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Editorial Notes.

The Registrar's Report.

The report of the Registrar of Co-operative Societies in this province for 1935-36, which has just been published, records a decided improvement in the working of societies over the previous year. No doubt there was a further reduction in the number of societies; but we all now realise that it is not so much the number as the quality of the societies which matters. Even the reduction in the number of societies has been steadily growing less, as the following table will show:

Year.		No. of societies registered.	No. of societies cancelled.	Total No. of societies.
1932-33	...	107	691	13,956
1933-34	...	140	462	13,634
1934-35	..	100	281	13,453
1935-36	...	211	334	13,330

As liquidation is a tedious and unprofitable process, the present policy of the Registrar is to postpone it until it becomes inevitable, and in the meantime to try to improve the society by getting the general body to appoint an agent under bylaw 62 to look after its affairs, or by superseding the committee. At the close of the year under report as many 1,258 societies were being managed by agents. This method was particularly popular in the districts of Chingleput, Malabar, North Arcot and South Arcot, which account for more than half the number. The working of the societies under supersession is reported to be decidedly better than before.

Compared with the previous year the working capital of all societies, exclusive of the investments of one society in another, increased from Rs. 10,48 lakhs to Rs. 10,88 lakhs; the loans issued by central banks to societies increased from Rs. 87 lakhs to Rs. 110 lakhs; and the loans issued by agricultural credit societies to their members from Rs. 125 lakhs to Rs. 148 lakhs. This increase was shared by both land mortgage banks and the ordinary unlimited liability societies. What is even more important is that there was an appreciable improvement in the repayment of dues by the agricultural societies to central banks and by the members to the societies, with a consequent reduction in the percentage of arrears. In respect of dues payable by societies to central banks, the percentage of balance to demand under principal decreased from 61. 62 to 57. 87, under arrears of interest from 51. 32 to 45. 33 and under current interest from 11. 16 to 10. 57. In respect of dues payable by members to agricultural societies the corresponding decreases were from 68. 12 to 65. 35, from 72. 20 to 71. 35 and from 58. 69 to 47. 62 respectively.

This decrease in the percentage of arrears, due partly to the improvement in the prices of agricultural produce and partly to the rectification of defects, shows that the movement is quite sound in our province. An even more convincing proof of it is found in the results of the thorough investigation of societies that is being made into the state of societies in every district during the last three years. At the end of the period under review the examination of 6,228 or about 60 per cent of the agricultural credit societies had been completed. It revealed that out of Rs. 267.78 lakhs involved in loans in them, Rs. 40.86 lakhs were estimated to be bad debts and that out of this the amount that would affect the central banks was only Rs. 7.41 lakhs; against which they had a bad debts reserve of Rs. 17.35 lakhs and a reserve fund of 31.37 lakhs. To this portion of the Registrar's report in particular we should like to draw the attention of the Agricultural Credit Department of the Reserve Bank, on whose report submitted recently to the Government of India we have commented elsewhere.

The most outstanding feature of the co-operative movement in our province is the success of our land mortgage banks. The

Central Land Mortgage Bank, by being able to float debentures at 3 to 4 per cent and by lending to primary banks at a margin of only 1 per cent on condition that they in their turn were content with a similar margin of 1 per cent, has succeeded in supplying long term credit to the ultimate borrower at 5 to 6 per cent interest. It is pleasing to learn that its 4 per cent debentures are being quoted in the Bombay share market at a premium of 5 per cent. This fact also we commend to the notice of the Reserve Bank. The primary land mortgage banks which were 80 in number, were in no arrears of principal or interest to the Central Land Mortgage Bank, though in several of them their own members were in arrears in respect of either or both. But during the year under report they were able to bring down their arrears of principal and interest from 36.89 and 6.51 to 20.64 and 4.33 respectively. These banks, while giving loans to their members for clearing old debts, were able to scale them down in an appreciable degree.

The Provincial Bank charged only 4 per cent on its loans to central banks, but even at that rate there was not much demand for its money, as they could get deposits at cheaper rates. It continued to subsidise the central banks for rectification work and the Provincial Co-operative Union for education and propaganda and the running of rural reconstruction centres. The number of societies in the class 'purchase, purchase and sale' increased from 79 to 93. Of these the most important were the loan and sale societies which increased from 64 to 74 in the year under report. The purchases made by the societies of this class rose from Rs. 3.7 lakhs to Rs. 5.4 lakhs and their sales from Rs. 17 lakhs to Rs. 21 lakhs. Among the loan and sale societies the Tirupur Trading Society was the foremost as in previous years. The sales of the Milk Supply Union advanced from Rs. 1·35 lakhs to Rs. 1·70 lakhs. It gave to the producers a rebate of 6 pies per rupee against 4 pies in the previous year. A feature of the year was the organisation of 20 better living societies. They were started late in the year and therefore not much could be known about their working from the report. The number of school and college societies increased from 81 to 86 and their sales from Rs. 83,170 to Rs. 99,735. The Handloom Weavers' Society which came into being during the year under report was groping its way and opened an emporium at Madras and depots at Bezwada, Madura and Calicut. The sugar societies did not fare as well as expected, in spite of the organisation of a Central Sugar Marketing Society. The

South India Co-operative Insurance Society continued to progress in all directions. There was a speeding up in the disposal of arbitration references. The work of execution of decrees was heavy and difficult, making it necessary in many cases for societies to take over properties. But it was being bravely shouldered by the special staff. Thus in all important directions the progress of the movement was satisfactory.

Reserve Bank's Report.

The report of the Agricultural Department of the Reserve Bank, which we have published in full in this number, is a very disappointing document to co-operators and others concerned with the financing of agriculture, as they expected the Bank, which is the creation of the State and on which the State has conferred special privileges, to help substantially the chief industry of the country and to befriend the co-operative movement which is being fostered at considerable expense by the State. This feeling of disappointment is clearly expressed by Mr. T A. Ramalingam Chettiar, President of the Madras Central Land Mortgage Bank, a short article from whom on the report is published in this number. We hope to publish later the opinions of other representative co-operators, but we do not expect their trend to be very different from that of Mr. Chettiar's opinion. A joint meeting of the Standing Committees of the Provincial Co-operative Banks' Association and of the All-India Co-operative Institutes' Association, which took place at Delhi during the Easter week, adopted the following resolution on the report of the Reserve Bank :

" (*a*) This meeting of the Standing Committee places on record its feelings of disappointment with the preliminary report issued by the Reserve Bank of India under Sec. 55 of the Act.

(*b*) This meeting is of opinion that the intention of the Act in creating the Agricultural Credit Department has not been kept in view by the Bank and urges on the Bank to so work Sec. 54, cl. *b*, of the Act as to help Provincial Co-operative Banks, with short term financial accommodation so long as the security offered for the loans is sound and no risk is involved in them, specially for the purpose of developing Sale and Supply societies (Marketing Societies) on the security of Promissory notes executed by the Provincial Banks supported by pledge of goods or documents of title to goods.

(*c*) This meeting resolves to request the Central Board of the Reserve Bank of India to invest, or lend on, the security of debentures issued by Provincial Co-operative Banks and Land Mortgage Banks where the principal interest thereof have been guaranteed by the Central or the Provincial Governments."

The meeting consisted of well known and authorised representatives of the highest co-operative institutions in the important British provinces and Indian States. Its opinion is therefore entitled to the greatest consideration at the hands of the Government, the Indian legislature and the Reserve Bank.

Mr. M. L. Darling, who was placed on special duty to report for the benefit of the Reserve Bank on the co-operative movement and on the ways in which the Bank could help the agriculturist through co-operative banks, (whose report, however, has not been published) and who on account of his official position cannot be expected to be very outspoken in any criticism of the Bank, was nevertheless, constrained to observe in his presidential address at the recent U. P. Co-operative Conference held at Lucknow as follows :—

> "Some of us many think that the report makes no great attempt to discriminate between the areas where the movement is sound and those where it is unsound and that it does not make sufficient allowance for the features that distinguish the co-operative from ordinary commercial banking."

Though Mr. Darling has clothed his criticism in as mild a language as possible, it is clear that the Bank failed to appreciate his report as much as was expected of it.

The report says in brief that agriculture in India, on account of its very nature as well as the special conditions to which it is subjected in India, is not suitable for being financed by commercial banks, except in respect of marketing ; that in respect of marketing, the commercial banks are able and quite willing to help the agriculturist to the required extent, but for lack of standardisation of goods they are able to do so only to a very limited extent ; that co-operative godown and marketing societies, if started, could serve a useful purpose by providing to commercial banks 'a general collective guarantee on top of the security actually afforded by the produce itself' andthus make it possible for them to advance moneys on narrower margins and to a greater extent than at present; that the Reserve Bank cannot invest its moneys in land mortgage banks or advance moneys on the security of their debentures, because their marketability is not yet clearly established; and that the Reserve Bank cannot accept co-operative paper from the provincial or central banks until they have clearly separated their short term and long term assets and have taken steps to rationalise the overdues of societies. This attitude of the Reserve Bank is nothing different from that of the Imperial Bank which after having given cash credit to co-operative central banks for a time withdrew it some years ago. It is believed by co-operators in some areas that the Imperial Bank hardened its attitude towards co-operative banks when it found the latter competing with it in advancing moneys on the pledge of produce.

We believe it is not so much for business as for sentimental reasons that our co-operative banks desire to have accommodation from the Reserve Bank. For several years past our central banks are getting cash credit on the strength of their assets from the Provincial Bank and have not been inconvenienced by the Imperial Bank's withdrawal of its cash credit. Not only the Provincial Bank but also the central banks have surplus funds to such an extent as to be obliged to refuse deposits even at low rates of interest. All the well-meant and ill-meant talk of the defects of societies, liquidations, sales etc., have not decreased the confidence of the public in co-operative banks. For many years yet they are not likely to need really financial help from the Reserve Bank. But rightly holding themselves to be sound banking concerns, they feel they have a right to recognition and to treatment on the same terms as other banks from an institution which is supported by the credit of the whole State and which is intended to serve all sections of the people alike. The administration of our Central Land Mortgage Bank has been held up as a model for other provinces. Its debentures are Trustee Securities and are guaranteed both principal and interest by Government. If the Reserve Bank had discriminated between areas where the movement is sound and those where it is unsound, to use Mr. Darling's words, it would have recognised these debentures, although the use of the recognition would have been chiefly as a friendly gesture.

The real cause of disappointment to the co-operator reader of the report lies in its lack of appreciation of his outlook. The money-lender, the commercial bank and the Reserve Bank, have all one outlook, the competitive outlook. They are shrewd, efficient, hard-hearted and judge a business only by the profit it yields. The co-operative outlook is different. It is human and places service above profit and even efficiency. The report contains much useful advice as to the better management of co-operative societies. Somehow the advice does not evoke a feeling of gratitude in the heart of the co-operator, as the recommendations of Committees on Co-operation usually do. It is due to the atmosphere of the report being entirely foreign to his nature. Considering the attitude of private business towards co-operation all over the world, we may well ask ourselves, could anything else have been expected of the report?

Payment in Kind.

For preventing in future the accumulation of overdues in land mortgage banks—as they have accumulated during the past few years in the Punjab, Bombay, Mysore and elsewhere owing to the fall in the prices of agricultural produce, the *Madras Agricultural Journal* suggests that cash obligations may be commuted into obligations of agricultural commodities and that payments be fixed in kind on the basis of the prices ruling at the time the loans were issued. It further suggests that the valuation of the lands and of their probable yield also should be done in terms of the commonest commodities of the tract concerned. Our contemporary is alive to the difficulties which this method involves—fixing a suitable grade of the grain, its storage, its disposal, the primary bank being required to face the fluctuations in prices and the consequent insecurity in the minds of debenture-holders. But it is hopeful that with the co-operation of financiers, actuaries and Government departments the difficulties could be solved. We are unable to share this optimism. It is not enough that the obligations of the borrowers are converted from cash to kind; the obligations of the bank to its debenture-holders, staff and others to whom cash payments have to be made by the bank, would also require to be converted from cash into kind. This is not possible unless the general economy of the country changes from money to barter. At one time governments in India were collecting revenues in kind. At that time payments for services were also made, partly at least, in kind. Those days are not likely to return, especially after international trade has developed as it has done during the last hundred years. Somebody has to bear the loss due to the fall in prices if money economy continues. If it is not the borrower then it must be the lender. The real lender is not the co-operative land mortgage bank but the debenture-holder. Will he agree to receive the interest and, in case of redemption, the value of his debentures in kind? He would do it only when he could make his own payments for services and to Government in kind. The co-operative land mortgage bank is no other than its borrowers taken together. If it takes over the risk of price fluctuations, it transfers it to its members according to their shares and borrowings, which comes to the same thing as the borrowers bearing the risk. Therefore we do not think our contemporary's solution a feasible one.

A District Bank in U. P.

Very few reports of district banks are found to be as interesting or inspiring as the report of the Fatehpur District Co-operative Bank in the United Provinces, of which Rao Saheb Dalip Mansingh is the President. The report for 1935-36 is its 37th annual report, that is to say, the Bank was started some years before the Co-operative Credit Societies Act of 1904 was passed. It should therefore be the oldest district bank in the country. On the 30th of June last, there were in the district 113 societies, with 2,741 members of which 1 was the District Bank with only 19 members, 3 were non-agricultural societies with 81 members and 107 agricultural societies with 2,641 members. The working capital per society and per member in the U. P. is very low compared with other provinces; that of the 110 primary societies in the Fatehpur district was only Rs. 2·36 lakhs. The amounts advanced, repaid and outstanding were Rs. 96,194, Rs. 89,344 and Rs. 1,82,975 respectively. The collection was 58 per cent. of the demand, whereas the provincial average was only 36 per cent. It is of interest to note that some loans were given free of interest, some at the favourable rate of 6 per cent. and others at the ordinary rate of 12½ per cent. The free loans, we believe, were given to members of the depressed classes for digging wells. These formed one-fourth of the total amount advanced during the year under review. A contribution of 4 per cent, however, was levied on them for administrative expenses. The favourable rate of 6 per cent was levied on loans taken by others for the permanent improvement of land such as for the construction of pucca wells, digging of tanks etc. These are repayable in 6 to 8 half-yearly instalments. More than 50 per cent of the entire amount borrowed

was for the purpose of paying rent or revenue, which we believe is a higher percentage than in any other province. This has made Mr. Mansingh observe sorrowfully that the efforts of his Bank all these years in improving agriculture and providing money to the cultivators at cheaper rates than Mahajans and other co-operative societies in the province, have failed in their objective on account of the high incidence of rent and land assessment. He points out very pertinently: "In all trades and businesses as well as Government services the income tax charged amounts to less than 3 per cent on incomes of Rs. 2,000 per annum. But the poorest cultivators whose average incomes hardly amount to Rs. 100 per annum have to pay rents at rates which range from 25 to 50 per cent of their total income."

A complaint made by Mr. Mansingh in respect of audit fees will sound very curious to co-operators of this province where no audit fee is charged for agricultural credit societies. The complaint is that while the full fee is collected from the societies, a large number of them are left unaudited every year. In 1935-36 only 41 societies were audited out of 111, but the full fee was charged! All the conditions for a first class scandal seem to be satisfied in this case. The societies in the district are evincing a good deal of interest in the promotion of agriculture, cottage industries etc. Stores have been started in several places for the sale of improved seeds and implements. One is being started for supplying raw materials and for selling finished articles like blankets, cot-tape etc. As orchards have increased in the district arrangements are being made for the joint sale of fruits and the joint supply of plants. In some societies pisciculture is being introduced. In 82 societies medicine chests are kept for distributing simple medicines. Ten societies are conducting night schools. Litigation between members is said to be almost unknown, as also differences of caste; while opinion is growing stronger against unnecessary expenditure on ceremonies and festivals. We heartily wish the Bank every success in its noble endeavours.

Co-operation in Coorg.

Coorg is a tiny province with an area of about 1,600 square miles and a population of 160,000, being respectively 1/19th and 1/40th of Mysore State, as observed by Rajasabhabhushana Diwan Bahadur K. R. Srinivasiengar who recently presided over its co-operative conference. It has, however, 256 co-operative societies with 17,580 members and a working capital of Rs. 12.4 lakhs. Per 100,000 of the population it has more societies and members than any other British province or Indian State. Without meaning any detraction of Coorg, we may point out that small provinces have an advantage over big provinces in some matters, just as small countries like Denmark and Belgium have an advantage in some respects over big countries like the U.S.A., Russia or India. There are some interesting special types of societies in Coorg like Honey and Wax Societies and Lantana Clearance Societies. There is a proposal to start a land mortgage bank for providing long term credit to the cultivators. Mr. Srinivasiengar, who is President of the Mysore Co-operative Land Mortgage Bank, gave to the Coorg co-operators some sound advice based on his experience of co-operation in Mysore. He did well to emphasize in particular the importance of thrift. He said :—

> "In the grant of loans, the security offered should not alone be the chief consideration, but the applicant's reputation for thrifty and frugal living should be taken into account as it has a material bearing on his credit worthiness and his repaying capacity. Co-operative institutions should make it a point not to admit even as members persons known to be extravagant and wasteful in their habits and ways of living. Public lectures should be organised to inculcate habits of thrift and economy among the people. Boys and girls should be taught in schools the value of money. Thrift accounts should be opened in all credit societies in which ladies and children should be encouraged to invest their savings however small. An atmosphere of thrift and economy should in fact be created and spread over the whole country if the full benefit of the Co-operative movement is to be realised."

The Report of the Agricultural Credit Department of the Reserve Bank of India

BY MR. T. A. RAMALINGAM CHETTIAR, B.A., B.L., M.L.C.
President, Central Land Mortgage Bank, Ltd., Madras.

A copy of the report of the Agricultural Credit Department of the Reserve Bank of India to the Government of India is received. It was expected that this Department would study the needs of the ryot and suggest means to help him at all points of his need. While the report shows that the Bank has properly appreciated the difficulties that the ryot has to contend against and the peculiarly difficult position in which he and his occupation have been placed, it has not suggested any remedies for helping him nor has it promised to help him in any way.

The co-operative societies have been supplying short term credit and intermediate credit needed by the ryot. The period of repayment extends to a maximum of five years. The Reserve Bank wants the co-operative societies to finance agriculturists for cultivation and marketing alone and to supply only short term credit. There is no agency to supply intermediate credit to the ryot for the purchasing of cattle, for deepening wells, for purchasing costly implements, and purchasing manure. They are decidedly against co-operative societies lending money for paying off old debts except in cases of land mortgage banks. The Reserve Bank, even for short term credit, is not prepared to take co-operative paper as security for the advances freely. The co-operative societies are also getting money for this purpose without much difficulty and it is not likely that the possible help from the Reserve Bank of India will be considerable.

It was expected that the Reserve Bank would be helpful to the land mortgage banks. Various suggestions were made regarding the ways in which the Reserve Bank could help the co-operative land mortgage banks. It is open to the Reserve Bank to purchase land mortgage bank debentures as principal and interest on them are guaranteed by Government and the debentures themselves are Trustee securities. If the Reserve Bank deals in these debentures and purchases at least to a small extent, the debentures will gain status and prestige in the Stock Exchange and it will be made easier for the land mortgage banks to float the debentures on easy terms in the open market. Even this help the Reserve Bank is not ready to give. All that the Bank promises to do is, to keep in touch with the land mortgage banks and give them the benefit of banking advice. This is a great disappointment to the co-operators of this country.

In para 40, the Reserve Bank summarises its recommendations with reference to the working of co-operative societies. It suggests that the loans from co-operative societies must be strictly limited to cultivation finance and if the loan is for replacement of cattle it should not extend beyond two years. It also recommends that the normal income of the ryot should be assessed and loans should be issued in instalments as money is required for cultivation. It recommends that if loans are not repaid within the stipulated period, immediate steps must be taken to recover the amount or the society should be wound up. It contemplates an extension only in cases of crop failures certified by the department and even then only if there are reasonable chances of recovery in the near future. These recommendations do not take into consideration the poverty, illiteracy and the helplessness of the ryot and his family. It will be very hard if these recommendations are to be worked literally. As I have already said there is no provision suggested for supplying intermediate credit that will be required nor is any tangible help offered even to land mortgage banks.

While the general feeling is that the ryot should be financed for all his needs by the co-operative societies and that he should not go to other financing agencies for help, the recommendations that are made in the report do not help to achieve that object. Even for marketing, there is not fresh help promised by the Bank except what is already available from the Imperial Bank and the commercial banks. On the whole, I should think the report is a disappointing document.

The Danish Folk High Schools*

By Mr. J. N. Jayakaran,

Secretary, Y.M.C.A. Rural Centre, Ramanathapuram.

Denmark, a small country comprising less than 17,000 square miles of land, slightly more than half the area of the State of Mysore, has an islandic climate which is comparatively mild in winter and cool in summer with little extremes of temperature. The annual rainfall is about 25 inches, but it occurs in seasons favourable to agriculture. The east of middle Jutland is fairly fertile, the other tracts being low sandy soil. The whole country may be said to be at sea level with absolutely no mineral wealth. The soil, therefore, forms the only source of living to the population.

Half a century of careful planning and progress from a depressed state of peasant agriculture now marks out Denmark as the foremost agricultural country in the world. Her production and marketing are done on scientific lines. Her farmers are the foremost in the scientific application of methods, use of fertilisers, relative crop production and co-operative principles. Ninety-two per cent are farmer-owners of land and the rest long-term lessees. They are one collective body of sellers and not individual marketers as is shown by figures. Ninety per cent of the Danish farmers are members of agricultural societies and 85 per cent of them of marketing societies. The whole co-operative movement in Denmark rests on intelligent membership possessing a rational understanding as to the meaning, responsibility and value of co-operation.

As a result standardised high quality agricultural products have become a basis for efficient distribution through more directing channels with costs reduced to the minimum. A rational adjustment has been made in farm production to suit the demands of the consumer in the foreign markets. Denmark's people, rural as well as urban, are to-day a prosperous, contended and happy people.

The above results in Danish Agriculture admittedly rest on the correct training imparted to her young men and women for practical life. In this the Folk High Schools have played most of the part.

The Folk High School system is not the product of any scientific doctrine of education and has nothing to do with a carefully devised educational system, but has grown with the needs of the country and is so designed as to meet them. Their aims and

* From a note submitted to the Coimbatore District Economic Council.

methods have been in every way determined by the life of the common people whom these High Schools are intended to serve. Increasing numbers of young men and women with ages 20 to 21 join these schools year after year.

From the days of Grundtvig and Kold who were the pioneers in the establishment of these schools, the whole system of education in the Folk High Schools has been one progressive scheme of adult education ideally suited to the needs of Denmark. Education for life and not for academic qualifications has been the supreme motive of these High Schools.

At one time a mere grain-producing country, now forced by circumstances, economic and political, Denmark has turned its attention to the production of the best butter, bacon and eggs of the world. To withstand competition and the factors that tend to break her national solidarity, she has most successfully equipped her people with knowledge and capacity. All the social and spiritual awakening, which stimulates the growth of spiritual powers, is made available to the Danes in the education given by the Folk High Schools.

Over a hundred schools, mainly private institutions, each owned by a principal and warden who employs the members of his staff, are to-day sought after every year by thousands of young Danish people who have just left schools of general education. Government help, is, however, obtained for these schools in two ways, namely,

1. direct subsidy to each school according to requirements (say, 5,000 to 14,000 kroners* per year), and
2. a number of scholarships to needy pupils.

Government interference in the internal administration is practically nil.

Life in the School is a disciplined one and easy of management for the simple reason that all students are adults. Two to four pupils share a room in the hostel and the mess is a common one. All students participate in all instruction. Rest and recreation are well provided for. In addition to agricultural, industrial and co-operative training, composition, arithmetic, drawing, world history and geography are taught under capable supervision. Great attention is paid to training in gymnastics. The course lasts for 5 months for men and 3 months for women. In the case of the latter, needle-work etc., are also taught. Open air games, folk-dancing and ball

* A Kroner is worth Rs. 0-9-6 in our money.

games are provided. Lectures on history, literature, sociology, natural science and physiology are given to the whole school. Songs form an important part of the curriculum which is not uniform in all schools but different according to local needs.

The teachers and the taught live, eat, work and play together, thus creating a home feeling in one and all of the students.

In the daily routine of work a lusty singing together starts the day's work. History, gymnastics, and then comes the question and conversation hour. "Human Life and the Students' Place in it," "The Day's News," "Political Questions of the Day," "Home and Foreign Politics," are samples of the subjects dealt with during the hour. Meal time over, there is a two-hour break for all. In the afternoon, arithmetic, drawing, and composition on any subject, chosen by the students, are done. Then come lectures on Sociology, Natural History, Physiology etc. In the group discussions, subjects like "The Best Types of Horses for Denmark," "The Price of Pork," "Temperance," "Social Problems of Women" and the like, are debated upon. Evenings, of course, form the recreation hours.

The whole plan of the Folk High School is designed not to make teachers or book-worms of the students, but to help them to find happiness in daily work and give them a spiritual understanding of active human life. The Folk High Schools exert great influence all over rural Denmark through the instrumentality of their students who have learnt to trust one another and in co-operative enterprise translate that trust into terms of associated credit.

With the effective culture received in the Folk High Schools the young men and women of Denmark go out to serve their fellow-men and women with patriotic zeal. Wherever there is found a desire for enlightenment, these students endeavour to instruct people, all over the country. In rural Denmark there are hundreds of lecture unions, reading rooms and meeting houses under the direction of the ex-students of the Folk High Schools with a national union promoting their general welfare.

The Danish farmer now buys his goods from a co-operative store, borrows his money from the co-operative credit society, gets the supply of seed from a seed supply co-op. his manure, fodder, cement and electricity from co-operative societies dealing in these. He sells his milk through the co-operative dairy, his pigs through the co-operative slaughter-house, his eggs through the co-operative egg export society, his cattle through the cattle export society. His breeding animals come from the co-operative breeding society.

In short, the responsibility of the Danish farmer has been reduced to production only, the supply and the marketing side being undertaken by the efficient co-operative organisation in the country. He realises to the full that he is but part of a whole co-operative system; and on his individual honesty, uprightness and selfless efforts and service depends the economic prosperity and happiness of his people. This awakening of the inner life and the sense of spiritual fellowship, the development of personality and the cultivation of the spirit of service should all be ascribed to the work of the Folk High Schools of Denmark.

The Folk High School spirit has emancipated the agricultural population in Denmark. It has made the country people the equals of their city brethren. They have become leaders in affairs—in production, distribution and politics. Such leadership is theirs because they have learnt to think for themselves and to act independently of urban guidance. Can as much be said of our farmers as a body? The village schools have been of small help in this respect. It is therefore up to the educated urban leaders of to-day to put forward the best in them to re-organise rural education.

Co-op: A Novel of Living Together.*

BY DIWAN BAHADUR V. BHASYAM IYENGAR, B.A., B.L.

Upton Sinclair's recent production, "Co-op: A Novel of Living Together" is a very interesting book. It exemplifies in a remarkable degree what use an expert writer can put a novel to: how much thought can be effectively stimulated and broadcasted by it, even on such important and serious subjects as the theory and practice of co-operation, keeping up at the same time the usual features of a novel like romance and adventure, interesting and delightful sketches, the delineation of life and society, and ready wit and humour.

The scene of the novel is laid in San Sebastian, an imaginary city in the wealthy State of California in the United States of America. There, as in other parts of the world, numerous people had been thrown out of employment, and consequently into poverty and misery, by the economic depression which followed the Great War. The gulf between the capitalist rich and the labouring poor had widened and become more marked than ever. The capitalists, who had money and owned the modern tools of production, dominated the economy of the State and held the ordinary workers at their mercy. The rich were getting richer and the poor poorer side by side. There was superfluity in corners and indigence elsewhere. A system of relief for the unemployed poor had been organised by the Government in power and was in operation, but it was based on wrong principles and worked on faulty lines. There were several hardy workers who were eager to work and make their honest living, but they had no chance, as they were disconnected and had no capital or tools of production. The relief authorities who were inflexible and unsympathetic, either classed them as "unemployable" and thereby forced them into the charity list or found desultory and unsuitable work for them. And in the result, there was grave discontent among the masses and the communistic spirit, which involved "overthrow and dictatorship," was rearing its head here and there.

The story is of a self-help co-operative which was organised amidst such surroundings by a few ardent and typical men of vision and worked up during the period of four years from 1932 to 1936. The narrative is of course not literally true in the sense that all the eighty and odd characters introduced into it are real persons and

* Published by T. Werner Laurie Ltd., London, 7s. 6d.

things happened in the exact way and sequence depicted therein; but it is at the same time not a mere figment of the imagination. The author observes in his foreword to the reader:

"So it is necessary for me to state explicitly: there are no real persons in the story; there are little bits of hundreds of real persons, which a creative imagination has endeavoured to fuse into something more than reality: an interpretation of that which is and prophesy of that which is to be ... It is interesting to know that everything in this story did happen to some one; and that there are in the State of California a hundred and seventy-five organisations doing the same kind of work and having the same kind of adventures as I have here portrayed."

The California background may not have its exact counterpart elsewhere, but none-the-less the book can be read with profit by all self-help co-operators, for it describes with a wealth of interesting and instructive detail, the essential principles of the ideal co-operative which should be "the goal of all people," a state of affairs in which self-seeking exploiters would have no place; the wonderful powers of production which modern science has developed could be harnessed for the common good; "production would be controlled, no longer by the masters' need for profit but by the demand of the consumer, who would also be the producer, and the only one who profited by production"; "there would be no such thing as want or insecurity"; "men would no longer waste their efforts competing with one another"; "machines would do all the hard and rough work and production would be merely automatic and so there would be plenty of leisure for everybody"; and "every child would have a full opportunity to develop its talents, and science and art would be open books to the whole human race".

The greater value of the book is in the fact that it not merely elucidates the principles of the ideal co-operative but deals at length with how the movement towards that goal should be started and nurtured, what internal and external obstacles and difficulties they would encounter and how by wisdom, by quiet work, by perseverance, by tact, by "ahimsa, the non-violent resistance advocated by Gandhi" and by good will, they could all be surmounted and overcome. They also need the help of the Government; and which Government that is not lacking in foresight and sympathy and that does not wish to be engulfed sooner or later in violence and rebellion, will stint such help!

The book is worth careful perusal not only by those who have been working in the field of co-operation but by the general public. It reveals the potentiality for universal good of the right kind of co-operation worked on right lines.

Mortgage Loans and Prior Encumbrances.

By Mr. K. L. Bhandari.

In every case where a society of the ordinary credit or land mortgage kind lends money on mortgage of immovable property, it is both a convention and a rule to see that there are no previous encumbrances thereon, by at least scrutinising the Registration Office certificate for the immediately preceding period of 12 years, with a view to safeguarding the society's interests. In very many cases such a scrutiny suffices; but there are several instances where trusts or charges have been created in partition deeds effected decades ago and yet operative now by way of maintenance to widows, perpetuation of *pooja* or worship of God through family priests, etc,; again even in mortgages a term is usually fixed for repayment of the principal varying in some cases from 10 to 20 years, and limitation for suits commences only after the said period. In both these kinds of cases the registration certificate of 12 years cannot and does not give any clue to the existence of these encumbrances, and stands to no advantage whatsoever. The lending agency will not be well advised if it was simply to rely on the legal opinion and pass the loan on that mere basis.

The lawyer cannot say anything beyond what can be gleaned from the papers placed before him, and the panchayatdars' failure to place all the facts which are, or with some labour can be, absolutely within their knowledge, cannot redound to the discredit of the lawyer if any loan is found irrecoverable at a later stage, owing to the existence of encumbrances not covered by the registration certificate, or because of any attachment before or after judgment of a civil court, which too does not come within the scope of such a certificate. The responsibility therefore very much rests on the committee of the society to study very closely the previous facts relating to the property before they think of venturing to issue any short or long term mortgage loan. I have had occasion recently to see a partition deed of over 60 years ago wherein the income of certain properties allotted to one sharer was the subject of a trust to pay 12 *muras* of rice annually to the family priest and his linear successors. In such and like cases the registration certificate of 12 years in unavailing, and to search further back is practically unimaginable.

Having said thus far about the responsibility involved in such cases on the part of the committee, I have to refer to another obstacle, viz., attachments before or after judgment effected by civil process.

This is assuming vast importance in view of the practical negation of the right of civil imprisonment for debt. It is also perhaps not within the knowledge of all, that even if an execution petition is dismissed, attachment of the property effected previously, can be made to continue to subsist. Such attachments are very easily and very soon effected by the offices entrusted with the work. It is an arrangement wherein two people of the village where the property to be attached is situate are to attest the Amins or attaching officers " Return " or " Yadast " and the attachment is complete ! It is quite possible to bring about such a thing sitting far away from the property attached, provided two attestors as above said are available. The rule as to beat of tom-tom is generally more honoured in the breach than in the observance. Publicity intended to be given through tom-tom and attestation of villagers can therefore be wholly kept in the dark, without the panchayatdars ever knowing about it, and the attestors too in several instances being wholly ignorant of what they have signed to what effect an attachment by a civil court has, is well known. Any sort of alienation, be it to the society or to any other body is invalid and inoperative as against the claim in which the attachment is effected, be it before or after decree. The borrower generally keeps silent as regards this kind of attachment though he knows all about it in view of his urgency for loan.

My object in discussing this aspect of long term loan precautions is to bring home to all societies' panchayatdars the high sense of duty and responsibility as well, expected of them regarding previous charges etc.

I might be permitted to bring to the notice of land mortgage banks that an agitation might be started for having another register opened in the village Patel's or Karnam's record, wherein the fact of every attachment before or after judgment be entered, giving the details of the immovable property attached in the village, and the number of the suit or proceedings wherein this was done, so that at a glance it may be found by the society's panchayatdars. Such a record must be always and easily made available as a public record, and a rule caused to be published in the Civil Rules of Practice that the attaching officer should give a copy of his "Yadast" to the village officer concerned for the latter's register and for public information. Such a register has to be maintained only for a 12 year's time, the period of limitation for decrees. In view of village factions, the scarcity of money, the difficulty of realising personal loans, the greater the care, the better. **I trust that this register system is not impracticable, and that the Government too would easily approve of bringing about such a healthy rule and ensure the existence of such a record or register in the village, not merely in the interests of the co-operative movement generally, but to safe-guard the guaranteeing of mortgage debentures in particular. I do hope that the attention of the Registrar will necessarily be drawn to this.**

The Handloom Industry and the Problem of Marketing.

BY MR. G. MADALAMUTHU UDAYAR.
Inspector of Co-operative Societies.

Next to agriculture, the largest single rural industry which affords a vast field of employment to our people is handloom weaving. It is estimated that about 10 million people are supported by this industry in India. There are about 3 million handlooms at work. The demand for cotton cloth in India may be computed to be in the neighbourhood of 6,000 million yards per annum, Nearly ⅓ of this quantity is produced by the handloom weavers, leaving the balance to the weaving mills and foreign imports from Japan, England and other countries. The Madras Presidency takes the first place among the provinces in the production of handloom goods. More than 300,000 handlooms are working. There are about 3 million people depending on this industry. In the case of most families it is the main hereditary occupation. Without the supply of cloth through handlooms, the cloth supply of the Presidency would be greatly diminished. The handloom cloth will always be in demand, as no animal fat is used in sizing it and the colour is fast and, above all, the cloth wears longer than the cloth made in power looms. These facts should convince any unprejudiced observer that the handloom industry cannot be totally killed though some people believe that it will not servive in the long run.

The problem of the handloom industry, however, is not to revive hand-weaving for its own sake but if possible to enable a large community to earn a better-living. The object of solicitude is the weaver and not weaving. The weaver is generally conservative and he clings as in other matters to his age-long methods of production. He will not use labour-saving appliances and improved methods of weaving. The weaver as a rule is the victim of three evils—the three D's, viz. debt, drink and disease. The consequences of these three evils are awful. It is not unusual to find members of this community to be ill-nourished, drunken and inert as well as uneducated. The small men are in the clutches of the big men. They entirely depend on the wages they get. Middle men, master weavers or merchants advance yarns and take back the woven cloth at a valuation which leaves but a bare maintenance to the weaver. Even for this much, work is not always available, as the master weavers or the merchants give orders for cloth only when it is in demand in the market. So the weaver does not always find work without the help of the merchant. The weaver has no marketing facilities. When he happens to have some yarn and weaves cloth, he has to sell it at the end of the day for whatever it may fetch. His position has become very much worse on account of the import of cheap Japanese cloth and the increased production of mill cloth at cheap prices. Japanese unbleached cloth is being imported, dyed locally and sold in the place of hand-woven sarees. The mills have copied the bordered cloths and are selling them at lower prices than those of hand-woven cloths.

The handloom industry bristles with other difficulties also. The weaving mills are able to produce goods similar to handloom goods at a cheaper cost in their power looms than the weaver could do in his handloom. Secondly, the weaving mills use their own yarn, as in most cases the weaving mills spin the yarn required. But the weaver has to purchase the yarn from the middlemen and naturally has to pay more. Thirdly, with the removal of the excise duty on Indian mill-made cloth the weaving mills have reduced their prices. The handloom weaver can not reduce the price of his cloth in competition with the mills, since he may not get anything or he may have to lose something out of his capital if he does so. Fourthly, the imposition of a protective duty on imported yarn has resulted in the increase of the cost of yarn which the weaver uses. It is also said that this duty is partly responsible for the decline of export trade in hand-woven goods to foreign countries. Lastly, the imported Japanese cloth is sold at very cheap prices and people prefer to buy the cheaper cloth without caring to know the quality of it. Is it not surprising to know that the cost of a cloth is cheaper than the price of the yarn contained in it? Under these difficulties the weaver has to find his way.

The co-operative movement from its very inception has made various attempts to help the handloom weaver. The first society for weavers was started in 1905 at Conjeevaram. The history of this society is an epitome of the history of the co-operative movement among the weavers of this province. The society consisted of only such persons as were actually engaged in weaving and were not dependent upon master weavers. The society supplied yarn to the members and also made cash advances to meet petty expenditure.

The finished products were tacken back by the society. The society was soon faced with the difficulty of finding a market for the cloth. With the accumulation of unsold finished products the affairs of the society could not be managed properly. The members also did not brink back the finished goods to the society. The money advanced to members was not collected. The number of defaulters increased, with the result that the society had not enough money to carry on its work with the regular members. The society had to stop its business. Similar societies formed elsewhere in the Presidency met with more or less the same fate. Subsequently, a central society at Conjeevaram, with a number of small societies affiliated to it, was started with the object of purchasing and supplying raw materials at cheap prices. On account of fluctuations in the prices of raw materials the society could not function properly. Credit societies were started with a view to give loans to members for purchase of yarn and to pay off prior debts and to meet domestic expenses, thereby making the weaver independent of the master weavers. But when loans were given, many of the weavers did not repay their prior debts, but misused them in various ways. When the society took action to collect the money the members ran away from the society. The debts could not be collected as the weavers had no property. The societies could not fulfil the object with which they were registered.

During the Indo-Japanese negotiations for trade treaty in 1933 the position of the handloom weaver was represented to the Government. The India Government, after considering the representations, decided to give to each province a grant-in-aid for the organisation of weavers and for helping them to market their goods. The Madras scheme consists of the organisation of a Provincial Weavers' Co-operative Society with primary weavers' societies affiliated to it. The authorised share capital of the Provincial Society is Rs. 5 lakhs. The whole of the Government of India's subvention is placed at the disposal of the Provincial Society to meet the cost of administration and to give assistance, financial or otherwise, to the weavers' societies. The Provincial Society arranges with the mills for the supply of yarn at wholesale prices to societies upto a maximum recommended by the Deputy Registrars of Co-operative Societies, thereby eliminating the middlemen. It gives cash credit loans to societies for the purchase of colours and for paying wages. Subsidy is given to meet administrative expenses and to purchase appliances. The weavers' societies produce dhoties, mundus, thorathus, coatings, shirtings, muslins, lungis, sarees, ravikais, handkerchiefs, bed sheets and carpets in various dimensions and different counts. The societies use Indian yarn upto 100 counts. For 100's and above they go in for English yarn. The lace used is pure silver lace. The dimensions are guaranteed. The texture is fine and close. The colour is fast. Attempts are being made to reduce the price of cloth by the introduction of labour-saving appliances. With a view to give good finish to shirtings, coatings and dhoties, a calendering and finishing plant is proposed to be installed in Madras. Arrangements are made by the Provincial Society to market the finished goods of the affiliated societies either locally or through the sales depots or the Emporium, or through wholesale or retail merchants Besides the Emporium in Madras, sales depots are opened at Bezwada, Bellary, Calicut and Madura. Some more sales depots are proposed to be opened. The supervisors of production societies try to find wholesale orders from local merchants. Attempts are being made to market the goods as quickly as possible.

The affiliated weavers' societies now registered, unlike the societies referred to already, have no provision to give loans to members. Only ready money advances, not exceeding Rs. 5 per loom, are given to members for weaving purposes. Such advances are adjusted when finished products are delivered to the society. The members are supplied with raw materials and the finished goods are taken back by the society for sale. They are paid wages for the work turned out by them. With the help of the Government of India's subsidy, with the existing marketing organisation, with the support of the public to purchase hand-woven goods, and with close supervision of the societies, it is expected that the work of the weavers' societies will be a success and the societies will give continuous work to their weaver members, thus enabling them to get their wages regularly.

Report of the Agricultural Credit Department of the Reserve Bank of India.

[To the Government of India under section 55 (1) (b) of the Reserve Bank of India Act.]

CHAPTER I.

INTRODUCTORY.

Section 55.

1. The Reserve Bank is required under section 55 of the Reserve Bank Act to 'make to the Governor-General in Council a report, with proposals, if it thinks fit, for legislation, on the following matters, namely :—

(a) the extension of the provisions of the Act relating to scheduled banks to persons and firms, not being scheduled banks, engaged in British India in the business of banking, and

(b) the improvement of the machinery for dealing with Agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank."

Enquiries made.

2. A short time before the Reserve Bank came into existence the Government of India appointed Mr. M. L. Darling, I.C.S., on special duty to examine and report on the Co-operative Movement in the various provinces and to assist us in deciding how we could most effectively help the agriculturists through the Co-operative Banks and other agencies engaged in the business of agricultural credit. In spite of the fact that owing to the shortness of the time at his disposal, Mr. Darling was unable to make a detailed enquiry in respect of the other possible channels of assistance like commercial banks and indigenous bankers, the facts and figures supplied by him have been of great value to us, though we have not quoted them as they are of a confidential character. In order to collect further information on the subject we requested the local governments through the Government of India to make enquiries through their district officers and other channels and to send us a report for each province giving the views of the local governments as to the extent to which such other agencies could be developed and fitted into the general banking system. They were in particular asked whether they thought that indigenous bankers and money-lenders would be prepared to be registered and to maintain separate and standardized accounts of their banking and money-lending business. In their replies most of the provincial governments doubt whether any useful purpose could be served by undertaking detailed enquiries at the

present time and indicate that they would prefer to wait to see how the present legislation relating to indebtedness functions in practice before committing themselves to any expression of opinion.

Preliminary Report.

3. In these circumstances our report would be seriously delayed if we were to wait until we were in a position to obtain detailed information with regard to indigenous bankers and money-lenders. We are therefore submitting a brief report giving our broad preliminary views on the subject so that the various parties concerned can proceed to detailed and realistic examination of the question without further delay. In formulating our proposals we have taken into consideration the views of the Commissions and Committees which have dealt with the subject and though some of our recommendations are similar to those made by them and have probably already received consideration by the Local Governments we have thought it desirable to bring them together at the risk of repetition in order that the problem may be considered as a whole.

CHAPTER. II.

GENERAL.

Agricultural Finance defined.

4. The term Agricultural Finance needs clarification, and it is necessary at the outset to elucidate the several senses in which it can be interpreted. It may be employed in a very restricted sense to mean the finance required by the cultivators for their seasonal agricultural operations. It is more commonly used with a wider implication to cover all the financial needs of the agriculturist, whether economic, conventional or inherited, such as finance for the purchase and improvement of land, stock and implements, carrying on subsidiary cottage industries, the repayment of old debts, meeting social and ceremonial obligations and the like. It also covers the finance required for the marketing and movements of agricultural produce and is in this sense the problem of providing capital for the various requirements of a complex industry. All these aspects of the problem fall within the scope of our review.

Limitation of credit agencies.

5. The assistance which credit agencies can render to agriculture is necessarily circumscribed by the nature of the business which they are organised to undertake and by the nature of agriculture itself. It is the inadequate appreciation of this obvious fact which gives rise to exaggerated hopes about the possibility of providing for all the credit requirements of the agriculturist or of finding in the extension of credit facilities a panacea for all the difficulties and disabilities from which he suffers. It is therefore necessary to begin by examining briefly what these limitations are.

Features distinguishing Agriculture from Manufacturing Industries.

6. Agriculture cannot expect to have the same credit facilities as manufacturing industries, because it works under essentially different conditions. "The peculiar feature of agriculture is its persistent small scale organization. While other industries tend to become concentrated in units of ever expanding size, agriculture remains scattered, individualistic, small scale and chaotic."* It is difficult to organize agriculture on the lines of large scale manufacturing industries because " agricultural work is largely incapable of sub-division into simple processes which can be adapted to mechanical methods."† Secondly the risks involved are greater in agriculture than in manufacture because success in agriculture so largely depends on factors outside the control of the farmer such as favourable weather, adequate rainfall and absence of diseases and pests. Thirdly while " the manufacturer can plan ahead and is able to vary his productive effort in fairly close accordance with changes in conditions of demand,"† the farmer is less able to curtail or increase production of particular crops according to the fall or rise in their prices, because, apart from the uncertainty caused by the vagaries of nature, it is not quite easy for him to change from one kind of crop to another, and moreover, " the long period between the commencement of production and marketing makes it difficult to forecast the changes in prices."† Fourthly, " the nature of farm economy develops social characteristics and habits of mind that raise a barrier to corporate effort"† which is necessary for formulating and putting into practice "a co-ordinated policy by means of which the aggregate flow of any crop on to the market might be effectively regulated so as to obtain a higher and more stable level of prices."† " For all these reasons the farmer is unable to adjust the output of any crop or of all crops he produces or to vary his aggregate of crops in such a manner as to keep his net income stable, or even to enable him to determine in advance what the net income will be." †

Special handicaps of Indian Agriculture.

7. In India agriculture suffers from further handicaps. The average agricultural holding is small, the area of land worked per head is lower than in the West, and the quality of the land is generally poorer. This economic handicap is increased by the fact that holdings often consist of fragments scattered over different places, and since the laws of inheritance and custom result in further subdivision and fragmentation the chances of cultivating it profitably are still further reduced. The produce from land per acre is also very low. The cultivators are mostly illiterate and ignorant and are not in a position to take advantage of the discoveries of

* The Report of the Indian Central Banking Enquiry Committee.

† Provision of Credit with special reference to Agriculture—H. Belshaw.

scientific research for increasing productivity. Few follow any subsidiary occupations to supplement their meagre income from land. Social and ceremonial customs which impose wasteful expenditure continue to hold sway, in spite of the lowering of the margin of profit from cultivation. In most places the rights of the cultivator in his land have been so restricted by hereditary custom or by paternal legislation that they are almost useless as a security for credit. All these factors form a vicious circle in which the payment of interest at usurious rates on the load of previous indebtedness eats up the profits and leaves no incentive for improvement. In fact "agriculture in India is carried on as a mode of living rather than for profit."

Effect on credit facilities.

8. It is on account of these handicaps from which agriculture suffers that it is not ordinarily able like manufacturing industries to have direct recourse to the money market for finance. The commercial banks, which act as the channel through which the savings of the people are collected and advanced as short term credit to industries, cannot under existing conditions function as credit agencies for agriculturists to any great extent. In order to work successfully it is essential for them to invest their funds in business with a quick turnover. For this reason their agricultural role is limited to the financing of the marketing of crops and it is in this direction that their activities can be usefully developed. This also applies generally to the indigenous banker—as distinct from the village moneylender—who works on borrowed capital.

Limitations must be faced.

9. These fundamental limitations on the part these and other credit agencies can play in the field of agricultural finance must be realized and faced if the question of the improvement of India's credit machinery is to be considered in a realistic manner. Each agency is constituted to perform certain kinds of service only and it is unprofitable to expect it to discharge functions for which it is not organised or to confer benefits which do not and cannot flow from its particular activities.

The problem of rural indebtedness.

10. At the same time, the practical importance of the problem can hardly be exaggerated. Mr. Darling who has devoted considerable time and labour to the problem of rural indebtedness has vividly described the present condition of the peasant in his book "The Punjab Peasant in Prosperity and Debt." * He says:—

"The first and most obvious conclusion is that the bulk of the cultivators of the Punjab 'are born in debt, live in debt and die in debt.' There is probably hardly a district where more than a third are free of

* 1932 Revised Edition.

debt, and in some the percentage is less than ten. Moreover, mainly owing to the inflated value of land and the consequent expansion of credit, this debt is much greater than it was fifty, or even ten years ago, and its rapid increase has deprived the cultivator of much of the benefit that he would otherwise have derived from the growing prosperity of the province. It is unnecessary to recapitulate the causes of debt, but in examining them we saw that debt was allied to prosperity and poverty alike, and that, while its existence was due to poverty, its volume was due to prosperity. We saw further that the link between the two was the moneylender, and that for fifty years, roughly from 1870 till the end of the War, he was everywhere the evil genius of the cultivator, exploiting him where he was prosperous, and enslaving him where he was poor. In business the strong invariably prevail over the weak, and to this rule the Indian village has been no exception. Ignorant, improvident and unbusinesslike, the peasant was no match for the astute and rapacious moneylender, and was as easily shorn of his gains as a sheep of its fleece. For a time the rapid increase in debt was kept in partial check by the Land Alienation Act; but, with the tendency of all protective legislation to defeat its own object, the Act fostered the growth of the agriculturist moneylender, and borrowing soon became as easy as ever. This would have been an advantage had the agriculturist moneylender allowed himself to be influenced by any fellow-feeling for his debtor, but in this respect there is little to choose between him and his professional rival: the one is as harsh as the other is astute, and both are demoralized by the system under which they work. Under this system the creditor is in danger of being turned into a tyrant and the debtor into a serf. The cultivator sows that another may reap, and toils that his creditor may gain. Of what use to him, then, are all the devices for improving the quantity or the quality of his harvest? As well teach him to convert his bullock cart into a lorry, for all the good that it is likely to do him. Economic freedom is a condition precedent to progress, and to the Indian cultivator no progress is possible till the power of the moneylender, whether agriculturist or bania, is broken. As a German writer says, usury must be fought to protect not only the weak but the whole industry of agriculture against a parasite which threatens its foundations.

"Our second conclusion is that the peasant proprietor cannot keep out of debt unless he is exceptionally industrious and frugal, or has a second string to his bow. This fact has again and again been stressed in the course of our enquiry, and, so far as the Punjab is concerned, it is abundantly proved by what we have encountered in different parts of the province. We have seen that where industry is unflagging and habits frugal, as amongst the Mahtons of Jullundur and the Abirs of Gurgaon or where, as in Rawalpindi, men are accustomed to emigrate or enlist, debt is comparatively light; but where these factors are absent, the peasant is largely dependent upon the moneylender. In general this conclusion agrees with the experience of other countries. The English small holder, says Mr. Curtler, 'without any by-industry, has hitherto only been able to keep his head above water by a life which, without exaggeration, may be called one of incessant toil and frequent privation.' In Japan, where 96 per cent. of the cultivators live on less than eight acres, more than one-third of the farming population keep themselves afloat by the rearing of silk-worms. In Italy and France, sericulture plays a similar if less important part, as also does the making of toys in Germany and Russia. In many parts of Europe, it has been one of the difficulties of the small holder that domestic industries cannot stand the competition of the factory, and this was amongst the causes that led to the decline of the peasant proprietor in England in the eighteenth century. In other countries it has been met by the development of the more intensive forms of farming implied in market gardening, dairying, and stock-breeding. But even so, in the richest part of England (the Isle of Axholme). 'It is considered that ten acres is the smallest area on which a man can support a family without any other industry to help him,' and where there is no live stock industry or market gardening twenty acres are needed. It is dangerous to compare two countries so dissimilar as England and India, but it is obvious that where, as in India, rural industries are relegated to the menial castes, and market gardening is considered derogatory, and scientific stock-breeding is impossible to any but a Muhammadan, the economic holding is likely to be larger than where these restraints are absent. Nor, after examining the condition of the peasant proprietor in different parts of the Punjab, can we doubt that the few acres which he commonly cultivates are wholly insufficient, under present conditions, to maintain him in decency, independence and comfort. The reports of the Provincial Banking Enquiry Committees suggest that the same is the case throughout India. That of the United Provinces may be quoted at length: 'Everything is against him (the peasant). Because he is a cultivator, he must borrow to secure his crop. Because his holding is small and has to support more persons than it can feed, he must increase his borrowing to keep those persons alive while the crop is in the ground. His caste and his religion compel him to borrow a third time to meet the cost of customary festival or customary ceremony. As the debt grows, repayment of it becomes more difficult—until at last some calamity comes upon him, repayment becomes impossible, and he sinks into a state of chronic indebtedness, from which death alone can release him."

We have reproduced this lengthy quotation to stress two important aspects of this complex problem, namely, the need for reducing debt and restricting credit and at the same time providing the peasant with suitable

additional occupation to enable him to supplement his meagre income from agriculture. We are aware of the restrictions which are imposed by environment, tradition, customs and temperament on the subsidiary occupations which can with advantage be taken up by the cultivators in India and the consequent difficulty in finding such occupations for them. What we wish to emphasise is that the question of credit is intimately connected with an increase in the earning capacity and purchasing power of the farmer, and in this connection the various provincial governments should explore the possibility of finding for him, and inducing him to follow, suitable and profitable side pursuits.

CHAPTER III.

LONG TERM CREDIT.

Classification by period.

11. The most practical way of classifying Agricultural Finance is from the point of view of the length of the period for which it is required, as the problems raised by long term and short term finance are essentially different and need different treatment.

Purposes of Long term Credit.

12. Long term credit is required by farmers for (1) the purchase of land, (2) the provision of the more expensive durable improvements and (3) the repayment of past debts. It is unnecessary to emphasize that the last is the most important and if any effective steps are to be taken to make the agriculturist credit worthy this is the first problem which must be tackled.

Scaling down of debts.

13. The Central Banking Enquiry Committee in 1930 estimated the total rural indebtedness of India at roughly Rs. 900 crores, and whether this figure is real or not there can be little doubt that the volume of indebtedness has increased still further since then. Measured in commodities, it must now be almost twice as large as a result of the fall in prices since 1929. Unless and until this crushing burden of accumulated debt is removed or reduced to an extent that will make it possible for the agriculturists to liquidate it from his own resources, it will be futile to attempt rehabilitation of his credit. The present position is most unsatisfactory and seriously militates against the economic regeneration of the country. Moreover, the enormous drain on the peasant's resources, in the shape of interest alone, has reduced his contributing capacity to such an extent that it might seriously embarrass the new Governments both financially and administratively. We consider that where indebtedness has grown beyond any reasonable capacity of the debtor to pay, the debt must be reduced either in respect of the capital amount or the rate of interest or both. Even if such reduction is voluntary, Government action will be required because the number of creditors who are likely to accept a

voluntary reduction in their debts without some direct or indirect *quid pro quo* being offered by Government would be negligible. On general grounds we strongly prefer that such reduction should be voluntary, where possible, because compulsory reduction of debt is likely to have far reaching effects on credit generally and on the morale of other debtors and creditors. It also appears to us that if Government are prepared to give that *quid pro quo* in the form of simplifying the legal procedure whereby the creditor can recover his reduced debt, when it has been assessed by an independent conciliation authority as within the debtor's capacity to pay, or if the capital and interest so assessed are supplemented by some form of direct or indirect Government assistance as regards repayment, creditors generally will be prepared to accept very considerble reductions. The experience of the Central Provinces where the experiment has been tried affords striking proof of this. We recommend that Provincial Governments which have not done so already should consider the possibility of setting up conciliation boards on similar lines. We suggest further that Provincial Governments might consider the possibility of providing some regular machinery whereby the long term debts settled by the conciliation boards could be recovered in small instalments with provision for the levy of additional collections in good seasons. In the case of those whose debts cannot be reduced by voluntary agreement within their paying capacity and whose assets are insufficient to cover the debt, we support the recommendations of the Royal Commission on Agriculture, the Civil Justice Committee and the Central Banking Enquiry Committee that provinces might consider the desirability of enacting simple Rural Insolvency Acts, and would draw attention to the provisions of section 22 of the Bengal Agricultural Debtors Act, 1936. We also consider that any emergency legislation for the reduction of debt might make provision for preferential treatment to hereditary liabilities, say, of over 30 years' standing. These hereditary debts which are handed down from generation to generation under social traditions and customs which require succeeding generations to acknowledge and pay the debts of forefathers, even when they have not inherited sufficient property for discharging the debts, are, we consider, one of the greatest obstacles to the economic advance of the countryside.

Measures for restricting unproductive credit in future.

14. The problem cannot, however, be solved merely by wiping off or reducing previous debts and stopping there. Suitable and effective measures will be necessary to prevent a relapse. Left to himself, the agriculturist will soon get heavily into debt again ; and if his credit is improved as a result of the removal or reduction of his old debts, the process is likely to be rapid unless it is countered by suitable checks. Education would seem to be the only real and lasting corrective;

but under existing conditions it must necessarily be a slow process. It will require persistent and continuous effort for years and even generations to educate the peasant out of his ingrained habit of improvidence, and in the meantime unless something which can be immediately effective can be devised to restrain him from utilising his restored credit for unnecessary borrowing, his ultimate position is not likely to be improved. We appreciate the difficulty in the way of devising suitable checks which may not be open to evasion, but we consider that legislation backed by educative propaganda should prove reasonably effective in curbing the tendency among agriculturists to incur debts for purposes other than *bona fide* agricultural requirements. The ideal we have in view is to see the credit of the agriculturist so restricted as to make it difficult for him to incur debt except for *bona fide* agricultural requirements and beyond his capacity to repay from his own resources, but that, subject to those limitations, he should be able to borrow at rates more in consonance with those prevailing in the money market. With this object in view we would suggest for consideration that total future liability (after the liquidation of previous debts) of agriculturists might be limited either by fixing it in terms of a suitable multiple of land revenue or on the basis of the average value of land held in proprietary or occupancy right so as to enable the debt to be liquidated, after providing for the bare necessities of life of the owner (or tenant) and his family, within a period of, say, 30 years. We would also suggest for consideration that if such restrictions are not to be evaded the agriculturist moneylender should also be brought within the purview of enactments prohibiting or restricting the transfer of agricultural land. A further safeguard against excessive credit and evasion of restrictive measures would be to prohibit borrowing from more than one source and we proffer this suggestion for consideration.

Simplification of procedure for recovery of debts to recognized institutions.

15. The complication of the land law in various parts of the country is another important factor which must be considered. The security which a debtor can offer must be such as the creditor can have recourse to readily in the case of default. The security which the cultivator can offer is his land but in many parts of India the alienation of agricultural land has been restricted in varying degrees by Land Alienation Acts, Tenancy Acts and similar legislation. This legislation is intended to protect certain agricultural classes from the risk of loss of their property and embodies what may be considered a legitimate and reasonable point of view. We do not wish to criticize such legislation but we should like to point out that there is more than equivalent destruction of the creditworthiness of the peasant proprietor and the tenant. In fact, in certain provinces recent legislation is apparently having the effect of inducing the moneylender to draw in his

loans and to discontinue further advances. This may be a salutary interim stage for the agriculturist to pass through, but in the long run it must impede development and hamper the activities of both the agriculturist and the institutions set up to assist him, *e.g.*, Mortgage Corporations and Co-operative Credit Banks. A further disadvantage of such legislation is that it promotes the growth of the agriculturist money-lender, who is largely freed from these disabilities, and who is often more rapacious than the professional. Restriction on the transfer of rights in land makes debt conciliation as well as long term credit difficult and it is therefore desirable that Governments should give assistance to creditors who have voluntarily accepted reductions in debt under Government auspices and to recognised lending institutions, such as mortgage corporations, by amending the law, where necessary, to allow land to be mortgaged or leased for a period sufficient to secure repayment of instalments settled by debt conciliation, or long term loans advanced by mortgage institutions and by simplifying the procedure for recovery. The provisions of the C. P. Debt Conciliation Act making defaulted instalments recoverable through the Collector as arrears of land revenue and the recent amendment of the C. P. Tenancy Act enabling tenancy land, which is ordinarily not transferable, to be mortgaged to land mortgage banks, will illustrate our point. Without Government action on these lines we doubt whether it will be possible to make reasonable facilities for long term credit available to peasant proprietors and tenants. We should however like to make it clear that the suggested modifications in the existing law should follow, or where necessary, synchronise with, action taken for liquidation of previous indebtedness and not precede it; as otherwise they might result in adding to the difficulties of the agriculturist even to the extent of depriving him of his only means of livelihood.

Unsuitability of Banks for long term credit.

16. We can now proceed to consider what type of institution is best fitted for the purpose of regulating and financing long term debts. The advancing of funds for this purpose is not the function of a banking institution as generally understood. The essence of sound banking is that money is advanced for fresh enterprises which, it is hoped, will prove rapidly self-liquidating, such as purchases of improved seed or stock, etc. This form of indebtedness can only properly be met by land mortgage institutions.

Land Mortgage Corporations.

17. It appears to us that previous examination of this question in India has tended to concentrate too exclusively on institutions of a co-operative character. It is open to question whether a land mortgage system which is co-operative from top to bottom is the best for this country. There is obvious danger lest the directorate and the management should represent

the would-be borrower too exclusively. The theoretical pre-requisite of co-operation is that *some* in the group should be lenders and others borrowers, but this is not the case in India. The capital is almost entirely borrowed from outside sources, and the share capital in many cases is not a real exception to this, because to the extent to which it is contributed by the member societies, it really represents nothing more than an inflation of their debt. An alternative system which would appear to be worthy of examination is one in which the apex institution was run on commercial lines as a business proposition with provisions limiting its dividends, so that after building up a reserve a large proportion of the surplus profit, after a reasonable dividend had been paid, would be passed on to the borrowers. Such an institution would still leave a wide and useful field of activity to the co-operative movement, because its role would be to provide a real business check against over-borrowing, and generally to safeguard the interest of the creditor, while the detailed work would be done by primary societies who would find their capital by borrowing from it, and would provide it with their corporate security in addition to the security provided by the mortgage.

Corporations must be provincial.

18. There are obvious practical advantages in forming mortgage corporations on a wider than a provincial basis. They will be the apex institutions which will be responsible for obtaining the necessary capital from the market. Institutions formed in large centres like Bombay or Calcutta will have much greater facilities for obtaining capital, and they will also be in a better position to obtain the services of experienced business men as directors. Operations on an all-India scale would also put them in a position to pay for good management and staff. Also, such corporations would be able to diversify the character of their investments. Unfortunately, the diversity of agricultural tenure and consequently of the legal security behind the mortgage throughout India is such that at present it is doubtful whether such corporations could safely deal in mortgages outside their own provincial areas. There is the further danger that, even if they were able to operate, the ground might be cut from under their feet by some variation in the law relating to agricultural tenure or to debt in some outside province. For these reasons, it seems inevitable that, to begin with at least, such corporations should limit their operations to their own province, though later on if conditions were favourable, the field of operations might be extended.

Existing Co-operative Land Mortgage Banks.

19. Though we consider that the question of creating land mortgage institutions on a joint stock basis requires consideration, we do not recommend that where Co-operative Central Land Mortgage Banks have already been created either directly by or under the auspices of

Provincial Governments, they should be replaced. They are mostly of a quasi-co-operative character without any preponderance of voice to the borrowers in their management. We understand that the scrutiny of the applications, the valuation of lands and the appraisement of the repaying capacity are done by trained officials mostly lent by Government and that loans are sanctioned by the Committee of the Central Institutions after careful consideration of the repaying capacity and all other circumstances, with proper margins for safety, on the recommendation of the Registrar and are paid directly to the creditor in the case of liquidation of old debts. So long as these institutions are run on strictly business like lines in this manner avoiding the mistakes made in the past by Co-operative Credit Societies, they can be usefully utilised as agencies for dispensing long term credit to agriculturists. As Co-operative Institutions, however, they are meant for dealing with the smaller cultivators, and there is in our opinion still scope even in provinces where they have been established for the constitution of Land Mortgage Corporations for the long term needs of the bigger landlords.

Issue of Debentures and open market operations to redeem them.

20. The procedure adopted by the existing Co-operative Land Mortgage Banks as regards the flotation of debentures appears to us unsatisfactory in two respects. These are usually issued in small lots at frequent intervals with varying dates of maturity to meet requirements. A second defect is the practice of making them redeemable at any time which tends to keep down their price at or below par, thereby discouraging investors who are deterred by the possibility of capital depreciation without a corresponding chance of appreciation. The popularity of these debentures would probably be increased if the Land Mortgage Banks were to utilise the funds which accrue to them by the repayment of the instalments on their loans to maintain the stability of the price of their debentures by open market operations. Mortgages issued by such institutions have generally to be repaid in equated instalments. On the other hand, debentures have to be issued with a fairly long maturity before the first option to repay accrues. It is a common practice of mortgage companies in other countries to utilize the funds which thus come to their disposal to buy up their debentures in the open market, thus maintaining a steady price for them and increasing their popularity with the genuine investor because he knows that he has a better chance of realizing his holding without serious risk of loss when he so desires.

Question of assistance by Reserve Bank to Land Mortgage Banks.

21. With regard to the question of direct financial assistance by the Reserve Bank to the existing Co-operative Land Mortgage Banks by investing in, or advancing money on the securty of, their debentures, we reserve our opinion until we have gained more experience of their

working. The Reserve Bank which has to maintain absolute fluidity in its resources cannot afford to lock up its funds in these debentures until their ready marketability is clearly demonstrated and if and when it decides to do so it can only employ a very limited portion of its capital for this purpose. On general grounds we consider it highly desirable in the permanent interest of the land mortgage movement that its appeal should be primarily to the genuine investor and not to the class which uses its investments as a security for advances. There can be no reason to doubt that with the rapid growth of insurance in India, well-managed land mortgage corporations should find a steady market for their debentures with insurance companies, not to mention the investment funds of other institutions which follow insurance company principles in their investment policy. We shall make it one of the principal tasks of the Agricultural Credit Department of the Reserve Bank to keep in touch with the Co-operative Land Mortgage Banks, study their constitution and working and give them the benefit of banking advice.

CHAPTER IV.

SHORT TERM CREDIT FOR MARKETING.

Purposes of Short Term Credit.

22. Short term credit is required for (I) the expenses of production including the cost of maintenance of the farmer and his family until the crops are sold and (2) the marketing of crops or the holding of crops while in transit or awaiting sale. As a result of the investigations made under the auspices of the Indian Central Cotton Committee into the financing of the cotton crops it was found that cultivators borrowed only at or before the commencement of cultivation operations and that there was no indication that they took further advances after the crop was ready. This is probably true of agriculturists growing other crops also and it would therefore seem that loans for the production of crop only are generally taken by agriculturists while those for marketing are mainly required by the dealers and commission agents.

Credit for Production.

23. As we have indicated in the second chapter the financing of agriculturists for the production of crops is a difficult banking proposition owing to their small scale organization, the uncertainties under which agriculture works and the special handicaps from which it suffers in India. The problem of improving the credit facilities for production must therefore be tackled in a special manner and we shall indicate in a subsequent chapter the lines on which we think this might be done.

24. The second form of credit, *viz.*, short term advances for marketing produce, should be regarded in a primarily agricultural country like India as one of the most important parts of banking business, in which it will also be one of the most important duties of the Reserve Bank to stand behind scheduled banks and to give them support on proper lines. The credit agencies operating in this field may be divided into three classes, *viz.*, (1) the commercial banks, (2) the co-operative banks and (3) (covering by far the greatest part of the field) the indigenous banker.

Credit for marketing.

25. The role of the commercial banks should be, as in all advanced countries, the most important of the three. Such banks have had in India for several years ample resources; they are all eagerly looking for good business to develop and if they have hitherto failed to develop produce advances to the extent of their capacity, it is idle to attribute this to their conservatism or indifference. There must be something in the nature of the business which requires rectifying. This aspect of the problem was carefully examined by the Banking Enquiry Committee, and the general conclusion which emerges is that the principal reason for this backwardness is the extraordinary diversification and vagueness of marketing conditions throughout India and the manner in which produce contracts are drawn, which have resulted in the financing of crops being left almost entirely either to the indigenous banker or to importing and exporting houses with upcountry agents.

Commercial Banks.

26. If this is to be remedied, market conditions must be improved and this implies

Improvement of marketing machinery.

(*i*) that the staples against which advances are to be made should be reasonably standardized and that there should be a similar standardization of the contracts relating to them,

(*ii*) that provision should be made in properly regulated markets or elsewhere for their being properly stored under proper supervision and under conditions which will permit of their being properly insured, and

(*iii*) that the possibility and advisability should be considered of creating throughout the country properly regulated forward markets run on orthodox lines in the interest of both sellers and buyers so that the value of produce may be hedged and the risk of violent market fluctuations mitigated.

These matters are under investigation by the Government of India and provincial Governments at present through the recently created Marketing Department, but what must be emphasized is that this is the

essence of the problem and that without material clarification along these lines no great advance is possible. There must be provision for definite and easily realizable security for advances and this cannot be ensured unless there is grading or standardization of staples so that goods can be described in brief and certain terms. If markets could be organized throughout India on these lines Commercial Banks should be able to develop very largely their activities upcountry, and it may not be so necessary to provide a special credit machinery for the purpose. In this connection we would invite attention to the recommendations of the Banking Enquiry Committee regarding the construction of licensed warehouses. All this will necessarily take time and we do not mean to suggest that if action is possible at present in other directions, it should be delayed on this account.

27. In this matter co-operative societies can also play a useful part. It is often argued that the most important factor which prevents the farmer from obtaining the full price for his crop is the fact that owing to the lack of holding power he has to sell his produce immediately after the harvest even though the prices may then be low, and there is a widespread sentiment that if the farmer could be helped to hold up his crop till prices improved he would be greatly benefited. There are obviously two sides to the question. If a large portion of a crop can be held up in this way a decline in prices at harvest time might be prevented, but the produce must come on the market sooner or later. Storing means cost and risk of fall in prices and damage and these might more than counter-balance the problematical higher price that is anticipated. Without great skill and an intimate knowledge of the facts regarding the market demand for the produce, an experiment in holding up a crop might prove more harmful than beneficial and if it was attempted by the co-operative godown societies, which would not ordinarily possess these qualifications, it might involve them in serious loss. The same remarks apply to co-operative marketing. Marketing particularly of products which have a world-wide market like cotton and wheat requires high technical skill which the managing committees of co-operative societies are not likely to command and if they employ experts it would amount almost to the same thing in the end as paying for the services of a middleman. We consider that any artificial fall in prices at the time of harvest would be almost completely prevented by the measures which we have suggested above and by the publication of timely and accurate crop forecasts by Government. It is however possible that Co-operative Godown and Sale Societies, if prudently managed,—and they could profitably utilise local business talent to this end—could provide a very useful link between the individual agriculturist or the small dealers and the Commercial Banks.

Co-operative godown and marketing societies.

Such Societies, by providing a general collective guarantee on top of the security actually afforded by the produce itself, would make it a commercial proposition for banks to advance both with narrower margins and in larger amounts.

Provincial Co-operative Bank.

28. The position of the provincial apex bank in this frame-work is less easy to forecast. Under present circumstances, the danger indicated in the case of co-operative mortgage banks applies also to provincial apex banks. If these institutions appear to be too one-sidedly representative of the debtor they will not carry confidence when they wish to borrow. A bill issued by a primary and discounted by an apex bank will have very little added to its value by the intervention of the apex bank if the latter is merely a combination of various primaries and is in the same boat with them. Advancing against produce also calls for commercial skill and experience, or overfinancing may lead to a lock up with a consequent slump, and provincial banks are likely to be at a disadvantage in this respect as compared with the more experienced commercial banks. At the same time, apex banks, if their directorate is competent to exercise effective control, can provide a useful check over the amount of credit which may be devoted to a particular crop over a particular area, and, if properly organized, should form a useful channel through which the Reserve Bank could let capital flow to the cultivator and the small dealer. The question of the relations of the Reserve Bank with Provincial Co-operative Banks is however discussed more fully in the subsequent chapter regarding the short term financing of agriculturists.

Indigenous Banker

29. We now come to the remaining agency, the indigenous Banker. We use this term in the sense in which the Central Banking Enquiry Committee employed it, that is to say, an individual or private firm receiving deposits and dealing in hundis or lending money. We are therefore considering here not the small moneylender who finances the agriculturist for his various needs but people who have ordinarily no direct relations with the ryot and who primarily finance trade and industry, though they may also finance agriculture through local sahukars or moneylenders. They consist of the Marwari Shroffs, Multanis, Chettiars and others, a class which though tenacious of its hereditary methods, is nevertheless business like, frugal and shrewd. They occupy a prominent position in the agencies which provide agricultural finance, particularly the finance for marketing produce and as was recognised by the Legislature, they must be brought into the framework of banking if it is to be complete. In considering this question it must be remembered that indigenous bankers of standing already have no difficulty in obtaining credit from joint-stock banks. In respect of the promissory notes and bills of exchange of such approved

parties purchased or discounted by banks, provision already exists in the Reserve Bank Act whereby scheduled banks can obtain advances from or rediscount such paper with the Reserve Bank. We are not in a position at present to suggest what further facilities it would be feasible or possible for the Reserve Bank to extend to the indigenous bankers. We will examine the matter again when further information and data are available and communicate our views on this point to Government later. The question of registration has been dealt with elsewhere in this report.

Stamp Duty on Bills.

30. In order that the Commercial Banks and ultimately the Reserve Bank may be able to take a greater part in providing marketing finance it is essential that marketing business should be carried on more largely than it is at present through bills of exchange which will be acceptable to the commercial banks. The development of the bill market is therefore an important factor in the improvement of the machinery for agricultural finance. It is well known that at present very little business is done through usance bills. One of the main reasons which has been given for the paucity of bills is the high rate of Stamp Duty, and both the Royal Commission on Indian Currency and Finance, 1926, and the Central Banking Enquiry Committee, 1931, recommended the abolition of the Stamp Duty. The latter Committee also recommended that as an initial step the Stamp Duty on all bills of less than one year's usance should be reduced to a uniform rate of two annas per one thousand rupees. The large drop in rates of interest since they reported has also rendered the incidence of this tax much heavier. We therefore consider a reduction in the duty desirable and in fact considerably overdue. The loss to the Provincial Revenues should be small in view of the fact that the number of bills drawn at present is not great and should be, to a considerable extent, made up by the increase in the number of bills. We therefore recommend that Schedule I to the Stamp Act should be amended on the lines suggested by the Banking Enquiry Committee to reduce the duty on bills of less than one year's usance to two annas per thousand rupees. In this connection we would draw attention to the fact that in America the Stamp Duty on bills of exchange was abolished on the inauguration of the Federal Reserve Bank System.

CHAPTER V.

SHORT TERM CREDIT FOR PRODUCTION.

Credit for current needs.

31. The financing of India's millions of small cultivators for their current needs has been so far almost entirely outside the scope of commercial banking. It is only the bigger landlords who can have recourse to the commercial banks

or even indigenous bankers for crop finance because it is only in their case that personal security supported by sureties can be considered; they are also more frequently in a position to give collateral security in the form of gold or stocks and shares. The ordinary cultivator has to have recourse to the moneylender and perforce submit to his informal and usurious methods. It seems very unlikely that, to however great an extent the measures indicated in the previous chapters may help to reduce previous indebtedness, the ordinary agriculturist of this country will have, either singly or collectively within any time which can be foreseen, a personal credit which will make it commercially justifiable to lend him money to anything like the extent required for the adequate financing of this agricultural and other requirements.

Co-operative Credit Societies.

32. It is obvious therefore, that special machinery is required for financing the agriculturist for his current needs. It was thought that Co-operative Credit Societies would supply this machinery and supplant the moneylender from his monopoly in this respect. In fact, it was to fill this large gap in India's credit structure that the co-operative movement was primarily created. That this expectation has not been fulfilled is apparent from the finding of the various Provincial Banking Enquiry Committees that the Co-operative Societies supplied only about six per cent of the finance required for the current expenses of agriculture and the view of the Central Banking Enquiry Committee that the credit facilities provided by the co-operative movement to agriculturists covered but a very small proportion of their needs. The position appears to have deteriorated even further during the last five years.

The problem of overdues.

33. In order that the co-operative movement may be in a position to cater for the needs of the agriculturist more adequately, it will have to tackle first the question of overdues which are everywhere large and which have in effect become long-term loans. The causes which have led to these overdues are various. It would seem that in the past many Co-operative Societies made the mistake of attempting to liquidate the previous long-term indebtedness of their members, and thus got themselves involved in the inevitable embarrassment which results from borrowing short-term and lending long-term. In addition, overfinancing and failure to take prompt steps in case of defaults gradually made their position more precarious so that the fall in prices in the last five years provided the finishing touch in converting what were intended to be short-term loans into debts which, it is obvious can only be repaid, if at all, in small instalments spread over a long term of years. Unless these debts can be separated from the ordinary business of the Societies they cannot be expected to perform properly their main function of advancing short-term credit. The first step necessary for putting the co-operative movement on

its feet is, therefore, to disentangle those assets which represent long-term debts.

Transfer to Land Mortgage Banks.

34. The most obvious solution would be to transfer them to the Land Mortgage Banks which are now being established in the various provinces, but this is not so simple as might appear. So far as they are beyond the capacity of the debtor to pay even in prolonged instalments, they must clearly first be written down, but there are obvious difficulties in this and even so reduced, the debts would probably prove too wide-spread and complicated for the land mortgage banks to cope with. Except in Madras, Land Mortgage Banks are only just being started and even in Madras they are not nearly co-extensive with Central Co operative Banks or Credit Societies. In some areas, *e.g.*, in Berar, the debts outstanding against individual members are far in excess of the maximum which land mortgage banks are authorised, or which they should be authorised at the present stage of development, to advance. To transfer to these infant institutions the debts of persons who have proved persistent defaulters would impose a serious handicap on them from the beginning and seriously endanger their chances of success. Where it is safe and possible to do so, land mortgage banks will no doubt finance members of Co-operative Societies to liquidate their long-term debts but such relief under present conditions will only affect an insignificant proportion of the members.

Solution on the lines of Chapter III.

35. The problem is not, therefore, capable of any such simple solution, but it must be tackled if the agriculturist is to obtain controlled credit for productive purposes, and in our opinion it can best be approached on the lines suggested in Chapter III for dealing with long-term credit. The co-operative central banks must first bring down the debts to a level in which there is a reasonable prospect of repayment out of the profits of agriculture within a reasonable period, say, twenty years. The irrecoverable portion will have to be written off from their reserve and other funds. In certain cases the sale of a portion of the members' property may be necessary. We also consider that advantage should be taken of the present money market conditions and the very low rates of interest. If rates harden and money becomes dearer the co-operative banks who are at present able to carry on because they are able to secure plentiful deposits at cheap rates will find themselves in an even worse position and the provincial governments will also find it more difficult to come to their rescue. We consider it futile to wait in the hope that prices will rise to the extent necessary to retrieve the position. Such a rise, if it occurred, might well be accompanied by a rise in interest rates which would more than neutralise it, and in the meantime, the arrears are accumulating.

36. We must also make it clear that unless the co-operative banks can put their long-term debts on a business footing and separate them from their other business, the Reserve Bank will not be in a position to be of assistance to them. As we have already shown, long-term finance is not the function of a commercial bank and still less of the Reserve Bank. Agricultural paper which represents the renewal of old loans coming through Provincial Co-operative Banks is not suitable for rediscount by the Reserve Bank. Even in the case of genuine short-term financing, the Reserve Bank would be loth to rediscount paper representing such transactions in view of the other long-term commitments of the co-operative banks. Except for genuine short-term business, Provincial Co-operative Banks cannot expect facilities from the Reserve Bank.

Disentanglement of overdues first condition for help from Commercial Banks or Reserve Bank.

37. The effort to relieve the co-operative societies from their present heavy overdues will be wasted if the same position is to recur. Advantage should, therefore, be taken of the present period of reconstruction to analyse carefully the causes which gave rise to overdues in the past and to examine whether they are the result of any defects in the working of the movement which are capable of being remedied so that they may be avoided in future.

Avoiding overdues in future.

38. In so far as the inability of the cultivator to meet promptly his obligations arises out of the failure of crops it is certainly not possible to prevent his falling into arrears. Unfortunately, even though considerable progress has been made in affording partial protection to agriculture through irrigation, disease-resisting varieties of crops, etc., crop failures, from which even advanced countries cannot escape, are of not infrequent occurrence in many parts of India. Prudently run co-operative societies should, therefore, make provision for seasons, when members are prevented from repaying their loans by causes beyond their control, by working on a sufficient margin of profit and building up substantial reserve funds. The rates of interest charged by the village moneylender are not so fantastically high as they sometimes appear to be, in view of the risk against which he must insure himself, and the margin between the borrowing and lending rates of many co-operative institutions in the past has been dangerously narrow. Societies in districts which are frequently liable to crop failure cannot work successfully unless there is a liberal margin of profit in good years and large reserve funds are accumulated for bad years.

Provision against crop failures—Reserve Fund.

39. Other causes for overdues are over-financing, unpunctuality and failure to take prompt and strict measures for recovery by the management. To remedy this, while all stress the necessity of patient and persistent education in the principles of co-operation, one school of thought advocates stricter official control, another wants better inspection and control by central banks and a third suggests that societies should be taught to stand on their own legs. We consider that whichever method is adopted there will be no permanent improvement unless there is a radical reform in the following important directions. In the first place we consider that there should be more practical bankers among those in control in each province. The disabilities under which the Co-operative Movement is at present labouring are possibly attributable to this deficiency more than to any other cause. It is also essential that the Co-operative Movement should be brought into closer contact with commercial banking. Loan banking and business talent should, where possible, be utilized to a greater extent than it is at present; and the staff should be encouraged to study and make themselves proficient in commercial banking. We also consider that overborrowing and undue leniency in the matter of recovery might be checked if adequate representation could be secured to the depositors, either by nomination or other means, on the Boards of Provincial and the Central Banks. We are also definitely of the opinion that the only way of avoiding undue risk of overdues is to put a definite restriction on the nature of business which the Co-operative Credit Societies are allowed to undertake. The initial mistake made by the Co-operative Movement was to attempt liquidation of previous indebtedness of its members. That this is not suitable business for Co-operative Credit Societies is now sufficiently well realised. We would go even further and suggest that advances for any purpose whatever, which cannot reasonably be expected to be repaid in one year should be ruled out as beyond the sphere of co-operative societies, at least at their present stage of development.

Restricted business on banking lines.

40. This means that

(*i*) Loans must be strictly limited to cultivation finance. This should ordinarily mean the expenses in connection with cultivating operations like ploughing, sowing, weeding, etc., but may also include the sums ordinarily required for the maintenance of the farmer's family till harvest, or other urgent purposes like the replacement of cattle or implements, provided such loans can be repaid out of the proceeds of the harvest in a normal year.

How Co-operative Societies should work in future

(*ii*) In order that there may be no over-financing, the normal income from the crop and the normal cost of cultivation should be estimated by the co-operative department and the Central Banks. It should be possible to do so with approximate accuracy with the help of the Settlement Reports and the Agricultural and Revenue Departments. The estimate will remain fairly stable from year to year but should be checked and revised if necessary with every year's experience.

(*iii*) If loans have to be issued which cannot be repaid in one year, *e.g.*, for the replacement of cattle, such loans should not extend beyond two years and provision should be made for their repayment in equal instalments.

Such loans should also be clearly distinguished from annual loans, and should not exceed a comparatively small proportion of the societies' business.

(*iv*) All loans must be issued in instalments as money is required for each of the purposes and not in one lump sum.

(*v*) If loans are not repaid within the stipulated period, immediate steps must be taken to recover the amount or wind up the society unless there is a crop failure.

(*vi*) Extensions should be allowed only in cases of crop failure certified by the Department and then only if there are reasonable prospects of recovery in the near future.

(*vii*) The total amount of loans extended owing to crop failure and any other everdues must be shown separately in all accounts, balance sheets and statistics whether of the Society, the Central Bank or the Apex Bank.

Advantages of the system.

41. If the Co-operative Societies work on these lines, though they will not be able to supply all the needs of their members, they will be able, to a greater extent than they do at present, to finance them at reasonable rates for their most urgent need, that is to say, funds for growing the crop. There will be less danger of accumulation of arrears and short-term loans developing into long-term loans. There will be less necessity of enforcing the joint and unlimited liability of members, the fear of which keeps off the well-to-do from joining the societies. There will be less scope for domination of the movement by officials or undue interference in the internal management of the societies or spoon-feeding by Central Banks. Strict financial and audit control will still be required but this is necessary in all sound banking and can hardly be said to be unco-operative. The commercial banks which are at present reluctant to advance money to co-operative banks on the security of the societies' pro-notes because they know that co-operative loans are not recovered promptly, will, if the co-operative banks confine their working to strictly short-term basis, be more ready to consider their paper a reliable security and will be only too glad to utilize their funds in this business. The Reserve Bank will also thus be able to give assistance to Co-operative Banks. The Committee on co-operation in Burma, presided over by Mr. Calvert, has dealt exhaustively with this question in its report and we commend its perusal, particularly of the separate note recorded by Messrs. Stocker aud Reynolds, in which the advantages of Co-operative Societies working strictly on short-term basis have been set out at length.

Societies' charge on agricultural produce and restriction on utilization of sale proceeds.

42. The danger in co-operative societies supplying only part of the finance required by the agriculturist and leaving him to resort to the money-lender for the rest is that the latter may take away the crop for recovering his debt and leave the society without any means for realizing its dues. If borrowing was restricted to a single agency as

recommended by us in para. 14. this danger would disappear, but the co-operative societies must be safe-guarded against such risk and it is necessary that there should be some definite legal provision to secure them prompt payment out of the gross produce at harvest. The All-India Co-operative Societies Act no doubt gives the societies a prior claim over the crop in the case of loans for seed or manure, and in the case of loans for the purchase of cattle and implements, over the articles so purchased. It does not however create a definite charge over the property and, as pointed out by the Maclagan Committee, the provision is largely inoperative "partly owing to difficulties in proving that a particular crop has been grown by means of a particular loan and partly owing to a ruling of the Calcutta High Court which allows an outside decree-holder to attach a crop in priority to a society unless the society also obtains a decree in its favour." That Committee, though it would not support the suggestion that the lien on crops should apply in cases of all loans by societies without reference to their particular purpose, recommended that the prior claim should be definitely described as a "charge" so that it should operate against outside attachment or sale even in the absence of a decree in favour of the society. The Bombay Act makes any debt given by the society a charge on the crop as well as on the stock in trade like cattle, implements, etc., of the borrower. It, however, protects the *bona fide* purchaser because "a charge entitling a society to follow up produce or its proceeds in the hands of *bona fide* purchasers is likely to result in reluctance on the part of purchasers from dealing with the produce of co-operators except at a discount." This, of course, raises the whole legal and practical difficulty of relying on a hypothecation and not a pledge, but one way in which the difficulty might be surmounted is that suggested by the Calvert Committee. The borrower would be allowed to dispose of this produce freely and leave the *bona fide* purchaser unaffected but it would be an offence for the borrower to utilize the sale proceeds without first paying off the society's debt subject to the prior claims of land revenue and rent. Such provision exists in the English Agricultural Credits Act 1928 which allows agricultural charges to be created in favour of certain banks. Under that Act when a charge is so created it is obligatory on the borrower to repay his loan out of the proceeds of the property charged and he is liable to penal servitude up to three years if with intent to defraud he fails to comply with the obligation, or disposes of his property. We would suggest that provincial governments might consider whether similar provisions might be made in respect of loans advanced by co-operative societies. As recommended by the Calvert Committee, the Co-operative Societies Act might be amended to give them a fixed charge or agricultural charge upon produce obtained with the aid of loans advanced by them, and to render liable to three months' imprisonment any cultivator-borrower who disposed of his produce without repaying this loan. A provision of this nature should ensure the prompt repayment of societies' loans and lessen the chances of default and should also strengthen the position of the societies vis-a-vis their members. If it is apprehended that such a provision might lend itself to abuse this can be safeguarded by stiptuting that no prosecution under it can be started without the previous sanction of the Registrar of Co-operative Societies. Actual prosecution should be necessary only in rare cases and the mere existence of such a provision should have considerable psychological effect and give, by making repayments more prompt and regular, a more healthy tone to the co-operative movement.

The Money-lender.

43. But even should the Co-operative Movement be revitalised, the agriculturist must, in many places and in many ways, continue, for a long time to come, to depend on the village money-lender. The term includes the Bania, the small dealer as well as the landlord and the agriculturist money-lender, all of whom use their own funds in the business. They have been and will continue to be an important and indispensable factor in the rural economy of the country. They take by far the largest share in the financing of the agriculturist and in many places they are the only source of credit available to him. Being on the spot they are able to advance promptly, to take risks and to make up for the lack of tangible security by personal knowledge and by using methods of recovery not open to banks or even co-operative societies. That in the present development of the countryside they are an indisensable factor in rural economy and cannot be entirely replaced by any other agency is apparent. It is also incorrect to argue, as is sometimes done, that their influence is altogether harmful. Their rates of interest are often high but there is some justification in this in the great risks which they have to take. As a class they are shrewd and frugal, with a very plain standard of living in comparison with their means. Their only luxury consists in the accumulation of ornaments, which are really metallic reserves which have solid realizable value in times of depression or emergency. In this way, practically all their profits go back into their business. They are thus in a better position to be lenient to their clients in times of depression though possibly more from self-interest than philanthropy. As they largely rely on their own resources, they can afford to do so, and to wait for better times. The main charge against them as a class is that they exploit the illiteracy and helplessness of the cultivators by manipulating their accounts, and by making all kinds of unjustifiable exactions so as to swell the debt with accumulated interest beyond any possibility of the borrower to repay so that he ultimately finds himself in the position of a serf cultivating his land at a bare living wage for the benefit of the money-lender. Furthermore where there are legal restrictions on alienation, the class of agriculturist money-lender is developing and he is said to be worse even than the professional in this respect, because his object is to get the land.

Legislation for regulation and registration of money-lenders.

44. We have already stated that to eliminate this institution altogether will seriously dislocate village economy and embarrass the cultivator. What is required is radical reform in their methods of business through pressure of educated public opinion and suitable legislative action with a view to weeding out the dishonest and more rapacious among them. With regard to the agriculturist money-lender we have suggested in a previous chapter that this class should be brought within the scope of preventive legislation. As regards money-lenders as a whole, some provinces have already taken steps to regulate money-lending by passing Money-lenders Acts making the keeping of regular accounts and giving of receipts obligatory, forbidding unjustifiable charges and laying down the maximum rates of interest but legislation is not by itself sufficient to regulate credit. In the long run this depends on the economic law of supply and demand and legislation can and will be evaded. We feel however that a system of compulsory licensing of all and registration of approved money-lenders coupled with legal provision for keeping regular and standardized accounts and controlling rates of interest should go a long way in restoring harmony between the agriculturist and the Bania and establishing the usefulness of the latter to the village society. We would be prepared to help by accepting the names of money-lenders, approved and registered by Local Governments, as one of the names on two-name paper, coming through scheduled banks, subject of course to general business restrictions as to amount, etc., carrying a particular name. This should result in providing an additional and more direct link between Reserve Bank and the agriculturist.

Village Panchayat Courts.

45. We further recommend that the Provincial Governments should consider the establishment of village Panchayat Courts for settling minor money suits. If this were found to be practicable it would benefit both the agriculturist and the money-lender by providing an inexpensive and simple machinery for the expeditious adjudication and recovery of debts.

Prevention of Agricultural indebtedness for unproductive purposes.

46. Before closing this chapter we must at the risk of repetition emphasise that no real amelioration is possible, unless when once the previous debt of the cultivator has been brought within his capacity to liquidate, his future borrowings are restricted to what is required for productive purposes, Mere restriction on his right to transfer his land, destroys his credit both for productive and non-productive purposes. This may be a necessary intermediate stage in certain areas, where the economic sense of the cultivator is as yet undeveloped, but it is not a satisfactory final position. We are hopefu that co-ordinated investigation and action along the lines which we have suggested may provide a way out of the impasse. We also feel that in this scheme the village money-lender may play a more useful role. Debt conciliation schemes which postpone the recovery of fresh debts till the conciliated

instalments are recovered will prevent money-lenders from advancing for anything except strictly productive purposes to those whose debts have been adjusted. Cultivators who obtain loans from land mortgage banks by mortgaging their lands will be unable to offer the security which is required by the money-lender who advances money in order to get his client's land. The security which is offered by the crop will also be taken away in the case of the cultivators who are members of co-operative credit societies if our suggestion regarding the societies' charge on the crop is found practicable. A combination of all these factors will go a long way in restricting his credit except for *bona fide* agricultural purposes.

CHAPTER VI.

CONCLUSION.

Preliminary spade-work by Governments.

47. An examination of the problem shows that if progress is to be made there must be co-ordination of action and that the greater part of the preliminary spade-work will have to be done by the various Governments of the country. Something has already been done in the way of reduction of previous indebtedness, either by voluntary or compulsory methods or a combination of both, the organization of special institutions for long term credit and the regulation of money-lenders. The results of such a policy, however, cannot lead to any permanent improvement unless it is supplemented by positive steps to improve the marketing organization of the country and to clarify and where necessary to revise the legal position about credit and the security for debts generally.

Rural betterment.

48. But even wider action will have to be taken by Government if real progress is to be made. It is essential to emphasise that the economic problem of agricultural India is only to a minor extent one of credit facilities. If the agriculturist is to get the credit necessary for the proper development of the country he must first be made credit worthy, and to achieve this, action by Governments will be necessary not only on the lines indicated in the preceding paragraphs but also in all the other directions which are generally described as rural betterment. Nobody can be regarded as creditworthy unless he has a reasonable margin in his standard of living and unless he has the practical desire to improve his economic condition. This means that the earning capacity and the purchasing power of the farmer must be increased. This is largely a matter of physical and mental condition so that if any economic improvement is to be effective or lasting it must be accompanied, and in many cases preceded, by improvements in such matters as village sanitation and hygiene, the provision of ampler medical facilities, the construction of roads, wells and irrigation works, the spread of education on practical lines, and similar reforms too numerous to mention here. Villagers must also be educated to

take effective co-operative action towards the consolidation of holdings, and public opinion must be developed to prevent the undue splitting up of holdings into uneconomic patches which merely yield a bare subsistence. Caution, of course, will be necessary particularly in respect of legislation affecting credit. On the other hand, the experience of other countries where not so long ago the condition of agriculturists seemed almost equally stagnant and unfavourable and of those parts of India in which a beginning has been made shows that remarkable results can follow concentrated action. Undoubtedly in the initial stages such a campaign will involve Government expenditure, and though later on it should bring in a more than proportionate return, the element of cost cannot be disregarded, and if the best results are to be obtained on limited funds it would seem better to concentrate on a few centres in specially selected areas where conditions appear favourable rather than to be too diffuse at the risk of impairing efficiency. A good deal is already being done on these lines by provincial Governments, but it is merely a beginning. These are, of course, general suggestions on matters on which the Reserve Bank is not called upon and is not in a position to make definite recommendations but the importance of which it ventures to emphasize if real progress is to be made and maintained.

Conclusion.

49. We recognise that these recommendations are primarily for the consideration of the various governments of the country but until a good deal of preliminary clarification and organization have been effected along these lines, it will not be possible either for the Reserve Bank or the money-markets of the country, even though they have at present a plethora of funds, to make any substantial departure from existing practice. That is why we thought it desirable to get out this report as soon as possible so as to set out the main principles as they appear to us to clear the ground and enable us to undertake the detailed practical examination of this all-important question with the various authorities concerned without further delay.

Correspondence.

BUILDING SOCIETIES AND RATE OF INTEREST.

Sir,

The Nellore Co-operative Building Society at a meeting of its general body passed a resolution requesting the Government to reduce interest on long term loans given to the society in former years, to 5 per cent so that the society in its turn might reduce the interest payable by old borrowers from 8½ per cent or 7 per cent to a uniform rate of 6 per cent which is the current prevailing rate.

In communicating the resolution to the local Deputy Registrar and requesting him to forward it to the higher authorities, I as President of the Society, drew his attention to the analogical relief given to primary borrowers in land mortgage banks, who at the instance of Government, got the interest payable by them on outstanding loans reduced from 8½ per cent or 7 per cent to a flat rate of 6 per cent. I also pointed out that it would not be fair or reasonable on the part of the Government to insist on the one hand on co-operative institutions financed by private agencies, to reduce the rates of interests on even outstanding loans, but on the other hand to decline to be equally generous, in respect of loans advanced from out of Government funds. It was also hinted that it should not be difficult for the Government to furnish this relief, possessing as it does, financial resources which no private agency can boast of.

The Deputy Registrar replied regretting his inability to forward the reference to the higher quarters, and stated that the request could not be complied with, as the loans advanced to societies at higher rates of interest had formerly been fixed with reference to the rates at which the Government borrowed at the time.

The attitude taken by the Government is one that causes a real hardship to several borrowers in Building Societies in our Presidency who had the misfortune to take loans in former years. After all, the reason given by the Deputy Registrar is not sound. The maximum prevailing rates of interest on loans taken by Government, and accruing at present, are 5 to 5½ per cent. All 6½ per cent Government loans are paid up. Even these 5 or 5½ per cent loans will be converted on their maturity. It may also be seen that on treasury bills the Government is paying at present at 12 annas per hundred rupees, whereas previously it was paying at 7¾ per cent. Hence the bogey of prior Government borrowings does not appear to really exist.

I consider that this is a fit matter for non-official co-operators to send up a united protest to the Government.

NELLORE. M. S. NARASIMHA RAO.

Reviews.

I

PUDUKOTTA REGISTRAR'S REPORT FOR JULY 1934 TO JUNE 1935.

The report which is a belated one as pointed out by the Darbar itself, gives a clear and unvarnished account of the co-operative movement in the State in the Fasli 1344. It is a pity that the State should have experienced a series of bad years and the set back in the co-operative movement may be attributed to some extent to the failure of the monsoon and the general depression. The Pudukkotta State does not stand alone in regard to the rather distressing condition of the movement to-day. Large overdues in principal as well as interest, dormant condition of several societies, irregularities, lack of interest on the part of the educated people, the mistakes of panchayat members and so on are features that are referred to seriously in all administration reports. Those who are interested in the economic welfare of this country may naturally hope that the co-operative societies will prove valuable just at a time when the position of the poor ryot is shaken by seasonal and economic factors. The strength of the co-operative movement is to be judged by the measure of support it is able to give to the poor ryot when he finds himself in circumstances beyond his control.

The Fasli under review refers to a fall in the number of societies and members ; and the fall in the working capital of the Central Bank is due to the return of Trust deposits carrying a high rate of interest. Of the 128 societies, the registration of five societies was cancelled and the remaining societies that continued to do work were composed of 1 Central Bank, 100 agricultural societies, 14, non-agricultural societies, 4 supervising unions, 2 building societies, 1 Co-operative Institute and 1 labour union. The percentage of balance to demand in the case of the Central Bank is 66.15 in regard to the principal and 29.59 in regard to interest. In the case of agricultural societies, the percentage of balance to demand ranges from nearly 62 per cent to 84 per cent in regard to the principal. The Co-operative Press and the Book Supply Society are reported to be doing good work and it is a pity that the same cannot be said about those important non-credit societies such as weavers' union and stores societies.

The frame-work of the co-operative movement has been designed by persons who have understood the conditions of the country. Officers have been found to be touring frequently with a view to doing effective supervision. It is for the Darbar and similar authorities elsewhere to consider the serious defects in the co-operative movement that have been brought to light at the present moment. The Co-operative Institute which has as its object the dissemination of the principles and benefits of the co-operative movement should be stirred into activity. It should have a programme of publicity and the masses should be persuaded to take an intelligent interest. The panchayats are seen to be a thorny problem and their composition should engage the attention of the authorities. Considering that the panchayatdars are themselves guilty in most cases, it is for the consideration of the Darbar to see whether a certain number of seats in the panchayat be not filled up by nomination by the Darbar from the non-official body. It is clear from the report that the Darbar is anxious to help the spread of the movement. It is a matter for serious thought that out of 100 agricultural societies 35 should be 'C' class and 38 'D' class.

It is hoped that the members of the societies and of the Board of Management will realise their responsibility so that the people of the State may reap the benefits of the co-operative movement.

M. S. S.

II

BIHAR AND ORISSA REPORT FOR 1935.

The report deals with the working of co-operative societies in the composite province of Bihar and Orissa, for Orissa was separated only after the close of the year under review. Mr. J. A. Godbole, I.C.S., was in charge of the department throughout the year. The total number of societies working showed a small increase from 8,882 to 8,928 but the number of members decreased from 2,86,931 to 2,85,282. Although there was a rise in the price of rice, there was little improvement in the condition of the agriculturists as the rainfall was quite unfavourable and agricultural prospects were not bright. Therefore it is no wonder to find that the percentage of bad and hopeless societies showed a slight increase from 17.4 and 3.7 in 1934 to 18.8 and 4.5 in respectively in 1935. During the year under review the overdues of principal payable by affiliated societies to central banks rose from Rs. 131 lakhs to Rs. 138.27 lakhs, while the corresponding amount payable to the societies by their members increased from Rs. 130 lakhs to Rs. 134.40 lakhs. Similarly the overdues of interest payable to central banks by the societies rose from Rs. 25.57 lakhs in 1934 to Rs. 32 lakhs in 1935, while that payable to societies by members rose from Rs. 53 lakhs to Rs. 62 lakhs. We hope that vigorous steps will be taken both by officials and non-officials to reduce the overdues as

the future of the movement on the credit side depends entirely on improved collections.

The working capital of the Provincial Bank increased by Rs. 12.21 lakhs which was due to two Government loans, one of Rs. 16 lakhs and another of Rs. 4 lakhs. We are told that these loans became necessary in order to increase the fluid resources and the long term capital of the Bank. No other facts are necessary to impress any one with the weakness of the movement in the province. The Apex Bank ought to have been able to get this money from the public after inspiring confidence in them. In contrast with this Bank the Provincial Banks of Madras and Bombay are refusing deposits and investing their funds in Government securities. The number of central banks and unions remained the same as in the previous year, *viz.*, 66. (53 in Bihar and 13 in Orissa.) The total amount of deposits stood at Rs. 127.12 lakhs at the end of the year as against Rs. 129.91 lakhs in the last year. The amount of borrowed capital of the banks was Rs. 183.59 lakhs of which Rs. 127.12 lakhs constituted deposits and the rest was mostly made up of loans from the Provincial Bank. The number of agricultural societies increased by 36. The total number of societies at the close of the year was 8,502 as against 8,466 in 1934. The total amount of loans advanced by these societies during the year amounted to Rs. 5.27 lakhs against Rs. 5.43 lakhs in 1934. Dealing with the primary agricultural credit societies the Registrar observes that the organisation of agricultural credit societies on limited liability basis will improve the position of the movement. We heartily endorse the view of the Registrar, as co-operators in this province also are agitating for the change of liability of the societies from unlimited to limited as a result of the experience gained for the last three decades.

The number of societies under liquidation increased from 1,044 to 1050 but the amount due from the societies showed a small decrease from Rs. 27.85 lakhs in 1934 to Rs. 27.07 lakhs 1935. The realizations during the year amounted to Rs. 2.58 lakhs as against 1.71 lakhs 1934.

The most relieving feature of the movement in the Province is the realisation of the importance of the non-credit side of the movement. Most of the central banks are said to be taking a keen interest in the village uplift schemes. The Registrar hopes that with the aid of the Government of India grant the schemes launched by the central banks would prove successful.

S. K.

News and Notes.

Accepting the recommendation of the Committee on Co-operation in Mysore which recently reported, the Government of Mysore have withdrawn the restriction which was imposed some time ago, requiring Government servants to obtain the previous sanction of Government before standing for election to committees of central and urban banks.

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Mr. G. D. Birla, mill-owner and President of the All-India Harijan Sevak Sangh, Delhi, has donated a sum of Rs. 20,000 for promoting bee-keeping, poultry-farming, cattle-breeding and other subsidiary occupations among the Harijans of South India. Mr. C. Rajagopalachariar has been requested to draw up a suitable scheme to be worked by the branches of the Harijan Sevak Sangh in South India.

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As a result of the initiative taken by the Agricultural Department, improved varieties of sugar-cane with the local cane for comparison were grown at Pillayarpatti village in the Ramnad district with a view to make it possible to start the cream jaggery industry. The manufacture of jaggery is under the supervision of an Agricultural Demonstrator. As the quality of jaggery extracted so far is of fine quality, it promises to become an active cottage industry in this area; for a large number of cultivators have already begun to grow sugar-cane in preference to their usual crops.

* * *

The Gudiyatham Co-operative Urban Bank in the North Arcot District celebrated its Silver Jubilee on the 7th March last, Mr. M. Giriappa, Joint Registrar of Co-operative Societies, presiding. Many co-operators of the district who attended the function spoke on the occasion. The president regretted very much that the members had not been using the Bank for depositing in it their savings but were looking upon it only as a lending concern. He exhorted those present to do everything in their power to encourage the thrift habit among the members and to induce the public to save as much as they could by opening accounts with the Bank.

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The Madras District Co-operative Labour Society, registered in January 1936, is intended to help masons, carpenters and other labourers engaged in the building trade by taking up house-building contracts and executing them. Its membership consists of labourers as well as of some others who have joined it to help them. Its report till the end of June shows that it had secured contract for building two houses for Rs. 7,800 and that they were unfinished at the time. On this account the audit certificate declared the society to have worked at a loss of

Rs. 168. As a matter of fact it made a fair profit when the accounts were made up after the completion of the buildings. In the current year it has completed three more buildings. It is a very difficult type of society to manage. Special credit is therefore due to Rao Bahadur V. K. Kalyanasundara Mudaliar, Mr. A. Balasundara Naicker and Mr. N. E. Jambulinga Naicker, the president, secretary and technical adviser of the society respectively.

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The Government Brennen College Co-operative Union Annual for 1937 is a worthy successor of last year's, which we had the pleasure to welcome warmly. This year's publication contains a number of interesting articles by well known co-operators, of which we should like to mention in particular the article on "The Co-operative movement in India" by Mr. Bashir Ahmad Khan, Honorary Secretary of the All-India Co-operative Institutes' Association, Lahore. The volume contains the model by-laws of a school or college co-operative store and the particulars of the best students' societies in each district of this presidency. We trust this information will be found useful and stimulating to our student population. Free copies will be sent to all educational institutions that apply for them by the Secretary of the Union, Tellicherry, Malabar District.

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The total turnover of the Brennen College Co-operative Union increased from Rs. 13,000 in 1935 to 17,000 in 1936 and the sales from Rs. 8,000 to Rs. 11,000. The net profit, however, decreased from Rs. 877 to Rs. 605 owing to the cutting down of prices. This year the Annual is published in two editions—Kerala and All India. We are told its publication has not cost the Union or its members a single pie. The Union proposes to award a few scholarships to students of the College who may wish to undergo co-operative training. It has a reserve fund of over Rs. 1,200 and is the best society of its kind in India. We heartily congratulate it on its excellent working and the enthusiasm it is showing for co-operative propaganda.

* * *

A conference of the co-operators of Chingleput district was held on the 28th February last in the premises of the Conjeevaram Co-operative Central Bank under the chairmanship of Rao Bahadur P. N. Marthandam Pillai, President of the T.U.C.S. Mr. T.L.R. Chandran, I.C.S., Additional Joint Registrar, was also present on the occasion. Diwan Bahadur K. Deivasikhamani Mudaliar, M.L.C., President of the Central Bank, said that though all was not well with the movement at present, there was yet hope for the rehabilitation of the societies. Mr. Marthandum Pillai in his address stressed the necessity for improving the repaying capacity of the agriculturists by developing the non-credit side of the movement. Mr. T.L.R. Chandran spoke of the store societies in Malayan plantations, of thrift societies in Ceylon and of milk supply societies in London. There was very scope here, he said, to develop the non-credit side of the movement.

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The first annual report on the working of Cochin Co-operative Land Mortgage Bank for the year ending 28th November, 1936 shows that there were 984 members with a paid up share capital of Rs. 67,070 at the end of the year under review. Mortgages to the extent of Rs. 2,29,175 taken by the special loan department were transferred to the Bank. The Government have sanctioned an overdraft accomodation of Rs. 3 lakhs at 3 per cent to the Bank to enable it to issue loans to the members. The total amount of loans sanctioned during the year under report was Rs. 65,855 of which Rs. 9,710 was not disbursed to the parties concerned as they had not produced the necessary documents. The Government have sanctioned a sum of Rs. 10,000 towards working expenses of the Bank of which Rs. 7,778-4-4 alone was utilized.

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The C. P. Provincial Co-operative Bank, Ltd., celebrated its Silver Jubilee on 13th March last at Nagpur. It was inaugurated by His Excellency Sir Hyde Gowan, the Governor. Rao Bahadur N. G. Deshpande, Chairman of the Bank, traced the history of the movement in the province and of the Bank in particular since its inception. His Excellency referred to the various measures of relief given by the Government to the agriculturists such the scaling down of debts, controlling money-lenders, limitation of rates of interest and the establishment of land mortgage banks. He said that if the co-operative movement was to become a vital factor for the improvement of the Indian countryside it should be fitted in with the rural reconstruction movement. He was strongly of opinion that to solve the problem of agricultural finance they must plan three stages—diminution of existing debts, provision of means for liquidation of arrears and prevention of future indebtedness. The problem of rural indebtedness in his opinion could be solved sooner or later, provided the villager was educated in the habit of thrift.

* * *

By organising and guiding a co-operative society for the sweepers of Navsari, the Gujarat Harijan Sevak Sangh has helped them immensely during the last four years. Before the society was started the sweepers were in the clutches of a money-lender who was an ex-inspector of the municipality. He used to charge an interest of one anna in the rupee and with the help of the officials of the municipality was recovering his dues easily. In 56 families of 245 persons only one was literate enough to sign his name. The Harijan Savak Sangh promptly started a class for teaching them reading and writing. The total indebtedness of the sweepers was found to be Rs. 2,600. It was compounded for Rs. 1,650 and paid off chiefly with an advance from the municipality. Then a store department was started for supply of food stuffs to the members which has enabled them to get honest quantity and quality for honest price. They were taught basket-making as a subsidiary industry, the municipality agreeing to take all its baskets from the co-operative society. Conspicuous as the material benefits are, the moral ones are even greater. The members have become clean in habits, industrious, thrifty, and self-reliant; and have learnt the value of joint action. Here is an example for other sweepers to follow.

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The Parasparasahayi, a co-operative monthly in Malayalam, conducted under the auspices of the Malabar District Co-operative Bank, Calicut, has brought out a special number, containing a number of articles in English and Malayalam and messages from the Registrars of Co-operative Societies in Madras, Travancore and Cochin. Among the English articles is one by Mr. A. V. Thakkar, Secretary of the All-India Harijan Sevak Sangh, on co-operation among municipal sweepers, and one by Mr. B. L. Brayne, I.C.S., Punjab, on preparation for credit in which he recommends that credit should be extended to a member only after he has learnt thrift and the capacity to spend money wisely. We are sure the number will be much appreciated by the co-operators of the Malayalam area.

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Cashew nuts have become very popular of late in the U. S. A. In 1929-30 they formed less than one third of one per cent of the nuts consumed in that country. In 1934-35 they had risen to 14 per cent. They are all imported—98 per cent from India and the rest from Haiti. In India the trade is centred in the west coast of South India.

* * *

On 1st January 1937, there were in Germany 20,283 credit societies, 1948 handicraftsmen's societies, 542 industrial producing societies, 1,241 retail dealers' purchasing societies, 1,512 distributive societies, 3,452 housing societies, 22,403 non-credit agricultural societies and about 1,500 sundry societies including settlement and other societies. The grand total was 52,878. Compared with the previous year, every class except the handicraftsmen's societies showed some decrease.

* * *

For several years the people of a semi-agricultural commune or rural administrative unit in Japan were incurring heavy medical expenses and loss of work on account of sickness. A co-operative society working in the commune decided to create modern medical institutions on co-operative lines. It received active support from the medical faculty, and the institutions were successfully started. The members are visited by doctors in their own homes and the charges for hospital treatment and drugs are much less than they used to be before. On account of the decrease in the rate of sickness the people are now able to earn more than before.

* * *

One Dr. Michael Shadid organised in 1929 a Co-operative Hospital at Elk City, Oklahoma, U.S.A. Its membership has grown to 2,400, representing a family strength of 14,000 persons, who get advice, medicines and surgical treatment at reduced rates. The success of the hospital roused the jealousy of the other medical practitioners in the district, who urged the Board of Medical Examiners of the State to cancel Dr. Shadid's license on the ground that it was 'unethical' to practise medicine as a corporation. Dr. Shadid thereupon filed a complaint in the court for conspiracy to destroy him and the Co-operative Hospital. The court has restrained the Board of Medical Examiners from proceeding with the hearing of the medical practitioners' application against Dr. Shadid.

List of Societies Registered in January 1937.

Serial No.	Names of the Societies.	District.
1.	The Tenali Co-operative Crop Loan and Sale Society, Ltd.	Guntur.
2.	The Duggirala Co-operative Land Mortgage Bank, Ltd.	"
3.	The Muggulla Co-operative Society	E. Godavari.
4.	The Velpur Co-operative Credit Society ...	W. Godavari.
5.	The Chivetaur Co-operative Credit Society ...	"
6.	The Sivapichai Gudiyattam Adi-Dravida Co-operative Credit Society	N. Arcot.
7.	The Varigepalli Co-operative Credit Society ...	Chittoor.
8.	The Government Telegraph Employees' Co-operative Building Society, Ltd.	Madras.
9.	The Arni Sri Ramalingeswara Devanga Weavers' Co-operative Purchase and Sale Society, Ltd. ...	Chingleput.
10.	The King Institute Co-operative Society, Ltd. ...	"
11.	The Mayavaram Taluk Co-operative Sale Society, Ltd.	Tanjore.
12.	The Krishnapuram Co-operative Society, Ltd. ...	Trichinopoly.
13.	The Arunarai Co-operative Society	"
14.	The Tellicherry Co-operative Urban Bank, Ltd. ...	Malabar.

List of Societies Cancelled in January 1937.

Serial No.	Names of the Societies.	District.
1.	Duggirala Loan and Sale Co-operative Society ...	Guntur.
2.	Senji Panchama Co-operative Society ...	Chingleput.
3.	Kumaranallur Co-operative Society ...	Malabar.
4.	Badvel F.L.C.S. ...	Cuddapah.
5.	Kizhuparamba Co-operative Society ...	Malabar.
6.	Ulavapalla Co-operative Society ...	Nellore.
7.	Kuppichipalayam Co-operative Society ...	Salem.
8.	T.U.C.S. Employees Co-operative Building Society.	Madras City.
9.	Perumbakkam Co-operative Society ...	Chingleput.
10.	Athipalayam Co-operative Society ...	Trichinopoly.
11.	Mudiyannur Loan and Sale Co-operative Society ...	South Arcot.
12.	Theerampatti Depressed Class Co-operative Society.	Trichinopoly.
13.	Gudipudi Christian Co-operative Society ...	Guntur.
14.	Chingleput District Co-operative Federation ...	Chingleput.
15.	Kuthakudy Co-operative Society ...	South Arcot.
16.	Vadikkagom Co-operative Society ...	Malabar.
17.	Dhone Public Servants Co-operative Society ...	Kurnool.
18.	Ekanampet Sri Visalakshi Co-operative Society ...	Chingleput.
19.	Dhone Co-operative Society ...	Kurnool.
20.	Srivilliputtur Co-operative Audit Union ...	Ramnad.
21.	Bikkanahalli Co-operative Society ...	Salem.
22.	Vilayattur Co-operative Society ...	Malabar.
23.	Appaiahrajupet Co-operative Society ...	Cuddapah.

List of Societies Registered in February 1937.

Serial No.	Names of the Societies.	District.
1.	Ongole Co-operative Crop Loan and Sale Society ...	Guntur.
2.	Pulidudi Field Labourers' Co-operative Credit Society	E. Godavari.
3.	Vaunavillivaripeta Co-operative Better Living Society, Ltd.	W. Godavari.
4.	Peddapur Weavers' Co-operative Purchase and Sale Society, Ltd.	E. Godavari.
5.	Karakambadi Co-operative Credit Society ...	Chittoor.
6.	Maugalapuram Women Co-operative Thrift and Loan Society	Madras.
7.	Kailam Panapambattur Co-operative Credit Society.	N. Arcot.
8.	Devikapuram Shanmuganauda Weavers' Co-operative Purchase and Sale Society, Ltd.	"
9.	Madura Somastra Co-operative Building Society ...	Madura.
10.	Asur Co-operative Society	Trichinopoly.
11.	Vellalore Co-operative Credit Society	Coimbatore.

List of Societies Cancelled in February 1937.

Serial No.	Names of the Societies.	District.
1.	Cheyyur Adi Dravida Co-operative Society ...	Chingleput.
2.	Kalavalapalli Christian Co-operative Society ...	Nellore.
3.	Thoppapatti Agricultural Improvement Co-operative Society	Salem.
4.	Periyeri Hindu Co-operative Society ...	"
5.	Gudur Muslim Co-operative Society ...	Nellore.
6.	Bejjipuram Co-operative Society ...	Vizagapatam.
7.	Kuriya Co-operative Society ...	South Kanara.
8.	Polur Co-operative Society ...	Kurnool.

ACKNOWLEDGMENTS.

1. Annual report on the working of co-operative societies in Madras (1935-36).

2. A Short note on the Co-operative Movement in Pudukotah State By G. Sundaresa Iyer, B.A., L.T.

3. Annual report on the working of co-operative societies in Bihar and Orissa (1935).

4. The Co-operative Movement in China—By C. F. Strickland.

5. Scheme of the Arrears Bank—By A. G. Sherlekar.

6. Season and Crop Report of the Central Provinces and Bear for the year ending 31st May 1936.

7. Report on the working of the co-operative societies in the Baroda State for the year 1934-35.

Government Orders.

GOVERNMENT OF MADRAS.

I

G. O. No. 597 Ms., Development, dated 12th March 1937.

Abstract:—Co-operative Societies Act, 1932—Rules—Rule XXII—Adjournment of sales—Draft amendments—Published.

ORDER :—

The following notification will be published in the Fort St. George Gazette :—

NOTIFICATION.

The following draft of certain amendments to the rules made under the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), published with Development Department Notification No. 264 dated the 1st August 1933, at pages 1178 to 1185 of Part I of the Fort St. George Gazette, dated the 1st August 1933, as subsequently amended, which the Governor acting with Ministers proposes to make in exercise of the powers conferred by sub-sections (1) and (2) of section 65 of the said Act is hereby published, as required by sub-section (3) of the said section, for the information of all persons likely to be affected thereby.

Notice is hereby given that the draft will be taken into consideration by the Governor acting with Ministers on or after the 16th April 1937 and that any objection or suggestion which may be received with respect thereto from any person before the date aforesaid will be considered by the Governor acting with Ministers.

Draft Amendments.

1. After the proviso to Clause (1) of sub-rule (4) of rule XXII of the said rules, the following further proviso shall be added, namely :—

"Provided, further, that the Registrar of the district or the sale officer may, in his discretion, adjourn the sale to a specified day and hour, recording his reasons for such adjournment. Where a sale is so adjourned for a longer period than seven days, a fresh proclamation under clause (*h*) shall be made, unless the judgment-debtor consents to waive it".

2. In clause (*f*) of sub-rule (7) of the said rule XXII, for the fourth sentence beginning with the words 'the sale shall be' and ending with the words 'or for other reasons', the following sentence shall be substituted, namely :—

"The sale shall be by public auction to the highest bidder provided that it shall be open to the sale officer to decline to accept the highest bid where the price offered appears to be unduly low or for other reasons and provided also that the Registrar of the district or the sale officer may, in his discretion, adjourn the sale to a specified day and hour, recording his reasons for such adjournment. Where a sale is so adjourned for a longer period than seven days, a fresh proclamation under clause (*e*) shall be made, unless the judgment-debtor consents to waive it".

II

Copy of G.O. No. 634, Ms. Development, dated 17th March 1937.

Subject:—Co-operative Societies Act, 1932—Rules—Rule XXII (7) (*d*) Draft amendment—Published.

ORDER:—

The following notification will be published in the Fort St. George Gazette :—

NOTIFICATION.

The following draft of an amendment to the rules made under the Madras Co-operative Societies Act, 1932, (Madras Act VI of 1932), published with Development Department Notification No. 264, dated the 1st August 1933, at pages 1178 to 1183 of Part I of the Fort St. George Gazette, dated the 1st August 1933, as subsequently amended, which the Governor acting with Ministers proposes to make in exercise of the powers conferred by sub-sections (1) and (2) of section 65 of the said Act is hereby published, as required by sub-section (3) of the said section, for the information of all persons likely to be affected thereby.

Notice is hereby given that the draft will be taken into consideration by the Governor acting with Ministers on or after the 24th April 1937 and that any objection or suggestion which may be received with respect thereto from any person before the date aforesaid will be considered by the Governor acting with Ministers.

Draft Amendment.

In clause (*d*) of sub-rule (7) of rule XXII of the said rules, for the third sentence beginning with the words "The fact of attachment" and ending with the words "to give due publicity to the sale", the following sentence shall be substituted, namely :—

"The fact of attachment shall also be proclaimed by beat of tom tom or other customary mode at some place on or adjacent to such property and at such other place or places as the Registrar of the district may consider necessary to give due publicity to the sale".

III

Copy of G. O. No. 756, Ms., Development, dated the 31st March 1937.

Subject:—Co-operative Societies—Central Land Mortgage Bank—Debentures—Government guarantee—Increase from Rs. 100 lakhs to Rs. 125 lakhs.—Sanctioned.

ORDER :—

In Notification No. 353, dated 23rd October 1934, published at page 1825 of Part I of the Fort. St. George Gazette, dated 9th October 1934, the Government of Madras have declared that all debentures issued by the Board of Directors of the Central Land Mortgage Bank under sub-section (1) of section 4 of the Madras Co-operative Land Mortgage Banks Act, 1934, on or subsequent to 31st July 1934, redeemable within a period not exceeding 25 years from the date of issue and bearing a rate of interest not exceeding 5 per cent per annum shall be fully and unconditionally guaranteed by the Government as regards the principal and interest, provided that the total aggregate face value of the debentures carrying this guarantee shall not exceed Rs. 50 lakhs, exclusive of the value of such debentures as may have been redeemed by the Board from time to time. In notification No. 408 dated 26th November 1935 published at page 1596 of Part I of the Fort St. George Gazette, dated 3rd December 1935, the Government have increased the maximum amount of the above guarantee to a total face value of Rs. 100 lakhs, exclusive of such debentures, as the Bank may from time to time redeem, subject to the same periods of issue and the rate of interest. Under sub-section (2) of section 6 of the Act aforesaid, the Government after consulting the Legislative Council, are now pleased to further increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Central Land Mortgage Bank to a total face value of Rs. 125 lakhs, exclusive of such debentures as the Bank may from time to time redeem, provided that the rate of interest on these debentures shall not exceed 5 per cent per annum and that the debentures shall be issued for such periods as may be fixed at the time of issue, not exceeding in any case 25 years from that date. The Government have no objection to the inclusion of the terms of this further guarantee in the debentures to be issued by the Bank, which satisfy the foregoing conditions.

JL