to 50. The services are run on a fixed time-table and children and students are picked and dropped at their various educational institutions in Lahore. The time-tables are printed and distributed free among all residents. The number of services can be increased, if necessary, and is kept proportionate to the needs of the town.

TAX FREE TOWN.

The town is a tax free town. Municipal charges are levied once for all at the rate of 2½ per cent. of the total cost of a house as a contributory cases for meeting expenses relating to town administration, sanitation and other Municipal facilities.

DIFFICULTIES.

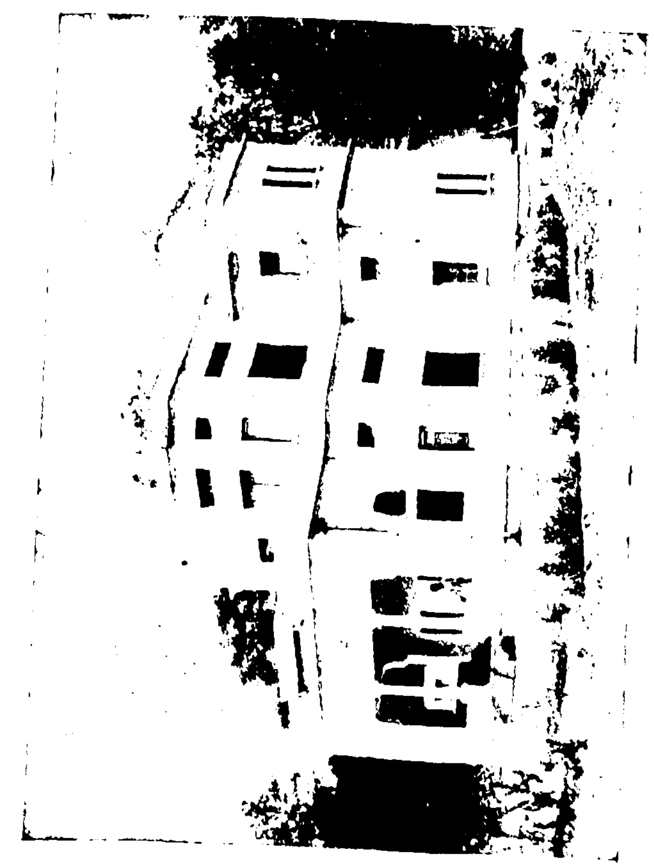
Several difficulties have been experienced in the working of the Society which, however, are not insurmountable. Some of the more important amongst these are narrated below :—

(i) *Lack of funds.* Building societies of our magnitude have invariably to borrow for the development of the town. In our case not only did we refrain from borrowing on large scale but we had actually to invest about rupees four lakhs in unwanted land at the very beginning. If the Society takes a development loan say of about five lakhs to finish most of the schemes of betterment and works of public utility and development, the town would no doubt take rapid strides of progress and this loan could be easily repaid by the enhanced price of unsold plots, which will be fully justified in view of the better amenities and services provided. Funds should also be provided to accommodate members financially in the construction of their houses and these investments will be not only completely safe but would bring considerable income to the Society.

(*ii*) *Insufficiency of the staff*. At a certain period of the Society's life retrenchment and still more retrenchment was the watchword of the Society's management. The result was hopeless under-staffing, and all-round inefficiency. To work out properly a scheme of the gigantic magnitude like the one undertaken by the Society, especially during the period of its development, it is extremely necessary that adequate and efficient staff be maintained. Even at present the work of the Society could be run more cheaply and efficiently by having a larger and more qualified and better paid staff.

(*iii*) *Defects in constitution*. The constitution of the Society as at present permits exercise of vote by defaulters as well. The result is that most of the defaulters of the Society, or those who have come into clash with it, for some of their unauthorised acts, band themselves together, and make a show of a crusade against the administration of the Society, which they try to capture for their own benefit. The result is that constant upheavals which shake the foundation of sound and stable administration, are the usual phenomena noticeable near every General meeting. Members, specially defaulters, as a rule, are unable to draw a line of demarcation between the personality of the Secretary, and the official spokesman of the Society, who has to act on its behalf and execute its behests. It is therefore extremely necessary to offer sufficient protection to the employees of the Society, specially its chief officer, the Secretary, if the work has to be carried on with honesty, fearlessness, justice and regard to the best interests of the Society.

(*iv*) *Party spirit and lack of discipline*. The Society is not immune from the occasional display of party spirit which is exhibited, mostly on personal considerations, by members who wish to capture the administration of the Society to serve their personal ends. As hinted above it is generally the defaulters and malcontents who gather together and form a group of oppositionists. Several members are roped in by luring promises of remission of their dues or other favours which they can't get normally from the Society. There are others who are aspirants for the post of secretaryship, or smaller posts, and are thus promised what they want, if only they help in the overthrow of the existing regime. This kind of propaganda has an adverse effect on the discipline of the Society



C CLASS HOUSE.

MR. K. C. VARMA, M.A.,
Secretary, Co-operative Model Town Society, Lahore.

both of its members, as well as its staff. Most of the members know the value of discipline, having served, generally, on high posts under the Government, but when discipline is made applicable to them they find it irksome. Complaints of unauthorised cutting of canal water, out of turn, or of unauthorised construction without sanction of the Society, or of non-payment of the dues of the Society's land, or of not carrying out the laws of sanitation and health, or of breach of traffic rules and the like, are not absent. So far it was thought that it will be easy to maintain discipline without recourse to penalties and other punishments which are enforceable under Municipal Laws, in view of the specially high status, in general, of the members of the Society. It has, however, been found by experience that it is too much to expect to be able to maintain and enforce discipline without the fear of penalties. It would, therefore, be necessary to get special powers either by getting a special Act passed for Model Town, which will blend all the good points of the Co-operative Societies Act, with some of the Municipal powers that are so necessary for the proper running of a town like ours, even though owned and run by a Co-operative Society, or by having special rules passed by the Government under the Co-operative Societies Act itself. As between running the Town as a small Town, or through a Municipality under the local Self-Government, and running it on a co-operative basis through a Co-operative Society, the balance of good is overwhelmingly in favour of running it as at present, through a Co-operative Society. This conclusion has been forced on me by a careful study of Municipal Administration even in big towns like Lahore, and comparison of Municipal administration as it obtains in the majority of even premier Municipalities, with our own administration.

PROGRESS AND ACHIEVEMENTS.

Inspite of all the list of difficulties enumerated above, the Model Town has come to stay. This is due to the inherent soundness of the scheme of the town which is bound, in the long run, to succeed, overcoming the many obstacles that have and might come in its way. The Town has made considerable progress since its inception and more than 300 houses have already been built. Including the labour colony, Model Town has now a population of 4,000. The Society has already provided most of the amenities of the town life to its members residing in the town. For example, we have good, wide roads, electricity, water works, canal water, post and telegraphs, telephones, radio sets, flush latrines, recognised high school, another school on European lines, hospital, mixed club, ladies' club, music club, shops, hosiery factory, and up-to-date dairy, transport service, parks and gardens, efficient watch and ward and, above all, inculcation of the spirit of healthy and open-air living, and growth of the bark-to-nature cult.

FINANCIAL POSITION OF THE SOCIETY

(Based on Balance-Sheet as on 31st January, 1936).

A. ASSETS :			
(a) Cash ..	30,018		
Sundry debtors ..	2,02,554		
Shares and Securities	605		
		2,33,177	
(b) Forest		1,07,229	
(c) Land for sale :—			
2,304 kanals of land under plots at Rs. 600 per kanal (present sale price)		13,82,400	
7,884 kanals of spare land at Rs. 200 per kanal (present market price)		15,76,800	32,99,606
B. RESERVES :			
(a) 1,357 Kanals Public Gardens at Rs. 600 per Kanal (Present price of the adjoining land) .	8,14,200		
(b) 561 kanals under Public Buildings at Rs. 600 per kanal (present price of the adjoining land)	3,36,600	11,50,800	
Buildings less depreciation ..		2,24,264	
Electricity and Water Supply Installation less depreciation		71,164	
Road Side Trees and Garden Nursery		17,210	
Tools and Plant and Furniture ..		9,788	
Library		585	
Stores		3,662	14,77,473
			47,77,079
LIABILITIES :			
Building Deposits		98,592	
Members' Deposits		36,811	
Loan from Bank		64,546	
Security Deposits		6,828	
Provident Fund		9,506	
Sundry Creditors		18,427	2,34,710
Net Assets or Profits.			45,42,369
On a Share Capital of			97,700

THE HOPE.

The vision of a beautiful garden town, based on healthy, open-air life, with plenty of space in front and back, and on all sides and above, with the milk of plenty flowing all over, with a true co-operative spirit informing every action of its members, can be translated into a beautiful reality if only members shed their petty personal prejudices, gains and losses, and are determined to stand by their home town, and serve it in a true spirit of love, harmony, tolerance and mutual accommodation and helpfulness. If this happens then this unique experiment in co-operative enterprise will achieve an unprecedented success and will become a criterion to emulate, and a beaconlight that will shed light and lustre on all co-operative efforts, specially those directed towards co-operative building and housing societies in the country.

The garden city is a unit of complete life, providing the requirements of an average community for men, women and children in every phase of their daily life—work, rest and play—in due proportion, knit together as compactly as possible, with the shortest total distance of communication on foot, bicycle, car, lorry or rail, effected by an ideal choice of site, planning of roads and disposition of building from the outset.

—F. E. Fremantle.

HOUSING SOCIETIES IN HYDERABAD STATE

By

MR. M. A. WAHAB,

Asst. Registrar, Co-operative Societies, H.E.H. the Nizam's Government.

The problem of co-operative housing being more urban than rural, the efforts of co-operators in this avenue, with a few isolated exceptions, have been naturally confined, so far, (1) to the city and suburbs of Hyderabad which is the capital of the Dominions, and (2) to the Cantonment of Secunderabad, which lies in the immediate vicinity of the former. The Cantonment, though governed by Act II of 1912 of British India, is a part of British Administered Areas, and for all co-operative purposes is under the control of the Registrar of the State.

THE PIONEER SOCIETY.

The year 1921 was epoch-making in the history of the Co-operative Movement in the State. Some eminent co-operators in Secunderabad, under the leadership of Rao Bahadur Padmarao, organised a society for the purposes of buying and selling land, with the ultimate object of constructing houses on a co-operative basis. The society was subsequently registered and was named "The Secunderabad Co-operative Housing Corporation." It consisted of thirty members belonging to the Mudaliar community. A large plot of land was acquired and was parcelled out to the members, thereby making a profit of Rs. 15,000 on the transaction. This was invested on constructing roads laying water pipes and installing electric poles and wires. As no housing loans were advanced to members, they utilised their own funds for building purposes. While the houses in the colony are now the private property of individual members, the roads and the hydraulic and electric installations within the colony are the joint property of the corporation which is maintaining them from its common funds.

The work carried on by the society has been of a composite nature, which renders classification difficult; but in view of the results achieved, it may be grouped with societies of ultimate ownership.

HOUSING ACTIVITIES IN ADMINISTERED AREAS.

From 1921 onwards up to 1930, there was a complete lull in the sphere of co-operative housing both in the Administered Areas and in the State.

In 1930 the Town Improvement Trust launched its slum-clearing-scheme, which dishoused many people and created a demand for new houses of all types. Thus a great building period ensued and provided scope for co-operative housing. Thanks to the strenuous efforts of co-operators, within a short time over half-a-dozen societies were formed. They were (1) The Secunderabad Co-operative Housing Society, Ltd., (2) The Public Servants Co-operative Housing Society, Ltd., (3) The Muslim Co-operative Housing Society, Ltd., (4) The Agraharam Co-operative Housing Society, Ltd., (5) The Keyes Co-operative Housing Society, Ltd., (6) The Erukula Co-operative Housing Society, Ltd., and (7) The Wadders Co-operative Housing Society, Ltd. The first five were modelled after the ultimate ownership scheme and the remaining two were framed on the principles of the tenant co-partnership.

The progress of co-operative housing societies, whether in the Administered Areas or in the State has not at all been encouraging. It was destined to meet with more tragedies than achievements. Out of the five societies of ultimate ownership, four had to strive hard against heavy odds and eventually had to wind up their affairs.

THE KEYES CO-OPERATIVE HOUSING SOCIETY, LTD.

The only society which had the good fortune to survive was the Keyes Co-operative Housing Society which was named after Lt. Col. Sir Terence Keyes, who was the British Resident at Hyderabad. He was a great co-operator and took a keen interest in co-operative housing. Almost all housing societies in the Administered Areas were originated in his regime and enjoyed his patronage. The Keyes Society was founded by Mr. Tatachar, a selfless social worker. His untiring labours and the munificient grant of Rs. 60,000 from the Local Government at 3½ per cent. combined to make it prosperous.

It has got a membership of 185, and is working with a capital of over Rs. 62,000; of this the share capital amounts to Rs. 25,000. So far it has built 105 houses and has leased them on hire-purchase system to its members. Most of the occupants of the houses are labourers, earning wages between Rs. 15 and Rs. 30 a month; and feel no difficulty in paying the monthly contribution of Rs. 5 per house. Out of this a sum of Rs. 2-13-1 is adjusted towards interest, taxes and repairs and the balance is credited to the capital cost of the house; which at this rate would be paid up, within fifteen years. Each house which has been built in brick and mud with jack arch roof consists of a hall, a kitchen and a bath-room with sufficient open space in the front.

Among other activities of the Society, may be included the help given to its members, other than occupants of the 105 houses, in securing for them from the Town Improvement Trust about 74 plots, each measuring between 150 and 200 square yards. About fifteen members owning plots, have applied for housing loans. A sum of Rs. 10,000 in the aggregate, will be disbursed, provided they pay in advance one-fourth of the estimated cost of the building and plot, as share money. This is one of the main conditions imposed by Government on the grant made to the Society. A further sum of Rs 10,000 will be paid after the Society is satisfied as to the actual investment of the first instalment.

The Society which has so far been steady in its progress, promises to prosper under the guidance of its president, Mr. C. C. Paul, M.I.C.E., O.B.E., who is an engineer of talent and repute, the builder of the great reservoir at Nizam Sagar.

SOCIETIES WITH TENANT CO-PARTNERSHIP.

The two other housing societies in the Administered Areas are (1) The Erukula Co-operative Housing Society and (2) The Wadders Co-operative Housing Society. Both of them were started, and are still working on the tenant co-partnership system. The Erukulas and Wadders are nomadic tribes of the Deccan plateau. By profession, the Erukulas are mat-weavers and the Wadders are stone-breakers. But on account of their anti-social proclivities, they have been classified under 'Criminal Tribes,' and as such they are always under the vigilance of the Police Department. From time immemorial, they have been homeless and perhaps for the first time in the annals of social service to humanity, attempts have been made to provide these wandering tribes with houses.

THE ERUKULA HOUSING SOCIETY.

The Erukula Society was started in 1930. The credit goes to Mr. Daniel Chellappa, the Secretary of the Co-operative Union, Administered Areas. He toiled hard in inducing Erukulas to enter the portals of civilisation. On the one hand, he brought them round to stick to one place and earn their bread by honourable means; and, on the other, he collected funds and acquired land for housing them. His efforts had the due guerdon; and the Local Government came forward with the monetary help of Rs. 21,600 as a loan to be repaid in 15 years, together with annual interest at 4 per cent. This amount coupled with Rs. 3,400 raised as share capital from the Erukulas was spent on constructing 50 houses with the co-operation of Mr. C. C. Paul, of whom Hyderabad is justly proud as a keen co-operator.

Specification of houses and Stipulations of Membership. Each unit in the colony comprises of a room measuring about 20′ × 10′ with a

verandah seven feet wide. There is no separate kitchen or bath-room attached to the house. They cook in the verandah and use a common bath-room, which thanks to the generosity of a philanthropist, has been constructed for the free use of the colony. In addition to this, the charity of another zealous co-operator has equipped the colony with a common meeting hall, which was erected at a cost of Rs. 600. The Erukula, who has for ages remained homeless, has to pay for all these comforts a sum of Rs. 5 a month. This he can afford from his income, which rarely falls short of Re. 1 per day and is earned through basket-making and fortune-telling. It is nearly 6 years now, since the Society came into existence; and within this period it has repaid more than a quarter of the loan borrowed from the Government. It is expected that with regular monthly recoveries, the total Government loan would be repaid within the next decade. Consistent with the prevalent rule in all societies of tenant co-partnership, the Erukula will have to pay nothing after 15 years, provided he has paid all the instalments with regularity. He and his heirs, will thereafter be entitled to live in the house free of charge. The Society through its managing board, on which the Erukulas, both males and females, will be fully represented will be the legal owner of the houses and will continue to maintain them in good order, and supervise the affairs of the colony.

Education arrangements. It will be a source of gratification to all co-operators that, while the economic needs of the Erukulas have been given due attention, their intellectual development has not been overlooked. While a day-school is being run for the children, night classes are held for the adults. Instruction is imparted in three R's, through Telugu, their mother-tongue, and a qualified and trained teacher has been placed in charge of this work. The salary of the teacher is paid by the Local Government, for which the Society is highly grateful.

THE WADDERS' SOCIETY.

The last of the order is the Wadders Co-operative Housing Society. Like others it had its beginning in 1930; but could not make progress in house-building, on account of impediments in acquiring suitable land. The Town Improvement Trust has however agreed to give a plot of land in a short time. The funds at the disposal of the Society, consist of pure share money, exceeding Rs. 2,500. It has no debts to pay but will certainly have to approach the Local Government for a grant, when the construction work is taken in hand.

Housing Activities in the State. Having dealt so far with the Housing Societies in the Administered Areas, let us now turn to the activities of co-operators in the capital city of the Hyderabad State, and its districts. It may be confessed at the very outset that the attention of the departmental officers and also that of the honorary workers was so heavily centred on the consolidation and amelioration of the rural and the credit side of the Movement, that very little was done in the field of co-operative housing.

EARLY ATTEMPTS AT NANDED.

Early in 1921, an effort was made to organise a co-operative housing society in the town of Nanded, which is the headquarters of the District of the same name. The town is doubly important. Commercially, it has for years remained identified with the cotton world as one of the biggest marketing centres for the long staple cotton, which the District grows and for which it is noted. It commands sanctity among the Sikh community in India, having been the seat of Guru Govind. It possesses a beautiful " Gurudwara " enshrining the sacred *samadhi* of the Guru and therefore attracts pilgrims from all parts of India, and particularly from the Punjab. The jurisdiction of the Gurudwara is not confined to one place; but is spread over scattered areas, throughout the vicinity of the town, and covers hundreds of acres. Nanded, is also sacred to Hindus, on account of the shrines and bathing ghats, on the holy river of Godavari which flows round the base of the town, forming a semi-circle.

Scarcity value of land in Nanded. Land in the town of Nanded and its *adjacent neighbourhood* was already costly partly due to its rich productive capacity, being of black cotton soil abundant in silt, and partly due to congested housing conditions, arising out of its religious significance on one side and out of its commercial and industrial development, on the other. The growth of cotton trade led to the establishment of a number of ginning presses and factories, which have acquired large plots of land, serving as open yards to their main buildings. To add to this, the Osman-Shahi Mills, which are of recent development, took possession of whatever open land had remained available in the close vicinity of the town. This resulted in the further reduction of open spaces of land, which would have otherwise been available, for town extensions.

INFRUCTUOUS HOUSING SCHEME AT NANDED.

All the foregoing factors helped to enhance the price of land to such an exorbitant rate that it nipped in the bud all housing activities. The co-operative housing scheme, which was planned on the lines of ultimate ownership, with a view to meet the increasing demand for houses in the station and to improve the miserable lot of tenants had to be abandoned, as neither sufficient land was available to carry the scheme to perfection; nor the price of land at which it was selling, would have given any scope of working the scheme on a profitable basis.

THE JANGAON CREDIT SOCIETY.

About five years after the unfruitful experiment at Nanded, a credit society of limited liability with the main object of financing loans for house-building purposes, was started at Jangaon—another town of commercial importance, in the State. It is situated on the main railway line between Wadi at one end and Bezwada at the other, and is therefore directly connected with the chief sea-ports of Bombay, Madras and Calcutta. Geographically, it is a portion of Nalgonda District which is famous for castor. Jangaon, apart from being one of the largest stations exporting castor-seeds and oil to different parts of the world is itself a big centre of oil industry.

The Credit Society with which we are concerned did not spare pains, in providing resources to its members in need of houses, and made advances to an extent of Rs. 10,000. But the members affected by the economic depression, like their brethern in agricultural societies, were not in a position to repay the loan with interest within the prescribed time. This has resulted in arrears amounting to Rs. 5,000. How recoveries will stand in future cannot be forecasted. The paper reserves of the Society, about Rs. 500, will probably have to be wiped off in adjusting losses which appear inevitable.

HOUSING ACTIVITIES IN HYDERABAD CITY.

These discouragements however did not close the door to other enterprises. Instead of tackling the housing problem in districts, attention was diverted towards solving the ever-increasing difficulties of housing in the city of Hyderabad—which ranks fourth in the whole of India from the point of view of population.

It has been in a congested state ever since it was built by the Qutub Shahi kings. Its expansion, strictly speaking, began from 1908 which year saw the great floods of the river Moosi—a phenomenon without parallel in its previous history. The floods washed away hundreds of houses situated on the banks of the river and caused incalculable loss. It was a great calamity but carried blessings in disguise.

CITY IMPROVEMENT BOARD.

Soon after the floods, measures were adopted to provide housing facilities to the dishoused population, and to relieve the city of its congestion. These measures received further strength when, in about three years after the floods, the epidemic of plague broke out in the city of Hyderabad and played untold havoc. The necessity for spreading population into open spaces adjoining the city was felt more strongly than ever. Later on, with the creation of the City Improvement Board and a permanent establishment to carry on its objects definite steps were taken in building houses in various areas around the city. These houses were designed and the rental was fixed with a view to suit the pockets of persons, mostly from the lower and middle classes of life.

REGISTRAR'S NOTE ON CO-OPERATIVE HOUSING.

In spite of the fact that the City Improvement Board was making laudable attempts in this direction, there was yet a lot to be done, in relieving congestion and bettering the prospects of the tenants. Realising the shortcomings of the schemes, launched by non-co-operative organisations, and gauging the possibilities of achievements through co-operative measures, Mr. Syed Fazlulla, the Registrar of Co-operative Societies, submitted to Government a comprehensive note on the question of Co-operative Housing in Hyderabad.

GOVERNMENT GRANT OF RS. 2 LAKHS FOR CO-OPERATIVE HOUSING.

Thereupon Mr. B. A. Collins, I.C.S., a co-operator of repute, moved the Government for a grant of Rs. 2 lakhs for the said purpose. The Right Hon'ble Sir Akbar Hydari, the Minister in charge of Co-operation and Finance, approved the scheme and obtained the sanction of His Exalted Highness the Nizam, who patronises all activities for the betterment of his subjects. Accordingly, a sum of Rs. 2 lakhs was provided for in the budget.

THE MALLEPALLI CO-OPERATIVE HOUSING SOCIETY.

In furtherance of the orders under *Firman*, a co-operative society for housing small salary holders (getting Rs. 50 to Rs. 275 p.m.) was organised and its formal registration was effected on 5th May, 1934. It was in the Mallepalli extension, in which a plot of land measuring about fifteen acres was acquired through the courtesy of the City Improvement Board.

The Mallepalli Extension lies within a distance of about 2 miles of the most flourishing business quarter of the city with easy access to offices, schools, hospitals and Railway station. Its development is being carried on by the City Improvement Board, which has done good work

n improving the City under the distinguished presidentship of Wallashan Prince Mozzam Jah. The co-operative colony is deeply indebted to this board for the construction of roads, drains, and parks, free of cost for the use of its members.

The internal working of the Society. Building plots have been sold to the Society at the cheap rate of Re. 1-4-0 per square yard; the minimum area of a plot being not less than 400 square yards and the maximum not exceeding 1,000 square yards. It is proposed to build about 100 houses in the modern style, ranging in cost between Rs. 2,000 and Rs. 6,000 including the cost of the land, to suit the requirements of different classes of members. Every member will get a loan of twenty times the salary and will have to contribute one-fifth of the same as share money. The loan, so advanced, will be recovered together with interest, at 6¼ per cent. per annum, in 180 equated instalments fixed at Rs. 10 per month for every Rs. 1,000 and spread over a period of 15 years. The instalments will be deducted direct from the salaries of the members through the Accountant-General's Office, and remitted to the Central Treasury. The loan from the Government to Society will bear an interest of 6 per cent. and the Society in its turn will charge only four annas per cent over and above it to meet its contingent expenses.

It may be recorded that Sir Akbar, in response to the address presented to him when the foundation-stone was laid by him assured the Society that the question of reducing the rate of interest on Government Loan would receive his sympathetic consideration.

Model Houses. Within six months after the foundation-stone was laid, three double-storeyed buildings, classed A, B, and C, were built as model houses, in the modern cubist style under departmental supervision, and were handed over to such members as were desirous of occupying them as tenants. These houses which are airy, roomy, and good looking, are a good value for the amount spent on them. Each house, besides having sufficient number of living and sleeping rooms, is provided with two bath-rooms, one on the ground floor and the other on the first floor, with a kitchen, a store-room and a pantry. Accommodation in other houses may vary according to the outlay.

When it is considered that these are *pucca* built houses, the cost of Rs. 2-4-0 per square foot on the plinth area appears to be highly economical. The credit, for this achievement in fact goes to Mr. Heinz, a German architect of experience and taste, who is greatly responsible for the existing tendency in Hyderabad towards cubist style of architecture. It was he, who designed the lay-out of the colony, and drew various plans for model houses.

Membership and capital of the Society. While the members of the Society are 54, its working capital has gone up to Rs. 25,000 not reckoning the Government loan of Rs. 50,000 which is about to be drawn from the sanctioned sum of Rs. 2 lakhs. The share money exceeds Rs. 13,000 and the amount of deposits from members is about Rs. 12,000. Out of these sums, Rs. 10,000 has been invested in Government paper at 3½ per cent, and the balance of Rs. 15,000 has been spent on the construction of the three model houses.

Co-operative Hall for the Colony. It may not be out of place to mention that Maharaj Sir Kishen Pershad, the President of the Executive Council, who has always shown a deep interest in the co-operative affairs, has very graciously given a donation of Rs. 8,000 for the construction of a Co-operative Hall in the colony.

Co-operative Housing Advisory Board. An Advisory Board with Mr. C. C. Paul. M.I.C.E., O.B.E., as chairman and consisting of other engineers and prominent co-operators has been formed to supervise the construction of houses, and give advice on technical matters. The Board is busy in drawing up new plans and making arrangements for the construction of the rest of the houses in the colony. It is hoped that in another six months' time, the construction of all houses will be complete and they will be available for members to live in.

THE BRAHMA KSHATRIYAS' CO-OPERATIVE HOUSING SOCIETY.

It will be interesting to know, that following the steps of the Mallepalli co-operative housing society, the Brahma Kshatriyas of Hyderabad —one of the most educated and enlightened communities of the State— have quite recently organised a co-operative housing society with the goal in view of ultimate ownership. They already own over half-a-dozen well organised co-operative institutions of various types, such as, credit societies, educational associations and consumers' stores. The promoters of the housing society, long before its registration, collected about Rs. 3,000 as share capital and acquired from a philanthropist a plot of land measuring about eight acres and lying in the south-east corner of the city. They have also secured in additions a donation of Rs. 3,000 from the same benevolent person, for the special purpose of building small houses on the basis of co-partnership for the benefit of labourers.

OTHER FORMS OF CO-OPERATIVE FINANCE FOR HOUSING.

Apart from these co-operative organisations which have been exclusively designed to carry on house-building work, most of the credit

institutions, both agricultural and urban, have been as a matter of routine, giving requisite help to their members for construction of houses. To mention a few: (1) The Prudential Co-operative Central and Urban Bank of the Administered Areas has drawn up a special scheme and has opened a separate department for advancing loans at a comparatively low rate of interest for housing purposes. (2) The Hyderabad Co-operative Dominion Bank, which is the Apex Bank of the State, has disbursed over Rs. 8 lakhs, as housing loans at 6 per cent to the permanent employees of the Government with its permission and a guarantee of recovery.

CONCLUSION.

To put in a nutshell the activities of co-operative housing may be described thus: Over a dozen societies were organised; but only six of them have survived. Of these three with ultimate ownership and two of tenant co-partnership are working and justify their existence. The sixth and the last, a simple credit body, is dragging anchor. If we reckon the amounts invested directly or indirectly, on co-operative housing in the State, we arrive at a figure of Rs. 12 lakhs advanced within about seven years.

The possibilities of co-operative housing in the State are boundless; but their materialisation depends entirely on the acquisition of long-term loans, and large tracts of lands, at cheaper rates.

"It shall be the duty of every local authority to consider the housing conditions in their area and the needs of the area with respect to the provision of further housing accommodation for the working classes . . . and as often as occasion arises . . . to prepare and submit to the Minister proposals for the provision of new houses for the working classes . . ."

—United Kingdom, Housing Act, 1930. Section 25(1).

HOUSING SOCIETIES IN THE MYSORE STATE

By

Mr. Y. Sreenivasayya.

Hon. Secretary, Co-operative Federal Union, Mysore.

The number of House-Building Co-operative Societies in the State at the end of 1934-35 was twenty-five of which four were of unlimited liability. Of the rest ten were situated in seven District Head-quarters, the Bangalore City claiming four. Five of the remaining eleven were in the Mysore District.

There has been a gradual decrease in the number of the Societies, from 35 in 1930-31, to 34, 33, 28 and 25 in the following years. The membership which was 3,517 in 1931-32 fell to 2,541 in 1933-34, though it recovered to 2,838 in 1934-35. So also there has been a gradual fall in the working capital from Rs. 6,00,206 in 1931-32 to Rs. 5,46,671 in 1934-35. Nearly half of the working capital consists of loans advanced by the Government. The amount of these loans was Rs. 3,19,822 in 1933-34 and Rs. 2,65,434 in 1934-35.

Twelve years back, there were unusually heavy floods in the rivers of the Province. Consequently many towns on the banks of the Cauvery, the Tungabhadra and their tributaries were partially damaged and thousands of persons were rendered homeless. Government had to come to their rescue and provide them with not only more secure sites for the construction of their houses, but also advance them money at a cheap rate of interest for sufficiently long periods. It therefore adopted the policy of encouraging the formation of House-building Societies and advancing them loans to be lent by them in their turn to their members. The societies at Shimoga, Nanjangud, T. Narasipur, Krishnarajanagara and some other places were started in this manner; and were advanced loans liberally by the Government. The Nanjangud and Shimoga Societies were each given Rs. 90,000. Krishnarajanagara got a sum of Rs. 70,000 and T. Narasipur Rs. 20,000.

The rate of interest on the Government loan was between 5 and 6 per cent. per annum. This was not considered heavy at that time; but what was felt as a real hardship was the comparatively short period of time allowed for repayment. For the loans were generally advanced for a period of ten years and each Society had to return the amount with interest in annual equal instalments. Hence the Housing Societies

could not lend for periods longer than 10 years. Hence, the members of Housing Societies were unable, in the majority of cases, to repay their dues within the allotted time and many societies were obliged in turn to become defaulters to the Government. The houses to be built newly required to satisfy specific conditions as to sanitation, etc., and therefore demanded a heavier investment than the old-fashioned dwellings. Besides, the Societies would not advance the full cost of the houses but only a portion of it. Some Societies fixed the amount of the loan to a member to bear a certain proportion to the number of shares held by him and therefore those who required a loan had to pay about 10% of it as share amount. Many members therefore mortgaged their other properties to outsiders at heavy rates of interest to raise sufficient money to enable them to borrow from the House-building Society. Most people also committed the mistake of planning their houses on a scale far higher than their means permitted and the Housing Societies advanced them money without scrutiny as to this aspcet of the matter. Therefore, though there have been new houses constructed with the money borrowed from housing societies in the new extensions of these towns and cities, most of them have been encumbered beyond the chance of redemption by the original builders.

Removal of congestion in cities and towns has been a marked feature of the Administration of the State for the last thirty years. There is scarcely any town of a moderate size which does not possess an extension of its own. People have come to appreciate the benefit of living in houses elegantly built and properly ventilated. House-building has almost become a fashion especially of the middle-classes. Demolition of bamboo-roofed and pot-tiled houses of the old type and construction of houses in the new style in their places, is a very common practice in the cities of Mysore and Bangalore. The Government has been following the policy of acquiring structures in congested and insanitary areas, demolishing them and distributing the sites thus acquired to customers who would be able to put up buildings in the new style. The interest that the Government has thus been all along evincing has been the main cause of the growth of the fine and large extensions of the cities of Mysore, Bangalore and other towns.

In order to assist poor people to own houses of their own the Government till recently allotted small sites at upset prices to the poor and lower middle-classes. But with the growth of the cities into centres of big business and industrial activities and the increased demand for sites, the policy of selling sites by public auction is becoming more common. The capitalists now have greater chance than the poor, of securing sites to build houses on them to earn a profit by letting them out for rent.

Thus the Government has been rendering very much assistance to improve the quality of the residence of the people as a whole. But it cannot possibly undertake to finance people to build their own houses—though even in this direction it has been rendering very valuable service by lending without interest, or at a low rate of interest, sums equal to one or two years' salary to their permanent servants for building houses in the extensions of the cities, and recovering their dues in monthly instalments out of their pay.

The Housing Societies have therefore been now engaged only in supplying money to their members to build houses of their own. But the sources of money they command are very few. They will not serve their purpose fully if they do not lend at a low rate of interest and for long periods. But there is no agency to supply them with money for long-terms at a low rate of interest. The Apex Bank is the only financing institution they have. But it lends to Primary Societies for periods not exceeding ten years. Its rate of interest has till now been very heavy. The Registrar observed in his report for 1930-31: "The Apex Bank which is the financing institution for all the co-operative societies has expressed its inability to provide funds for these Societies (Housing Societies) at a rate of interest lower than its ordinary rate of interest namely 8½ per cent. but it will be obvious that obtaining money at this rate and lending it to the individual members at probably 1 or 1½ per cent. above it, is scarcely a desirable thing in the case of House-building Societies."

Government has come forward with an offer to supply some funds to the Apex Bank on condition that it lends at a specially low rate of interest to Housing Societies. It has lent a lakh and a half rupees directly to the Bangalore City Housing Society at 5% and has placed an equal sum to the credit of the Apex Bank at 4½% to be drawn and lent at 5½% to the Housing Societies. The slump in the money market has led to the accumulation of large funds in the Apex Bank which now proposes to lend at different rates of interest to different classes of societies according to the nature of their business and on terms on which similar business commands funds in the money market.

At present most of the Housing Societies are working merely as ordinary credit institutions though confining their transactions solely to advancing loans for building, buying or improving houses. They depend largely upon the local deposits and loans from the Government for their working capital. The periods of fixed deposits and loans they have borrowed being rather short, they are not as popular as they should be. In fact the amount of loans they have advanced is far less than what ordi-

ry credit societies have done for the purpose of house-building as may seen, for example, in the two years noted below:—

Loans granted for house-building.

In years.	By Housing Societies.	By other Credit Societies.
1932-33.	Rs. 1,15,218	Rs. 6,91,691
1933-34.	Rs. 1,09,656	Rs. 16,07,621

It is no wonder therefore that membership of Housing Societies is ot strong.

The Housing Societies which were started in 1924 in flood-affected listricts to help people to build houses did not all meet with success. Of hose which began well, some have been now doing nothing more than recover the instalments due from members and pay off the instalment due to the Apex Bank or Government. Their transactions are falling, and their capital is growing smaller and smaller year by year. They have been unable to get sufficient capital from other sources to carry on their work further.

Housing Societies, since they have been in most cases financially poor, have not been able to undertake the function of assisting their members to get technical advice or supply them with building materials, or provide men to supervise the construction of the houses. Though the persons in charge of the management desire to help members in those respects, the chances of their translating their intention to practical measures appear remote.

The Housing Society of Bangalore has been able to obtain 50 sites in one compact area in Bangalore wherein it proposes to put up dwelling houses for its members as well as help its members to build houses for themselves. It has also undertaken to supply building materials. Its enterprise and experiment are being watched with interest by other Housing Societies.

The future of the House-building Societies is dependent upon their commanding sufficient funds which they would be able to lend for periods of 20 or 25 years at about 6% as the Mysore Co-operative Committee (1936) has observed. The Central Banks are mostly deposit Banks and do not possess permanent funds of their own, large enough to be invested on long-term loans. It is therefore felt that the State has to render assistance in this respect. The Co-operative Enquiry Committee (1936) has after discussion supported the formation of an independent Central Financing Society to meet the needs of Housing Societies. But how it will be able to get long-term money at low rate of interest is not discussed by them. But the Committee suggesst that Government must come to the rescue and that the Apex Bank may, if they find it suitable to undertake this work, function as the Financing Bank of Housing Societies also. Whether the Government would be able to lend the sum of Rs. 50 lakhs, which the Committee says is required for the purpose, is a matter that requires deep consideration.

In the meanwhile the other kinds of societies can help to a large extent Housing Societies, if they appreciate the need of this kind of service to fellow co-operators. The funds of the Housing Societies are invested on buildings and therefore well-secured. If the Societies, especially the urban societies, feel the injustice of contributing to provide proper dwellings for the people living within their respective jurisdictions and deposit a portion of their owned capital in the Apex Bank or the proposed new Central House-building Society, ear-marked for advancing only to House-building Societes, the fund will not only grow year by year but will stimulate the activities of most of the Housing Societies which are dormant or weak. Housing Societies are now urban institutions, and it is but legitimate that other urban societies should pool their resources to help the progress of societies whose sole function is to provide convenient habitations for the inhabitants of urban areas.

"Fit and proper housing is a national essential, in the absence of which our existing social legislation must prove unfruitful. As long as overcrowding and slums exist, the doctor is attempting a cure without being able to touch the root of the disease; the teacher has the full force of environment against him; the social reformer is fighting a battle in which he cannot hope for decisive victory."

—Report of the National Housing Committee *(United Kingdom)*.

CO-OPERATIVE HOUSING IN BIHAR

By

MR. AKHOURY BASUDEVA NARAYAN SINHA,

Patna

House building, like other investment projects of the Co-operative Movement, requires long-term capital, if it is to cater for the middle-class people. It is essentially an urban scheme, as in towns alone can houses fetch rent or have a sale market. With the development of a town, grow up suburban areas and it is for the co-operator to form societies to transform these areas into beautifully laid-out villas. Much of the slums that the municipalities are asked to clear would possibly not have grown up if steps had been taken in time to encourage intending settlers to organise themselves into a co-operative housing society.

If there is one branch of co-operative activity which requires State aid and State supervision, it is certainly co-operative housing. In a Resolution issued by the Government of India in 1914, it was aptly pointed out :—"Whatever limitations, may be suitable as regards the assistance of Government in European countries (and in no country is the Movement entirely independent of Government aid), it is certain that in India without initiative and help from Government, co-operation would still be unknown. Government alone was in a position to supply the knowledge and organisation necessary to start the work and the Government alone is able by its association with the Movement to create the outside confidence necessary to give it stability." These remarks are particularly applicable to co-operative housing schemes.

With the formation of Bihar into a separate province in 1912 with its capital at Patna there arose splendid opportunities for organising housing societies. The High Court, the Secretariat with its attached offices, the Post Master General's office and the Patna University were located at Patna and forthwith arose the question of housing a very large number of office assistants, lawyers and others having regular business. A large number of Government quarters were built; but these were not and are not yet adequate. Government acquired large plots of land near about the Dak Bangalow Road, the Fraser Road and on the Patna Gaya Road, as well as in Kadamkuan. These have been leased out, after being parcelled out into small plots. In so far as Government servants were concerned it could have been possible to arrange to have houses built for them in these areas through housing societies. The opportunities, I believe, are still there. And if instead of lending to each Government employee an amount equal to his one year's pay, repayable in four years as at present, the State could have encouraged the formation of housing societies with proper restrictions regarding the maximum in each case, the payment of instalments, the materials to be used for the building and the type of house to be constructed, Patna could have been able to boast to-day of beautiful quarters with residents fully alive to their civic responsibilities and the State could have been relieved of much of the investment it had to make over the building of houses, most of them not quite suitable for a Bihar family.

The great earthquake of 1934 which devastated some of the important towns of the province furnished yet another opportunity for starting housing societies at Monghyr, Muzaffarpur, Motihari, Darbhanga and even at Patna. Not only were loans granted by Government but even lands were provided by them in some cases. The desire to help the people to build their houses was there in the Government, but evidently it had no faith in the Co-operative Movement and certainly no zest for new co-operative undertakings. Possibly what was happening in Bombay and Madras was not even known to it. The result was that instead of helping the people through co-operative societies, which would have been easier, cheaper and more efficient, the Bihar Government went to the length of enacting in great hurry an Act, the Bihar and Orissa Natural Calamities Act, I of 1934, in order to enable them to grant loans for buildings and to lay down the procedure for realisation of instalments. It is probable that if the available funds had been placed at the disposal of the Co-operative Movement as long-term loan, through the Bihar and Orissa Provincial Co-operative Bank, for financing house-building societies, a much larger number of people could have taken advantage of the opportunity and instead of houses being rebuilt on the old sites and on more or less the same plans and instead of a reproduction of most of the old evils of congestion and narrow lanes, we could have witnessed a number of decent garden houses or model suburbs. This splendid opportunity of rebuilding several of the towns of Bihar was thus once again not availed of at a time when nothing was simpler and easier.

I need not refer to the scope that exists now for housing societies at Jamshedpur. There are about two dozen limited-liability co-operative societies which are doing work, and if housing societies are started in that town there can be no difficulty of funds nor can there be any doubt about the realisation of instalments. The Co-operative Department is too busy solving the problems confronting the credit societies and the financing banks in this province to think of such beneficient schemes, even if it were to make an attempt with its considerably under-manned staff. The location of the capital of Orissa—as soon as it is decided upon

—will furnish another splendid opportunity and I do think His Excellency the Governor of Orissa, who had an unique opportunity of studying the Movement and its possibilities at close quarters as President of the Provincial Co-operative Enquiry Committee, will not fail to give the right lead in this direction. If the sympathy of Government were assured there would be no dearth of educated persons to organise and properly run co-operative housing societies either in Bihar or Orissa.

Even so late as 1931, the Hubback Committee expressed the opinion that there was scope for housing societies in the larger towns of Bihar, but that these societies could not be financed adequately until long-term capital was available. The Committee opined that the starting of such societies should wait until a provincial land mortgage corporation came into being. But that, again, could have been formed earlier. Anyway, it is satisfactory to note that the present Registrar of Co-operative Societies, Mr. Y. A. Godbole, I.C.S., has taken up the question in right earnest and an experienced officer has been placed on special duty in connection with the formation of land mortgage banks in Bihar.

It is not necessary to stress on the utility of housing societies for men of ordinary means in Government service or in the service of well-established private concerns. Let us take a specific case. An average Assistant in the Secretariat generally starts on Rs. 50 a month and can in the usual course hope to rise up to Rs. 300 and his average income during the long-term of his service may be taken to be Rs. 150 per month. In other words the rent that he pays for Government quarters during his 30 years' service is Rs. $15 \times 12 \times 30 =$ Rs. 5,400. Now, in a place like Patna it should be possible to give him a fairly decent house, capable of being improved later on if so desired, at Rs. 4,000. This amount with interest at 3 per cent per annum on the outstanding balance, if instalments are paid regularly, would amount roughly in 20 years to Rs. 5,200. In other words if the occupant pays Rs. 22 per month or roughly 15 per cent of his pay, instead of the present 10 per cent, it would be possible to make a free gift of the house to the occupant after it has been in his occupation for 20 years. It is generally after 20 years of service that the expenditure over children's education, marriage, etc., generally mounts up and it would be a great relief in old age if the State through Co-operative Societies could undertake this highly humane work, which in itself will teach thrift and give a sense of greater security to the employed and make provision for his family.

It is evident that long-term capital could be raised even within the province itself—capital sufficient to finance all the housing societies required for the province—if only the Local Government would guarantee interest on debentures proposed to be floated by the Bihar an '

CO-OPERATIVE BUILDING SOCIETIES IN THE MADRAS PRESIDENCY

By

Mr. M. Giriappa, B.A.,

Registrar, Co-operative Societies, Madras.

The problem of housing the poor and middle classes in urban areas was becoming increasingly acute and the question of providing funds for construction of houses had been under the consideration of Government for a long time. Construction of new houses is necessary for two reasons: (1) to remove congestion in towns; (2) to give houses to people who have no houses of their own, but who can afford to possess them if a loan for the construction of houses is given to them at the outset and recovered in easy instalments. For a long time there was not a definite scheme to achieve the above objects. In the absence of such a scheme a few stray co-operative building societies were formed here and there. Some of them borrowed money from Co-operative Central Banks and naturally the money was given for short periods. Others raised the money required from their members, bought house-sites and sold them and they were wound up. The question was seriously considered by the Madras Government in 1914 and at first they were of opinion that municipalities should finance building societies formed for the purpose of town extensions. In accordance with this decision, the Coimbatore Municipality was given a loan of Rs. 25,000 for financing co-operative building societies. Later, Government decided that it was not desirable to interpose any intermediate authority between the Government and the recipients of loans for the construction of houses, and with the permission of the Government of India the Government of Madras decided in 1923 to finance co-operative building societies by direct loans. Funds are provided in the annual budget for granting loans to building societies. After this scheme was sanctioned, building societies were started all over the Presidency. The following statement shows the progress made by these societies:—

Co-operative year.	No. of Societies at the end of the year.	Loans issued during the year. (Finan. year). Rs.	Loans outstanding & due to Govt. at the end of the Co-operative year. Rs.
1923-24	47	3,46,274	3,70,935
1924-25	78	4,03,619	7,86,000
1925-26	94	2,99,224	10,41,915
1926-27	109	3,63,072	13,69,154
1927-28	121	4,52,232	17,02,449
1928-29	140	5,92,598	22,09,000
1929-30	145	5,82,172	24,02,000
1930-31	135	3,96,116	24,47,000
1931-32	124	1,30,750	23,09,000
1932-33	116	95,506	19,84,000
1933-34	114	1,24,915	17,45,000
1934-35	120	2,10,000	15,91,000

Government loans are granted to societies which confine their membership to the poorer and middle classes and their operations to urban areas. These societies are formed on the individual ownership system. There are no societies in this province of the co-partnership type. The societies have not issued any debentures and they enjoy the concession granted to other societies, viz., exemption from stamp-fees and half-fees payable under the law of Registration. The profits of these societies are exempt from liability to pay income-tax as in the case of other societies.

Government loans are sanctioned to individuals through co-operative building societies for the construction of new dwelling houses only in town extension of colonization areas. A person desirous of constructing a house should join a building society working in the area in which he resides. He should invest in the Society as share capital a sum of money equal to not less than one-fourth the amount of Government loan required by him. Members of building societies in Madras City can hold shares up to Rs. 1,250 while the members in mofussil can take shares up to Rs. 1,000. In localities where house-sites are costly and where members have bought such sites from their own resources, such sites are pledged to the society and an amount not exceeding four-fifths of the site value is adjusted as share-capital paid into the society and lent for the purchase of the site. This sum is included in the bond executed by the member as part of the loan to be repaid to the society in full with interest. The borrowing power of a member is thus five times his paid-up share capital while the society's borrowing power is four times the paid-up share capital.

A co-operative building society requiring a Government loan, applies to the local Deputy Registrar for the sanction of the amount required. The Board of Directors of the Society scrutinises the plans and estimates prepared by the members and it certifies that the plans and estimates have been scrutinised and that the amount of loan applied for on behalf of the members supplemented by their own resources will be sufficient to complete the construction of houses in accordance with the plans. The Deputy Registrar submits the applications to the Registrar with his recommendation. If the funds at the disposal of the Registrar permit and if conditions prescribed by Government for the grant of loans are fulfilled, the amount applied for is sanctioned.

Before the society is permitted to draw the loan sanctioned, necessary bonds should be executed and sent to the Deputy Registrar. The members execute bonds in favour of the society and the society executes a bond to Government. The society executes also an assignment deed in favour of Government transferring its right in the mortgages obtained by it from its borrowers. Where a society finds it convenient to execute the assignment deed simultaneously with its own bond, one single document may be executed in lieu of two. These bonds are lodged with the Curator of Records, Madras Record Office, for safe custody.

After the execution of necessary bonds, amounts sanctioned are drawn by the Deputy Registrars on contingent bills made payable to societies. Loans are drawn in instalments as the work of construction progresses. This is to ensure that the loan is not misspent.

The bye-laws of building societies lay down that every member receiving a loan from the society for the construction of a house shall agree to an inspection of the house during the progress of construction and a valuation thereof immediately on completion. In accordance with this, the Deputy Registrars intimate the officers of the P.W.D., the date when such work will commence so that they may inspect the foundations and the building during construction. Subsequently, the buildings are valued annually by the officers of the Co-operative Department to test the security of the Government loan outstanding. In cases of doubt, the houses are got valued by the Department of Public Works.

The buildings for which a Government loan has been obtained should be commenced within three months and completed within eighteen

months, from the date of disbursement of the first instalment of the loan to the society. The house should not be alienated except to a person who is a member of the society or to one whom the Board of Directors is willing to admit as a member.

The period of loan does not ordinarily exceed 20 years ; but in special cases it may extend to 30 years. The amount is repayable with interest either in equated annual instalments or in equal annual instalments. A member who has discharged his loan completely may be permitted to withdraw his share capital provided the share capital of the society after withdrawal plus the value of the sites and building of the remaining members according to the calculation made on behalf of the Government as on 30th June preceding are at least 50 per cent. in excess of the outside liabilities of the society on the date of withdrawal.

The present rate at which Government lend to the societies is 5 per cent. Societies provide for a margin of ½ per cent or 1 per cent. to meet their working expenses and lend at 5½ or 6 per cent. to their members.

The building societies movement, has been generally successful in this province. The number of houses constructed during the past few years is given below :—

Year.	Houses completed.	Under construction
1924-25	337	272
1925-26	470	249
1926-27	631	265
1927-28	881	350
1928-29	1164	361
1929-30	1398	223
1930-31	1402	163
1931-32	1503	86
1932-33	1531	71
1933-34	1573	48

At present the municipalities do not help co-operative societies in the formation of roads, drains, providing lighting arrangements, etc. If this help is given, there is no doubt that the growth of building societies will be greatly accelerated.

BETTER LIVING SOCIETIES

By

Mr. Syed Ghulam Sarwar Shah, B.A. (Hons.),
Inspector of Co-operative Societies, Mianwali (Punjab).

Better living implies better food, better clothing and better housing. If analysed, all the multifarious economic activities end to centre at better living.

Better living entails sacrifices. One has to practice thrift, and thrift means the elimination of unnecessary expenditure, and the increase of production, both of which factors involve sacrifice. Further, one has to defy to some extent public opinion, if one is to lead a better life and this again is a sacrifice, especially in custom-ridden India. In short, sacrifice is the key to better living; but the difficulty is how to inculcate it among the masses. Would propaganda alone do? No, not with the Indian cultivator who is superstitious, isolated and illiterate. Would law serve the purpose? The reply is again in the negative. History of even the advanced countries like Europe shows that economic ills are never cured by legislation. The only remedy to arrest the evil lies in organization. What sort of organization is needed is another question and the most important to solve. In India or the Punjab, with which the writer has to deal for the population consisting of the people of diverse characteristics, customs, religions, sects and castes, an organization decentralized in form suits most. Socialism, communism and the like embracing cosmopolitan views cannot be tried with impunity.

Decentralized organization can best be found in the Co-operative Better Living Societies. A group of individuals, drawn from the same caste, tribe or village, as the case may be, bind themselves to observe the rules passed by themselves in a general meeting and execute an agreement to the effect that any one of them who infringes rules thus made will be liable to a fine not exceeding the sum fixed for the purpose, ordinarily Rs. 100 in the Punjab. The power of imposing fine is given to the Executive Committee elected by the members from amongst themselves. This is, in brief, the working of the Better Living Society, simple in form and purely democratic, but very difficult to run in practice. The rules are framed in accordance with the local needs and all ills, not political, can be dealt with.

Better Living Societies are the best means to carry out the programme of rural reconstructon, for the success of which the Government

is so keen. A villager, conservative as he is, is not expected to do anything, of whatever advantage it may be without compulsion in one form or other; and Better Living Societies entail compulsion without its disadvantages, being self-imposed. The preliminary success of the Rural Reconstruction programme lies in the fact that its real essence should be assimilated by the people and realised to be profitable to them. It is after this that they could give it a practical shape in the real sense. An Indian cultivator is superstitious by nature and, therefore takes any beneficient move on the part of the Government as being solely in its interest. Intensive education in the particular branches of the rural uplift schemes, apart from general education, is the dire need of the situation.

Better Living Societies fully serve this end and are further a test as to how far the rural reconstruction programme is being acted upon as such and not as the result of the pressure from the Landlords, Zaildars, lambardars and other village officials. One who enters the fold of a Better Living Society, purporting to carry on the so-called *Dehat Sudhar* work, does so after fully realising the benefits; otherwise there is nothing obligatory on him to undertake the self-imposed compulsion. Compulsion in co-operation is a contradiction in terms. Anybody may join a co-operative society at any time, if qualified under the bye-laws, and may cease to be a member at his own instance. Again, Better Living Societies have a lasting existence and the further advantage of supervision by the co-operative staff.

Safeguards:—No such society should be started at a place where there exist party feelings. If, however, the ground can be prepared, different societies may be started among different parties. But on no account the different societies may be started in a village on the basis of differences in religion, the important reason, apart from others, being that a co-operative society has to deal with economic and moral interests and not religious. Caste-wise or tribal societies are more desirable, since members of the same caste or tribe have the common custom and usages to mend which is a simple task for the societies. On the other hand, if persons of heterogeneous castes having different customs, ceremonial or others, are brought on the same arena, the societies will have to traverse a long distance before bringing the members to co-operate with one another. There is a natural affectional tie among the persons of the same caste, which is an essential ingredient of co-operation and augury to the success of a co-operative society.

Secondly, if societies are to be real and not sham organizations these should never be started as a result of pressure from outside, *e.g.*, landlords' pressure on their tenants and Government officials' pressure on those with whom they come in contact within the course of the performance of their public duties. These should come into existence as a consequence of the voluntary and real desire on the part of those whom they are intended to benefit.

Thirdly, managing committees should be efficient, keen and free from bias. Many a society has gone to dogs simply and solely due to the selfish motives of the committee members, who misused their powers by inflicting fines on those who were not guilty of breach of the rules. The members should be clearly and emphatically told that the committee is elected by themselves, that their own general meeting is the competent authority to replace any member of the committee if he is not found worthy of the job. In fact Better Living Societies should be started at those places only where it is certain to get a set of honest persons to function as a Managing Committee. This necessitates a close and intensive study of the village before the scheme is embarked on.

Lastly, simple rules, easy to observe and not much averse to the prevailing public opinion, should be framed at the first instance in each new society. Rome was not built in a day. Slowly and surely, with the progress of the society, all the different and difficult problems can be enforced. As the years roll on, co-operative spirit of the members goes on ripening till a time is reached when the members are responsive to all uplift schemes, and to eradicate the evils which still persist, they are themselves found doing all that is possible. The society runs then at its own momentum. If, on the other hand, all the problems of rural reconstruction are tackled at one time, not a single one would receive the due attention, and the infringement of the rules would be common. If the fines are imposed likewise, the members would lose heart; and if the common breach of the rules is overlooked the society will not worth the name. Fines should be imposed very cautiously, rarely and judiciously; but when imposed they must be recovered with rigidity, to have a wholesome effect on the members in general. Herein lies the secret of success of the societies.

In the Punjab, Better Living Societies numbered 590 with 20,909 members on 31st July, 1935. These are found in every nook of the province. Recently, special attention is being devoted to this form by the Registrar. Special staff, consisting of 4 Inspectors and 14 Sub-Inspectors has been appointed exclusively for the organization and supervision of Better Living Societies and it is intended to increase the staff further.

The reformation of the ceremonial customs is the common rule in all the Better Living Societies of the Punjab. Of late Hygiene and Sanitation rules have also been introduced in almost all of them. The rest of the Rural Reconstruction programme is worked out by the societies to such an extent as is practicable in different localities and according to the character and spirit of the people.

REVIEWS

THE CO-OPERATIVE MOVEMENT IN POLAND: Published by the Co-operative Research Institute, Warsaw, 1936.

This small pamphlet of 40 pages opens with a general description of Poland, which occupies an area of 3,88,600 sq. km. having a population of 33 millions. 63.8 per cent of the people depend upon agriculture.

Then follows a historical outline of the co-operative movement in the country. The present position is given in the following words:— "The economic and particularly the agricultural crisis has deeply affected Polish co-operation. The credit societies and the societies for agricultural commerce suffered most. If we take into consideration that the index of prices of agricultural products fell to 35.5 (1928-100) and the index of commodities purchased by the farmers fell only to 68.4, it is quite clear that credits granted in cash and commodities at the time of higher prices of agricultural products could not be duly paid off during such a disastrous fall in prices. In consequence a great many second-rate commercial and agricultural societies went into liquidation notwithstanding the aid given to them by the Government in the form of long-term relief credits. The activity also of credit co-operative societies was considerably hampered. Comparatively the least loss was sustained by the consumers' societies, because the principle of sale for cash was as a rule adhered to, with few exceptions and the relation of their own capital to foreign capital was most favourable. The breakdown of a part of agricultural societies in connection with Government efforts to overcome the agricultural crisis entailed a change in co-operative legislation securing to the Government greater interference with the business and management of co-operative societies."

It is further stated that Government takes a favourable attitude towards the movement in which it sees the best means of raising the welfare of a population and specially of the farmers.

The total number of societies in Poland is 22,734 and are divided in the following groups:—

Consumers' Societies	3,691
Building and Housing Societies	1,080
Mutual Help Societies	245
General Credit Societies (Schultze of Delitsch)	1,743
Agricultural Credit Societies (Raiffeisen)	4,961
Employees' Credit Societies	372
Other Credit Societies	137
Agricultural Purchase and Sales Societies	4,505

Agricultural Special Societies	262
Co-operative Dairies	2,188
Agricultural Industrial Societies	149
Agricultural Miscellaneous Auxiliary Societies	217
Artisans' Societies	242
Workmen Productive Societies	250
Labour Societies	180
Societies of Enterprisers (employers) organised on the lines of Co-operative Societies	915

The Consumers' Co-operative Movement is the best consolidated branch of Co-operation in Poland and is described in some detail in the booklet under review. The Agricultural Co-operation, the Building and Housing Co-operation, School Co-operative Societies, Institute for Co-operative Research, the Trade Union of Co-operative Employees are also discussed in the book. The conclusion states that "The great variety in the Co-operative Movement in Poland caused by the diversity in the economic and social structure of the country has not formed an obstacle to the mutual collaboration of various kinds of Co-operative Societies, all of which have aims to raise the material and moral level of the population."

It is a nice little book and gives a lot of information about the Co-operative Movement in Poland in an attractive manner. It can be had gratis in English, French or German from Co-operative Research Institute, Warsaw, Poland.

BASHIR.

"SPOLEM" UNION OF CONSUMERS' SOCIETIES OF THE POLISH REPUBLIC: By B. Przegalinski, Warsaw, 1936.

This is an illustrated pamphlet and describes in detail the working of the Union of Polish Consumers' Societies. We learn from it that Romuald Mielczarski and Stanislaw Wojciechowski were the pioneers of Co-operation in Poland. Their photos are published in the book. The two maps printed on page 7 show vividly the Consumers' Co-operative Societies in Poland in 1911 and 1935.

"Spolem," the Union of Consumers' Co-operatives in Poland fulfils the offices of a general centralizing organization, the controlling books and the wholesale dealing.

The following societies belonged to it at the end of 1935:—

996 consumers' co-operatives.
46 co-operatives satisfying other common needs.

13 production co-operatives of workers.
4 labour co-operatives.
6 district unions.
1 co-operative bank "Spolem."

The 996 consumers' co-operatives constitute the most important group, counting 268,762 members and possessing 2,103 shops at the end of 1935. They employed 4,904 persons and their yearly turnover amounted to 107,760,000 zlotys.

The share-capital was 4,719,288 zlotys and the reserve fund 11,303,537 zlotys. The value of the immovables which they possessed was 8,180,582 zlotys. The producing department of this co-operative included 87 bakeries, 64 sausage manufactories and 58 various other establishments. 138 co-operatives conducted savings banks, which possessed savings to the amount of 3,078,638 zlotys by the end of 1935.

To get a clear idea of the union "Spolem" it may be mentioned that its activities include the countryside as well as the towns as is seen from the composition of the members amongst whom were 95,442 working men, 100,482 farm labourers, 40,206 clerks and 32,632 belonging to different professions.

The controlling and educative work of "Spolem" is an important section.

The social-educative work includes instruction and publication activity. In 1935, 95 courses were organised, attended by 3,216 persons. Of these 4 general courses, 17 courses for teachers, 10 for young people, 61 for managers and employees of the co-operatives and 3 varied courses. Moreover 15 conferences were summoned in educative matters attended by 375 persons.

BASHIR.

"A SHORT REVIEW ON THE WORKING OF PUNJAB MORTGAGE BANKS WITH SPECIAL REGARD TO THE GUJRANWALA CO-OPERATIVE MORTGAGE BANK, LTD.: By Chowdri Mohd. Bashir Ali, Manager, Co-operative Mortgage Bank, Gujranwala.

This book contains 50 pages divided into three chapters. The general working of the mortgage banks in the Punjab with suggestions for their improvement is described in the first chapter. The second chapter contains a brief account of the Gujranwala Co-operative Mortgage Bank and its procedure of advancing loans. Its annual report for 1935 and the rules of business are detailed in the third chapter.

The suggestions of the author for improving these banks are interesting and novel in some respects. One may not agree with all the suggestions but surely some of them are worth serious consideration.

The question of providing long-term credit to the agriculturists on suitable terms is engaging the attention of the Governments of the various Provinces and States in India and for this purpose attempts are being made to develop mortgage banks on co-operative basis. The pamphlet under review is a valuable addition to the scanty literature on the subject. It should be carefully studied by all those who are interested in the amelioration of the masses. It is hoped that the defects which are apparent, will be removed in the second edition. The pamphlet can be had from the author.

BASHIR.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

CENTRAL PROVINCES AND BERAR

Extracts from the Report of the Registrar of Co-operative Societies, Mr. G. S. Bhalja, I.C.S., for the year ending 30th June, 1935

FINANCIAL BALANCE-SHEET OF THE CO-OPERATIVE MOVEMENT AS A WHOLE.

The financial position of the central banks of the provinces and the Provincial Bank taken as a whole on the 30th June, 1935, is depicted in the following rough balance-sheet:—

Serial No.	Liabilities	Amount Rs.	Serial No.	Assets.	Amount. Rs.
1.	(a) Fixed deposits ..	1,38,84,062	1.	Cash in hand and in banks outside the movement. ..	3,58,619
	(b) Savings deposits ..	31,94,967	2.	Surplus in Government securities. ..	31,27,716
	(c) Current deposits ..	5,25,200	3.	Fluid resource in Govt. securities. ..	24,29,568
2.	Provident fund of employees. ..	2,63,882	4.	Reserve fund in Govt. securities. ..	34,83,331
3.	Loans due to banks outside the movement. ..	1,12,574	5.	Demand loans on security of deposits and Govt. Paper. ..	60,189
	Total liabilities to outside creditors ..	1,79,80,685	6.	Deposits in approved banks outside the movement. ..	7,35,981
4.	Paid-up share capital. ..	22,26,338		A-Total liquid assets. ..	1,01,95,404
			7.	Buildings and stock. ..	6,37,982
			8.	Landed property. ..	19,33,519
				B-Total fixed assets ..	25,71,501
				Total liquid and fixed assets (A and B) ..	1,27,66,905
			9.	Good debts outstanding against societies. ..	88,25,698
	Grand total of liabilities. ..	2,02,07,023		Grand Total of assets. ..	2,15,92,603

The outside liabilities amount to Rs. 1,79,80,685 against which the movement possesses assets estimated at Rs. 2,15,92,603. The total assets comprise Rs. 1,01,95,404 or 46.7 per cent. in cash and liquid assets and Rs. 25,71,501 or 12 per cent. in other fixed assets. For the liquidation of the outside liabilities therefore, only an amount of Rs. 52,13,780 or 59 per cent. of good debts outstanding against societies would suffice, while the proportion of the outside liabilities the repayment of which would depend on recoveries of good debts is only 29 per cent. Of the good debts Rs. 69,93,892 (Rs. 88,25,698) are secured by first mortgages on lands of members. In Berar banks hold first mortgages on 65,017 acres of land. The Berar banks also own 32,707 acres of land acquired for the total auction value of Rs. 19,05,540, an average of Rs. 58 per acre. It would appear therefore that despite a succession of adverse years the intrinsic financial position of the movement continues still to be sound.

GENERAL POSITION

With another unfavourable year added to the long series of years of poor harvest and low prices of agricultural commodities, only a miracle could have brought about substantial improvement in the co-operative movement in the province. It is, however, fortunate that the movement is holding its own and there is no further set back. The balance-sheet of the Central Banks and the Provincial Bank as a whole shows that their financial position is still not unsound. As regards primary credit societies, slight improvement is noticeable. Both cash recoveries and fresh financing have slightly improved and the total indebtedness of members of societies has gone down.

The main problem before the Central Banks continues to be the recovery of their heavy overdues. Most of them have now realised the importance of liquifying their frozen assets and are not avoiding coercive action, where necessary. The Berar banks had to acquire, much against their will, more land for want of bidders at auctions. The area of land held by societies and banks in Berar increased to 32,707 (31,349). The acquisition of large areas of land has not only made the co-operative movement unpopular, but their management has proved a formidable task to the banks themselves. The cultivation by banks and societies has proved unprofitable. It has not been possible to find lessees for all the plots, and where they have been found, they have not paid the full lease money. In the meanwhile the banks as occupants continue to be liable for the land revenue. In view of these difficulties, the department has been constantly advising the banks to sell the land as quickly as possible provided fair prices are obtained. Some banks have been able to find purchasers for a few plots here and there but the demand for land has not yet revived appreciably.

The measures for reducing the growing overdues and bad and doubtful debts of members were continued. The bad debts enquiry was nearly completed in Berar and orders were passed in suitable cases for writing off the bad debts from the reserve funds of societies on certain conditions. Government has recently passed orders waiving surety liability in determining bad debts of members during the currency of the present scheme. The temporary orders for reducing the margin between the lending and borrowing rates and for the utilization of interest earned on the reserve funds of societies were extended for another year. The department has been wholeheartedly co-operating with the debt conciliation boards and co-operative societies and Central Banks have been doing all that is possible, consistently with financial stability, to facilitate the conciliation of co-operative debts.

A few banks found themselves in difficulties in meeting the calls of depositors. The financial crisis which threatened them was averted only by the timely and helpful intervention of the Provincal Bank. In order to safeguard its own interests, the Provincial Bank rightly insisted on a certain measure of control by requiring the banks concerned to appoint as manager a person selected by it—usually a Government officer. I am glad to say, that this condition was accepted without demur by the shareholders of the banks concerned. This novel and interesting experiment has already put one bank on its feet again and I have every hope that it will be equally successful in the other banks provided those associated with their management co-operate whole-heartedly with the Provincial Bank and the Department. It must, however, be recognised that the experiment cannot be extended indefinitely. The authorities of the banks must always be on the lookout for signs of nervousness among their depositors and must take timely steps to consolidate their position and raise the necessary cash.

Every attempt is being made to put the movement on its feet again and the defects brought to notice from time to time are being remedied. New societies are formed only of honest and solvent agriculturists who are reported to have understood the main principles of co-operation. Fresh financing is confined to short-term loans for agricultural purposes only. In order to prevent over-financing which led in the past to the concentration of large loans in a few individuals, a rule has been recently framed by Government which lays down that no member of a primary credit society shall, at any time, be granted a loan exceeding Rs. 250 in the Central Provinces and Rs. 500 in Berar. In order to ensure proper supervision and control over the societies and the field staff, we have introduced the group system and established central boards in each institute area. The extensive campaign for the education and training of members which is to be undertaken shortly, will, it is hoped, help materially in resuscitating the co-operative movement in the province.

THE LAND MORTGAGE BANKS.

Ten Land Mortgage Banks have now been established—6 in the Central Provinces and 4 in Berar—and Government has guaranteed the principal of the debentures up to a limit of Rs. 50 lakhs and also the interest on them. The progress of the banks is extremely slow. There is no dearth of applications for loans. The difficulty is to attract the right type of men to the banks. In the words of His Excellency the Governor "there is a certain class of debtor who will swim in shoals after the bait of loan at 7 per cent., but unfortunately he is not the class which a bank dealing with Government capital wishes to attract." The great majority of applicants for loans are overindebted. Their assets and annual income are not such as would leave them enough surplus for paying the annual instalments of the loans they require. Again, their antecedents and previous conduct do not warrant the hope that they can be trusted to live according to a budget prescribed for them and thus effect a saving from which they could pay the annual instalment. Those whose assets and income are adequate and who can be trusted to discharge their liabilities in a reasonable period generally obtain accommodation from the ordinary *Sahukars*. They prefer the *Sahukar* as they do not want to go through the rather inquisitorial inquiries into their antecedents which the procedure of Land Mortgage Banks involves. As the banks become more widely known it is hoped that a certain percentage of this class will avail themselves of the new credit facilities.

In order to put the provisions governing the working of Land Mortgage Banks on a Statutory basis, the Central Provinces Land Mortgage Banks' Bill which has been framed on the model of the Madras Land Mortgage Banks Act has been introduced in the Legislative Council. It will also remove the legal difficulties which have been brought to notice in dealing with applications in which minors and collaterals are involved.

THE INSTITUTES

The province continues to be divided into five institutes and all the banks except Balaghat and Wardha have been affiliated to them. The supervision and education committee appointed by the Wardha bank continues to be ineffective and inactive and it is not an unfair surmise that the unsatisfactory condition of societies affiliated to this bank is largely due to absence of proper arrangements for supervision and education.

The fissiparous tendencies mentioned in the last year's report unfortunately continued and the Narsinghpur Central Bank has severed its connection with the Northern Institute. The Hoshangabad and Piparia Banks also gave notices of secession to Nerbudda Division Institute. As pointed out last year, such threats of withdrawal impair the efficiency and usefulness of the institutes. Several Central Banks also have been cavilling at the contributions that have to be paid to the institutes and the Berar Co-operative Institute had to obtain awards against some societies. Further, some banks resent the disciplinary action taken by the institutes against the field staff. All this is very much to be deplored. The important task of education and supervision of societies has to be undertaken by the institutes as the duties of financing and education cannot be properly discharged by the Central Banks. Everything thus points to the necessity of making affiliation to institutes compulsory, as was recommended by the Federation Sub-Committee of 1933, so that the institutes may not be hampered in their beneficient activities by the constant threats of disaffiliation.

Apart from the want of loyalty of the Government banks, another great difficulty in the way of institutes is the paucity of funds. Government made a total grant of Rs. 24,000 during the year against Rs. 38,000 in 1930-31.

NON-AGRICULTURAL CREDIT SOCIETIES

Most of these societies are clerks' societies. There is a tendency in many of them to grant the so-called "emergent" loans too freely for payment of the monthly instalments. In some societies loans were granted without due discrimination. The societies are being pressed to avoid these mistakes in the future.

The restaurant business started by the clerks' society at Khandwas has proved very successful and has brought in handsome returns. The society has now constructed a fine building of its own.

CONCLUSION.

The set-back that the movement has received on account of over-financing and laxity of control in the past and the continued economic depression does not, however, justify the spirit of defeatism in evidence in some quarters. It has been demonstrated that the movement has been successful in some parts of the province. It has partially failed because it has misunderstood, misapplied and abused and overtaken by the economic blizzard. It is, however, still capable of being harnessed to the good of the agriculturists who stands in need of credit for agricultural operations. Complaints have been frequently heard that the effect of debt relief legislation like the Debt Conciliation Act must be contraction of credit in rural areas. In future, therefore, co-operative societies would be needed more than in the past to meet the needs of the agriculturist. Further, it is not enough to provide the agriculturist with cheap credit. Cheap credit is a double-edged weapon which, if uncontrolled, brings ruin to its recipients. It is, therefore, necessary that not only should the cultivator be provided with cheap credit but with controlled credit, and the requisite control can only be supplied by a properly run co-operative society. The need of the movement is not to pull down the edifice which has been built at considerable sacrifice and labour of a generation of co-operators, both official and non-official, but to improve it where necessary and to make it a more efficient agency of rural credit.

BOMBAY

Extracts from the Report of the Registrar of Co-operative Societies, Mr. K. L. Panjabi, I.C.S., for the year ending 30th June, 1935.

THE GENERAL PROGRESS OF THE MOVEMENT

The sub-joined table shows the general progress of the movement in the whole Presidency :—

Types of Societies.	Number of Societies.		Number of Members.	
	1933-34	1934-35	1933-34	1934-35
1	2	3	4	5
Central Banks ..	20	16	15,318	15,814
Agricultural Societies ..	4,755	4,730	3,09,801	3,00,699
Non Agricultural Societies ..	920	906	2,75,914	3,13,880
Total ..	5,695	5,652	6,01,033	6,30,393
Unions ..	118	116		
Insurance Societies ..	3	2	1,934	2,046
Total ..	121	118	1,934	2,046
Grand Total ..	5,816	5,770	6,02,967	6,32,439

Types of Societies.	Working Capital.		Reserve Fund.	
	1933-34	1934-35	1933-34	1934-35
1	6	7	8	9
	Rs.	Rs.	Rs.	Rs.
Central Banks ..	5,83,92,614	5,97,14,871	21,57,376	29,38,165
Agricultural Societies ..	4,11,53,653	4,04,44,395	76,92,337	83,51,038
Non Agricultural Societies ..	6,21,28,862	6,80,42,195	47,48,732	61,65,983
Total ..	16,16,75,129	16,82,01,461	1,45,98,445	1,74,55,186

The increase in the number of members, the working capital and the reserve fund of all the societies, in spite of reduction in the number of agricultural societies, indicates the results of the policy of rectification and consolidation pursued by the Department.

AGRICULTURAL CREDIT SOCIETIES

During the year, 65 agricultural credit societies were liquidated and 28 were registered. The total number of societies has been reduced to 4,465. There is now a very keen demand for registration of credit societies in the rural areas. The policy of consolidation and rectification has led to growth of popularity of the societies. The general standard of management of these societies has been improved. The past abuses are being rectified and loans are advanced with greater care and caution. Undesirable members are being weeded out and confidence has been revived by prompt finance for productive purpose.

The membership shows a decrease as a result of weeding out of undesirable members, and the decrease in the working capital is due to the liquidation of several societies. The increase in the reserve fund is an index of the general condition of these societies. The members' deposits have decreased by about Rs. 10 lakhs, *but this is partly due to the conversion of the deposit-system societies to the share-capital societies,* and partly to the withdrawal by the members of their accumulated resources in order to meet their personal requirements.

While the amount due for collection in 1934-35 was only Rs. 5 lakhs more than that in 1933-34, the recoveries this year exceeded those of last year by about Rs. 28 lakhs. The fresh finance given by societies also represents similar increase. The overdues show a decrease of only Rs. 2½ lakhs, but this is due entirely to the *unsatisfactory mode of extending the period of repayment of loans adopted by the societies.* As pointed out last year the practice followed by these societies is haphazard and not always related to the repaying capacity of the borrowers. The agricultural season this year was poorer than last year and, in addition, there was extensive damage done by frosty weather in January and February of this year. In spite of that, it will be seen that the amount under extension this year is Rs. 21 lakhs below that of last year. The societies under their bye-laws have not a free hand in this respect. In certain cases the extension of the date of repayment requires the approval of the Central Bank, and, as pointed out last year, several Central Banks have the habit of sitting on the fence rather than taking any decision in this respect. They are naturally afraid that any premature decision in this respect may prejudice the recoveries and in several cases I personally saw that even at the end of the year the Central Bank had not come to any decision with regard to the proposal of the society to extend the period of repayment. With an extended use of the demand and recovery statements, as introduced by me, I feel that in the future we shall get a clearer picture of the movement in this respect.

Cash recoveries are a better index of the liquid position of the societies than the customary figure of overdues. *This year, the cash recoveries of societies are about 30 per cent. as compared with 21 per cent. last year.* The fresh finance has also increased from *Rs. 55 lakhs to Rs. 84 lakhs,* **and this is a very welcome feature of the** movement at present.

Out of 4,485 societies 602 societies had no arrears, 350 had arrears up to 10 per cent., 748 had arrears from 26 to 50 per cent., and the rest had arrears over 50 per cent.

The policy of rectification and consolidation of societies is being pursued by the Department. *The supervision of the Department and the Supervising Unions and the inspection of the Central Banks are more* strict, with the result that several abuses are being scrutinised in relation to the assets and the repaying capacity of the borrowers, and pressure is being put for recovery of frozen or insecure loans. With the co-operation of the Central Banks, fresh finance according to the repaying capacity of the borrower is given promptly *and loans are now given on easier instalments for the purchase of bullocks, costly implements and other small agricultural improvements.* The concession scheme introduced experimentally in some districts last year has been extended to almost all the districts in the Presidency proper this year. Under this scheme, a society can reduce its lending rate of interest, provided it collects the overdue and current interest from almost all the members and a certain specified percentage of the principal outstanding. The reduction in the lending rate is graduated in a manner that all the profit earned by the society during the year is absorbed. The broad fact is that the rate of interest is reduced without involving the society in any loss during that year, but the condition that the interest must be recovered from at least 80 per cent. of the members, has helped to a great extent to revive the co-operative character of these societies. The members exercised mutual pressure for repayment of overdue and current interest, so that all the members may be eligible for the reduced rate of interest. The bond between the members which was getting loosened has again become closer, and several instances have been quoted wherein members of societies went round from door to door, urging repayment of dues of societies, so that all the members of the society may be eligible for the reduced rate of interest. The collection of the overdue interest has also put fresh hope and vigour in the societies, and the low rate of interest, which in some cases was as low as 4 per cent., has definitely established co-operative societies, in those districts where the scheme has been worked with success, as the most popular institutions in the rural areas.

The agriculturists saved 1·7 lakhs in interest charges by the reduction in the lending rate of interest. In the Canal areas, the weakest spot in the Division, the concessions were made more liberal. The Provincial Bank lowered its lending rate to 4 per cent. and below under certain conditions. The societies in return reduced their lending rate to a maximum of 6 per cent. and have earned Rs. 40,000 as rebate from the Bank. There were 64 societies with 2,169 debtors, out of whom 1,104 borrowers availed of the concessions.

The Special Recovery Officers have been continued throughout the year. They have recovered Rs. 26,37,327 and had actually to sell the land only in respect of Rs. 12,13,654. They have greatly contributed to disperse an erroneous impression held by members of societies that a society would not be able to recover money from them.

I think there is enough evidence to show that the rural credit movement in the Presidency proper has not only been revived but awakened to a sense of its importance. The depression in spirits which hung heavily over the movement when the economic depression first started, has been slowly giving way to considerable enthusiasm among all the ranks of the movement, and there is a determination among the members of rural societies to get the best out of the co-operative movement. The movement, as has been expressed, after the period of "dry-docking for repairs" has now been rendered "sea-worthy", and unfortunately, the only obstacle in further development of the rural credit movement is the lack of adequate staff.

SOCIETIES FOR DEPRESSED CLASSES AND ABORIGINAL TRIBES

There is a satisfactory increase in the number of societies, their members and the working capital of these societies. However, such societies reserved for members of backward communities find considerable trouble in making headway. Trained workers are not available and the security for the loans is too inadequate. I personally feel that for agricultural members of these communities the village society is a much better agency for credit. Contact with members of other communities has educative value, and as I have stated already, members of these communities find ready admission in the ordinary village societies.

LAND MORTGAGE BANKS

Government sanctioned the registration of ten Primary Land Mortgage Banks with an apex Bank at Bombay. The selection has been restricted to places which are not liable to scarcity and famine and wherein the co-operative movement has made appreciable progress. At the last budget session of the Legislative Council, a resolution was also passed, approving of the proposal to guarantee the principal and interest on the debentures to be floated by the Provincial Land Mortgage Bank to the extent of Rs. 50 lakhs. At the time of writing this report the Provincial Land Mortgage Bank has just come into existence and it is expected that the Primary banks will now set to work in right earnest.

The Land Mortgage Banks herald the dawn of a new era for the agriculturists in this Province. It is gratifying to note that the scheme has been well received both by the public and the press. The banks, however, require careful and business-like management and with a view to secure this, certain safeguards have been adopted. The bye-laws provide for the nomination of the Board of Directors by the Registrar for the first three years. They also provide for the sanction of the Registrar for all loans from the Provincial to Primary Banks and from Primary Banks to individuals in the initial stages. The Land Valuation Officers are also lent-hands from the Department. With a view to enable the Banks to meet a part of the cost on account of the employment of these officers, Government have agreed to give a cash subsidy of Rs. 5,000 per annum to be distributed equally between the Banks.

AGRICULTURAL NON-CREDIT SOCIETIES.

General. The agricultural non-credit institutions are a vital link in the chain of rural economy, but as stated in the previous reports, it is hardly possible to push on these activities, on anything like a large scale with the limited staff at the disposal of this department. At present the sale societies are the most outstanding feature of this type of co-operative activity though the increase in the number of co-operative protection and fencing societies is also a very hopeful sign. A scheme for the organisation of sugar-cane growers on a co-operative basis is also under contemplation in this Province and as the Government of India propose to subsidise it by means of a subvention from the sugar excise, it will not be long before it is launched.

Cotton sale societies continue to make steady progress. During the year under report 2 more societies were registered—one in Broach District and the other in Surat while four societies in Surat District which were in a moribund condition had to be wound up. The total number of societies was 26 as against 28 at the close of the previous year.

In the Southern Division, the Hubli Cotton Sale Society continued to do good business under the able guidance of Rao Bahadur C. S. Shirahatti. In spite of low yields, this society has been able to sell 28,137 dokras, out of which 7,828 were sold by auction and the remaining by private treaty. This business alone resulted in a net profit of over Rs. 16,000 to the society. The Gadag Cotton Sale Society has also been maintaining very good record, having earned a commission of nearly Rs. 24,000 during the year under report. The Bijapur Cotton Sale Society has not been able to

show much progress, but the Bailhongal Cotton Sale Society has now tided over the difficulties caused by the boycott and is now definitely on the upward grade and during the year under report it sold 8,000 maunds of cotton valued at Rs. 64,286 and grains valued at Rs. 36,000 through its depot at Belgaum and realised in all a commission of over Rs. 2,500.

In Gujarat, the Cotton Sale Societies are increasing in popularity, as they secure better prices and lower ginning and pressing charges. Unfortunately for the societies, the crops were badly damaged by the frost in January, which not only affected the quality of cotton but diminished the yield. However, favourable conditions of the market compensated the cotton growers, as the average price per bhar of cotton realised was Rs. 125 to 142 as against Rs. 101 to Rs. 107 of the previous year. The Hansot Group and the Purshottam Group Ginning Societies are proving a great boon to the cotton growers as practically all the cotton brought in for sale to the societies is ginned at the factories installed by these societies. The former has realised a profit of Rs. 2,500 while the latter has earned commission to the extent of Rs. 6,000. The Farmers Co-operative Pressing Factory at Surat has also done remarkably well during the short period of its existence. It has invested nearly Rs. 85,226 in its machinery and during the cotton season it undertook ginning of nearly 32,000 maunds of cotton and pressed about 8,000 bales. In Khandesh, the Pachora Cotton Sale Society sold 11,593 maunds of cotton valued at Rs. 96,567 and made a net profit of Rs. 396 as against Rs. 472 of the previous year.

Although the sale societies are playing an important part in rural economics, their further progress is considerably hampered by various difficulties. For example, there are at present no proper facilities for grading and pooling, and up-to-date information as regards marketing conditions is not always available. I am considering the question whether a Wholesale Society should not be registered, which would serve as a clearing house of information and work as a Federation of the sale societies by co-ordinating their activities and giving them adequate facilities in marketing.

Purchase and Sale Unions. The Nira Canal Purchase and Sale Society is being well managed. It has a large amount of owned capital and it earned a commission of Rs. 5,633 and a profit of Rs. 4,709. Apart from the sale of members' produce, it undertakes supply of oil cake and chemical manures to the agriculturists. The Saswad Mali Purchase and Sale Society is managed by members of the Mali Community who have very progressive outlook, and are also businesslike. The Warna Valley Sale Union has not been able to exercise proper control over its four branches at different centres, with the result that it is working at a loss. In Nasik Division the financial position of the Malegaon Vibhag Purchase and Sale Union is not satisfactory owing to litigation with non-members. The West Khandesh Purchase and Sale Union which was in a bad condition has been revived and during the year under report it sold members' produce valued at over Rs. 4 lakhs and earned a commission of nearly Rs. 5,000.

Two Fruit Sale Societies were registered during the year under report—one at Rahuri in Nagar District and the other in Gujarat, known as the Southern Gujarat Fruit and Vegetable Growers' Association. The problem of co-operative sale of perishable articles bristles with difficulties which are not experienced with regard to the sale of ordinary agricultural produce. With a cautious and businesslike management these societies, however, bid fair to be a success; the Gujarat Association has actually made a profit of Rs. 423 during the short period of its existence.

Crop Protection Societies. Crop protection activities are concentrated mostly in Khandesh and during the year under report six more societies were registered, the total number of societies of this type at the close of the year being 14. The total area included in the area of operations of the 13 societies working in Khandesh is 48,898 acres and the protection of crops in that area is secured at a total cost of Rs. 17,388 which works out roughly at 6 annas per scheme. The progress achieved in this respect is indeed commendable, and what is gratifying to note is that even absentee landlords join in the scheme of crop protection. There are in all 3,927 members, of whom 260 are absentee owners.

Fencing Societies. These societies are becoming very popular particularly in Dharwar District. The cultivators have realised the necessity of fencing not only from the point of view of economic gain but also of averting danger to their own lives. During the year under report two more societies were registered, the total number at the close of the year being 16. The total length of the fence and stone wall put up by the societies in Dharwar comes to 59,293 yards and the area protected by these fences is 20,403 acres. It is interesting to note that 12 societies in the District are connected in one line of about 25 miles running from Bommigatti to Dhundshi.

Land Improvement Societies. One more society was registered during the year under report, viz., the Balkuli Dam Construction and Irrigation Society in the Kanara District. It has made a good beginning, having secured an area of 173 acres in its scheme.

Machinery and Implement Societies. Four more societies were registered during the year under report, three in the Sholapur District and one in Nagar District raising the total number of societies of this type to 33. These societies are becoming popular in the Central Division and particularly the societies working in the Nagar District have maintained steady progress. In the Sholapur District the Pandharpur Taluka Implement Society is well managed and deserves special mention. Unfortunately, the societies in the Southern Division have not been faring well as their activities overlap with those of the Taluka Development Associations.

Cattle-breeding Societies. There were 17 Cattle-breeding Societies at the close of the year, one more socitey having been registered in the Southern Division where this type of co-operative activity is gaining in popularity. The Shidhenur Cattle-breeding Society deserves again special mention for having maintained its record of good work. The total grazing area maintained by the societies in the Southern Division is 1,375 acres and if a bigger area is made available there is scope for the organisation of more societies.

The Taluka Development Associations, 84 in number, are concentrating their activities mostly in the direction of giving advice to agriculturists on agricultural improvements, introduction of new types of seed, implement and manure and holding demonstrations and exhibitions. Some of the associations have also purchased premium bulls and given them to cultivators to popularise the breeding of better type of cattle. With these beneficent activities which are so essential for the welfare of the rural masses, the associations are verily playing an important part in the programme of rural uplift. There is, however, a tendency on the part of some associations to utilise the institutions as a convenient platform for party politics. Such a tendency deserves to be checked and as a measure of safeguard the associations have been advised, in consultation with the Director of Agriculture, to adopt a bye-law providing for the suspension of the Managing Committee by the Registrar in cases of emergency.

The Khudabadi Amil and the Khoja Ismailia Agricultural Associations deserve special mention. The former has acquired an area of 849 acres and settled four of its members thereon. This has resulted in a saving of Rs. 7,000, the interest on which is proposed to be utilised for the purpose of awarding scholarships to students of agriculture. The association has not yet been able to do anything in connection with the establishment of an institution for training students in agriculture as contemplated, as it has not yet secured a suitable piece of land. The association is, however, maintaining a small library where agricultural literature is available for the benefit of the members.. The Khoja Ismailia Association has remarkable record of work to its credit. It has a membership of 150, while about 1,000 people have settled in the Colony. The members are tilling the land themselves on modern methods recommended by the Agricultural Department.

RURAL UPLIFT

In Bombay, in the year under report, apart from liberal contributions to earthquake funds and the Jubilee Fund, 472 societies have contributed Rs. 50,310 for education, sinking of wells and allied purposes. Agricultural non-credit societies of the type of Implement Societies, Crop Protection Societies, Sale Societies and the Taluka Development Associations, all in their own way enhance the economic well-being of the villager. But the societies which are specially concerned with rural uplift, particularly the moral awakening of the villager, are the Better Living and Rural Reconstruction Societies. The number of such societies has increased from 7 to 14; of the new societies there being 4 in Satara, 1 in Ahmednagar and 2 in West Khandesh. When the villagers begin to appreciate the benefits of Better Living Societies, their number will yet increase. Among the existing societies three deserve special mention. Though the initiative of the Kallabbe Rural Reconstruction Society, Ltd., North Kanara, much work is being done for the ultimate good of the villager, in the shape of raising of enclosure walls round cultivation, building of roads communicating with the town of Kumta, repairing of tanks and nalas, sinking of wells, consolidation of holdings, clearing of wastes, protection of crops—particularly betel-nuts against Koleroga disease and monkeys,—cultivation of new crops, reduction of expenditure on ceremonious occasions, referring of disputes to arbitration, etc. The Aravade Better Living Society, Satara, is also doing work on much the same lines. The Mirjole Village Reconstruction Association, Nasik, organised two handicraft exhibitions and also built 800 feet of road.

BOMBAY PROVINCIAL CO-OPERATIVE BANK.

The working capital shows a slight decline as a definite result of the policy of discouraging fixed deposits. The rates on deposits have been lowered considerably and to-day only 2 per cent. is paid on fixed deposits for a year.

The loans outstanding to individuals constitute chiefly the loans to members of rural societies against the security of gold or agricultural produce and the increase in this respect is very satisfactory. The decrease in the figure of loans to societies is the result of a policy of reducing the liabilities of societies in accordance with the reduction in the repaying capacity of the members of such societies.

The investments of the Bank show a decline, but this is made up by the increase in the figures with regard to cash holdings of this Bank. The net profits show a large increase. It will be noticed that the cost of management has been gradually brought down from 1·7 per cent. of the working capital to 1·2 per cent. in 1933-34 and the figure for 1934-35 is also satisfactory if we remember that it refers to a period of 15 months.

The dividend declared this year was 5 per cent. per annum as against 4 per cent. of the last year. This was more as a gesture indicating to the shareholders that the Bank was now well out of the morass and that the condition of the Bank is highly satisfactory. At the same time, Rs. 90,000 were contributed to the Reserve for Doubtful Debts, which now stands at a high figure of Rs. 3,55,000 and Rs. 10,000 were given as a rebate to societies in conjunction with the concession scheme.

The lending rate was also reduced by about 1 per cent. all round and in the canal societies a special rate of 4 per cent. was introduced with a view to stimulate repayments.

The Bank pursues a systematic policy of assessing bad and doubtful debts and has got ample cover for such debts. In the dry tract the working of the concession scheme was supported by the Bank by reduction in the rate of interest, and in the canal area, it has initiated a bold policy, which, judging by the results so far, has achieved a considerable success.

The relations between the Provincial Bank and its affiliated Banks and Societies were very cordial and responsive. 11 out of 16 Central Banks had arrangements for overdraft with the Provincial Bank and only one Central Bank had arrangements for cash credit. The Provincial Bank transacted business with a larger number of societies this year and this is a very hopeful sign.

The Bank continues to be well managed under the able and distinguished guidance of Sir Chunilal V. Mehta and Mr. V. L. Mehta.

DISTRICT CENTRAL BANKS

The number of District Central Banks during the year was reduced by 4 owing to amalgamation of Central Banks in Sind. There is a satisfactory increase with regard to working capital, share capital and particularly as regards reserve fund. The loans outstanding to societies have been slightly reduced, while loans given to individuals chiefly against the security of gold, gilt-edged securities and agricultural produce have nearly doubled. The surplus resources either invested or kept on short-term deposits with Banks have practically kept on the same level. The profits and the cost of management indicate that the ratio to working capital is practically kept on the same level, as the figures for 1934-35 relate to a period of 15 months. No Central Bank declared a dividend in excess of 6 per cent. in spite of the fact that the profits warranted the declaration of a higher dividend and this must be considered as very satisfactory. The lending rate on an average varied from 6½ to 8 per cent., the scale being graduated according to the credit of each society with the District Central Bank.

The recoveries this year were largely in excess of the recoveries last year and the increase in the fresh finance shows that confidence between the members and societies has been revived. Only one Central Bank, viz., the Kaira Central Bank, was obliged to borrow from the Bombay Provincial Bank. This Bank has gradually rehabilitated itself and it is fortunate that this year it worked at a slight profit. The Nasik Central Bank has also got more confidence of the public, and is able to raise all the money required by it locally. All the other Central Banks did not borrow from the Bombay Provincial Bank this year.

The rate of interest payable on deposits has been reduced by all the Central Banks, but the lending rate does not show corresponding decrease, chiefly owing to the fact that some of the Central Banks have borrowed in the past at a higher rate, so that the average borrowing rate has not decreased substantially. However, good societies can still borrow from the Central Banks at 6 to 6½ per cent., while those which have not been able to discharge their liabilities regularly have to pay a little higher interest. The Central Banks continue to follow the policy of opening branches in the rural areas, wherever possible, in order to keep in closer touch with the societies and to tap local resources. Through these branches they are also able to offer facilities for finance against the deposit of agricultural produce, and this type of business is being gradually developed, though it has to be done on very cautious lines.

The relations between the Central Banks and the Agricultural Societies are fairly cordial, although in some cases the Central Banks follow an ultra-conservative policy. In some Central Banks, unfortunately, local party politics hold sway, with the result that there is constant friction between some societies and the Central Banks. However, all efforts are being made to urge all co-operative societies and banks to eschew party feelings and work entirely for the economic betterment of the agriculturists.

The Sind Provincial Bank, constituted by amalgamation of 4 Central Banks, has worked fairly satisfactorily during the year. The merger has contributed to the stability of this Bank and also gives added security to the depositors. Unfortunately, the recoveries were badly affected owing to damage by frost.

NON-AGRICULTURAL CREDIT SOCIETIES

During the year, 11 Urban Banks were cancelled and 8 came into existence. Out of a total demand of 4·6 crores they recovered 3·9 crores, and this indicates their financial stability as well as the extent of their utility to the public.

Salary-earners' Societies.—During the year, owing to strikes and the liquidation of the Currimbhoy Mills, 29 Millhand Societies were cancelled. But apart from that, salary-earners' societies are gaining in popularity and working very efficiently. Most of them are self-supporting. The facility of recovery either through the pay-sheet or at the time of the disbursement of the pay is helpful both to the Society as well as to the borrower, and the insistence on compulsory deposits or contribution to share capital has inculcated the habit of thrift. These institutions have considerable educative value and popularise the banking habit among men of limited means.

The Urban Banks show a rapid expansion as regards the number of members, share capital, working capital and the reserve fund. Most of the Banks are in a stable position, but there are a few which have sacrificed expansion to stability, and the departmental control of these Urban Banks becomes all the more difficult, as in most cases the advice of the Department is evaded, with the result that it is mostly like closing the stable door after the horse has fled. However, this occurs only in a case of a few Banks. On the whole, the credit of these Banks is extraordinarily good and their management competent and efficient. The lending rate of interest is also being reduced, and is a matter of congratulation that most of these Banks, in view of the limitation on the rate of dividend payable to shareholders, utilise part of their profits for giving free services to their members. Some Banks have free reading rooms, others make extensive grants for charities and some others provide for provident fund of their members, and one Bank, particularly this year, has provided for medical advice and supply of medicines to their members and their families at a nominal cost. The Shamrao Vithal Bank and the Gujarat Brahma-Kshatriya Bank give cheap loans for expenses in connection with the education of the children of the members and also give scholarships to enable the boys of their community to pursue higher studies. The Surat People's Co-operative Bank has organised an Emporium to assist the marketing of the products of weavers and other artisans in the district, and the members of the Rajwade Mandal Co-operative Bank voluntarily contribute 25 per cent. of their dividend to assist historical research conducted by the Rajwade Mandal.

Bombay Co-operative Insurance Society.—The Society completed its fifth year and enrolled 1,402 new members. 1,432 new proposals were accepted, assuring a sum of over Rs. 10 lakhs. All the proposals assuring to the extent of Rs. 1,60,715 referred to rural areas only. The amount of claims paid during the year was only Rs. 5,061 and the Assurance fund of the Society increased from Rs. 27,871 to Rs. 71,623.

The Non-Agricultural Credit Societies have been associated with the Insurance Schemes of the Society and give facilities to their members for such insurance and in return obtain substantial commission from the Insurance Society. The rural side of the Society is not so well developed, but it is being taken up now, as the position of the Society becomes stabilized.

The Society during the short period of its existence has secured a foothold in the insurance world, and its future development seems to be secure, as it supplies a special need under special circumstances. It, however, requires to be stimulated, and I expect efforts will be made in this direction now. It is very necessary to link insurance with agricultural credit by the co-operative societies and by the land mortgage banks, if this could be done at a reasonable cost.

CO-OPERATIVE STORES

The position of the 36 Stores Societies, while not quite as satisfactory as in the previous year, is not a matter for despair, as the few societies that are working are showing within their own limited sphere signs of progress. As stated in the previous reports, these societies are not capable of showing substantial progress, as it is difficult to secure members' loyalty to these institutions. Apart from this factor, local difficulties, unhealthy competition in the market and the competition of middlemen also retard their progress to a considerable extent. In spite of these difficulties, however, most of the stores have worked with profit.

HOUSING SOCIETIES

The Housing Societies, particularly those in Karachi and Ahmedabad, are making great headway and during the year under report as many as 12 societies came into existence. Out of these 8 are at Ahmedabad, 2 in Karachi, 1 in Poona and 1 in Godhra. The Harijans have set a good example by organising a society for themselves which bids fair to be a success. The Society owes it existence to the assistance given by the Poona Municipality.

There are, however, certain disquieting factors which are thwarting the progress of these societies. The societies in Bombay have to face a difficult problem owing to the economic depression which has resulted in vacancies in their tenements to quite an alarming extent and consequent inability to meet their credit obligations. The large area of land acquired by these societies during the boom period has also considerably embarrassed their financial position, as the societies are experiencing great difficulties in disposing of the plots.

The question of finance to Housing Societies has not yet been satisfactorily solved. As, however, Government have decided not to incur fresh commitments in this respect, all new societies are registered on the distinct understanding that they will not get any loan from Government for construction of houses. Consequently, the Housing Societies are making their own arrangements for finance either through Insurance Companies or private parties. In Sind, the Sind Provincial Co-operative Bank has financed Housing Societies to the extent of over Rs. 3

lakhs, but the nature of its funds does not warrant its undertaking this type of finance for a period exceeding 10 years. The rate of interest charged, viz., 6½ per cent., is also very high. In Madras, the formation of a Central Co-operative Building Society which will raise long-term money by means of debentures secured on the mortgage of houses transferred to it by primary building societies is contemplated. It is a matter for consideration whether in view of the growing demand for Housing Societies in this Presidency and in view also of the existing easy conditions of the money market, we should not also make a move in this direction.

Weavers' societies continue to struggle bravely.The heavy odds against which these societies have been struggling can be realised by the fact that the drop in the price of the finished articles has been about 39 per cent. The curtailment in the purchasing power of the agriculturists, the keen competition of the mills and the general illiteracy and the backwardness of the weavers keep these societies down However, the registration of district industrial associations in Dharwar, Poona and Nagar Districts would greatly assist these societies. They would cheapen the cost of production by securing raw material at cheap rates and by the supply of improved appliances. The facility of marketing the finished product through the agency of these associations would enable the weaver to get better price for his finished goods and the expert guidance as regards the marketable patterns will, I hope, enable the weaver to hold his own against the competition of the mills.

In spite of the existing adverse circumstances, however, the Kasoda and Parola Weavers' Societies in Khandesh Division have been doing excellent work. The Hebsur Weavers' Society in Dharwar District during the year sold yarn worth Rs. 25,000 and earned a profit of Rs. 1,572. Most of the societies in Sind are doing credit business only, as there is too much risk in marketing the goods owing to wide fluctuations and lack of patronage for the indigenous articles.

THE BOMBAY PROVINCIAL CO-OPERATIVE INSTITUTE

The Provincial Co-operative Institute had another eventful year. Sir Chunilal V. Mehta, and Professor V. G. Kale continued to be the President and the Vice-President of the Institute.

The actual work turned out by the Provincial Co-operative Institute and its branches was of considerable utility. The journals and the periodicals continued to be published as heretofore; 36 conferences were held throughout the Province convened by district or divisional branches of the Institute. It is really a question to be considered if some limitation on the number of conferences is not necessary. These conferences are a considerable drain on the societies in respect of the travelling allowances payable to representatives of societies attending such conferences.

The three co-operative schools continued during the year and had 42 pupils on their rolls. Training classes for secretaries were organised throughout the Province and 677 secretaries trained this year. 92 classes for Managing Committee members were held during the year.

The field staff of the Institute shows great need for improvement. The appointment of propaganda officers vests with the District Branches and sometimes persons with meagre educational qualifications, with no co-operative experience, are appointed as propaganda officers. The propaganda or educative work done by such officers can be easily imagined; but as long as recruitment of propaganda officers is entrusted to the district branches wherein local influences predominate, it is difficult to secure qualified persons, as the conditions are not attractive enough for good recruits.

The finances of the Institute continued to be precarious. The expenditure of the Head Office and the Branches was Rs. 90,185, while the income was less by Rs. 5,950. This deficit could have been made up, if the arrears of the subscription of the Institute had been collected. But some societies are reluctant to pay the subscription of the Institute, as they see no tangible results of the activity of the Institute. However, they forget that the work of the Institute is such that tangible results can hardly be shown. The educative work does not yield quick results, but requires patience and perseverance. However, the mismanagement in some branches of the Institute is also responsible for lowering the popularity of the Institute in the rural areas and some societies feel that they are getting full value for the subscription which they are called upon to pay. The constitution of the Institute is being revised, and it is hoped that in the revised constitution the Institute will gain in utility and popularity in the co-operative movement.

CONCLUSION

The grant from the Government of India for educating co-operative workers, and for training the members of societies in the principles and practice of co-operation has come at a most opportune moment, and will materially contribute to the expansion of the movement, which has become inevitable. There is a steady and pressing demand for extension of the benefits of co-operative movement in the rural areas. The agriculturists had stood aloof during the last five years, but the facilities afforded by Co-operative Societies to their members during the last 2 or 3 years have re-established co-operation in the hearts of the people. Time has really come for a definite programme of expansion, but this can hardly be undertaken with the limited resources at our disposal. The reorganisation of the system of supervision in rural societies, as recommended by the Special Committee (if accepted by Government) will secure expansion on sound lines and the large resources of Central Banks will provide finance for legitimate requirements of rural societies.

However, the provision of cheap credit is not likely to achieve our goal, unless it is accompanied by a comprehensive programme for increasing the productivity of agriculture, and for cheapening its cost. The Taluka Development Associations are doing very useful work for introducing improved agricultural methods, and their number is increasing. Agricultural Implement Societies also supply improved seed, implements and artificial manure on favourable terms. But the development of organisation for sale on agricultural produce has been very slow. The chief difficulty in this respect has been the lack of good workers and trained and reliable staff. The Cotton Sale Societies in Gujarat and in the Karnatak, demonstrate what could be done in this respect, if adequate assistance could be given by Government in the initial stages. The resources at my disposal in respect of staff and grants for this purpose, are, however, too limited to provide for a comprehensive programme of expansion.

The need for strengthening the co-operative movement is all the greater, as besides contributing to the economic development of the country, it affords very valuable training ground for proper exercise of the rights and duties of citizenship. The organisation of Co-operative Societies on a democratic basis and the proper management of such societies trains the members in the exercise of their votes, in selection of good leaders, in the conduct of general meetings and business committees, and above all, in the dispassionate consideration of questions at issue without considerations of caste or creed. The minorities are disciplined to carry out the decision of the majorities. In these days of disruptive tendencies, the cohesive force generated by these societies can hardly be exaggerated. The members of societies meet

in the general meetings and discuss matters of common economic interest. Communal feelings are submerged in an effort to achieve economic improvement. The applicants for loans narrate personal troubles and are often helped by office-bearers of societies. Instances have been reported, wherein through the instrumentality of societies, reconciliation of members of societies who had been hostile to each other for generations has been effected. The activities of these societies are not limited to credit requirements of their members. Curtailment of expenditure on ceremonial occasions is advocated and the introduction of improved methods of agriculture is greatly facilitated by the facility afforded for common meeting ground. As a result, the village uplift movement has made rapid strides in centres of Co-operative Societies.

Unfortunately, party politics have entered into the working of some societies. But this is limited to a few districts in the Karnatak only. However, this tendency is being rigorously checked, and a hopeful feature is that it is discountenanced by the bulk of the members. In majority of the districts party politics and communal considerations do not affect the working of the societies, as the agriculturists, unless influenced by others, are chiefly occupied with matters affecting their economic life.

The social value of these societies as contributing to a growth of healthy outlook in the rural areas is considerable, and strengthening of the co-operative movement will not only contribute to economic betterment in the rural areas but will also secure the elements of orderly progress in the country.

FINAL REPORT ON THE WORKING OF THE DEBT-CONCILIATION BOARD, MEHKAR, BERAR

(Period 11-6-1934 to 31-7-1936)

BY

MR. V. K. SOMAN,
Mehkar, (Berar).

Mehkar taluq comprises of 312 inhabited villages and has a population of 1,67,319. Total area of land under cultivation is 4,08,957 acres and the land revenue is Rs. 3,66,636. Assessment of the taluq has not been revised since 1899 and it is lower than the adjoining taluqs.

Total indebtedness of the Buldana District in 1929 was Rs. 3,67,11,584—(*vide* C. P. Banking Committee Report). Mehkar being one of the five taluqs its share may be taken as one-fifth of the amount. Thus the indebtedness of the taluq in 1929 may have been approximately Rs. 73,42,317.

Ever since 1929 the crops have not been very satisfactory and the condition of the agriculturists has been deteriorating. Indebtedness may easily have risen by about 40 per cent. to 50 per cent. and it may have been in the neighbourhood of about Rs. 1,10,00,000 when this Board was established in June 1934.

The Procedure:—On the date of the hearing the creditors submit their written statement. They are orally examined when necessary to explain the statement. After this formality the Board proceed with the work of settlement. The Board calculated simple interest at 6 per cent. on old consideration and at 9 per cent. on cash consideration by कटमिती. After this calculation the definite figure is fixed. It was the general policy of the Board to settle as far as possible secured claims by transfer of land. The land so transferred was generally valued at hundred times the land revenue or Rs. 100 per acre. These lands were given in the possession of the creditor the very day the settlement was made. If the field was to be partitioned, the general custom was that the debtor was to make partition and the creditor had the option of the choice. The trees were transferred in the same proportion according to the share in the field. The standing crops also were transferred on the same understanding. Special prices were given when there was a well and orchard or mango grown in the field. This procedure facilitated the settlement as the creditors and the debtors had almost the correct idea of the lines on which the settlement would be effected. In secured debts where foreclosure was the condition, it was the general practice to transfer from half to three-fourths of the property in accordance with the terms of contract and the nature of transactions. From the above it will be seen how the Board could successfully settle the secured debts whose percentage was about 45. In cases of unsecured debts generally, 10 instalments were fixed without interest.

Co-operative Debts:—Under the Act these debts cannot be conciliated without the previous sanction of the Registrar. The attitude of the Bank and the Department was favourable to the debtors and so a good number of settlements could take place. These debts though settled by instalment carry 9 per cent. interest without

any reduction in the amount claimed. This preferential treatment caused severe discontent and heart-burning amongst the creditors and Society members. The Departments and the Central Bank will be well advised to reduce the rates of interest paid to the depositor. In some cases the debtors were willing to clear of Society account by transfer of land but the society was not ready for such settlement . In such cases heavy instalments had to be fixed. We think that the members will find it hard to meet their obligation regularly and timely. It would be better if the societies changed their policy and get their claims fully settled by trnasfer of land wherever necessary.

Progress of work and results achieved:—There was no need to make any efforts to get application for conciliation. People were only waiting for the Board to open.

In all 3,457 applications involving Rs. 53,03,752, including 396 applications involving Rs. 4,38,104 from the creditors, were received by the Board. The figures do not include Government dues such as arrears of land revenue, Taccavi, etc. Of these 1,254 applications were for claims below Rs. 500, 1,977 for claims from Rs. 501 to Rs. 5,000, 173 from Rs. 5,001 to Rs. 15,000 and only 31 above Rs. 15,000.

Total area of land possessed by debtors who came to the Board was 90,319 acres with Rs. 67,360 as land revenue. Average debt per debtor was Rs. 1,478 and the incidence of indebtedness per acre of land was Rs. 59 and 78 times per rupee of land revenue. After conciliation pressure of debt per acre has been reduced to Rs. 31 and Rs. 39 per rupee of land revenue. Classification of the total debt is as under:—43 per cent was mortgaged debt; 19 per cent. decretal debt; 5 per cent. co-operative debt and 33 per cent. simple debt.

Under the Debt Conciliation Act we have absolutely no control on the co-operative debt, practically no control over mortgaged debt and very limited control over decretal debt. A decree-holder, unless he comes under 40 per cent rule as laid down in Section 12 of the Act, is not much affected by a certificate under Section 15 (1) of the Act.

Our task was not easy and we had to go cautiously. The idea of reducing the claims, accepting repayments by easy instalments without interest, was quite foreign to the creditors. Much time had to be spent in explaining to the creditors the circumstances and the plight of the agriculturists and the likely effect in case they insisted on their legal and not reasonable dues. Progress of work was slow. With great difficulty we could settle one or two cases a day in the beginning. Gradually, the creditors came round to our view and progress was more rapid.

In all we settled 2,461 cases involving Rs. 3,819,733 for Rs. 26,55, 622. The figure of remission is no doubt low as compared with C. P. figures. But this is mainly due to the peculiar conditions obtaining in Berar such as land tenure and the fact that majority of debts are secured ones. 44 per cent. of the debt settled was mortgaged debt. 1,994 cases were settled by fixing instalments, 277 cases by transfer of land and 370 cases were settled partly by land transfer and partly by fixing instalments. 8,491 acres of land were transferred for Rs. 8,35,158 and agreements were executed for Rs. 18,20,469.

Remission of 33.5 per cent. of the debts secured by the Board may not appear large but considering the immunity enjoyed by secured creditors, whose claims came up to two-thirds of the total claims settled, the remission cannot be said to be unsatisfactory. We are satisfied that honest debtors got all the relief they required and in no case the cordial relations between the parties were disturbed.

Moreover of the 3,457 debtors who came to us as many as 1,997 were over head and ears in debt and the liabilities of 1,695 persons exceeded the total assets by about 50 per cent. Instalments were well within the paying capacity of the debtors and worked out 5 to 6 times the land revenue.

Dismissed cases :—739 applications involving Rs. 13,37,766 had to be dismissed under Section 7 of the Debt Conciliation Act. The amount and the number of applications dismissed appear large. 278 applications involving Rs. 3,35,048 were dismissed as the debtors remained absent, 93 as applicants had no land, 11 as applicants were adjudicated as insolvents, 49 as their chief creditors were Societies under liquidation and 25 due to over-indebtedness.

283 applications involving Rs. 6,34,052 were dismissed due to obstinacy on the part of the debtors. The debtors despite all efforts remained obdurate and did not agree to any reasonable proposals. In many cases mortgage decree (for closure) had been passed and though the creditors, were willing to leave from one-fourth to one-third of the mortgaged land the debtor in our opinion foolishly refused the offers. They cannot possibly pay the decretal amounts and are sure to lose the entire land.

It is rather unfortunate that out of 739 cases as many as 561 applications involving Rs. 9,69,101 had to be dismissed either for the non-appearance of debtors or for their unwillingness to agree to any reasonable proposal. Under the Act we have no power to compel a debtor to agree to our proposal though it may be in his interest.

77 cases involving Rs. 77,956 were dismissed under section 14 owing to unreasonable attitude on the part of the creditors. In all 164 certificates involving Rs. 1,24,479 were issued against creditors in 142 cases.

Creditors :—The chief classes of creditors were Kunbis, Marwadis and Saojis. There were also a few Brahmins and Mohamedan creditors. Barring a few creditors the attitude of the majority of them was not hostile to the debt conciliation measure. Settlement of cases of some pleaders and educated Savcars of the town made an impression on other creditors. The local bar also did not do anything to hamper our work; on the contrary their attitude was helpful. Creditors also realised the hard times the peasantry was passing through, and generally were inclined to settle their claim on reasonable terms. Their main grievance was that while the Board was reducing their claims and stopping future interest, no such arrangement was made for their own debts and that their creditors would not make any allowance for their loss and would recover their sums with full interest. The creditors also did not like co-operative societies' claims getting preferential treatment.

The main reasons which weighed with the creditors in agreeing to our proposals were :—(1) Recovery of instalments fixed by us as arrears of land revenue and creation of charge on property till repayment of the instalments. (2) Delay caused in recovering through execution proceedings. (3) Granting instalments by Civil Courts to debtors. (4) Settlement of cases by land transfer whereby creditors got immediate possession. (5) Recent legislation passed to protect the agriculturists.

Debtors :—The debtors were mostly Kunbis. Out of 3,457 debtors about 3,033 were Kunbis, 202 Harijans, 186 Mohamedans, 87 Marwaris, 155 Brahmins and about 32 Saojis.

As mentioned before, out of 312 inhabited villages, applications were received from about 290 villages.

The main causes of indebtedness were :—(1) Passing of the Sarda Act which led to numerous child marriages. (2) Continued bad harvest from 1929 combined with fall in prices and consequent accumulation of interest charges. (3) Tendency to purchase fields under the law of presumption.

Generally debtors were unwilling to part with land; in settling big mortgage cases transfer of land was unavoidable, but good deal of persuasion was required before debtors agreed to this kind of settlement. No creditor was willing to take inferior land of debtor leaving good land in his possession and a debtor would not agree to part with his good land.

Even then 8,491 acres of land were transferred for Rs. 3,35,153. Generally land was transferred at Rs. 100 per acre. Debtors were given the option of partitioning the land and creditors were asked to pick up their share.

We wish more persons had agreed to settle their debts by land transfer as in our opinion those who have done so have been free and if they maintain themselves without borrowing they have nothing to worry about. They are likely to be better off than those who have agreed to pay instalments. Instalments are like the sword of Damocloses but the optimism of debtors in regard to payment of instalment is unshakable and blinds them to the hard realities of the life of an agriculturist. Of the 2,364 debtors, who have agreed to pay instalments we think at least about 75 per cent. will be able to pay their instalments provided they are not singularly unlucky and the years are normal.

Effect of the Act on Rural Credit :—There are many critics of the measure whose main objection to it is based on the supposition that agriculturists would lose all their credit and so would be seriously hampered in borrowing money for current needs and consequently land and cultivation would deteriorate.

We have made careful enquiries from a number of creditors and debtors on this point. We do not think that any appreciable number of those who come to the Board had any credit left in their villages or round about. They had exhausted all their credit. We have reasons to believe that debtors who approached us were prepared for this contingency. We do not believe that easy credit is an unmixed blessing. Our scrutiny of the debts has convinced us that a very small proportion of the debts incurred was taken for purely agricultural purposes. So if there is a little shrinkage of credit, none should feel alarmed at it. People will be compelled to economise and save for current agricultural needs. Our considered opinion therefore is that far from affecting agriculturists adversely, the Debt Conciliation Act has given a great relief to them. Even those unfortunate persons whose cases could not be conciliated got a sort of a moratorium of about 2 years during which period they were free from all harrassment of their creditors. Moreover the establishment of a Board gave a great stimulus to private settlement. Creditors themselves amicably settled their claims. We have no statistics of this outside settlement but we understand quite a number of cases have thus been settled.

Whether all persons whose cases have been settled by us fixing instalments will be able to pay them up in future years or not, none can foretell. The Board has attempted to bring their debts within their paying capacity and if they get normal harvest there is no reason why they should not be able to pay the instalments fixed. The total amount of yearly instalment is less than even 6 per cent. interest payable on the amount conciliated and works out at about 9 per cent. on the total amount payable under agreements by instalments. Thus where a debtor was required to pay average 13 per cent interest charge alone, he will now be able to repay principal as well as interest under instalment scheme by paying the instalments fixed which works out at 9 per cent. of the total sum of Rs. 18,20,469 under agreement. The pressure of the debt has been considerably reduced and there is no fear of interest swelling up the debts. The only adverse effect on rural credit is that perhaps now creditors are not unwilling to advance loans without double the security and insist on a mortgage or a conditional sale deed in every case.

Land Mortgage Bank:—Only 7 applications were settled through the Land Mortgage Bank. Despite our efforts debtor could not take advantage of the Land Mortgage Bank. Majority of debtors did not possess enough land to obtain loan from the Bank, sufficient to repay their debts. The hope entertained that Land Mortgage Bank will be of great help to the Board in settling the cases has not been fulfilled.

General:—We received applications for debts between Rs. 150 to Rs. 25,000. Persons who owed less than Rs. 150 or more than Rs. 25,000 could not take advantage of the Act. Apart from these there were many even within these limits who did not think it expedient to come to us, as filing an application before a Debt Conciliation Board was considered equivalent to going to an insolvency court. However we presume that all those who stood in need of relief came to us and we are glad to note that most of those who came to us were able to get substantial relief.

It is interesting to note that persons who were very heavily indebted and had a large number of creditors were able to strike the best bargains. In one case a debtor possessed only 4 acres of land and had about 15 to 16 creditors including a mortgage creditor and his debts amounted to Rs. 10,000. All the creditors agreed to divide 2.20 acres land among themselves and left 1.20 acres to the debtor.

Many big families were saved from utter ruin. To quote only one instance we only mention the case of the heirs of one Govindappa of Janephal. They possessed 900 acres land and their liabilities amounted to about Rs. 75,000. Three brothers separately applied to us. We came across some instances where debtors with a view to defraud their creditors had made fraudulent transfers or executed bogus mortgage deeds. Such cases were very difficult to settle as more often than not altogether free from blame. They generally would not show full repayments and admitted them only when receipts were produced. Many creditors never issued any receipts.

With the passing of the Money-lenders Act debtors will have a more fair deal.

Board Members:—Out of the 8 members of the Board, 4 were creditors in a number of cases. They readily agreed to conciliate; their attitude served as an example to other creditors. There was never any difficulty of quorum. The Board met 559 days excluding Sundays and other holidays. Two spent motor hire from their pocket and attended the Board at great personal inconvenience to themselves. The whole Board worked as a team and there was never any discordant note and there was no need to exercise casting vote. As there were 3 members from the Mehkar town difficulty of quorum did not arise. The relations of the members with the Chairman were very cordial. The success of this Board is mainly due to Mr. Kher, the Chairman. He showed wonderful patience, calmness and tact in handling the cases. It will be no exaggeration to say, that he displeased none (creditors or debtors) by his decisions.

INDIAN LEGISLATIVE ASSEMBLY

INDEBTEDNESS OF AGRICULTURISTS

Resolution moved and adopted on 24th September, 1936.

Mr. N. C. Chunder (Calcutta) moved:

"That this Assembly recommends to the Governor-General in Council to appoint a Committee consisting of both official and non-official members, with non-official majority, to enquire into the question of indebtedness of agriculturists of the whole of India dealing particularly with the following points:—

(1) to find out:

(*i*) the approximate total debt.

(*ii*) the area of land which has passed from the hands of the agriculturists to money-lenders.

(*iii*) the area of land mortgaged with money-lenders at present.

(2) to enquire and report on the remedies and provisions of law up till now legislated in different provinces for their amelioration and what results have been achieved by such measures in different provinces.

This Assembly further recommends to the Governor-General in Council that the said Committee be authorised to incorporate in its report the ways and means and provisions of laws by which the interests of the agriculturists could be fully safeguarded and thereby extricate them from their present miserable plight."

I think the House will concede that these are matters of more than local or provincial importance and these are matters which should be dealt with by a committee considering the question of rural indebtedness as a whole.. This problem of agricultural indebtedness, which is itself of very great importance, was never dealt with by any committee sitting to consider the question of agricultural indebtedness quite exclusively.

Then, sir, coming to the exact extent of agricultural indebtedness, the difficulty has been that the subject has been hitherto treated only incidentally or as an auxiliary to some other and bigger problem, and it is impossible to ascertain what is the real extent of agricultural indebtedness, and we can only go by estimates which have been formed of such indebtedness. In 1911, Sir Edward Maclagan basing his estimate on Nicholson's estimate for Madras calculated the total for British India to be about Rs. 300 crores, but that estimate on the face of it could not be a correct one for the simple reason that Nicholson's estimate even with regard to Madras could not in 1911 be accurate, because it was made so long ago as 1885. The Agricultural Commission gave no estimate of the total indebtedness, though they also incidentally dealt with this question of total indebtedness. The Banking Enquiry Committees have given somewhat more comprehensive estimates. These have been collected in a little brochure published by Mr. Nalini Ranjan Sircar called the "Problem of Agricultural Indebtedness," in which he has appended a table. These estimates were taken in the year 1929 or thereabouts, and since then there has been a fall in the prices of foodstuffs. The burden of debt is undoubtedly much more crushing at the present time. According to Sir M. Viseswarayya the agricultural population has a debt variously estimated at, between Rs. 800 crores, and Rs. 1,200 crores. The actual debt is probably not under Rs. 950 crores, or say Rs. 50 per head of the total agricultural population. I may say here that according to this learned author the annual income of British India from agriculture is estimated at Rs. 1,568 crores, which gives an average return of Rs. 60.3 per acre of cultivated crops, including irrigated crops and Rs. 59 per head of the total population. But the seriousness of the debt lies not so much in its volume, because there are other countries where also the agricultural indebtedness in volume is not very different from the debt in this country, but in its rate of growth.

A very great quantity of land must have passed out of the hands of the agriculturists to non-agriculturists, I mean the ownership or proprietorship of the land, though the occupany might be in the agriculturist now a serf. It was the policy and it is still the policy of the British Government not to restrain transfer but to encourage it.

The Hon'ble Sir Henry Craik: No, no.

Mr. N. C. Chunder: The Hon'ble Sir Henry Craik comes from the Punjab and no doubt he will say that very early in this century, the Punjab had its Land Alienation Act. But allow me to tell him that the Punjab Land Alienation Act was more a political measure than an economic one.

The Hon'ble Sir Henry Craik: No, no, I do not agree.

Mr. N. Chunder: Well, sir, I will refer him to the debate on the Punjab Land Alienation Act. This was what Sir Charles Rivaz said:

> "The sole and entire object of the measure which I have been explaining is, while affording ample facilities and a sufficient market for unobjectionable transfers, to arrest the further progress of this mischief, and to check, by remedial action, an ever-increasing political danger."

The Hon'ble Sir Henry Craik: Is not that an economic object?

Mr. N. C. Chunder: Now, sir, the Hon'ble Mr. Tupper, after the Bill had come back from the Select Committee, said this:

> "The reasons for adding to the already existing restrictions on the transfer of agricultural land in Punjab are both political and economic. While I admit the force of the economic reasons, which have been fully explained to-day by the Hon'ble Member in charge of the Bill and by the Hon'ble Nawab Muhammad Hayat Khan, I wish to say that it is the political reasons which have most strongly influenced my judgment in this important matter."

I do not say that Government have not done anything in this matter, in the provinces. A brochure published by the Indian National Congress sets out the various remedial measures which have been adopted by the Central Provinces Government, and not the least of them is the Debt Conciliation Act. With regard to Bengal also, the Bengal Moneylenders Act which was passed by the Bengal Legislative Council in 1933 and the Bengal Agricultural Debtors Act of 1935 are meant to relieve agricultural indebtedness and the distress caused by agricultural indebtedness. But it is not enough that each province should be left to take care of its own agricultural indebtedness. It is, as I have submitted, an all-India question. I am reminded that agriculture is a transferred subject. So are roads, but does my Honourable friend suggest that the Central Advisory Board for Roads should be abolished? Does my Honourable friend suggest that the problem of road transport should not be dealt with as an all-India question? Similarly take the case of agriculture. It is a matter of all-India importance, but apart from that, when the Banking Enquiry Committee met, when the Royal Commission on Agriculture met, since then much water has flown down the Sutlej, the Jumna and the Thames. Even in England, nowadays, it is admitted that the doctrine of *laissez-faire* would not do.

In the British Dominions attempts are being made to deal with this problem of agricultural indebtedness as a national problem, and I cannot understand why in India it should not be dealt with as an all-India problem.

Dr. F. X. DeSouza (Nominated Non-Official) moved:

"That for the original Resolution, the following be substituted:

> 'That this Assembly recommends to the Governor-General in Council to take immediate action on the recommendations of the Royal Commission on Agriculture, the Banking Enquiry Committee and the Civil Justice Committee for relieving agricultural indebtedness in India and for that purpose to appoint a Special Officer with three non-official advisers to suggest measures in consultation with Local Governments on the lines of those recommendations.'"

Why I have sent in my amendment is that I have to join issue with regard to machinery which the mover proposes to bring into play for the purpose of giving effect to his conclusions. During the last six years, the Royal Commission on Agriculture presided over by the present Viceroy of India, the Civil Justice Committee presided over by that eminent jurist Chief Justice Rankin, on which I had the honour to serve as a member, and the Banking Enquiry Committee which reported in 1931 have exhaustively inquired into the subject-matter of this Resolution. I cannot accept the view of Mr. Chunder when he said that the subject of agricultural indebtedness was not directly in issue in the inquiry of those committees. If he glances at the report of the Banking Inquiry Committee he will find that three elaborate chapters have been devoted to the enquiry as to the extent of the agricultural indebtedness, as to the best means of relieving that indebtedness and as to the failure of the steps hitherto taken for the purpose of alleviating the indebtedness. I think, therefore, it is unnecessary in my humble opinion to start another inquiry or to set up another commission for the same purpose.

When I went through the Report of the Agricultural Commission the other day and also that of the Banking Enquiry Committee's Report and endeavoured to find out what steps have been taken by the Government, I found very little indeed had been done to carry out those recommendations. It is said that it is the duty of the Local Governments. It is not open to the Government thus to transfer their responsibilities under this head to Local Governments. Why then do the Government of India appoint these commissions? Why does this Assembly sanction such large amounts for these commissions, which, though bearing on a transferred subject, have an all-India importance?

Sir Girja Shankar Bajpai (Government of India): I can say this, that the subject was most comprehensively and competently examined by the Banking Enquiry Committee. The Government of India convened in 1934 a committee of provincial representatives, Finance Members and others, to examine primarily this one question of rural indebtedness, and I hope to show to the House, by way of recital of what action has been taken by the Local Governments as a result of the impetus and impulse given by this Conference in 1934, a great deal has been done to tackle the problem. Of course, perfection may not have been achieved, but at any rate a great measure of success has been achieved and a good deal of headway made towards the solution of this problem.

It may be, and probably is true, that since 1931 the burden of indebtedness has increased; but, as against that you have to bear in mind two considerations: first, to the extent that the burden of that indebtedness may have increased because of the agricultural depression and the consequent need for borrowing by the cultivator in order to enable him to pay the Government demand, Governments in the Provinces have adopted a liberal policy of suspensions and remissions of revenue. And the second consideration to be borne in mind is that the machinery which has been created by Local Governments in order to adjust indebtedness and scale it down, whether on a voluntary or obligatory basis and the fixation of rates for the future have helped to alleviate or remedy it. But the main point which I wish to make in regard to that is this: It is not any great practical importance to know by what percentage or by what absolute amount the burden of indebtedness as it existed in 1931 has changed since; the practical question of importance is whether machinery exists for the purpose of determining the amount of debt and also suggesting ways and means as to how it is to be discharged. I hope my friends will wait for the promised recital of what has been done in that direction by Local Governments before they make up their minds as to whether this part of the investigation is necessary.

The Deccan Agricultural Riots Commission—as the mover told us—had found the task of ascertaining the extent to which such transfers had taken place difficult. I submit that the difficulties of 1884 have not vanished merely by the passage of time; and what I feel in regard to this particular suggestion is that the investigation proposed is both cumbrous and unnecessary,—cumbrous because it is likely to be prolonged and it is likely to prove extremely expensive prolonged possibly to this extent that by the time it is finished the agriculturist may be finished too unless something is done in the meanwhile to save him, unnecessary for this reason that, unless the idea is, as a result of these investigations to impose restrictions on the transfer of agricultural land, restrictions which according to the latest and highest authority would tend to restrict the volume of credit that may be available to the cultivator, I doubt whether the results following from these investigations would be of much value.

The Banking Enquiry Committee placed first in order of their remedies the pursuit of a vigorous policy of debt conciliation on a voluntary basis by Local Governments. Their second recommendation was that as a complement to this, provision shall be made for the fixation of instalments in which repayments shall be made, as also fixation of rates of interest, on the amounts assessed, as due for repayment. Their third recommendation was in regard to the provision of facilities for repayment. We have heard one or two Agricultural Debt Conciliation Acts mentioned. Actually, the number is considerably more than that. I can only give the House an idea of the number of provinces in which such legislation has been accomplished There is the Madras Debt Conciliation Act, 1936, the Bengal Relief of Indebtedness Bill is under consideration as a result of the special enquiry made by the Economic Enquiry Committee appointed by the Government of Bengal. Only the other day in the Bombay Legislative Council the Bombay Government agreed to the principle of a private Bill on the subject, which has been referred to a Select Committee. Honourable Members are aware that in the United Provinces, Government itself has assumed responsibility under certain circumstances for the repayment of determined debts.

The main recommendation of the Banking Enquiry Committee was the multiplication of Co-operative Land Mortgage Banks. What is the record in regard to that? The Madras Co-operative Land Mortgage Bank Act, 1934, aims at the provision of Banks for that purpose. In Bombay recently the Local Government have

agreed for the establishment of a Central Land Mortgage Bank guaranteeing debentures for the Bank up to Rs. 50 lakhs. Then the Bengal Government have agreed to the establishment of Land Mortgage Banks in selected areas. In the Central Provinces and Berar, ten banks have already been established.

On the control of moneylenders, there have been no less than five Acts passed in the course of the last few years: the Madras Debtors Protection Act, 1934, the Bengal Moneylenders Act, 1933, the Punjab Regulation of Accounts Act, 1930, the Central Provinces Moneylenders Act, 1934, and the Burma Moneylenders Act, 1934.

As regards rates of interest Madras found the rates of interest varied from 12 to 35 per cent, or even 48 per cent, Bombay 12 to 25 per cent, Bengal 10 to 37½ per cent minimum, and maximum 37½ per cent to 300 per cent. In United Provinces, 7½ per cent urban to 19 to 37½ per cent rural. In the Punjab 6 per cent to 12 per cent on secured land loans, and no limit as regards unsecured loans. In Central Provinces & Berar, 12 to 24 per cent, in Bihar and Orissa, 18¾ per cent to 37½ per cent, Assam 12 to 75 per cent, or an average of 37½ per cent. There again local Governments have not been inactive inasmuch as the Bengal Moneylenders Act, 1934, the United Provinces Usurious Loans Act, 1934, the Punjab Relief of Indebtedness Act, 1934, the Central Provinces Usurious Loans Amendment Act, 1934, the Assam Moneylenders Act, 1934, all deal with the question of the fixation of rates of interest. And connected with that is the question of the statutory recognition of the principle of *damdupat*; on that point also provision has been made recognising and enforcing that principle in the Madras Debt Conciliation Act, 1936, the Bengal Moneylenders Act, 1934, the Punjab Relief of Indebtedness Act, 1934, and the Central Provinces Moneylenders Act, 1934.

I have completed my recital of what has been done by the Government of India and the Local Governments whether in the field of exploration purviewed by the Resolution or the field of remedial measures. If members have followed with some attention the chronology of this legislation they will find that most of it dates back to 1934; in other words, less than two years have elapsed since the bulk of this legislation was undertaken and completed. There has not been time enough to assess the result satisfactorily of the working of this series of Acts which I have mentioned.

Further, Honourable members ought not to forget the constitutional position. The representatives of the provinces who met in 1934 laid great stress upon recognising the correct source of authority and power for dealing with these questions. I shall read two extracts from the Finance Department Resolution dealing with this subject. First as regards legislation and other remedial action: That was what the conference said:

> "The general view of the conference was that the diversity of the agricultural classes in India was so great, both in respect of land tenures and general economic status, that any legislative measures to afford relief must be primarily provincial."

Then again, speaking of land mortgage banks, an expedient or institution recommended by the Banking Inquiry Committee for the repayment of debts, specially long-term debts, this is what they said:

> "Whatever the possibilities of future development may be it is clear that the responsibility for policy as regards establishing land mortgage banks must rest with the Provincial Governments."

Sir, not only have we these authoritative pronouncements on this subject but we have another factor, a very important constitutional fact to bear in mind. We are within sight of Provincial Autonomy. In another six or seven months we will have Ministers selected from Councils elected in their turn on a very much wider and much broadened electorate.

I am not for a minute saying that the Government of India disclaim responsibility. But we must recognise the limitations of the Government of India. We must not in our zeal for solving this problem overlook the clarity of the constitutional demarcation. The point to remember is this: that the Government of India can help effectively and practically in one manner only, and that is by bringing the provinces together to discuss how events have progressed, and to devise plans for the future. The Government of India can also, because of the interest which has been shown by Honourable Members in this subject, undertake not merely to watch the situation for themselves but also to keep the House informed of the result of the reports that they may receive or call for from time to time from Local Governments. But for the rest, in so far as the convening of a conference or committee is concerned, I submit, what must have been inferred from my remarks already, that the time is not yet. We have to wait for it until the benefits or defects, as the case may be, of this volume of legislation which I have described have become manifest. Then we can either have a conference or a committee, but not yet. And one final word. The sympathy of Honourable Members opposite for the agriculturists and their interest in this problem are not open to dispute. But at the same time sympathy, if it is to be fruitful, must not be precipitated in action. It must await its own moment and when the moment strikes, the Government of India will be found ready to do their share.

Mr. P. J. Griffiths (Bengal: Nominated Official): After the very clear exposition of the general policy of the Government by Sir G. S. Bajpai, I do not propose to discuss at length the general aspects of this Resolution. I propose rather to indicate briefly how this problem of indebtedness strikes a district officer from rural Bengal and further to illustrate the position by reference to what has been done and what has been effected in my own province of Bengal. Let me say at the outset that, in spite of the suggestion made to the contrary, the sympathy of the Government and of its officers with the agriculturist is far from being nominal. It is and has been continuously real, but unlike much of the sympathy which is wasted in the modern world, the sympathy of the Government is based not on sentimentalism but on a stern appraisement of facts and on contact with realities.

The end of the Indian Civil Service may be seen, but the end of the moneylender will not be seen in our time or after it. In prosperous times we may talk loftily of the rapacious moneylender. But let there be a drought, let there be a flood—to whom does the villager go for help? Not to the Congress. He goes to the village moneylender, because the village moneylender is the only person who is on the spot and who has the means and the willingness to help him.Government does what it can, but Government is even at a greater distance than my Honourable friend, Prof. Ranga. We, therefore, have to devise some scheme, which while curbing the rapacity of the moneylender, will not destroy his existence.

The position of Government in this matter rests upon three main theses: the first of which is that a committee at this particular juncture would serve no useful purpose. We have had committees in almost every province of India during the last three years. These committees have collected and collated a great deal of information, and that information has in several provinces been embodied in legislation. Nor have the authorities stopped with legislation. They have proceeded with such practical remedial measures as conciliation boards. These conciliation boards are of comparatively recent growth and it is yet far too soon to judge. If a fresh

committee were set up, what fresh material could be placed before it? All the available material was placed before those recent committees.

In Bengal, we have approached this problem from an entirely practical standpoint. We have tried to start at the beginning and discover the causes which compel the cultivator to spend his life fettered by the chains of debt. The first fact that emerged from our enquiries was that we had two separate problems to deal with; firstly, the problem of relieving the cultivator of the present burden of debt, and, secondly, the entirely different problem of preventing him from incurring fresh debt. Strange as it may seem, these two problems are entirely distinct. They are distinct because they operate at different times and under different circumstances. It is mainly in times of prosperity that the cultivator incurs heavy additional debt. We believed—or, at any rate, I believed—that moneylending on the scale which then existed was essential to the maintenance of cultivation. That was a mistake shared by many others besides myself. It was demonstrated to be an error when the slump years came and the number of mortgages executed in Bengal per year fell by over 50 per cent. In spite of that fall in the number of mortgages executed, cultivation is still continuing. Many of us then learnt for the first time that although moneylending might be necessary, moneylending on the scale which was previously practised was not essential to the maintenance of cultivation. Past history suggests that when prosperous times again come the number of moneylending transactions will again increase. This gives rise to the suggestion that some kind of restrictions on borrowing or alternatively on land alienation may be necessary. But there are grave practical difficulties in the way of any such solution. Those who are acquainted with Bengal, those who are familiar with the Bengal Tenancy Act will know what tremendous value the ryot attaches to the transferability of his occupancy right. Suggest any modification in that right of transferability, suggest any restrictions on land alienation and in Bengal under the Permanent Settlement and under the Bengal Tenancy Act you will raise an outcry at once. The main point which I wish to make here, however, is that all kinds of restriction on borrowing, all kinds of restriction on land alienation, must primarily have some connection with the conditions of land tenure which prevail in the province concerned. It follows therefore that any legislation of this kind must be not central but provincial and must take due account of those varying conditions of land tenure.

Our next problem was how to provide relief from the existing burden of debt. Broadly speaking, if you wish to relieve the peasant of the burden of debt, there are two ways of doing it. Either you can compel him to utilise the margin of income over expenditure, if any, for the liquidation of debt, or else you can lend yourself to some system of partial repudiation or scaling down of debt. With this end in view, very careful enquiries were made in Bengal in 1934 under the aegis of that well-known statistician, Professor Mahalanobis; 6,633 villages were examined. The tenants in those villages were classified into four classes, first, the class with no debt, second, the class whose debts were less than two years' income, third, the class whose were less than four years' income and fourth the class whose debts were more than four years' income. That enquiry showed that over 17 per cent of the population of rural Bengal had debts amounting to more than four years' income. It also showed that on the average the margin of expenditure over income was Rs. 22 per annum while the average burden of debt was Rs. 182. That enquiry left no room for doubt that any system of reduction of debt by the use of the margin of income over expenditure was out of the question. We were therefore led to the conclusion that some method of scaling down debts and interest was necessary. For this purpose in 1934 Conciliation Boards were set up in the Chandpur Division of the Tipperah District. These Boards were purely voluntary and the first step was to shew Mahajans and debtors alike that it was to their common interest to bring their cases to these Boards and arrive at an amicable settlement. It may sound strange to certain Members of this House that moneylenders, that hated class of people, should have been willing to accept an amicable settlement and reduction of debt; but figures speak for themselves and I would ask the careful attention of Members of this House to the very remarkable figures which were obtained in one sub-division of one district of Bengal as the result of 18 months' work. 11,000 cases were brought up in that sub-division. The total amount involved was Rs. 19 lakhs and up-to-date of receipt of this report 5,000 cases had been disposed of, involving claims of Rs. 11 lakhs. These claims had been scaled down by the consent of the *mahajans*—by joint amicable settlement—from Rs. 11 lakhs to Rs. 7 lakhs—and of that Rs. 7 lakhs, Rs. 5 lakhs had been paid. What is the net result? Of the total debt of Rs. 11 lakhs only Rs. 2 lakhs are now pressing like a millstone round the neck of the cultivator. A reduction from Rs. 11 lakhs to Rs. 2 lakhs is no small achievement. It was in the light of this experience that in 1936 the Government of Bengal introduced and passed the Bengal Agricultural Indebtedness Act. The object of that Act is to provide for the setting up of two types of conciliation boards. First and foremost there are the voluntary boards which will act along the same lines as the other Conciliation Boards, and, secondly, for those obstinate cases where the *mahajans* refuse to listen to reason or where the debtors refuse to listen to reason, there remain the compulsory Conciliation Boards. The time at my disposal prevents me from narrating what has already been done by these boards. I have received to-day a letter from the Collector of Mymensingh in which he says that 21 boards have now been established. 61 are in process of establishment and that by the end of this month it is expected to have 200 Debt Settlement Boards which will cover one-third of the district. He adds that there is great enthusiasm in the district in connection with the activities of these boards.

I submit that Provincial Governments have shown by these activities that they are fully alive to the importance of this problem and thery are taking every possible step to deal with it and at this juncture when these activities are in their early days, it would be unwise, it would be unsound for the Central Legislature to interfere in the matter.

Mr. M. L. Darling (Government of India: Nominated Official). **Sir, the first** point I wish to make is this, that I do not propose to speak so much as an official as an humble student of rural economics. This subject of agricultural debt I have studied now for the inside of twenty years and though my studies have been mainly concerned with the Punjab, they have necessarily compelled me to travel beyond the confines of my province, and I have fortunately been able to do this to some little practical effect through the opportunity given me a year or two ago by the Government of India to travel all over India and Burma and see village life in all parts of this great empire.

A point that struck me in studying this question is that the problem is not entirely a provincial one. Every province, no doubt, has its particular circumstances and its particular conditions of land tenure and customs and so on, but there are certain general considerations which seem to apply, very broadly, to the whole of India. If I venture to make this claim it is because, firstly, the Royal Commission on Agriculture said that certain conclusions which I had reached and which were published many years ago applied far beyond the Punjab, and also because when I went round India a year or two ago I found amongst those competent to judge a general agreement as to the fundamental causes of debt, and even, I think, as to what remedies can be applied to the problem.

I propose first of all to look at the question from the point of view of the Punjab and to tell you what is happening in my own province. As a result of the fall in prices, credit was restricted to such an extent that people began to speak of a rupee famine. This process has been still further accentuated by the legislation which has been passed in the province in the last two years of which Sir G. S. Bajapai gave you some account. The effect of this legislation is this: The land of a statutory agriculturist cannot be sold in execution of a money decree. The most that the decree-holder can do is to apply for temporary alienation of the judgment debtor's land for not more than 20 years, and even then provision has first to be made for the maintenance of the judgment-debtor and his family; and in the case of small holders where the average holding varies from 5 to 15 acres, it can be readily understood that this does not usually leave much over for the decree-holder. Further if he is sued, the interest charges can be examined and if they are found to be excessive they can be reduced. In this connection, one of the legislative changes recently made has been to make certain provisions of the Usurious Loans Act mandatory and to fix rates of interest which may be deemed to be excessive. In the case of secured debts the rate for compound interest is 9 per cent per annum and for simple interest 12 per cent. In the case of unsecured debts the rate is 18¾ per cent. Further, when a cultivator dies, his ancestral land is not liable for the payment of his debts and he is also not liable to arrest. I think the House will agree that that puts the cultivator in a very strong position vis-a-vis the moneylender, so strong, in fact, that the Punjab Government is now definitely of opinion that no further legislation should be undertaken until creditor and debtor have been given time to adjust themselves to the new position.

The member who spoke in favour of the second Resolution paid me the compliment which one does not always appreciate. He quoted a passage indicating that the moneylender was in a tremendously strong position. That was the case 30 to 40 years ago, but now the pendulum has swung almost completely back to the position which we found existing in the province 80 years ago when it came under our administration.

The agriculturist moneylender has certain advantages under the new legislation as against the professional moneylender, and it remains to be seen what will be the effect of this. All one can say at present is that he is tending to replace the professional moneylender and that is one of the less satisfactory features of the legislation that had been passed.

Then, as to repayment, inquiries that I have made very recently from various members of the Co-operative Department who are in close touch with the village life throughout the Punjab leave no room for doubt that a certain amount of old debt is being automatically paid off or settled as a result of the economic disabilities of the cultivator. All my informants, with perhaps one or two exceptions, agree that the amount of debt repaid in this way is appreciable, and in the Canal Colonies it is said that the process is proceeding rapidly. Though the position of the cultivator has steadily deteriorated economically as a result of the fall in prices, from the point of view of agricultural debt if any deterioration has occurred at all, it is nothing like as great as some members' speeches suggest may have been the case. My own view is that in some ways he has gained by the fall in prices. He has been compelled to reduce his expenditure within reasonable limits and to consider the difference between necessary and extravagant expenditure, between productive and unproductive expenditure. Further, so far as debt is concerned, he has so far had the last word. It is he who has declared the moratorium which so many legislators have wished Government to declare on his behalf. I believe that if one were to examine the conditions of village life all over India, one would find that in the last five or six years, through force of circumstances, comparatively little debt has been repaid apart from settlements. In the Punjab at least, there has been a partial moratorium.

Now, I come to the question whether we are going to gain anything by further enquiries. The Mover of the Resolution started by a reference to Sir Frederick Nicholson's monumental report, a report in two larger volumes which is still worth study. But if all the reports published since then were to be piled up in front of me here you would hardly see me, and we shall be only the worse for adding to them. Moreover the salient features of this question of debt are sufficiently well known. For example, no one doubts that debt in this country is very large: the exact figure people may dispute, but no one can possibly question that in terms of the resources of the country, it is excessive. At the same time in saying that I would like to remind the House that the same may be said of a dozen or twenty other countries in the world at the present moment. I could mention several of them, but as the time at my disposal is short, I will mention a single case only, the case of Italy. I take that because economic conditions in Italy are in some respects not very different from those in this country; particularly Southern Italy. I find from a statement made in the Chamber of Deputies in 1933 that a rural population of 17 millions was carrying a debt of 224 crores. Compare with that of the Punjab, which with a population of 15 millions carried about then a debt of Rs. 140 crores. Further, it is well known that very few agriculturists in this country are out of debt, that debt to a very large extent is unproductive, that interest rates are high and that credit is greatly restricted—all these things are now within the full knowledge of every one of us who is interested in this difficult and complex subject, and even the causes of debt are no longer much in dispute. There is only one point which can still be regarded as a matter of controversy, and that is the question of debt legislation about which my Honourable friend Sir G. S. Bajpai, gave you a detailed account. To me personally it is a question whether this legislation is going to work for the benefit or for the disadvantage of the cultivator. Myself, I have always doubted whether this was the best way of dealing with the question, and I am fortified in that view by the opinion expressed by the Bombay Banking Enquiry Committee which I think, wrote in their Report that the more the moneylender is restrained by law, the worse the borrower fares. At the same time I am bound to admit that extraordinary times such as we have been passing through require extraordinary remedies and it was probably wise in the circumstances to make experiments with different forms of legislation which 20 or 30 years ago, we should, most of us, have agreed savoured more of mediæval than of modern times. But at the same time as Sir G. S. Bajapai, pointed out, the time for examining the effects of this legislation has not yet arrived. Most of these laws have been passed in the last year or two, and it takes a good many years before the full effect of the legislation can be ascertained. For example, there is the Regulation of Accounts Act which was passed in the Punjab in 1930, it is still a question whether that Act is going to be effective or remain a dead letter. I would, therefore, very strongly deprecate having an enquiry on that ground; and as to other grounds, as I have already stated, the general features of the problem are so well known that I do not think myself that we are going to get much further forward with it by having another enquiry. In fact, I would go further and say that another enquiry at the present moment might be an obstacle to progress because every one then would begin to postpone further action until the results of the enquiry were known.

Now I come to the most vital aspect of the question that is the question of remedies. As a result of all the enquiries that have been made in the last 10 or 15 years,

a large number of experiments are now being made in different parts of India. Madras, for instance, leads in the field of Land Mortgage Banks, the Central Provinces leads in the field of conciliation Boards, and I think I may claim that my own Province, the Punjab, leads in the field of Consolidation of holdings. Now, all these three experiments seem to me definitely helpful and hopeful. Other experiments that are being made, such as the limitation of interest and the intensive restriction of credit are in my view much less hopeful. Madras with 70 Mortgage Banks is now showing that it is possible to lend money at six per cent to people who are using it to repay their old debts and who may be counted upon in the large majority of cases, to repay their loans punctually. That is an experiment and Madras has launched it so successfully that, in their case at least, it has almost emerged from the experimental stage. This example is being followed, I am glad to say, in almost every other province in India. I can speak with certainty in regard to the Central Provinces, Bombay, Bengal and the United Provinces. In my own province, the Punjab, which was the first in the field, I am sorry to say that we are finding it very difficult to make any progress because of a piece of legislation which was passed thirty years ago—the Land Alienation Act. The Land Alienation Act was mentioned in the House to-day as being a political measure. Whatever it was in its origin, there is no doubt whatever that it remains on the Statute book as one of the most important economic measures passed in our Province. At the same time though it has undoubtedly done great good, like every other law, it has its defects, and one of its defects is that it is making the working of Mortgage Banks extremely difficult. However, that is by the way. For India generally Mortgage Banks present a hopeful line of advance.

As to Conciliation Boards in the Central Provinces, according to a report which I received to-day, last year they reduced debt by 42 per cent. This agrees very closely with the figures given us by Mr. Griffiths, which accordingly to a rapid calculation that I have made, show a reduction of 36 per cent. This agrees too pretty closely with the figures for a Board which the Punjab Government have set up in Panipat, which show a reduction of 39 per cent. It looks as if these Conciliation Boards would be able to reduce debts anyhow on paper, by something in the neighbourhood of 40 per cent. If they can do that, I think this House will agree that that will be a very useful measure of agricultural relief. In the Central Provinces, they have succeeded to such an extent that 28 Boards have now been set up. In my own Province we have not been quite so quick to move as in Central Provinces, and so far we have set up five Boards only. But I have no doubt that if we achieve the success that has been achieved in Central Provinces, we shall multiply their number. But one has to remember that in the Punjab at least—I do not know what the figures are in other provinces,—the cost per Board is Rs. 12,000 a year, and that a Board cannot be expected to operate usefully in an area larger than a tahsil, and in the Punjab we have about 120 tahsils. There comes in the question of finance which always dogs us.

Then there is consolidation of holdings, and there definitely the Punjab leads. At the same time from what I saw of the same work being done in the Central Provinces two years ago, they are not very far behind us. In the Punjab we have now consolidated about 600,000 acres. The effect of that, as one speaker pointed out, is very much to increase the cultivator's surplus.

That brings me to my last point which is this. All these measures, hopeful as they are for dealing with the immediate necessities of the case, leave the fundamental point untouched. The measures of which I have been speaking and which are, I think, hopeful as a means of dealing with an emergent situation, are definitely palliatives and leave the main problem untouched. This problem is—how are you going to make the Indian peasant a better borrower and a more punctual repayer? And the point of that question is—if you increase his standard of living, if you wipe off his debt, however much better he may be for the next five, ten or even fifteen years, in another generation his position, I hold, will be exactly the same as it was before you applied these remedies. And that is shown by past experience. These Conciliation Boards are by no means a new experiment. They have been set up before in the Central Provinces and in Bihar and Bundelkhand; and invariably, when they have not been accompanied by other measures, the net result has been that after ten, fifteen or twenty years the Indian peasant has been just as indebted as he was before. And that is why I should feel inclined to despair of this problem but for one thing, and that is the gospel of co-operation. If we had not got the Co-operative Movement among us, I should be inclined to despair of ever being able to get the Indian peasant out of debt, the reason being that the fundamental causes for his being in debt are not simply economic but very largely a matter of character, largely too a matter of the social and caste customs under which he lives, which make it impossible for him to do many things that every small holder in Europe must do if he wishes to make both ends meet and maintain a decent standard of living.

When I speak of this Co-operative Movement I claim to speak not only for the 700,000 co-operators in the Punjab but also for the 35 lakhs of co-operators in India. If any one 25 years ago had said that in the short space of a generation you would have in the Punjab 23,000 societies with 700,000 members controlling Rs. 12 or 13 crores of capital, one-third of which they own themselves, one would have been regarded as an impatient idealist. But that is the fact to-day and that is the hope for the future.

Mr. Basanta Kumar Das: Sir, in spite of what we have heard from Government Members the justification for moving this Resolution will be found from the facts I am now placing before the House. The Central Government never thought of relegating this question to the provinces when it appointed the Central Banking Enquiry Committee. And we know the Labour Commission, the Agricultural Commission and the Banking Inquiry Committee have all recommended various measures to be undertaken by the Central Government and according to them hereditary indebtedness of peasants ought to be abolished by law and that a special Rural Insolvency Act ought to be enacted. They further recommended that the Usurious Loans Act ought to be suitably amended in order to make the Courts declare any rate of interest higher than six per cent illegal and to cancel all the illegal arrears of interest. The system of granting agricultural loans or the taccavi system of advancing credit has been found to be a failure bringing misery to the agriculturists as I shall presently show. It is not too much to plead, therefore, that it ought to be radically amended. It is a legitimate demand that the Civil Procedure Code, sections 60 and 61, ought to be radically amended so as to abolish the detention and arrest of civil debtors. The proposed Bill which is now before the House does not go far enough. A minimum holding of the peasant and also a minimum quantity of grain ought to be exempt from attachment for civil decrees.

I put it to the House to consider whether the measures which have been adopted are not half-hearted and dilatory. I, therefore, assert that most of the Provincial Government have so far failed to take any timely action. Even those Governments like the Punjab, the United Provinces, Bengal and Central Provinces and Assam which have passed some legislation have taken such an unconscionably long time that most of our peasants had to lose their lands in order to meet the moneylenders' demands. Even after passing legislation, the Punjab, Bengal and also Assam have been very unwilling to render effective help to our peasants. The Central Provinces have pleaded want of funds for its failure to appoint sufficient number of Conciliation Boards. The Madras Act is perfectly useless since both the creditors and debtors have to agree upon the decision of the Board before it can be enforced. The Bombay Government has been still flirting with a Bill for the last three years. A Bill in the Assam Legislative Council is only under consideration and has been really drawn up on the lines of the Madras Act. What is most needed immediately is the declaration of a moratorium for three years. The enactment of an All-India enabling Act, to help all the provinces to fall in line and to take timely action, to amend suitably the Reserve Bank Act, the Civil Procedure Code, the Usurious Loans Act and the Insolvency Act have all become an imperative necessity. Any more delay is dangerous. To talk any longer of this question being mainly provincial is to continue to do grave injustice to the great millions of our peasants. To talk of the sympathy of the Viceroy and Government of India for peasants, while refusing to do anything substantial to relieve this great and cruel burden of indebtedness, is sheer hypocracy.

Mr. R. F. Mudie (Official: United Provinces): The province which I myself come from, the United Provinces, has probably done more than any other province. But I wish the House to consider the problem that the provinces had to solve. In 1930-31 they were faced with a situation of rural bankruptcy and most of their legislation was naturally directed to liquidating and reducing debts. For instance, the United Provinces passed six Acts. Four of these were devoted almost entirely to the liquidation of debt, and the other two to the regulation of lending in future. Just before the fall in prices the landlords' debt in the United Provinces was about 55 crores and the total value of Zamindari fees in the United Provinces were valued at about 470 crores. Even then it was estimated that between 5 and 10 per cent of the Zamindars in the United Provinces were bankrupt. As soon as prices fell landed property rose to about 12 or 15 per cent of the whole and many more were rapidly becoming bankrupt. The plight of the tenants was worse. The value of produce of the United Provinces before prices fell was over Rs. 200 crores. It fell in six months to 100 crores, and the debt of the tenants and small cultivators was practically equal to the annual produce of their fields. Probably 15, 20, or 25 per cent of the tenants must have been bankrupt. It was natural in these circumstances that the United Provinces Government and the United Provinces Legislature should concentrate on the lqiuidatoin of debt, and that was the same I think in all provinces. But I submit, as Mr. Darling has pointed out, that the real problem has not yet been faced. Mere liquidation or reduction of debt by Encumbered Estates Acts, or Conciliation Committees, or whatever other method you may employ will do no permanent good at all. In 1881 the Jhansi Encumbered Estates Act was passed and it had no permanent effect whatsoever. In 1903 another Encumbered Estates Act had to be introduced and it had to be followed by the Bundelkhand Alienation of Land Act. The real problem that Provincial Governments have now to face is not the amount of debt—if that amount had been lent productively the state of India would have been different from what it is to-day—nor is it necessarily the growth of the debt. The real problem is the nature of the debt. There are two important aspects: One is the large amount of money that is lent for unproductive purposes, and the other is the very high rate of interest charged on productive loans. In the United Provinces the Banking Enquiry Committee found that two-thirds of the debt was borrowed for unproductive purposes. In the cases of tenants and small cultivators only about one-third was unproductive, but in the case of the larger zamindars the unproductive debt was about 90 per cent. As regards the rate of interest on productive loans the rate in the Agra district, when I was there, in 1929, was over

22 per cent, I mean the average rate. The maximum was about 37½ per cent. How to curtail one kind of borrowing and at the same time encourage the flow of capital at a reasonable rate of interest into another very similar channel—that is the problem.

That is the problem and as Mr. Darling, has said, the methods of solving the problem are well known. They are co-operation, land alienation Acts, the formation of land mortgage banks and of banks dealing with short-term agricultural credit. I do not wish in any way to deprecate what has been done about the co-operative societies but I naturally take a slightly less rosy view than Mr. Darling. In his province, largely due to his efforts, co-operation has been, I understand, a very great success. In the United Provinces where conditions are different, and the land tenure is different, it has not been such a success. I would not like to put all my money on the co-operative house in the United Provinces. Another obvious remedy is a land Alienation Act. I have no time to deal with the possibilities of such an Act. The forms of restriction that will apply to one part of India will not be suitable in another. The Bundelkhand Act is based on the Punjab Act. It works fairly well in Bundelkhand but every one has agreed that though a restriction may be advisable in the United Provinces, the Bundelkhand Act cannot be transplanted verbatim across the Jumna. As regards Land Mortgage Banks, the action of Government must depend very greatly on the conditions of land tenure. Land Mortgage Banks might help a few zamindars in the United Provinces, about 300,000, but it would not touch the problem of financing the cultivation of 6 million cultivators. If you have a ryotwari settlement or a zamindari settlement as it is in the Punjab, land mortgage may be useful but it is not going to help the United Provinces. The United Provinces problem is the most difficult of all.

Solutions have been attempted in various countries. I would only recommend those Members who are interested in the subject to study what has been done in the United Kingdom by the Agricultural Credit Act, 1928, and to what has been done in Egypt by the Agricultural Credit Bank. These obvious remedies, although they may be examined by each Local Government will have to be applied in different ways by different provinces. While therefore hoping that the Resolution of this House will encourage Local Governments to examine this fundamental problem in relation to their own circumstances, I cannot support the appointment of a committee.

The Honourable Sir Henry Craik:—I do not for a moment regret that the Resolution has been moved; still less do I regret any of the speeches with which it has been supported, but I must say that the arguments in favour of the appointment of a Committee strikes me as singularly jejune and wanting in reality. Some of the speakers have really seemed to be extraordinarily ignorant of what has already been done to try and tackle the problem of rural indebtedness. They seemed to be quite unaware that provincial Legislatures have passed some twenty-five to thirty Acts on the subject during the last two years and that somewhere about twenty-five more bills are at this very moment under the consideration of provincial Legislatures. These measures deal with a number of possible solutions of the problem. All these measures have been either introduced or greatly intensified in their action within the period of the last two years. But neither the Government of India nor any Local Government is at the moment in a position to say which of these measures, taken singly or in combination, affords the best solution of the problem. But that these measures have accomplished a great deal already, I have no doubt whatever. The position seems to be now that, although there is this immense burden of debt on paper hanging round the neck of the peasant at the moment, so far as I am aware, nobody is trying to recover either

the principal or the interest with any success. The debtor is not paying because he has not got the money to pay and the creditor or the great majority of creditors are not trying to recover because they know that they cannot recover. Thus there is, in effect, what is really a moratorium. The bulk of this debt is at the moment in a sort of frozen state. I do not say for a moment that it is not a great evil because it hangs round the cultivator's neck like the old man of the sea hanging round the neck of Sindbad the Sailor. No doubt, when prices improve the creditor will again bring pressure to bear on the debtor. But at the moment the thing is mostly on paper and there cannot be the slightest doubt that the moneylender has to a great extent abated the traditional rapacity of his profession. The figures quoted by Mr. Darling are the best illustration of that that I can think of.

These various legislative measures have been introduced by Local Governments in close consultation with the Government of India. We have asked them to let us know as soon as they are in a position to do so what they consider their effect has been and to give a most careful appreciation of their effect on the debt situation. Such replies as we have received are mostly to the effect that it is still too early to give considered appreciation, but so far as the situation can be appreciated, the effect has certainly been favourable. There has been, of course, a considerable drying up of credit, but that perhaps is not a bad thing and certainly, as I have said, the moneylender is less rapacious and less insistent in his demands.

In my opinion, if such a Committee were to be appointed, it would prove not really a help but a positive embarrassment to Local Governments in their handling of these problems. Six months hence, when provincial autonomy is introduced, Local Governments would be perfectly entitled to say to a Committee appointed by the Central Government wandering round the provinces and making inquiries into what would then be purely provincial subjects. "We do not want you, kindly get out. We have already got all the information we want. We have already got our Legislature elected, mind you, on a far wider franchise than this House. We have already got our Legislature which is perfectly competent to deal with these problems. You are only getting in our way; please stand aside." I am quite confident the autonomous Provincial Governments would take that view and would consider this Committee more a hindrance than a help. Further, even if it were for the Central Government to deal with this problem—and I do not say that in certain circumstances certain remedies might not have to be applied from the Centre,—we should not want a Committee to help us to decide on such remedies. We have enormous amount of information at our disposal. We are already very well aware what the problem is and we are in a very good position without the assistance of any Committee to decide what are the best remedies to be taken if it is to be decided that there must be some remedy to be applied from the Centre. So, I submit that there is nothing to be gained by appointing a Committee. Let the House recognise that not only has the proposal so far been tackled by Local Governments but that it is at the moment being tackled by the Local Governments and that when Local Governments, a few months hence, attain complete provincial autonomy on these subjects, they will not thank us but, on the contrary, they would probably be rather unkind to any Committee that we may appoint. Therefore, let the House give its verdict, if the Honourable the Mover wishes to press his Resolution, against the appointment of a Committee.

The motion was pressed to a division and it was carried, 74 voting for, and 41 against.

CO-OPERATIVE CONFERENCES

THE FOURTH BOMBAY PRESIDENCY CO-OPERATIVE BANKS' CONFERENCE, BOMBAY

29th and 30th August, 1936

Extracts from the proceedings re: Land Mortgage Banks.

Dewan Bahadur C. M. Gandhi, in the course of his Presidential address made the following observations on long-term finance:

Among the questions that await us at this Conference there is one of long-term finance. I have my definite views in the matter. I do feel that you ought not to foster one movement at the expense of the other. The indebtedness of the presidency is very large. It is about 100 crores and whatever may be the resources of the Land Mortgage Bank, I feel that they would not be adequate to meet the needs of all people. There is one thing, why should any undue preference be given to a new body which has not worked and shown its adaptability in preference to one which is already working. It would not be safe for a Central Bank to embark upon long-term finance on a wholesale scale, but so far as its reserve fund and share capital are concerned it can finance on long terms safely. Secondly, what is the other objection. The other objection is that people working in the Central Banks have not got such capable and experienced men as the Land Mortgage Banks have in respect of long-term finance on mortgage of lands and they are likely to fail. Government at one time promised and promised definitely that in order that the scheme may be launched well, they will be prepared to give us experienced officers as Land Valuation Officers as persons qualified to decide and investigate titles for 3 years free of charge. That was a promise given by the Government even in the leaflet announcing the formation of the Land Mortgage Bank. Government definitely went back upon it and have now given as Land Valuation Officers persons who were only a few months back mere clerks in the Departmental offices. If that training is enough then certainly I have no complaint to make. But if land mortgage finance is really a difficult task then whatever may be the training of a man in the Assistant Registrar's office surely, it cannot stand in comparison with that of persons in the Co-operative Banks who have worked for years.

We want to benefit the ryots by giving them money at a comparatively low rate of interest. And hence, the Central Banks shall not advance money at a rate higher than that of the Land Mortgage Bank. There will be restrictions which nobody will grudge. Land Valuation Officers selected in the manner stated above very often have less idea about valuation than those working in the Co-operative Banks and in this circumstance in case of loans for Rs. 500 or Rs. 1,000, ordinarily an expense of about Rs. 10 is incurred. I remember a case wherein the Valuation Officer strongly certified in favour of the repaying capacity of a man. When I was able to place before the Land Mortgage Bank in Surat the record of that man with the Central Bank, the Bank rejected the proposal as there was no good ground for believing that the man was able to pay. This happened because a member of the Central Bank happened to be on the Land Mortgage Bank. Now, as you are representing all different districts you will be able to express your opinions on the subject and we shall have an opportunity to know the official view also on the subject. Then the Conference will be able to adopt the true procedure to be taken.

Chairman:—We shall take Resolution I (vi): "This Conference is of opinion

that the restrictions placed by the Registrar on the District Central Banks in the matter of long term finance to affiliated societies is an encroachment upon one of their legitimate functions and, therefore, it recommends to the Registrar to reconsider his decision and permit the District Central Banks to do their legitimate business."

Mr. P. T. Parikh (Surat):—The Land Mortgage Bank is started to provide long-term finance to the agriculturists. Very recently, the Registrar in a circular letter has placed certain restrictions on the Surat District Co-operative Bank, and I believe similar restrictions have been placed on other Banks also whereby Banks cannot take any business of long-term finance above 6 years and restricting to the amount of Rs. 500 only. So far as I understand this Land Mortgage Bank is started for two purposes, namely, redemption of old debts of agriculturists and necessary finance by providing capital for agricultural purposes only. This is not possible unless the agriculturist or the farmer is made to balance his budget. However much reduction in interest you allow him, so long as his income is small his expenditure and debts are bound to increase.

If their debts are reduced at present they will soon pile up. So far solving the problem of increasing the farmer's income the fundamental principle is to teach him how to balance his budget. The Land Mortgage Banks are started for two objects primarily. Besides these, there may be a number of other items for which advances are being made.

These restrictions, so far as I understand, have been made on complaints being made to the Registrar by some Primary Land Mortgage Bank. I feel there is no ground for any such complaints being made. District Central Banks are primarily started for financing agricultural credit societies. Taking for granted the Land Mortgage Banks are ready to finance them, what is the security on which the District Central Bank should be called upon to make advances to these agricultural credit societies for the current needs for their agriculture? In a majority of cases where there are a number of credit societies you will find that their debts are larger. What is the security of many of the village credit societies? According to my understanding this is a fundamental blow to the structure of the village credit societies and the advances already made by the existing District Central Banks.

Co-operation has not reached all corners of the rural areas. We find that indebtedness has increased. We want to attract more and more farmers to our fold. For a workable formula it would be better that the Land Mortgage Banks may advance monies to the farmers whose needs are larger and the District Central Banks might be allowed to finance small amounts to farmers. Rs. 100 crores is the total indebtedness of the farmers. How then can the small amount of debentures granted by the Government meet all their needs? The scope is very great.

The Chairman in his opening speech pointed out that the delay in making these advances is considerable. That is not the only cause. The expenses are greater. District Banks are faced with large surpluses. If they are not permitted to do this long-term finance then will they do? I do not think, if the assets of the members of the village credit societies are to be mortgaged to the Land Mortgage Banks, the District Central Banks may be well advised to advance monies to the Credit Societies. In cases where societies have gone into liquidation, the members begin to pass away their lands to their relatives in order to avoid their liabilities. It would be something like aiding the scheme and the credit of the society falls. If we want to retain the village credit societies and the whole structures of co-operative credit societies, District Central Banks should not be prevented from undertaking long-term finance. I think that the District Central Banks that have been managed for the last 25 years and more and have established sound management will certainly see before they launch upon a scheme for long-term finance. It is for them to save long-term capital. If they do not do so, then the Registrar will point out that they cannot advance long-term loans, as they have no secured long-term capital. In the light of this remark I have already made, I think you will all agree with my proposition and accord your support to it.

Mr. J. B. Mardhekar (Bombay) :—Before I proceed to discuss the points raised by the President and other speakers, I should like to give you an account of the Provincial Land Mortgage Bank with which I have been connected. The same was started in December last. It was required to raise share capital which was open to the public. Prior to this, the Co-operative Department started District Land Mortgage Banks in other districts. Out of 13 District Banks, 12 have adopted the model bye-laws and one has not for reason best known to that bank. At present, 13 banks are working. The Provincial Land Mortgage Bank has also started work from about February last. Until now we have received from Primary Banks, i.e., District Land Mortgage Banks, various loan applications numbering to about 300. We have disposed of 281. Some are rejected and some are granted loans. The amount of loans sanctioned is about Rs. 1,82,000, while the applications amount to Rs. 4,80,000. At present this amount is advanced out of the share capital. We are still receiving many more applications and we hope that they would be soon sanctioned and we shall be able to float the first series of debentures of Rs 10 lakhs and we require the assistance and hearty co-operation of making the debentures a success.

The Primary Land Mortgage Banks have been working most satisfactorily. We have received the applications with necessary details about the documents of sales showing title and interest of the borrowers. As a matter of fact we find from annual reports that we have received from the Primary Banks that there are several applications. Out of the large number of applications received they have rejected several applications. Monies are always wanted but the applicants have either no adequate assets or repaying capacity. They themselves have rejected several applications and all those that have come to us are almost accepted and our Committee has rejected very few out of them, showing thereby that most of the Primary Banks are very careful and try their level best to see the applicants who are not able to pay higher interest rates. It is not claimed that these banks will help all. It is one of the ways in which those who have assets but find themselves in a difficult situation owing to the depression for the last several years and the low prices might be benefited by this scheme. It will be interesting to know that as a result of the operations we have found that those who have applied have secured a reduction of 19 to 20 per cent of the total debts as a result of the Conciliation Boards established by the Primary Banks.

Something was said by our worthy President yesterday about the inexperienced Land Valuation Officers. I have not taken any brief from the Co-operative Department to justify these appointments. As one connected with the Provincial Land Mortgage Bank as one who has to scrutinize the loan applications from page to page I say that these Land Valuation Officers are very satisfactory and do good work and so far as my information goes several of them are permanent employees of the Department. They have served for several years in the Department and they were taken up at the time when they were on the point of being appointed as higher officers. They have been properly trained. It requires a good deal of knowledge of local conditions and to understand the different soils and particularly during the last several years of depression in several cases we found that there were very few statistics on which we could rely. Therefore, I say that it is not correct to say that these officers are raw or inexperienced ; at least we have not found them to be so. I find that they have been doing their work quite satisfactorily and we have had very few instances to the contrary.

Now about long-term credit about which my friend has written a long note and has found fault with the Co-operative Department for setting restrictions on long-term finance being made available by the District Central Banks. In this connection, I would point out one or two considerations which deserve serious consideration. It is well known to you all that this question has been engaging the attention both of Government as well as Co-operators for several years in the past. Co-operative societies whether rural, urban or Central Banks have in the past always catered for short-term finance and for the day to day current needs of societies. Most of the deposits are current in the banks or are fixed for a year or two years. The working capital mostly consists of these. Under the bye-laws, these District Banks are intended to meet current needs and not to engage in long-term finance. Where these banks have undertaken long-term finance they have found themselves disappointed. This you will find from the heavy arrears that have been there. This is particularly due to the valuation not being properly made. The short-term loans have been renewed from time to time, and though not on paper, in fact they have become long-term finance. The repaying capacity of the borrower has not been properly assessed and they have remained in arrears. Was it the proper function of these societies to go in for long-term advances? You may say, "Though our working capital mostly consists of such deposits, we have got the reserve funds." True, you have the share capital and reserve fund but are you sure your credit will not suffer in case you utilise your money in such long-term finance? Supposing there is something wrong with your management, what will happen? If the reserve funds are appropriated in order to make available long-term finance there will be no liquid assets to meet any contingency. About financial matters you know that in 1931 when the Pound went down the Government loan of even 6½ per cent could not be sold. Such things have happened and they might happen in future. The present rate may rise and it may have its repercussions on the mentality of the depositors. Suppose if they demand money what shall we do, how shall we pay them? Therefore, in the interest of the District Banks it is desirable that they should keep the reserve funds in liquid assets. The improvement in the financial structure to meet long-term needs has engaged the attention of the Government and Co-operative Departments from time to time. There were two conferences of Registrars which considered this matter. The whole question came in for review by the Banking Inquiry committee from whose report I shall quote the following :—

The Provincial Land Mortgage Corporation will be an institution entirely separate from the Provincial Co-operative Bank. While short-term and intermediate credit would be dispensed by the primary credit societies with the help of Central and Provincial Banks, long-term credit would be provided only by Primary Land Mortgage Banks with the help of a provincial Land Mortgage Corporation. We are decidedly of the opinion that the Provincial Co-operative Banks should not function, except as a temporary measure, as Central Land Mortgage Banks for the province and that there should be separate organizations of the kind we have proposed.

Then we have got the report of the Land Mortgage Committee, on which my friends Mr. Mehta, Prof. Kale, Mr. Murdeshwar, Dewan Bahadur Mulji were all there. This Committee consisting of all those very eminent gentlemen came solidly to the conclusions which are referred to in para 14. which I read for your information.

"The Co-operative Credit Societies have been unable to cope with this situation for, with the short-term resources at their command they have not been able to confer appreciable benefits or to release the grip of the money-lender over the agriculturist. Until short-term credit is buttressed by long-term credit, it cannot effectively tackle the problem of rural indebtedness."

This is the conclusion arrived at by the Committee consisting of those eminent persons.

You will thus see from the quotations from the Central Bank Inquiry Committee Report that it was the expert opinion that there should be two distinct organisations and not one with two distinct fields of operations. Land Mortgage Banks as they are constituted do not harm the Central Banks in any way. They do not accept short-term deposits. Long-term deposits will be by way of debentures raised with the sanction of Government. There is no intention of the Land Mortgage Banks to encroach on the field of the Co-operative Banks. And we wish you do not encroach upon ours. You say that you have surplus funds. I may point out that there are various ways and fields still open to you. If you tackle the problem of financing the marketing of agricultural produce, you can utilise your surplus capital and help poor down-trodden agriculturists.

Practical men will agree that there should be no waste of energy and time and there should be no undesirable conflict of interest. If the Registrar may be allowed to fix up a maximum rate of interest and the Primary Banks and District Banks should be allowed to compete what will be the result? They do not accept deposits or anything of the kind. The business in the entire district has been ascertained and has been definitely decided by experts that there should be demarcation, one type of organisation operating in one field, another in another field. Of course, our efforts are complementary. Let us work in co-operation. Land Mortgage Banks are in an experimental stage in the districts and let us see what work they do before we start considering other methods which are likely to lessen the usefulness of these banks.

A majority of the current needs of the farmers are met by the Co-operative Movements in America and Europe. In India, we have to see whether all these functions are taken up by the co-operative societies. It should be left to the other agencies which are properly constituted to look to other functions. Out of the total agricultural produce in India of 1,200 crores, we may take that 200 crores worth of produce is for exporting purposes. What have your co-operative societies done to fetch a maximum amount for the remaining produce?

It is customary for some of the Banks to invest their share capital and reserve funds in liquid assets. At present there are large surplus funds lying idle. They were doing long-term business because there was not all along an agency to do it. Now that these Land Mortgage Banks are in the field they need not come in their way. Co-operative banks have not advanced monies for long-term advances. Whatever produce is taken for marketing is a security for their advances. It is more wise and businesslike that we should look at these Land Mortgage Banks as a link so far missing in the co-operative movement.

Mr. R. N. Rajadnya (Aitwade Khurd):—My reason for my supporting this resolution is due to my own experience of a Primary Land Mortgage Bank. How many members are we able to finance every year? You have two answers. You have been able to finance 300 members in a year, or say six months. When our friend states that an agency has come into existence, is it going to take up the whole problem at once? We have got only two men at the Land Mortgage Bank and it is not possible to dispose of 300 applications in a year. We have got more applications than we could dispose of.

Another concrete instance: One man wanted long-term finance. He wanted to dig up his well. If he had waited for a loan being sanctioned by the Land Mortgage Bank, he would have been disappointed. The Provincial Bank was allowed by the Registrar and fortunately the loan was granted by the Provincial Bank and the man was helped. Those Banks which have long-term capital should at least be given the power to advance long-term loans. At least for the next 5 years it is not possible for the Land Mortgage Banks to meet all the demands. I do not think there is any fear of any unfair competition and the District Central Banks also should be allowed to lend long-term finances.

Mr. K. M. Thakore (Broach):—Short-term loans and long-term loans are not still defined. I do not understand why they should oppose it. So long as these terms are not defined the question does not arise at all. The land mortgage bank is in existence for the last six months only. You do not know the figures of the applications. I am not able to give the figures of my own district. I have, however, got the figures from my friends at Kaira. There are 150 applications pending. There may be more at Broach as it is an old one. In view of the fact that only 300 applications have been disposed of within the first six months it shows that there is some link missing.

Mr. Mardhekar:—We could not dispose of more, because we had not got more.

Mr. K. M. Thakore:—We have men from each Taluka, men who know their own soil better. In our parts, Deccanis are favoured in this respect. He may be some man coming from Sholapur. Such Land Mortgage Officers who hail from outside and who have got some experience from college studies may be of less help to our side than a man with many years experience in our own Taluka. They are better judges of the soil of their Talukas than the outside gentlemen, coming from the Land Mortgage Bank. There has been enough capital at the Central Banks which can be given for the long-term needs. If the Central Banks have heavy arrears from the long-term credits, so also the Land Mortgage Banks will have the same amount of arrears at the end of so many years' dealings, because they are of the same type. It would not lie in the mouth of any speaker to say that they would not be in arrears if they are debts of Land Mortgage Banks. Then it is inquired whether there is any security for the loans taken by the agriculturists from the Central Banks. About the securities the Registrar has laid down the rule for the same. If the Land Mortgage Banks find better security why can not the Central Banks also find better ones?

Mr. K. S. Firodia (Nagar Central Urban Bank):—I rise to support the proposition moved by Mr. Parikh. Our friend Mr. Mardhekar wanted to say that the preserves of these two departments should be kept apart. Are we interested to keep our preserves or to help agriculturists? What would be the degree of competition? One argument is advanced, that there should be competition. I say the competition would be in reducing the rate of interest. For whose benefit are we trying to exist? We exist for the benefit of the agriculturists. But all along we are trying to keep our own preserves. Poor agriculturists who are really suffering should be really helped by such a reduction in rates.

Our own money in the shape of share capital can only be given as long-term loans. The deposits which we receive from others as deposits, we are as much careful to keep the same as deposits elsewhere. Hence, this restriction put up by the registrar should be removed and both these departments should be allowed to work in their own fields.

Prof. V. G. Kale :—I find a difficulty for myself in coming to a definite conclusion. In the first place, the complaint seems to have come forward from the Surat District Bank. I should like to know whether simliar complaints have been received or are being made by other District Central Banks or not. At least I find that there is no such difficulty experienced in Poona. The Central Bank in Poona is not very anxious to go in for this long-term business but on the contrary we have tried to see that this long-term business is taken up by a body which is constituted for the special purpose.

Secondly, so much has been heard about the different provinces and conflicting fields of operations. The Registrar has allowed many Central Banks to do business, which legitimately it is not allowed to do. Certain Central Banks have requested the Registrar to permit them to do type of business for which the Central Banks have not been intended. These provinces are deliberately cut off from the point of view of theory. If Central Banks are being allowed to do the business of lending to individuals, really speaking the Central Banks have illegitimately encroached upon the province of the Urban Banks. The Registrar and these Banks have found it necessary to keep for the Banks an additional outlay for the investment of their money. Though apparently interests are conflicting they have to be reconciled.

Thirdly, we are all talking of the long-term credit being organised efficiently and systematically. We have understood the difference between short-term credit, intermediate credit and long-term credit and also no-term credit (because the loans are not to be returned at all in the last case)! Short-term credit if not repaid in time would lead to be intermediate credit and ultimately it is changed into long-term credit and eventually if it is not at all repaid it changes into no-term credit.

Chairman :—Will you please fix the number of years for these different terms of credit.

Prof. Kale :—Short-term credit is that which is for one year. Intermediate term is 3 years and beyond that long-term. Special provision is necessary for the so-called long-term credit. In all countries it is agreed that a special department for meeting the long-term credit needs of the agriculturists is necessary. There is an agreement in all countries that a distinction ought to be made between all these 3 or 4 types of credit. Having arrived at this agreement, the question remains how to organise this long-term credit.

You cannot say that the Land Mortgage Banks are not fulfilling an essential purpose of the Co-operative Movement. As a general system there is nothing wrong in establishing separate Land Mortgage Banks. The Land Mortgage Banks established in various districts may not be in a position to meet the wants of all the persons. That the bank is incapable of meeting the needs of the agriculturists is not a sound ground for making a departure. It can be remedied by starting two or three banks in order that the whole field should be covered. First, you have to establish that the Land Mortgage Banks are unable to meet the wants of the whole district and if there is a large number of cultivators in need of long-term advances then an additional bank can be established in the district.

The next point I want to refer to is the figures that are quoted with regard to the indebtedness of the cultivators. The indebtedness of the whole province amounts to Rs. 100 crores. Can you come to a conclusion from these figures that they are all secured properly. Is all this indebtedness going to be absolved by the departments? It is impossible. Out of these there might hardly be Rs. 30 crores holding proper security. It is impossible to remove all the indebtedness. We have to advance monies at a certain ratio of the assets.

The questions are, whether the Registrar has created difficulties in the performance of legitimate duties of the Central Banks, whether the present difficulty is a difficulty temporary in character, and if the scope of work of the Land Mortgage Banks is not covered with 2 or 3 years then it will be time to start one or two more Land Mortgage Banks and if even then it is not a satisfactory solution of the problem then will be the time for the District Central Banks to come forward and take up the work themselves. I would be the last man to say that the difficulties of the Central Banks should not be taken into consideration but as interested in the general interest of the cultivators I have placed my views before you.

With regard to the competition between the Central Banks and the Land Mortgage Banks, even a Central Bank if it takes up this business will have to detail off some of its own officers to do this special duty. So, expenses will have to be incurred for this. I do not want to say that the Central Banks have no competent people. The Central Banks will however have to employ an agency for the purpose and though a man is employed from amongst the staff really the cost is there. To-day probably the Central Banks may be in a position to advance money at 6 per cent. or 5½ per cent. When you are talking of long-term credit, you are talking of giving credit for 15 or 20 years. Is the Central Co-operative Bank going to assume its responsibility of going in for the term of 20 years? Then I am taking into consideration the repaying capacity of the man. We have to make 20 instalments in certain cases. The long-term deposits will be withdrawn and you will have to pay higher rates of interest on the deposits, then you will have to charge people not 6 per cent. but 10 per cent. In case of the debentures we have got the facility that the rate of interest is fixed in advance.

I do not think that we should talk of confiict of interest between this type of Bank and that type of bank. If it is established that the Land Mortgage Bank is not able to perform the duty taken up by it and the Central Banks could do it better then I will be the first man to support the resolution. But in view of my present knowledge of what is happening in the Presidency I am very unwilling to support the resolution to-day.

Rai Bahadur Tharumal (Karachi) :—I am against this proposal on these grounds. The question of surplus fund has been put forward. Every Bank has its surplus fund. It is really a problem with some of the Central Banks but the question is which is the surplus fund. You have to recognise that each and every bank has to provide for fluid resources.

Suppose there are Rs. 40 lakhs to be provided and still there are 10 more. Now out of these Rs. 40 lakhs which have to be provided, there is a share capital of Rs. 25 lakhs. Now are you going to give on long-term cerdit out of this sum of Rs. 25 lakhs as share capital and reserve fund? There is a surplus of Rs. 15 lakhs remaining with you. It is only these Rs. 15 lakhs that you can invest. It means that there should be a demarcation, and apart from this I ask, whom are you going to finance with this money? The money is to be invested in agriculture and you know the result. All the loans are long-term loans and the Registrar is here to protect the interest of the public and it is in the name of the Registrar chiefly that more deposits come to the Banks. If there is a long-term investment at any time, there might be a war and the rate of interest would increase. Bhaibandh Banks have commercial class of people and they know how to conduct their business properly. Two years back they declared a good dividend, and in a short time they have a good income, but they went on wasting thier loans and they ultimately became long-term loan instead of short-term and they came into difficulty. The Registrar has all along in his heart to help our banks and the welfare of the movement. If he finds that they are in difficulties he is certainly going to help them all. Hence, I appeal to you not to go in for long-term loans but if there is any particular difficulty, I am sure the Registrar will come to your relief, but you need not make a general condition for which I beseach you one and all.

Mr. K. R. Ambegaonkar (Bombay):—I wish to add a few remarks especially in the light of my experience at the Reserve Bank of India for the last 1½ years. My work has been made easy by Pro. Kale. He has put forward a view which I think any banking institution should be able to follow. We started the co-operative Movement in this country without any distinct idea about short-term and long-term credits. At that time it was not so very clearly realised that long-term and short-terms could be so distinct. We cannot get away from the fact that it is not a sound business to do long-term business with short-term capital. After examining the experience of other countries we have now opened a separate institution with a separate and long-term capital with long-term finances. The resolution is worded in such a way that it would actually mean that the Registrar has stopped the Central Banks from doing their legitimate business. It is not their proper function to allow long-term business with their short-term capital. What I want to say is that all the commercial banks which, of course, do some kind of business have share capital and reserves and deposits. If any commercial bank starts on arguing like we do, it will probably find its doors closed soon.

I say that other commercial banks will never advance this kind of ground for long-term advances. I think this question should be looked at from a realistic point of view, but not from that of rivalry. We thought out the whole thing and decided how it could possibly be workable and how to organise Land Mortgage Banks. In my opinion it will be a rash thing for a gathering of distinguished people like this to assert that the whole thing was a mistake and it would be proper to transfer the business to the Central Banks. The Land Mortgage Banks would have been established on special lines. Why is finance to be provided by floating debentures? When you must take a long-term loan for 15 or 20 years you will always find that the rates are likely to go up in future. You will find that you are getting involved in a long-term advances now without having any stable resources. When supposing there is war in future and there is rush on deposits there is sure to be trouble. I do not think that any Bank will keep all its resources liquid. After 2 or 3 years when the conditions might be different you will find yourself in a fix. As coming from the Reserve Bank I think that a Bank which has got a short-term capital should not get involved in long-term advances. There is another angle from which a speaker has raised the question. Land Mortgage Banks cannot meet all the requirements, and therefore some other agency also should be allowed to take a hand in that business. But then what of short-term credit needs?

It has been definitely stated in the Banking Inquiry Committee Report that the total amount of the loans required by the farmers of this province during a year amount to Rs. 32½ crores. Rather than getting involved in long-term advances which might probably put them in a more embarrassing position when the rates might go up, they should advance monies for agricultural operations. I think that this is enough field for the Co-operative Banks to utilise their monies. I realise the difficulty in that case as we cannot ultimately depend upon the honesty of the persons and we require some sound security. At present in Bombay there is a sort of charge which in practice amounts to nothing, because if a man steals away his crop in the night then you have no further relief. A man must pay in the proceeds of the crop to his creditor. If that is not done it is a criminal offence under the Agricultural Credit Act in England. In England, this offence is punished with 3 years' penal servitude. In a country like India this sounds too harsh, but I suggest that such offences might be punished with 3 months' simple imprisonment. We might not allow prosecution unless it is sanctioned by the Registrar or some other person authorised in that behalf. I propose the introduction of some such agricultural charge to facilitate short-term credit operations. This is necessary because we must realise that in India there are lots of places where security of land does not exist, that in many places even the co-operative banks do not get land.

These two institutions if they work in co-operation properly the debts of the co-operative banks which have become overdue could be transferred to the Land Mortgage Banks. They can only be recovered by spreading out in long-term instalments.

We must work on banking and business lines and if you accept the conclusion to which economists of this country and other countries have come, then you must also come to the conclusion that it is not a legitimate concern of the Central Co-operative Bank to enter into long-term finance. And it will be a gross mistake on the part of this Conference to pass such a resolution which is opposed by wise men of our country as well as those of foreign countries.

Chairman:—I want to make the ground clear. Initially the Central Banks were allowed to lend money to both individuals and societies, then an idea rose in the minds of certain co-operators that the functions of the Central Banks ought to be confined to lending monies to cultivators. Now, another idea has been brought forward. It may be a very good idea, and when Prof. Kale advocates it with the high authority he naturally commands we have to accept that long-term business ought to be done by Land Mortgage Banks, which have got long-term capital. But I do not understand why there is so much hurry. Why is the Land Mortgage Bank not allowed to do its work in order to assert its superior authority? The central Banks want to do the business which they have done in the past. Their monies have been spread over 10 years in the past under certain circumstances. Ask the Central Banks to back out from the present position. Why do you want to restrict us even to 3 years?

Old is often gold and younger people have no proper idea of the growth of our organization. For a time it was the Departmental idea to support the People's Bank and now the Departmental idea is to encourage Land Mortgage Banks at all cost. It may be that more competent people might have decided that long-term business should be done by the Land Mortgage Bank. Why should the Land Mortgage Bank restrict their term to 20 years and not allow the Central Banks to try to recover their monies by longer instalments. Why should the Central Banks not be allowed to do business with 5 or 10 years' instalments? So long as the Land Mortgage Bank is not properly established, so long as it has not got all the funds necessary to meet all the demands why should you prevent the Central Banks from doing the business which they have been doing now? You can restrict the business to loans repayable within 10 years till the position of the Land Mortgage Bank is properly secured.

Mr. K. L. Punjabi (Registrar):—Before I proceed I should like to point out that the resolution says that the Conference is of opinion that the restrictions placed by the Registrar should be removed. I have not been informed as to what restrictions have been placed.

Mr. Parikh (Mover of the resolution):—The restriction is up to 6 years and Rs. 500.

Mr. Punjabi (Registrar) :—The mover of the resolution has not stated the restriction in the resolution and what he wanted to do. It is said that you have your surplus long-term resources. In this connection you will remember that I addressed a confidential letter to all Central Banks to conduct a detailed enquiry as to their long-term resources and commitments. Long-term advances, I define as seven years and over. Details have been worked out and supplied to me and I am in a position to inform you that no Bank is suffering from surplus long-term resources. As against this you have to set off your commitments with liquidated societies, your commitments already in respect of long-term loans, and also by experience you have to set apart a part of your outstandings as frozen. The assumption that the Central Banks are suffering from a plethora of long-term funds is not borne out by the enquiry which was conducted laboriously. The experience is most unfortunate. Most of the overdues are in respect of the long-term loans. The period was 7 or 10 years and the limit of some cases was 500 and in other it was 750. In most societies it is found that the overdues have occurred in respect of these long-term advances. The precautions taken by the Land Mortgage Bank at present are not taken in the same manner by the Central Banks. I have noticed in several districts that the legal titles etc., were not properly examined by the village societies. Now the legal titles will be properly examined by the Land Mortgage Bank. The banks were not properly staffed, Inspectors were inadequate in number and without sufficient training and the assets were valued in a very haphazard manner. All these difficulties we have tried to remedy by the organization of the Land Mortgage Bank. If the Central Banks give loans to societies, their rate is 6 per cent, and the societies cannot charge less than 8 per cent. The cultivator will be definitely suffering if he is asked to pay 2 per cent. more. I am not going to repeat the arguments advanced by Prof. Kale and Mr. Ambegaonkar. As Prof. Kale has stated, if ever the Land Mortgage Banks are not able to meet these reasonable requirements of the agricultursits in respect of long-term finance then the Central Banks will be justified in coming forward with the demand of getting an opportunity to satisfy those loans.

The argument that the loans asked for from the Land Mortgage Banks take a long time to be sanctioned and therefore the Central Banks be given permission, shows that the scrutiny would not be so rigid and thorough, and there is a great danger of piling up bad debts in respect of these long-term advances.

I think the Land Mortgage Bank should have full scope and opportunity to meet the long-term demands. It is true that loan applications have been turned down on the ground that the title of the property was not proper or on similar grounds but in no case it was because the funds were not sufficient.

Mr. Parikh : (The Mover) :—I think I have made the point clear about the restriction which the Registrar has prescribed. Now, about the point that the Land Mortgage Banks have not turned down any applications for want of finance as Mr. Mardhekar pointed out, during the first six months applications were received amounting to Rs. 4 lakhs and odd.

I say that the field is so vast that there is no necessity of preventing the district Central Banks whom you may certify to do this business on long-term capital and on the terms and conditions on which the Land Mortgage Banks are doing business. My point is that when the field is vast it is no use preventing an agency that can do a similar type of business on terms and conditions prescribed by the Registrar as in the case of Land Mortgage Banks. The Registrar may also lay down that the title should be examined by a competent valuer or a pleader. He may also lay down that the valuation should be done by a competent Valuation Officer. The

Central Banks have at their back 25 years' experience. The policy in this matter depends upon the circumstances. Specialisation of long-term finance need not be insisted on rigidity. I have not stood up here to throw any mud towards the working of any Society. Is it right at this state of affairs to restrict the operations of the existing Central Banks which are faced with surplus funds? It is for the directors who are conducting their affairs to see whether they have got long-term surplus to do long-term business. It is never considered or questioned to be illegitimate. It is a legitimate business which they have been allowed to do for the last so many years.

Mr. Ambegaonkar said that commercial banks are not doing this sort of business. I say that it is so because they are not conversant with the affairs of rural areas. That is why these commercial banks do not undertake agricultural finance business.

What about the security of the rural credit societies which take up unlimited liability? Supposing there is an application for a long-term demand and if it has to be turned down the member will not care so much to repay his debts to the village credit society. Our contribution to the Supervision Fund will have to be diminished. Government will have to pay out of audit fees which they recover. What will be the position of the District Central Banks?

Our demand with reference to this is that the Registrar may not restrict the existing Central Banks from making advances to individual farmers which they have been until now doing. There is a vast field for these primary Land Mortgage Banks and when they justify their position they will be doing sufficient business. There is already a trained agency existing at present and why should new agencies come in the way of its progress?

Mr. B. S. Bartake (Satara) :—I make a suggestion that until the Land Mortgage Banks are able to meet all the demands of the Presidency within their respective areas, Central Banks may be allowed to provide long-term finance.

Mr. Parikh (The Mover) :—I accept this suggestion.

Chairman :—The proposition now will read as under:

"This Conference is of opinion that the restriction placed by the Registrar on the District Central Banks in the matter of long-term finance to affiliated societies is an encroachment upon their legitimate functions and, therefore, recommends to the Registrar to reconsider his decision and permit the District Central Banks to do their legitimate business until the Land Mortgage Bank is able to meet all demands within its area."

The Resolution was put to vote and declared lost by a majority.

THE FIRST LAND MORTGAGE BANKS' CONFERENCE IN THE CENTRAL PROVINCES, NAGPUR

19th and 30th August, 1936

Rao Bahadur M. G. Deshpande, in opening the Conference said:

In the year 1933-34 two Land Mortgage Banks at Mehkar and Amraoti were established, and the Bank advanced them a total sum of Rs. 15,500. Next year the Bank had to confine its advances to only these two Banks and a sum of Rs. 23,975 was advanced. It is only in the year 1935-36 that Land Mortgage Banking received some impetus. Ten Banks were started in the Province with the new bye-laws and under the new arrangemement arrived at between the Government and the Provincial Bank. Under the old scheme advances were made for a period of 16 years and at the rate of 9 per cent. The period was, however, found to be too small and the rate of interest too high and the Local Government reconsidered the scheme and communicated its decision through the Registrar of Co-operative Societies in March 1935. In the beginning, the Government guaranteed only the interest on debentures. Under the new scheme it agreed to guarantee both principal and interest, thus placing the debentures in the list of first class securities. Secondly, the maximum period for repayment of loans was raised to 20 years and the rate of interest reduced from 9 per cent. to 7 per cent. The maximum limit of individual loan was placed at the figure of Rs. 5,000 and the minimum limit of loan was reduced to 250 for C. P. and Rs. 300 for Berar. In the year 1935-36, a total loan of Rs. 1,04,805 was advanced and during the last 2½ months a sum of Rs. 44,970 has been advanced. Thus the total advances made uptodate aggregate to Rs. 1,88,250. It is a matter of great satisfaction that the debentures issued by the Bank have been classed as Trustee Securities by the Government of India, thus facilitating its saleability. In the month of June last the Bank, acting on the advice of the Registrar of Co-operative Societies, who is the Trustee for debenture-holders, floated a debenture issue of Rs. 1,00,000 at the rate of 3¾ per cent. As the issue was a small one, debentures were not extensively advertised, but the response given by the public was beyond expectation. Within a week from the date they were advertised, applications to the extent of about Rs. 2,50,000 were received from individuals, Joint Stock Companies and Institutions. The debentures had, therefore, to be proportionately allotted. Thus the experience of the last issue of debentures has been a great guide to us and made us confident about the success of future issues and, *money market conditions remaining easy*, it will be possible for the Bank to issue debentures bearing still lower rate of interest. We are assured by the Officer-in-charge, Agricultural Credit Department, Reserve Bank of India, that his Department is ever prepared to give us advice in the matter of co-operative finance, including Land Mortgage Banking. We have so far not availed of the services of the Department, but in future we shall always be taking its advice on problems which we shall be unable to solve ourselves. The advice of the Agricultural Credit Department will be available to us in the matter of the issue of debentures, the rate of interest at which we should float them and on all allied matters. The Reserve Bank is in close contact with the Indian money market conditions and as such its advice will be the best guide to us. I am hopeful that the Reserve Bank will be having in its portfolio a large stock of the land mortgage debentures, inasmuch as they have been classed as Trustee Securities.

As you know already that Land Mortgage Banks have been established in this Province as well as other parts of India with the objects of helping the poor agriculturists for redeeming the mortgages of lands and other valuable immoveable property belonging to them, to improve land and methods of cultivations and liquidation of old debts. From the experience of the working of these banks for the last three years, I am proud to say that the main thing that the Co-operative Land Mortgage Banks have done is to reduce the rate of interest on mortgages. I may as well say that the influence of the village Savkar has weakened considerably and he finds it difficult to have sound business except with the reduction of rate of interest. Some of the Savkars, I am told, are just thinking to adopt the principles of our scheme with a view to expand their business. It will be possible with the gradual expansion of the Land Mortgage Banking scheme to partially solve the problem of redemption of rural indebtedness. The estbalishment of Land Mortgage

Banks alone will not solve this problem completely. The paying capacity of the agriculturists, which had deteriorated, will have to be enhanced by several economic measures. Their old debts will have to be conciliated and in some cases wiped off even, and then only it will be possible for Land Mortgage Banks to redeem their indebtedness. So the problem is really immense and it may not be possible to redeem the whole debt, but it will be possible to partially solve it.

We have at present fixed the maximum period of loan to 20 years, but I am afraid that some agriculturists, whose property is more than double the amount of his requirements as required under the bye-laws, cannot be financed by us owing to the fact that their repaying capacity has deteriorated considerably and the instalments fixed under the 20 years scheme cannot be repaid by them. We should, therefore, consider in to-day's Conference the advisability or otherwise of extending the period in some cases to 30 or 40 years, and I may refer in passing that the last Conference of the Registrar's passed a resolution adopting that the maximum period of loans should be extended to 40 years and that "efforts should be made to expand the operations of Land Mortgage Banks so as to cover the entire existing debts in all cases."

Under the present bye-laws of Land Mortgage Banks, loans cannot be advanced for the purchase of land. In my opinion, loans may be advanced even for the purchase of land, when by purchasing additional fields a member could enhance his income. This object may be included in the bye-laws of Land Mortgage Banks.

At present, we have got ten Land Mortgage Banks and the progress so far made by us may be taken as satisfactory but unfortunately this progress will not go far away to solve the immense problem that is before us. We have at present got a scheme of Rs. 50 lakhs. We are going to advance Rs. 5 lakhs to each bank by raising debentures, the payment of principal and interest of which, as already remarked, has been guaranteed by the Local Government, but we must have many more banks to extend the benefits of Land Mortgage Banking to other parts of the Province. There is a keen demand for these banks. We must have them in almost all the districts of the Province and personally I am of opinion that each bank should cover the area of one district at least. The Government has established Debt Conciliation Boards, but at some places there are no financing agencies for repayments of debts conciliated. The Government must, therefore, see that wherever there are Debt Conciliation Boards, there shall be Land Mortgage Banks working side by side. In one word, there shall be co-ordination of Land Mortgage Banks and Debt Conciliation Boards.

In the working of land mortgage banks there have been several difficulties and a majority of the banks have been working at a loss. The main difficulty is of the paucity of workers. Honorary work has its own limitations; workers cannot find time to put in intensity of work that is essential in their working. What is now exactly wanted is that each bank shall be managed by a well qualified and efficient Manager assisted by equally well qualified and efficient assistants. For the first two or three years the income of land mortgage banks will not be found adequate to meet the expenditure on establishment and contingent and other charges. Some shareholders have not paid their share quota at all. There are others who have paid only partial amounts. One of the reasons for not paying the share money is that they are afraid that their money invested in the shares will not give them any income. We must, therefore, place the working of land mortgage banks on a profit yielding footing.

Another difficulty in the working of land mortgage banks has been that Valuers' services are not available whenever they are required. One valuer has to look after more than one bank with the result that several cases remain pending with banks. The Government should, therefore, appoint not less than one Valuer for each bank.

At present there is an evil creeping in the management of Central Banks and that is party politics. In business concerns party politics should have no place at all. We know that there was a crisis in one of the major banks of the Province due to party politics. The result was that the party, which could not create the confidence of the investing public, ousted the other and the Provincial Bank had to go to its help. In land mortgage banks we should work in co-operation and party politics should find no place in their working. I am glad, to say that so far in the ten land mortgage banks that have been established, there has been no party politics at all and all members of Committees have been working in co-operation.

As you know, originally the short-term loans advanced by our Central Banks have become long-term ones and unless long-term instalments are granted, it will not be possible to recover them. Such cases should be tackled by land mortgage banks. The cases that can be suitably tackled by them should be examined thoroughly by Central Banks and the members against whom these big debts are outstanding should be persuaded to apply to the land mortgage banks for redeeming them. This is possible if the land mortgage banks and the Central Banks work in co-operation with each other.

The Provincial Bank has so far financed land mortgage banks established in the Province. Now time has come for this business being taken over by an independent institution—I mean—a Central Land Mortgage Bank. The Madras Presidency and the Bombay Presidency have each an independent Central Land Mortgage Bank. We too should have one immediately. The experience of the Madras Presidency has been very satisfactory. Bombay Co-operators have followed Madras. Now it is for the C. P. to take their example and to establish a central land mortgage banking institution.

In passing, I may say that last year we had an opportunity to study the land mortgage banks' working in Madras. The Registrar and some of the non-officials including myself visited Madras in the month of March and studied the working of the Madras Central Land Mortgage Bank and two primary land mortgage banks. The then President of the Central Land Mortgage Bank, the late Sir M. Ramachandra Rao, explained to us to our satisfaction the complete working of land mortgage banking in Madras. Had he been living to-day, we would have invited him to preside over to-day's deliberations. Unfortunately God has not spared him for us.

I now open the Conference for consideration of the Agenda.

Mr. G. S. Bhalja, I.C.S., Registrar, Co-operative Societies, C.P. and Berar, observed in the course of his speech:

Recently the Local Government has decided to establish two more land mortgage banks at Bilaspur and Wardha in C. P.

The actual volume of work done varies in each place, but on the whole, it is not considerable. There are various reasons for the slow progress made so far. The eight new banks have really not functioned for the whole year, although they were registered in the months of May and June, 1935. Much time had necessarily to be spent in holding general meetings, in forming the Boards of Directors getting the necessary share capital and various other preliminaries. I think the banks may be said to have begun their working by January, 1936. So in judging the progress, the fact has to be remembered that the banks have been working for the latter half of

the last Co-operative year only. Remembering this fact and the fact that the institutions are new, and all concerned with them were new, I should think that the progress has not been discouraging. The Narsinghpur and Raipur banks have made a promising beginning. Next come Basim and Nagpur. I am glad to say that the old Mehkar Bank which was registered some years ago has also shown considerable activity during the year. As ill luck would have it, the business of the Amraoti Bank was considerably slow.

Seoni and Bhandara Banks also were expected to make a promising start, but somehow or other they have not been able to get the right type of borrowers. About Bhandara I am told that soon after the establishment of the Land Mortgage Bank there, Debt Conciliation Boards were appointed in all the three Tahsils of the District, and most of the good borrowers who went to the Debt Conciliation Boards withdrew their applications from the Land Mortgage Bank.

As regards the business side of this activity, I am glad to say that the Provincial Bank has made a small profit on the year's working. In this respect, our experience has been happier than that of the Bombay Provincial Bank.

The ordinary borrowers nowadays seem to prefer the money lenders to a land mortgage bank. It is said that the ordinary money lender is now prepared to give almost the same facilities which the land mortgage banks give. It is, indeed, a matter for congratulation that as a result of the establishment of land mortgage banks, the money lenders have come to adopt the methods adopted by co-operative institutions. If the establishment of these banks succeeds in creating among the ordinary money lenders a sense of fair dealing, and brings about a substantial reduction in the rates of interest, I think, it is no small achievement which may be attributed to them.

We have severely restricted our transactions to the borrowers from whom we expect to recover the instalments from their income without selling them up. We have strictly adhered to the canons of sound finance and good business.

One thing more. The establishment of land mortgage banks has given a healthy tone to the Co-operative Movement. As you know, the ordinary co-operative banks which are associated with co-operative credit business have come to acquire bad repute, because the people outside judge the success of the Movement from the results and the results have been very far from spectacular and far from satisfactory. When the trail of coercion is to be observed in almost every part of the country and when people have to be sold up and deprived of their lands, there is little wonder that the outside observer would say that this Movement which was initiated with the object of doing good to the agriculturist has failed. There is nothing wrong with the principle of Co-operation itself. Land Mortgage Banks are also after all co-operative institutions like the Central Banks. The latter have come to grief, because they made the fundamental mistake of doing, what has turned out to be long-term business out of short-term capital. The Land Mortgage Banks are really supplementary to the Central Banks which ought to confine their activities to short-term credit. I shall deal with this subject later on when we come to the question of the area of operations of Land Mortgage Banks.

There is sympathy for this activity in all directions. So far as Government is concerned it has shown its active sympathy in no uncertain manner. It has guaranteed both principal and interest to the extent of the large sum of Rs. 50,00,000 In a big Presidency like Bombay, Government has guaranteed the same amount after considerable pressure of the Legislative Council. Our Government has agreed further to give the services of the Valuers for these banks. You will agree that in land mortgage business, valuation of the property to be taken as security is of the utmost importance. Further two legislative measures have been successfully piloted in the Legislative Council. Both are intended to set the machinery for long-term finance working in an efficient and business-like manner. These are the C. P. Tenancy Amendment Act and the C. P. Land Mortgage Bank Act. I do not propose to go into the provisions of these Acts. I merely point out that the Government has the utmost goodwill for this activity. You have referred to the necessity of an independent Valuer for each bank. I may point out that as and when necessity for a separate Valuer is felt, Government has readily given the necessary assistance. Only very recently Government has sanctioned three more Valuers and proposals have been submitted for two more for the two banks to be started shortly. I may add that the Legislative Council has also shown considerable sympathy for this particular activity although there has been severe criticism of the Central Banks. There is a demand for establishment of Land Mortgage Banks all over the province. I think it would not be wrong to conclude that the Land Mortgage Banks have come to stay in this Province.

THE SEVENTH LAND MORTGAGE BANKS' CONFERENCE, MADRAS

10th October, 1936

Dewan Bahadur T. A. Ramalingam Chettiar, in the course of his welcome address, said:

At the outset I have to refer to the very sad demise of Sir M. Ramachandra Rao who was the President of the Central Land Mortgage Bank from 5th January 1930 up to the date of his death on 16th May 1936. He was in charge of the Bank almost from the beginning and if to-day the Madras Co-operative Central Land Mortgage Bank is leading in the provision of long-term credit to agriculturists in India, it is due to the devoted labours and the unremitting attention he paid to the work and improvement of this bank. His anxiety to make long-term credit available to the agriculturists, especially during the depression period and the several representations he made to the Government, are well-known. So the Bank has, in his death, sustained a very great loss and the ryot a very considerate and helpful friend.

In this period of depression, the ryots' produce fetches in money value only 50 per cent of what he got before and there is difficulty in finding markets for his produce, the charges he has to pay for interest, rent and revenue in money have remained the same and amount to more than double his old liabilities. The assets in the shape of lands have depreciated in value, while his debts remain the same. For this, it is now recognised that a scheme of debt conciliaiton, backed by some financial arrangement by which a consolidated amount may be paid by some agency and recovered by easy instalments, is necessary. In this scheme the position of Land Mortgage Banks is an indispensable one and without it schemes of conciliation cannot succeed very much. It is to the great credit of the Madras Government that they came forward with their special loans policy to help the smaller ryot, up to a maximum of Rs. 2,000 each. Now that the Debt Conciliation Act, which I took the responsibility of introducing into the Local Legislative Council has been passed into law, with the backing given by the Government and the Land Mortgage Bank, it will be possible to save a large body of agricultural ryots.

Even though the Debt Conciliation Act was passed early this year, it has not yet been brought into force in any part of this province. It is unfortunate that a measure intended as an urgent measure should be delayed so long in being brought into force. I request you and the Madras Government to allow no further time to lapse before action is taken under that Act. I may mention that in Bengal where the bill was introduced long after and passed after ours, the Boards have already begun to function. In this connection, it is also necessary for me to state that if the Act is to be beneficial and the ryot is to reap the benefit of it, the association of those responsible for the running of the Land Mortgage Banks and of the revenue authorities who disburse the agricultural loans, is necessary. The Boards to be constituted should provide for a person with legal training as the procedure is a bit complicated, a person with revenue experience and a person connected with the Land Mortgage Banks. We have in most areas retired judicial officers and retired Deputy Collectors who will, I have no doubt, be willing to devote a portion of their time for the benefit of their fellow countrymen. It is only by taking great care in the formation of these Boards and working them in co-operation with Land Mortgage Banks that we can deal with this problem promptly.

The Central Bank's usefulness depends on the ease with which and the terms under which they are able to raise money. I am glad to be able to report that our debentures have become popular in the market and have secured a steady demand With the alterations in the conditions relating to redemption before time that is being considered, they will be in a position to compete with the gilt-edged securities. I need not say that this position is due to the guarantee given by the Government for principal and interest and also to the efficient management of the Central Land Mortgage Bank and the Primary Banks by those responsible for their administration. The rate of interest paid for debenture money has been reduced within the last three years from 5 per cent to 3 per cent: I am very happy to inform you that our 3 per cent debentures issued with great diffidence have been oversubscribed without even a public announcement, and so far as we can read the conditions of the money market, it seems there will be no difficulty to get money at this rate. We have been progressing by slow and cautious steps taking advantage of the market by reducing our rates and converting the old debentures issued at higher rates, so that now there is no debenture outstanding which bears more than 4 per cent interest. As the interest paid on debentures has been reduced, the benefit of the same has been passed on to the borrowers, so that even though loans were first advanced at rates varying between 7½ and 8 per cent, no loan outstanding bears a higher rate of interest than 6 per cent at the present moment. The Board has also made a general rule for the future that the Central Land Mortgage Bank shall charge for the loans only 1 per cent over the debenture rate and as the Primary Bank also is allowed to charge only 1 per cent more the ultimate borrower will now get money to discharge his debts at 5 per cent. I will, in this connection, appeal to the Government to reduce the rate of interest they are charging to the ryots to 4 or 4½ per cent.

There are at present 80 banks working in the province. As each bank serves one whole or portion of a taluk, there are vast areas in the province which are still without Land Mortgage Banks. There have been demands from all quarters for more banks. So there was a great disappointment in the Board when they heard that the Government did not want any expansion in the current year. Luckily there has been a change in the attitude of the Government and they have now decided to open 14 more banks in the Presidency. I will impress on the Government the need for a settled policy of expansion so that the whole province may be covered without much delay. The provision for 14 new banks is still inadequate.

Originally it was thought that a Sub-Deputy Registrar could deal with three banks. But there are areas in which a Sub-Deputy Registrar is in charge of 5 banks, with the result that there is great delay in the investigation of loan applications and their disposal. This leads naturally to a lot of legitimate complaints. It is necessary that the Government should without any further delay sanction the establishment necessary for the prompt disposal of applications.

Our transactions already extend to Rs. 80 lakhs. The loan applications disbursed every month amount to about Rs. 3 lakhs and this will increase as more banks are started and as the maximum borrowing power of the banks is increased from Rs. 5,000 to Rs. 10,000. The maximum amount guaranteed by the Government, *viz.*, Rs. one crore will soon be reached. I have already addressed the Government to increase the maximum to at least a crore and a half. I request the Government to examine the position and have the maximum raised at the next meeting of the Legislative Council, as the available resources will be exhausted by January or February next and the new Legislative Council will not meet for some months after that.

As our transactions increase in volume it is absolutely necessary that there should be a strong reserve fund built up to meet contingencies. We are making every effort to build up this reserve, and the Board has appealed to the Government for its help to build up this reserve. From what I have said, it will be clear that the bank is performing one of the chief functions of the Government in helping the ryots and the Government is justified in spending money for the work that has to be done. The Government is at present employing 2 Deputy Registrars and 20 Sub-Deputy Registrars for the investigation of the loan applications. This will have to be done by the Government itself if it is part of their special loans policy. These officers are not lent to the bank or the Primary Banks; but they are Government officers who are supervising and looking after the work of the banks. There is also the interest of the Government and the Trustee who are watching the interest of the debenture-holders. Such being the case, it is only fair that the cost of these officers should be debited to the Government. But the Government have decided, inspite of the earnest entreaties and protestations of the bank, that the cost of the Deputy Registrars should be paid by the bank. In view of the fact that in this time of depression the ryot should get money at as low a rate of interest as possible, and as it is necessary that a strong reserve should be built up as soon as possible, I appeal once again to the Government not to insist upon the payment of contribution for the services of the Government officials helping in the working of the Land Mortgage Banks.

I am very happy to be able to report that the Primary Banks are being managed very efficiently on business lines and that they have paid all their dues to this bank during the year.

When the bank was started there were not many anxious to take shares in the bank and by persuasion and by personal influence, those in charge of the bank induced people to take shares. Last time when the matter of raising the amount of the guarantee of debentures came up before the Legislative Council, some members raised the question of issue of further shares to individuals. I must state that there is no need for raising more share capital from individuals, as we have more than enough shares being taken up by the societies themselves. The Hon'ble Minister stated in the Council that he would ask the bank to issue further shares to the extent of Rs. 20,000, with a view to secure as wide a representation of individual members as possible. Applications were called for by notification in the Dailies and one share per each individual was allotted to every applicant residing within the province who did not hold shares in the bank either in his own name or in the name of other members of his family.

The Hon'ble Sir G. Bracken, Finance Member, Government of Madras, in opening the Conference, said:—

It is most satisfactory to know that debentures can now be issued at a rate as low as 3 per cent and that the benefit of the reduction in the rate will be passed on to the ultimate borrowers. The Government, I can assure you, will take into consideration this reduction, but the rates at which the Government has borrowed from the Central Government must be taken into account and they are higher than 3 per cent. Management expenses and allowances for bad debts have also to be considered. In future, Madras will have to arrange its own loans and the rate at which it can borrow must govern the rate at which it can re-lend. Let us hope that the first Provincial loan will be an unqualified success at a rate of interest more favourable than Madras has had to pay in the past. As regards a further guarantee of debentures beyond the present figure of one crore, an announcement will be made shortly.

In the matter of subsidies towards staff, in the initial stages, no doubt, some Government assistance is justified. But though the main object of Land Mortgage Banks is not to earn dividends (and I trust that to all of you dividends are a minor consideration) yet the fact remains that Land Mortgage Banks are commercial institutions capable of earning substantial dividends for the share-holders. Your Central Bank is already strong enough to stand on its own legs. It has earned a dividend of 6 per cent and already put a substantial sum to its reserve fund. The case for a Government subsidy cannot be considered strong when there is a crying need for some money for other at least equally desirable objects, the improvement of public health, the spread of education and so on.

I now pass to the general question of rural indebtedness, and to what to my mind is an allied subject, rural reconstruction. It must, I fear, be reluctantly admitted that indebtedness is chronic in rural India. Probably it is no exaggeration to say that one quarter of the rural population are born, live and die under a load of debt, fluctuating in amount but never finally redeemed. Looking back thousands of families must regret that they did not take advantage of the boom in prices which occurred in the years following the War to pay off their debts. Unfortunately nearly everyone believed that the high level of commodity prices would continue indefinitely and many people, instead of reducing their indebtedness, entered into new commitments by the purchase of land and so on often at exaggerated prices. When the slump in commodity prices came in 1929, the result to the agricultural population was in many cases disastrous. Take, for example, the man who borrowed to purchase land for Rs. 1,000 expecting to get a return of Rs. 80 per annum from the produce. When the slump came and the cash value of the produce fell by 50 per cent, the borrower found himself unable to pay even the interest on the money borrowed, still less to make any repayment of principal. As for the creditor, he found that he could no longer realise the interest for which he had bargained and that the value of the security on which he had lent the money had fallen far below the original sum borrowed. Thus the problem arose of thousands of debtors unable to meet even the interest charges on their obligations, and thousands of creditors unable to get back their money even by foreclosing on mortgages except at a sacrificial loss.

What then is the remedy ? One school of thought, the extreme Socialist, favours the complete or at least partial cancellation of debts as the only remedy, regardless of consequences. This line of thought seems to me to be based on a confusion of ideas. There is, to start with, an underlying assumption that all creditors are blood-sucking scoundrels who deserve no consideration and all debtors are pure innocent victims of oppression who have every right to be relieved of their liabilities. Now no one denies that there are some creditors who are hard-hearted and extortionate. But I am afraid all debtors are not the innocent victims that the Socialist picture would feign present. The truth is that the great majority of both creditors and debtors are just honest ordinary citizens on the one side not unreasonable in their demands, and, on the other side, anxious to meet their obligations to the best of their abilities. Nor must it be forgotten that in rural areas the same man may be and often is both a creditor and a debtor. On the Socialist theory, I suppose, one half of him must be a villain and the other half an innocent victim and he had better be chopped in two to decide which half is to win or lose. In truth, the problem is not nearly so simple as some people would have us believe. Let us, for a moment, consider the matter as affecting the debtor ryot. The total or partial cancellation of debts must inevitably mean the weakening of confidence as between man and man and so the destruction of the whole delicate fabric of credit. No business on credit would be possible and consequently the marketing of agricultural products would be dislocated, with the result that the price would inevitably fall. Again with the prospect of further cancellation of debts who would be fool enough to lend money ? Much better bury it under the floor than virtually make a present of it by lending. The sources of rural credit would at once dry up and no money would be forthcoming for ordinary day to day transactions. You who are well acquainted with the internal economy of the village, can at once see what a disaster this would be to the ordinary ryot, accustomed as he is to borrow in advance of the harvest. If credit is denied, many ryots could not, for example, purchase seed grain for sowing and would die of starvation if they could not borrow small sums before harvest. I need not labour the point further. We may dismiss this specious remedy as worse than the disease.

What then is to be done ? I think you will agree with me that sure and steady, if slow, methods are to be preferred to spectacular short cuts which can have only one end; the worsening of the position of the class supposed to be benefited. It may, I think, be fairly said that Madras has led the way in tackling the problem of rural indebtedness through its net-work of Land Mortgage Banks, the first of which was started ten years ago. The Government are now supplementing the work of the Banks by the grant of Takkavi loans for the benefit of the small debtor. There remains the Debt Conciliation Bill, for which your President is mainly responsible. A beginning will shortly be made with Debt Conciliation Boards. Now, however desirable the scaling down of debts may be, I must sound a note of caution. It is an extraordinary remedy devised to meet extraordinary situation created by the world-wide economic depression and it has its disadvantages and dangers. I have already alluded to the danger of destroying the delicate fabric of credit. That this danger is real can be illustrated by the experience of some of the Loans Officers now engaged in scaling down debts as a preliminary to the grant of loans. Though the arrangements made between creditors and debtors are purely voluntary, it has been reported that some debtors are reluctant to come forward to get their debts scaled down, because they fear that their creditors, who generally speaking have treated them fairly, will hesitate, if debts are once scaled down, to make any further advances. Evidently the rural population is more alive to the realities of the situation than some of our doctrinaire Socialists. If such is the case with the voluntary scaling down of debts, I leave it to you to consider what will happen if an element of compulsion is introduced. It is for this reason that the Government have to be cautious in framing rules for Debt Conciliation Boards. Actually the Special Loans Officers have been doing debt conciliation work by scaling down debts before granting loans. The experience gained will be valuable in framing rules, but, as you know, the time most of the Loans Officers have been engaged in the work has been short. This explains the delay in bringing the Debt Conciliation Act into operation to which the address alluded and, I hope, the explanation will satisfy your President.

Criticism has, I know, been directed against Land Mortgage Banks and the Government on the ground that their methods of procedure are slow and cumbersome. My answer is that both Land Mortgage Banks and the Government are in the position of trustees of the money they have borrowed, and there is a definite obligation on them to see that proper enquiry is made into the adequacy of the security offered by would-be borrowers. Such enquiry from the nature of the case must be slow and laborious. Another line of criticism is that this process of debt consolidation is so slow that it is no real contribution to the problem of rural indebtedness, a mere drop in the ocean. My reply to this are facts and figures. By this time the amounts advanced for the consolidation of debts by Land Mortgage Banks and the Government must be in the neighbourhood of a crore of rupees. And it must be remembered that the amount advanced is considerably less than the total amount of debt consolidated in cases where debts have been scaled down. With the opening of 14 new Land Mortgage Banks this year and more, I hope, next year, the employment of 8 additional Loans Officers, and the bringing into operation of the Debt Conciliation Bill, progress in future will, I trust, be far more rapid. But in delicate matters of credit, "make haste slowly" is a sound maxim. Better steady and orderly progress than a rush down a precipice. In my opinion, and this opinion is confirmed by the enquiries of the Special Loans Officers, both the total amount of rural indebtedness and its dead weight as judged by the rates of interest have been exaggerated, and the situation is not in reality as bad as it is sometimes painted.

Far be it, however, from any of us to be self complacent. The problem is immense and difficult. And let us not be under any illusion. The remedies we are attempting are in the nature of palliatives, rather than final solutions. The consolidation of debts on long-term mortgages on easy terms is, of course, a very real benefit to the debtor. But the debt or most of it remains and much of the debt is, I fear, of an unproductive nature. That, I am afraid, is a weak spot in the present working of Land Mortgage Banks that so much of the money lent is for past debts of an unproductive character and so little for financing productive expenditure, such as land improvement, the consolidation of holdings and so on.

What then is the ultimate solution ? I feel certain that there is no possible short cut to economic salvation. The process of recovery must be slow and gradual. First of all, there is the hope of a recovery in the price of agricultural products. Some recovery has already occurred, but not as much as could be hoped. But the outlook for the future seems to be definitely brighter in consequence of the recent move to stabilise exchanges. It is generally agreed that the stabilisation of exchanges at a natural instead of an artificial level is a most important step towards a general re-establishment of confidence and a real recovery of world trade. The immedite effect of a readjustment of exchanges may be a temporary dislocation of business and a temporary set-back in prices, but in the next year or two, if no disturbing factor appears, we may look forward with some confidence to a gradual recovery of experience and make the best use of returning prosperity. To my mind, the chief world commodity prices from which mainly agricultural countries such as India stand to gain most. If prices recover, the danger is that the agricultural population, forgetful of the bitter lessons of the recent depression may fail to learn wisdom by need of the agricultural population is a complete change of economic outlook. Instead of accepting chronic indebtedness as a natural and inevitbale condition of life, now is the time to put up a fight to get clear of debt in a period of rising prices when better marketing facilities will, we may hope, give the actual cultivator a more adequate return for his labour. One good, at least, has come out of the evil of the depression. Hard facts have compelled the curtailment of wasteful expenditure. Let us hope that the habit of thrift will continue and that in future less money will be wasted in unnecessary extravagance on marriage ceremonies, factions and factious litigation.

In another respect a change of outlook is necessary, I would suggest, and that is, a disposition to face up to the facts. Far too many debtors deliberately shut their eyes to disagreeable realities and live from day to day and from month to month in almost complete ignorance of how they really stand. One day they may pay back a little, another day they may borrow a little and so it goes on till neither creditor nor debtor are quite sure how matters really stand. One of the advantages of the scaling down and consolidation of debts is that it has forced both parties to tally their accounts.

I have taken up too much of your time and must hasten to my conclusion. Some of you must have wondered why I have joined rural reconstruction with rural indebtedness as the subject of my speech. To my mind there appears a close connection between the two.

In the work of rural reconstruction it is to you non-official gentlemen, that we must almost entirely look. Our new District Economic Councils can perform a useful function in co-ordinating the activities of the various Government departments and working out programmes of material improvements, but in the more vital matter of bettering the real life of the village, officials can do little more than set the ball rolling. It is on you, non-official gentlemen, that the burden of responsibility rests and the privilege of making some contribution towards the general good of your country and your fellow clients.

I have now the pleasure of declaring this Conference open. I wish it every success and hope that your deliberations will be fruitful. I have two suggestions to make. One is that you should consider whether your future reports should not give some indicatoin as to how much of the money Land Mortgage Banks lend is for what may be called productive expenditure and how much for unproductive. The second is that in the case of consolidation of unproductive debt, the possibility of making the grant of loans dependent on some scaling down of old debts be examined.

The Conference passed the following resolutions :—

1. *Loans on the security of garden lands* :—Resolved that this conference is of opinion that garden lands such as cocoanut, areca nut, orange, mango, betel leaf are by no means inferior to paddy-yielding wet lands either in their market value or in their productive capacity. It accordingly recommends to the Board to adopt in the case of such lands the same per centage of loan accommodation as is generally adopted for wet lands. They may be treated as wet land for purposes of advance, *i.e.*, 50 per cent may be advanced on the valuation. On rain fed lands on which 25 per cent maximum was fixed by the Board for advance it may be raised to 40 per cent.

2. *Loans up to 60 per cent of the estimated value of lands* :—The maximum advance may be raised to 50 per cent of the valuation in practice. The Conference recommends to the Board that the procedure and principles of valuation may be investigated by a committee and rules framed.

3. *Extension of the period of the loans* :—The period of loan may be extended to 30 years in suitable cases.

4. *Individual maximum borrowing power in the primary banks* :—After a bank has worked satisfactorily for a year and advanced at least Rs. 50,000 loans, the individual maximum borrowing power should be raised to Rs. 10,000.

5. *Convenient dates for payment of instalments* :—For future loans two more convenient dates may be allowed to choose from for payment.

6. *Grants to Primary Banks for propaganda work* :—Resolved that the Registrar be moved to request the Government.

7. *Collection of Interest under the bye-law No. 10 of M. C. L. M. B.* :—The period of *two* months after receipt of order of sanction be changed to *three* months.

8. *Speedy disposal of loan applications in the Primary Banks* :—The Government may be asked to sanction more Sub-Deputy Registrars and one more Deputy Registrar for dealing with the increasing number of applications for loans.

9. *Recommendations of Directors of Primary Banks* :—Where there is a serious difference of opinion between the Sub-Deputy Registrar and the Deputy Registrar on the one side and the Primary Bank on the other, and the Primary Bank wants it, one Director of the C.L.M.B. may be sent for personal enquiry and report.

10. *Loan and Sale societies at the headquarters of Land Mortgage Banks* :—It is desirable to have a loan and sale society working at the headquarters of every Land Mortgage Bank and it accordingly recommends to the Board and the Registrar to establish them wherever the necessary facilities exist.

11. *Partial Alienation of mortgaged properties* :—Add as 43 (b) Bye-law "Any member who desires to alienate any portion of the security given to the bank shall obtain the previous permission of the Board. It is competent to the Board to grant or refuse permission on such terms and conditions as it may deem fit. The Board may in such cases take action to recover the whole loan without reference to the period of the whole loan.

12. *Debt Conciliation Boards and scaling down of debts* :—Primary banks should have proper representation in the composition of these boards.

13. *Nomination of two Directors in the Primary Banks* :—President's circular is approved and the Registrar be addressed to follow the same course.

14. *Refunding of share capital* :—Primary Banks may, where they can do so, have the option to return share money to members whose loans have been wholly discharged or where loan applications have been rejected.

15. *Provision for creating building funds in the Primary Banks* :—The proposal is endorsed.

16. *Exemption from registration charges* :—The Government be requested that the exemption of registration charges for Land Mortgage Banks may be extended at least for a further period of two years.

17. *Audit Fees* :—The Registrar be requested to reduce the fees by at least 50 per cent.

EXTRACTS

CO-OPERATIVE ARCHITECTURE

People who do not belong to the Movement often get their first and lasting impression of Consumer Co-operation from its buildings and shops. If the latter are attractive they can prove to be canvassing agents for new members, and also disseminate a more general feeling of sympathy towards the Movement.

Our premises are important factors in our work. The keener the competition becomes, the greater the importance attached to the planning and designing of these premises. Good tools increase efficiency. An office building, a factory or a shop must be designed so as to ensure orderliness and system in the work carried out in it. It should moreover convey to the minds of people that the Co-operative Movement is a model producer and distributor. It has a mission which is at once cultural and educational and one that is easily overlooked; it must open people's eyes to the advantages of living and working in orderly surroundings.

In this respect the Consumers' Co-operative Movement also provides other spheres of activity for us architects. One of these is the housing of our members. Care should be taken to ensure as practical and comfortable arrangements in the members' homes as in the shops of the Co-operative Movement. And just as we take pride in selling good and nourishing foodstuffs, so ought we also to be ambitious to sell household furnishings which will give character to our members' homes.

To take an example: the house furnishings which are being sold in our departmental stores are cheap, but can they be justified from a cultural point of view? When we travel throughout different countries in which the Co-operative Movement engages successfully in business, we are compelled to adopt the view that the Movement often goes to the aid of those forces which are spoiling public taste by distributing articles of furniture which maintain an inclination on the part of the buyers to favour that which is false and pretentious. The entire world is teaming with such cheap and pretentious articles of furniture of poor quality. They are being offered by all kinds of concerns. Of course, it is no easy matter to drive out the cheap and bad manufactured goods with others which are cheap and good. But we must reach that stage some time or other. People who surround themselves with things which convey a false impression simply because they are not offered any others have not existed previous to our age. It is a calamity that old, civilised nations should be on a lower level than the savages of Africa.

Now, nobody should believe that I have faith in the ability of Co-operative Architectural Offices to bring about any noteworthy change in these deplorable conditions. The initiative for an improvement cannot come from us. But the co-operative architects should be a reminder that the Movement has at its disposal forces which can at a suitable moment be devoted to cultural work other than the building of houses.

We must, therefore, hold on high our convictions as experts for the very reason that the Co-operative Movement makes great demands on the versatility and quality of its architects. Our architecture is undoubtedly always the result of co-operation between our employers and ourselves, the duty of the employer being to make known his practical wishes to us. On the other hand, it is for the architect to gain respect for his views and, by advancing valid reasons, to convince his employer and even the building authorities when necessary. When the employer has drafted his pro-

gramme and directions in conference with the architect, the latter must be the designer as well as the technical and artistic leader.

Apart from the questions of principle there are, however, a large number of details the solution of which might be furthered by contact between co-operative architects in different countries. Every architectural office has, of course its special problems with reference to organisation and administration, as well as those of a technical and artistic nature, but there are always points of contact with other countries in them.

The Swedish co-operative architects whom the writer represents are, for example, considering the question of bringing about greater mobility in shop fittings. The successive changes in the assortment of commodities and the increased demand for temporary selling arrangements make it desirable to arrive at such a standard of equipment as will readily enable a manager to meet new demands upon it. He must give the shop a new appearance without mutual expense and without great trouble. New and varying arrangements have an attractive effect. They show that the business is imbued with a living spirit. Probably the shop of the future will in a still higher degree apply the principle of building blocks. It will consist of small units which the managers will have to learn to combine and control. Such an equipment should prove a most valuable instrument in the hands of energetic and imaginative managers, but it is certain that the system will call for still greater capacity for work and initiative on their part.—By Eskil Sundahl, Professor of Architecture, Stockholm Technical High School, in the *Review of International Co-operation*, October 1936.

PALESTINE—CO-OPERATIVE PRODUCTION AND TRANSPORT SOCIETIES

Co-operative Productive Societies of widely differing sorts have risen to considerable importance in Palestine, and figure in every branch of the country's economic life. Nearly all of these societies have been founded by the Jewish population. On 31st December, 1935, there was one co-operative productive society constituted by the Arabs, aside from 16 co-operative transport societies.

The following table shows the distribution by industry of the Jewish co-operative productive societies in 1935:

Industry	Number of societies.	Number of workers.
Transport	26	1,208
Metal casting	5	105
Building materials, irrigation ..	10	155
Plumbing	2	58
Wood Products	7	150
Printing	2	80
Restaurants	7	200
Clothing and shoes	4	31
Baking	4	40
Sundry	7	160
	74	2,187

Capital subscribed by the members amount to some £200,000. The wages paid monthly by the societies lay between £26,000 and £27,000.

The transport societies deserve special attention. A large proportion of the traffic both in goods and passengers between the towns and settlements of Palestine, as well as the motor omnibus services in the cities of Tol-Aviv, Jerusalem and Haifa are in their hands.

According to the Standard Rules for co-operative transport societies issued by the Registrar, each new member must pay an entrance contribution proportionate to the amount of the accumulated funds of the society per member. The size of this contribution is fixed annually, and the resulting sums are allotted to the different reserve funds at the end of the year. If a member leaves a society, refund is made, not of his contribution but of an amount drawn from a special fund and fixed by the meeting in agreement with the auditing union. This amount is determined in consideration of the length of membership and the reasons for withdrawal.

The Transport Societies spend tens of thousands of pounds annually on the purchase of machinery, spare parts, tyres, motor spirits, oil, etc., and in order to eliminate the middle-man they have founded a special company for the purchase of those goods. The extent of the savings to the Transport Societies expected from this source may be judged by the fact that in the next two years £500,000 will probably be spent on passenger cars, lorries and the other requisites mentioned above.

The co-operative societies for production and transport are affiliated to the Federation of Workers' Co-operative Productive Societies. This body supervises the societies' conduct of business and examines proposals for the foundation of new societies and for the introduction of organisational or financial reforms. However, the Federation has a special section for culture which aims at spreading among members both general education and instruction in the co-operative movement There are also two special organisations for financial aid, and short-term loan fund. The latter makes loans for period of 1-5 years, to the co-operative societies for the purchase of land, machinery, etc.; as a rule it allows only 65 per cent. of the sums required, leaving 35 per cent. to be provided by the society itself. The short-term fund acts in a complementary capacity by granting the societies immediate aid in the shape of small loans for short periods.

—*Co-operative Information.*

CO-OPERATIVE SHEEP-BREEDING IN THE PUNJAB

The Punjab Government have sanctioned the transfer of Rakh Pilo in the Chawkwal Tehsil of Jhelum District, from the control of the Deputy Commissioner to that of the Civil Veterinary Department for a period of five years in the first instance for the purpose of starting a Co-operative Sheep-Breeding Society. This rakh comprises an area of 972 acres of land of which 400 acres could be brought under cultivation. It will be divided into 40 plots of 10 acres culturable and 14 acres unculturable each. The grants for sheep-breeding will be made under certain specific conditions, which are intended to ensure that the scheme will be worked co-operatively by the grantees in order to obtain the best possible results. Each grantee will be required to join the Rakh Pilo Sheep-Breeding Co-operative Society and to maintain in good condition 35 sheep including one ram approved by the officers of the Civil Veterinary Department. Goats and camels will be entirely prohibited in the Rakh. During the first two years of the scheme no rent will be

payable; in the next three years each grantee will pay rent of Rs. 5 per annum to the Civil Veterinary Department. Other conditions include, the first right of the Department to the purchase of surplus approved animals at market price, breeding from sheep once a year only, maintenance of sufficient fodder supply, maintenance and use of manure pits on the cultivated portion of land, prompt reporting of any outbreak of disease in the flocks and general obligation to follow implicitly the instructions issued by the officers of the Department. The grants will be for 5 years only in the first instance at the end of which the whole scheme will be reviewed, but no grantee who has effected any payment for permanent improvement in his grant with the permission of the Civil Veterinary Department, shall be evicted unless a compensation is paid to him by the said Department at a rate to be assessed by the Collector.

It will be recalled that a similar transfer was made of Rakh Dand in the Jhelum District for sheep-breeding purposes about a year ago. Even though this scheme has not been long in operation, it has started well and there is every reason to believe that it will prove a success.

—*The Director, Information Bureau, Punjab.*

CO-OPERATIVE NEWS AND NOTES

The Government of Madras have decided to start 14 new Land Mortgage Banks in the current official year in areas where the Agricultural Loans Act is not in operation. It will be recalled that some time ago the Government announced that they did not propose to start any more Land Mortgage Banks in the current year in view of the operation of the Agricultural Loans Act. We are glad the Government have revoked that decision.

* * * * *

The Agricultural Department of the Government of Bengal have selected 450 centres in different districts of the province for paddy seed and crop demonstration in the Union Board areas under the scheme of rural development financed out of the Government of India rural uplift grant. In addition to this, ten districts have also been selected for the operation of the scheme for the improvement of cattle.

* * * * *

The Administration Report for 1934-35 of the C. P. Government makes reference among various activities of the Government to the work of the All-India Village Industries Association at Wardha and says it is making steady progress. We are glad that the Government has realised the good work that is being done by the Association which was once suspected to be entirely of a political character. It may also be recalled that the Government of India issued a circular to all Provincial Governments just after it was started to watch the activities of this Association and this circular formed the subject of an interesting debate in the Legislative Assembly.

* * * * *

The Burma Agriculturists' Debt Conciliation Bill was passed by the Burma Legislative Council recently.

* * * * *

The Punjab Consolidation of Holdings Bill, which is one of the main measures of rural reconstruction, was recently passed by the Legislative Council of the Punjab.

* * * * *

Dewan Bahadur T. A. Ramalingam Chettiar has been unanimously re-elected President of the Madras Co-operative Central Land Mortgage Bank, Ltd., in the recent election held in October.

* * * * *

The 12th Conference of Registrars' of Co-operative Societies will be held at Delhi on the 8th and 9th December 1936. Mr. V. Ramadas Pantulu is representing the Indian Provincial Co-operative Banks' Association and Mr. Bashir Ahmed Khan, the All-India Co-operative Institutes' Association. The proceedings of the Conference will be published in our next issue.

* * * * *

A Provincial Co-operative Marketing Society has been formed for the Province of Madras and the objects of the Society are to arrange for the marketing

of agricultural produce and co-ordinate the working of the Loan and Sale Societies and the Consumers' Stores in the province. It is proposed to take up the marketing of vegetables and fruits in the beginning.

* * * * *

The XXIII Mysore Provincial Co-operative Conference was held on 22nd October 1936 under the presidency of Mr. N. Madhava Rao, Second Member to the Government of His Highness, the Maharajah of Mysore. Extracts from the proceedings of the Conference will be published in our next issue.

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