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Editorial Notes.

The Agriculturists Relief Bill.

We offer no apology to our readers, either of this province or of others, for the length of the Hon. Mr. V. Ramadas Pantulu's article on the Madras Agriculturists Relief Bill. The Bill is of the highest importance to this province. It is the duty of everyone, whether agriculturist or not, and whether co-operator or not, to acquaint himself with its provisions and their consequences. Its boldness and simplicity may prove attractive to other provinces. We expect our readers will be rather grateful to Mr. Pantulu for his fair and exhaustive treatment of the subject. It is not surprising that the Bill should have evoked wide-spread and numerous protests which are finding expression in the newspapers. It affects the interests of very many who are not professional money-lenders and upsets ideas which have been accepted for generations. As Mr. Pantulu has pointed out, such a drastic measure will be considered justifiable or not, according as one believes or not that the indebtedness of the agriculturist is keeping down agricultural production and causing the country to remain poor. Opinion is bound to be divided on this point among all classes of the people including co-operators.

But granting that State interference is called for, there does not seem to be any considerable opposition to the application of the old Hindu principle of *Damdupat* for scaling down present-day debts. But serious objection is taken to the wiping off of all interest accrued upto the 1st October 1937. Mr. Pantulu has suggested that instead of wiping off all interest 3 or 4 per cent interest may be allowed. Under the Bill the principle of *Damdupat* is applied only to cases where the stipulated interest is compound or exceeds 9 per-cent if simple. We would suggest the application of *Damdupat* to all cases and also the allowing of an interest of 6 per cent in all cases. That, we think, would satisfy most people. Another provision of the Bill to which serious objection is taken is that relief is extended to every ryotwari agriculturist, irrespective of the extent of land held by him, and that it is not limited to the poorer agriculturist only. For the application of *Damdupat* and 6 per cent interest, we think, no discremination is necessary; and we would indeed go so far as to say that they should be applied to non-agriculturists as well; because, while it is true that agriculturists have been harder hit by the depression than non-agriculturists, they have also been hard hit, except in the case of Government servants. For the sake of convenience, however, the extension of the relief to non-agriculturists may be taken up separately.

The exclusion of co-operative societies and joint stock banks from the operation of the Bill is due to an appreciation of their objects and fair methods of business. In the case of the co-operative societies, we guess the Government have taken due note of the fact that on the initiation of the Registrar penal interest has been abolished, the ordinary rate of interest has been considerably lowered, *Damdupat* has been accepted and every facility afforded to the indebted member to pay up his dues in convenient instalments. Unlike the private money-lender, the co-operative society does not covet the borrower's lands. But some societies have not yet adopted the advice of the Registrar, and if they do not do so quickly, the Legislature may feel tempted to include co-operative societies in the operation of the Bill. We hope the staffs of the Department and of the central banks will see to it that the various circulars of the Registrar in this connection are all given effect to by the societies by a suitable amendment of their bylaws. They should

look upon it as a disgrace to themselves and an insult to the movement, if the Bill should be altered by the Legislature so as to include co-operative societies.

Is it a Congress Ideal ?

For want of space we have not been able to publish in full Dr. Pattabhi Sitharamayya's presidential address delivered recently at the Anantapur District Co-operative Conference, but have had to content ourselves with giving an extract from it. The extract, however, is a very interesting passage, wherein the Doctor has described what he believes is Congress policy towards village administration and village development. According to him, the Congress Governments will make villages the autonomous, self-contained, self-sufficient little states they were in ancient days, collecting and spending their revenue within their own limits and looking after their own educational, cultural and administrative needs. There will be no outflow from the villages to the towns as hitherto, and the villages will not play the same part in district and provincial politics as hitherto. The village co-operative society will become a department of the village state, will be financed out of its revenues and there will be no need for the central banks of to-day. Though no Congress Minister, so far as we are aware, has yet given expression to this goal of Congress policy, we take it that on account of his position in the Congress organisation Dr. Pattabhi Sitharamayya had sufficient ground, if not authority, to give publicity to this ideal.

But is it an ideal that is either useful or practicable in these modern days, when science has annihilated distance, when even nations—let alone villages—cannot remain self-sufficient and self-contained either culturally, economically or politically ? And will it be possible, and is it desirable, to do away with the district and the province as administrative units and to confine the expenditure of village revenue to the village itself ? How is the village co-operative society to be made a department of village administration, unless the whole economic life of the villager is to be regulated and ordered by the State as in Soviet Russia, where it has been rendered possible only by a ruthless exercise of force ? We hope the Congress is not seriously entertaining this ideal. It is one thing to want to improve the cultural and economic conditions of our villages to the greatest extent possible in these modern times, and quite another thing to travel back to the days of ancient Rishis and ancient villages.

The Marketing Society.

The Madras Provincial Marketing Society, which was started in October last year mainly to help the loan and sale and other producers' societies in this province to find a market for either produce, was enabled to begin its work by the Government giving it the necessary staff and a lump grant upto Rs. 2,800 a year for three years. This has been generously supplemented by the Madras Provincial Co-operative Bank with a grant of Rs. 3,000 to be used for certain purposes for which the Government subsidy was not available. Mr. T. A. Ramalingam Chettiar is the President and the Hon. Mr. V. Ramadas Pantulu the Vice-President of the society, while the Provincial Marketing Officer and the Joint Registrar of Co-operative Societies are its ex-officio Directors. Starting with these advantages, the society was able to do only a moderate amount of business during the last co-operative year, and that chiefly in oranges, hand-pounded rice and ghee. It has engaged a godown in Triplicane where its office also is located, and is running a fruit depot in the fruit wholesale bazaar in George Town. At the latter place are marketed at present the fruits sent by the Kodur Fruit Growers' Co-operative Society. The members of that society have undoubtedly been benefited very much by the Marketing Society. We expect that this will lead to other fruit growers' societies being formed. The Marketing Society has also made a beginning in supplying fruits and some other articles to steady individual customers who are chiefly co-operators in the city. But if attention is confined to one kind of fruit, there will naturally not be business throughout the year, nor enough of it, and therefore attempts should be made to organise co-operatively producers of other fruit and of vegetables.

Hand-pounded rice was the next in importance in the articles handled by the Marketing Society. The supply is obtained chiefly from the Mypaud Loan and Sale Society in Nellore district. With the increasing appreciation by the public of the nutritive value of hand-pounded rice and the decision of the Government to use it in hospitals and jails, a great opportunity is opened to co-operative societies to encourage the hand-pounding of rice as a subsidiary industry for their members. We hope the Provincial Marketing

Society will do propaganda in this direction and also undertake the supply of hand-pounded rice to hospitals, hostels and other public institutions. The Government too will do well to prefer co-operative sources of supply, as they could be relied upon to give the genuine article and to be straight in their dealings.

The Directors are of course aware that comparatively little business was done during the last co-operative year and point out the difficulties in their report. They are the lack of organised producers' societies in the mofussil, lack of regular supply of articles even by those which exist, lack of uniformity in quality, sudden raising of prices etc. Even Deputy Registrars do not seem to know that it is not possible to market goods in Madras at prices fixed by them without reference to the prices prevailing in the Madras market. The society is therefore doing valuable educative work in publishing a weekly bulletin of the prices of important articles in the Madras market. While there can be no difference of opinion as to the need for an institution like the Marketing Society, one cannot help feeling disappointed by the little progress it has made. Perhaps there is not sufficient propaganda. Perhaps the appointment of a competent organiser to tour on behalf of the Society is needed. We hope societies and individual ryots will take advantage of the facilities offered by the Marketing Society in a larger measure in the current year and enable it to improve its record.

A U. P. District Bank's Example.

In respect of finance the central banks of the United Provinces are no doubt poorer than our central banks; but in respect of serving the villages in their jurisdiction and in co-operative spirit they seem to be richer than our banks. One cannot fail to get this impression after perusing the very interesting account of the progress of co-operation in Partabgarh District in Oudh, contained in the Silver Jubilee Souvenir of the District Bank of Partabgarh. The number of societies in the district is 300. In nearly half of them, 50 per cent or more of the families in the villages served by them have become members. The total working capital of these societies is only Rs. 4.47 lakhs, but more than half of it consists of share capital, members' deposits and reserve fund. Overdues from members to societies are only about 25 per cent, while those of societies to the central bank are about 20 per cent. Of the 300 societies, *only* 11 are said to be in a really bad condition and 86 not quite healthy, but the rest are in good condition—which should be considered very satisfactory, as things are in this country. What is more remarkable, the percentage of overdues from members to societies was about 50 per cent in 1931, and in the worst years of the economic depression, unlike in other areas, has been steadily brought down to 25 per cent. The U. P. farmer, who is nearly always a tenant, is more wretchedly poor than farmers in the ryotwari areas and it is therefore more difficult for him to save than it is for them. Still, he is being persuaded to lay by small sums as provident fund or in some other shape, in addition to the compulsory payment of share capital. By this means and by insistence on punctual repayment of loans the credit-worthiness of the members is being fostered.

It is, however, in the field of rural reconstruction that the record of the District bank is really inspiring. It has been a pioneer in what has now become a country-wide effort. Since 1930, about 500 wells have been deepened and more than 500 new masonry wells have been constructed to enhance the irrigational sources of the district. Improved seed, chiefly of sugarcane and wheat, has been popularised throughout the district, while in some places improved varieties of other crops have been introduced. About a dozen co-operative stores, registered and unregistered, have been opened in different centres for supplying the improved seed to cultivators. Manure is preserved in most villages in pits outside the village-site and cattle urine is preserved in proper beds. The majority of members are reported to be growing vegetables either for their own consumption or for the market. Meston ploughs, three-roller sugar cane mills, fruit culture, fuel plantations and breeding bulls are other forms of agricultural improvements which have taken root in some villages. Vaccination, inoculation against cholera, disinfection of wells, the introduction of windows and soak pits in houses, training of village dais, distribution of simple medicines and other measures have been popularised for improving the sanitary condition of the villages. This work of sanitary improvement is done chiefly through Scout Troops, organised by and working under the auspices of the co-operative societies, and they are said to be very keen on this work. We heartily wish that the example of Partabgarh and other district banks in U. P. in this respect of rural reconstruction is followed by our district banks.

Our Insurance Societies.

It is gratifying to note that the two premier co-operative insurance societies of India, those in Bombay and Madras, made

satisfactory progress during the co-operative year 1936-37. The membership of the Bombay society rose to 4,640 by 1,175, while that of the Madras society rose to 4,672 by 1,284. The Bombay society issued 1,245 new policies for a sum of Rs. 9.81 lakhs; the Madras society issued 1,477 policies of the value of Rs. 12.04 lakhs. In the previous year the former issued 1,831 policies for Rs. 13.19 lakhs, so that in this respect it suffered a considerable set back, which we hope is only temporary. The premium income of the Bombay society was Rs. 1.95 lakhs against Rs. 1.48 of the Madras society. The life fund of the Bombay society increased during the year from 1.32 lakhs to Rs. 2.46 lakhs and its expense ratio decreased from 56.5 to 41.3 per cent. The life fund of the Madras society increased from Rs. 1.24 lakhs to Rs. 1.84 lakhs and the expense ratio decreased from 54 to 47.4 per cent. As both these societies are young, being 7 and 5 years old respectively, their expense ratio should be considered to be satisfactorily low, though it could have been lower still if they had received a greater measure of co-operation from the co-operative banks. A good part of the business of both the societies was in small policies of Rs. 500 and under. More than ⅓ of the new business of the Bombay society during last year was from such policies; while more than half the total number of policies hitherto issued by the Madras society—2,713 out of 5,354—amounting to Rs. 12.5 lakhs out of Rs. 44.7 lakhs, belongs to that class. The Bombay society has been able to declare a bonus of Rs. 15 per 1,000 per year and Rs 11 per 1000 per year on whole life and endowment policies respectively. The Madras society also has been able to declare Rs 15 and Rs. 10 respectively. During the year under report the Madras society opened a branch at Delhi and was able to get a circular issued to all supervisors and Inspectors employed by the U. P. Provincial Co-operative Union to take policies in it. We are glad to know that the Delhi branch is making headway, for it is well known that in insurance the wider the area covered, the safer it is for the business. The President of the Bombay Society, Dewan Bahadur C. M. Gandhi, for this reason suggested at the last annual meeting of that society, that since the Punjab, Sind and other provinces were thinking of starting their own co-operative insurance societies, it was desirable to have a Federal Co-operative Insurance Society for the whole of India —"with a constitution which would safeguard the interest of the various provincial units." We agree that this is desirable not only for distributing risks over a large area and variety of conditions, but also to prevent any unhealthy and unseemly competition for business among the co-operative insurance societies themselves. What can be more incongruous than such competition when co-operation stands for putting down competition in all spheres of life and especially in the economic sphere? By such means it may also be possible to give a helping hand to the weaker societies.

International Co-operators' Day.

The International Co-operators Day which according to the decision of the All India Co-operative Institutes' Association is observed in this country on the first Saturday in November, was observed with marked earnestness and enthusiasm on the 6th of November last by many co-operative institutions all over the country. We regret that for want of space we are unable to publish accounts of its celebration, though we are grateful for having received them from many quarters. At the celebration held in the premises of the Madras Provincial Co-operative Union a weighty speech on the need for giving a new orientation to the movement in this province was made by Mr. K. Bhashyam, the substance of which he has favoured us in the shape of an article which has been published in this issue. It is an important subject on which we welcome the views of our readers. We are happy to know that in the little province of Coorg the day was observed 'throughout the length and breadth of the province in every place of co-operative activity.' At Hyderabad (Sindh) an elaborate programme for the whole day was arranged by a special committee. The Hon. Mir Bundeh Ali Khan Talpur, Minister, who presided over the function, was received by a guard of honour of Boy Scouts, hoisted the Co-operative Flag and led a huge procession with Police band and groups of singing boys. Then there was a free cinema show, a *jalsa*, a public meeting, distribution of refreshments and a dinner at night in the Masonic Lodge. The war in China and the anti-gas preparations in various countries have naturally turned peoples' minds towards the ideals of co-operation and they invested this year's celebrations with a greater sense of reality than previously.

As we go to press, we get the shocking news of the sudden death by heart failure of Mr. T. L. R. Chandran, I.C.S., till recently Additional Joint Registrar of Co-operative Societies and at the time of his death Special Development Officer in Salem district. He was a keen student of co-operation, eager to understand every aspect of the various problems confronting co-operators in this province. He had the gift of mixing easily and without self-consciousness with all classes of co-operators as well as others. He had a special affection for the stage and had planned to utilise it in various ways for popularising the co-operative ideal of life. His first play in Tamil, "Sadhyama," was successfully staged in Madras but a few days ago. A career of great promise has been tragically cut short. We offer our deep sympathy to the members of the bereaved family.

Reorganisation of the Co-operative Movement.

By Mr. K. Bhashyam Aiyangar, B.A., B.L.,

Vice-President, The Madras Provincial Co-operative Bank, Ltd.

The question of the reorganisation of the co-operative movement and the re-formation of the co-operative societies on new lines has been occupying the attention of the co-operators of the Presidency. Piecemeal suggestions were made here and there for changes, but a comprehensive survey of the whole situation has not been undertaken, nor the root-causes of the present stagnation investigated. The matter was agitated at the recent Provincial Co-operative Conference and a resolution on the point was referred for opinion to the various organisations in the Province. I have put down a few thoughts of mine in the following pages in the hope that they may be useful to them in their deliberations over the question and in coming to a correct decision on it.

In the early stages, the movement was practically under the control and direction of officials. This is but natural; the formation of societies and the fixing of the borrowing powers were within the discretion of the officials themselves. No loan was disbursed to any society unless the same was recommended by the Inspector or other officer of the Department, and the audit itself was wholly in official hands. The only thing that may be said to have been left in the hands of the non-officials was the opportunity for their lending weight and influence to the propaganda side of the movement, but they were kept as figure-heads by the officials to attract respectable and influential men in the villages into the movement. True, so far as the internal management was concerned, most of the primary societies were supposed to be controlled by the Panchayatdars consisting of local men, but excepting the urban banks, all the village societies were practically managed by the officials themselves and the local Panchayatdars never did or said anything which was opposed to official advice or opinion.

During the period from 1914-1919 when the movement was in the hands of Indian Registrars like Sir P. Rajagopalachariar, Mr. R. Ramachandra Rao, Mr. Swamikannu Pillai and Mr. Vedachalam Iyer, men of great wisdom, ripe experience and overflowing sympathy with the masses, the movement was run on channels which had possibilities of great improvement in them. But with the advent of the Reforms and the assumption of control by the Ministers, features were introduced in it which led eventually to the present debacle. The Ministers, in order to secure credit to themselves or for other reasons, inaugurated a policy of expanding the movement by the mere multiplication of societies. Moreover, the Registrars appointed subsequent to the Reform-days were all non-Indians, who however sympathetic they may have been, could not be expected to have the same influence and knowledge as the early Registrars who were Indians. The non-Indian Registrars either could not withstand the pressure from the Ministers to expand the movement, or they themselves were seriously of opinion that the movement could be expanded. In either case, their judgment was wrong and that has led to the present unsatisfactory state of the movement.

During the years 1909 to 1914 there were formed only 2,000 societies, from the year 1914 to 1919 there were over 5,000 societies and the next five years witnessed the coming into existence of nearly 15,000 societies. But this expansion was at the cost of efficiency. It used to be said somewhat jocularly that societies were formed by the officials at railway stations or travellers' bungalows without even the formality of their visiting the villages and selecting proper persons therefor.

The societies were easily formed and monies were also easily forthcoming; so much so it is now justly complained by persons that monies were forced upon them when they did not want and it is hard that they should be asked to pay when they could not.

Supervising Unions.

The policy of expansion reached its zenith in or about 1926 when the Department itself found that the movement had attained a proportion so vast as to be beyond the control of the officials; the staff was inadequate to cope with the work and the supervision naturally became slack for some years before 1926. I think there were repeated applications by the Registrar for increase of staff, but the Government either for lack of funds or for other reasons, did not sanction the necessary money for the same. In this state of affairs, the idea was started of substituting for official supervision a system of non-official supervision by the inauguration of co-operative unions. A number of banks were affiliated into a union and the representatives of the banks were formed into a body for the purpose of supervising the societies affiliated to them and entrusted to their care. This new

policy was more or less a device, if I may say so, to shift the blame for the laxity of control from official on to non-official shoulders. Even the Department had sufficient warnings against the introduction of the new system of supervision by unions, for there was enough of protests from central banks and some persons prominently connected with co-operation—of whom I may particularly refer to Mr. V.R. Srinivasan of Kumbakonam and the late Mr. V.C. Rangaswamy of Madras Central Urban Bank, as it then was—protested against the policy. In principle the move of the non-official supervision is certainly good, and it would certainly have worked all right but for the fact that there was no financial backing for the efficient working of these unions. The half per cent on the working capital which was set apart by the various banks was absolutely inadequate to meet the requirements of the situation. The staff employed was ill paid, incompetent and unenthusiastic. The supervisors were not men of sufficient status to command the obedience of the societies or strong enough to bring to the notice of the authorities the various irregularities in societies. On the other hand, it may be confidently stated that many of the irregularities such as benami loans and negligence in taking steps for the realisation of debts were committed with the knowledge if not with the connivance of these union supervisors who were paid from Rs. 15 to Rs. 25 and that not even regularly. The Government also was unwilling either because of financial stringency or otherwise to make these unions strong by supplying them with necessary funds. It is no wonder therefore that the supervision by the unions has been of the worst kind and the blame cannot rest on the non-officials who undertook the thankless task of being members of these unions but on the Government itself which was grossly negligent in the matter of giving them the necessary financial backing for efficient work and control.

Recruitment of Staff.

One word at this stage as regards the recruitment to the Department. In the early days, the Department was being manned by persons who had ripe experience, who had moved with the people of the country and had understood their sentiments, feelings and more than all, their wants. Senior Deputy Collectors who had put in long service were taken to the Department and they carried influence in the villages and wherever they went. Their ways of life were simple and appealing to the people and inspired confidence. Their approach to the villagers was sympathetic and persuasive. But in or about

1926 a system of direct recruitment to the Department was inaugurated, which I think was disastrous to the good working of the Department itself. Young men with no experience and persons who had merely University training were taken into the Department and sent out as Inspectors and Deputy Registrars, with the result that these persons who were not able to enter into the life of the villagers and secure their confidence were sent to work the department. Their way of life which was an imitation of western methods and their patronising and condescending way of dealing with the people could not secure to them the willing help and co-operation of the prominent and influential people in the districts. The treatment of the influential local men who had so far worked in the Department and given their time and energy to it, was not of a kind to induce them to continue to do so. Many people were discouraged by, and even disgusted with, the state of affairs and had to withdraw from the movement, which was thus deprived of the help and support which they were giving to it at a sacrifice out of mere sense of public duty and desire to promote public welfare. These new bound entrants were also not above promoting petty local squables and they entered freely into the party fights of the locality. Their influence was thrown on one side or the other in the elections to the Panchayats, to the Taluk Boards or to the District Boards. Whatever may be said about the communal G.Os. in other departments, it is wholly unsuited to the Co-operative Department in which the best men of character, of sympathy, understanding and of appealing personally were absolutely necessary.

I have dealt with the above subject at length, as I find that even responsible officials are under a delusion in the matter and have animadverted on the non-official co-operation and help rendered to the movement. Further officialisation of the movement has also been advocated strongly. On the other hand, for the success of a movement like co-operation it is absolutely necessary that non-official help should be freely employed, encouraged and local enthusiasts should be also patted on the back and their enthusiasm kept up.

When I say all this I cannot but pay my meed of tribute to those who laid the foundations of the co-operative movement and to the steps taken by them from the very commencement to build up a substantial share capital and adequate reserve fund to enable the movement itself to weather through economic depressions and absorb financial shocks. The structure of the movement and the close relationship established between the central banks and the Provincial

Bank as integral parts of a well knit co-operative organisation, the very strong position occupied by the Provincial Bank as a financing agency and balancing centre for the entire movement are all achievements of which the founders and leaders of the movement may justly be proud. On the other hand, one cannot shut one's eyes to the fact that there is a slump with the movement; while surpluses in the co-operative banks are increasing day by day, there is dire poverty and gloom of heavy indebtedness in the villages waiting to be relieved. A mere Moratorium Act giving temporary relief from harassment is not adequate to meet the situation, unless at the end of the period or along with the Moratorium Act there are remedial measures suggested and adopted. Important remedies such as (1) scaling down and conciliation of debts; (2) registration of money-lenders and regulation of their accounts; (3) legislation to declare all compound interest on loans to agriculturists as usurious, and to give greater freedom to Civil Courts to relieve debtors from excessive claims for interest; (4) to grant instalments to debtors with greater frequency and sympathy; (5) prohibiting the decree-holder from purchasing judgment debtor's property except for reasonable value to be fixed by the Court after due enquiry; and (6) the abolition of civil imprisonment for debt are all measures palliative in character and go some way to relieve the present distress or mitigate its rigour.

These are matters that will have to be, and I dare say will be, considered by the Congress Government now in power as occasion may require.

Chief Function.

The part to be played by the Co-operative Department and the co-operative societies is, however, limited in scope. Its chief function will be in the matter of affording facilities to the poor ryot to borrow money on as easy terms and at as cheap a rate as possible. In this respect, I fear the present system has outlived its purpose. The federal structure of co-operation involves the combination of a number of heirarchical units which for their existence have to find necessary funds which ultimately come out of the pockets of the poor ryots. It is indeed a tragic thing to contemplate that while the banks can get money somewhere near 3 per cent, when it however reaches the poor ryot, the ryot at the bottom has to pay as much as 7½ per cent on the loans borrowed by him. It is hardly necessary to point out that agriculture is not a business proposition and it is paying concern and does not repay even the labour put into it by the peasant. It is conducted more as a business for a living and that too, living on starvation basis. To expect him to pay interest at 7 per cent is beyond his paying capacity and it is therefore no wonder day after day and year after year his condition is getting worse and worse and he is immersed in debts more and more deeply.

Fewer Central Banks.

It is no doubt a fact that on account of the existence of a number of societies between the Provincial Bank which lends out money and the actual borrower who is a cultivator of the soil, the rate of interest at which it is lent to him is much higher than if the transactions were had direct between the Provincial Bank and the actual cultivator himself. It may be pointed out that in its inception, the Madras Central Urban Bank as it then was, was dealing with primary banks directly and it is only after the Townsend Committee report that the heirarchy of co-operative banks was established.

On this question, two opinions are possible. The first one is that all central co-operative banks should be abolished and the Provincial Bank must establish branches in the various places where the central banks are now situate and deal directly with the primary societies. This procedure has the merit in it of eliminating the middlemen banks and giving cheaper monies for the primary societies. The work also is likely to be more efficient, as the Provincial Bank with its vast resources will be able to incur the necessary expenditure for the supervision of those various primary societies in an efficient manner. It is open under this system for the Provincial Bank to appoint a supervisor on a fairly well paid salary with proper qualifications for supervision of a number of primary societies in co-operation with the Department. The business is not difficult to manage, as we find the Imperial Bank, the Indian Bank and other joint stock banks are now opening branches even in small taluk centres for transactions with merchants, traders and even cultivators. It may also be pointed out that the Central Land Mortgage Bank has transactions now direct with the primary societies and there is no interposition of a district land mortgage bank between the provincial bank and the primary societies. The alternative system, that may be recommended is one that does not involve such drastic changes as noted above. Under this system the central banks will be reduced in number and no central bank will be established in any centre unless it is able to

manage a working capital of at least Rs. 50 lakhs, and small central banks now existing will be amalgamated with the nearest central bank or a number of central banks may really be amalgamated and made into one big central bank. For instance, in East and West Godavari Districts, the number of central banks now existing is five, and each is incurring charges and expenditure on its account, and it will be certainly much better if all these banks are amalgamated and one central bank is established somewhere in Ellore and the present central banks recognised as branches of that central bank. The overhead charges may be considerably lessened and the position of the central bank may be strengthened. Similarly, the Tinnevelly District Bank and the Srivilliputtur Bank which have only small transactions may well be amalgamated with the Madura-Ramnad Bank. The banks in the Ceded Districts may also be welded into one central bank called the Rayalaseema Central Bank. The idea is that there shall be as few central banks as necessary—in fact, not more than half a dozen for the Presidency.

Amalgamation of Societies.

As regards the primary societies, I think a bold policy of reconstruction must be adopted. It won't do to merely tinker with the problem by liquidation of societies or supersession here and there. The Department has classified the societies into good and bad ones; instead of liquidating all the bad societies and distributing the assets and the reserve fund among the members, the better course seems to be to amalgamate all these, even the bad societies, along with good ones into one big primary society serving the needs of a number of villages. By doing so, there is afforded a wide choice for the directorships of these societies and the probability is a better set of men may be obtained to run the bank. Again, the transactions of the bank covering a wider area will be fairly large in volume, so as to yield sufficient profits for the employment in each case of a well paid and efficient manager and the staff necessary for running the bank. Till now, the village primary societies have had to depend mostly on honorary work or such perfunctory service as may be rendered to it by the staff of the co-operative department out of their leisure hours. The system of 'regional banks' which is advocated above will also be a great factor in settling the local or village quarrels. In a bank with representatives of a number of villages, the village squabbles may not show their ugly heads, and the business may be carried on on more efficient and businesslike lines. It may be pointed out that this system, if adopted, will also be advantageous and convenient to the Department itself. As it is, the staff of the Co-operative Department is inadequate and unable to cope with the work of supervision entrusted to it over a large number of affiliated primary societies. Under the scheme, I expect the number to be reduced considerably and the banks being located in some central place more easily accessible to public officers, with the result that the visits of the officers to these banks will be more frequent and the examination also more efficient. There is a further advantage which perhaps may be noted here. A primary bank, with a larger share capital than now and commanding the confidence of a number of villagers, will be better able to serve the needs of the cultivators in that it may easily afford the expenses, etc., for warehousing the commodity on which loans may be granted. The one great difficulty of the primary societies in advancing monies on crops or paddy or grain is that they are not able to incur the necessary expenditure for warehousing etc., but with the advent of a society like the one which I have in view it is not impossible for such a bank to be able to rent premises for warehousing the secured goods. If the scheme is accepted, the necessity for the large number of central banks will be obviated considerably, and in cases at least of sale and produce societies, it will be easy and possible for the Provincial Bank to have direct dealings with these banks. In the process of the formation of these regional banks, possibly there will be losses here and there, but I am sure that it is possible with the reserve fund at the disposal of these various banks to meet those losses almost in full.

I hesitate to place these proposals before orthodox co-operators who swear by the Maclagan Committee report and the Townsend Committee's findings. I am sure that many persons who occupy positions of honour in the management of central banks or other co-operative institutions, will feel that they are thrown to the scrap heap after a strenuous and useful career of about 25 years, but I would beg of them to consider the circumstances. We have been talking about co-operation for the last 30 years and we have not even yet touched the fringe of rural indebtedness and the position of the ryot is getting worse and worse. I want my co-operative friends to realise that the main purpose of all our endeavour is the welfare of the ryot and if that is not achieved by the work done so far or by the methods employed or the direction taken, it is the wisest policy to

retrace the step and begin afresh. Societies exist for the ryot and not the ryot for the societies, and therefore if by scrapping the present system and adopting a new one they may help the ryot to a substantial degree, I request them to adopt it. The proposals above named are not revolutionary nor are they even quite original. The system of branch banks is being successfully worked and the idea of regional bank is really contained in the scheme adumbrated by the Minister for Revenue as regards the inauguration and development of the Panchayat system throughout the Presidency. I leave the task of linking up of co-operative system with the Panchayat system so as to make both effective, beneficial and useful to the people, to some of the wise heads among the co-operators.

The matter is now being considered by the Provincial Co-operative Union on a reference to it by the Provincial Co-operative Conference. There is a promise made by the authorities of the Union to call a conference of co-operators at an early date to consider this proposition in all its bearings. Along with this subject I plead for the training of the whole-time agency for village co-operative societies and the formation of efficient co-operative service on a provincial or regional basis. For, without such an agency devoted solely to the service of co-operation, no amount of talk will be of any effect. It is a question for the leaders of the movement to decide whether the contribution and grants made by the Government of India to the co-operative movement cannot be utilised for this kind of work ; and it will be a good diversion to do so, for there are many who believe that the moneys spent for the instruction of members of co-operative societies and Panchayatdars in the last season has not been altogether well spent.

These are the lines of work on which I think co-operators may think and act. I believe further that in the matter of re-organisation a number of societies will have to be scrapped and a large number of outstandings would have to be written off. But I am sure the movement can well stand this shock, for the reserve so far accumulated by the co-operative societies as a whole may well be pooled together and the amount utilised to meet the loses occasioned by a drastic pruning of societies and writing off of debts : such a co-operation among the co-operative societies themselves will be an example of co-operation and help the spread of the movement far and wide.

II

By Mr. R. Satyanarayana Pantulu, B.A., B.L., *Chodavaram.*

The 22nd Provincial Co-operative Conference has formulated the following heads and invited opinions on them from the concerned persons and institutions. I am so glad that purposeful proposals are put forth aiming at real business and efficiency. The proposals may be considered seriatum, according to my lights:—

1. Provision of a trained whole time agency for Village Co-operative Societies.

There can be no difference of opinion that the village society is the base of the co-operative structure, that its prosperity or adversity is the prosperity or the adversity of the financing banks, that the fortune of the rural society has sunk deep owing to a *multiple* of causes, some of which can be immediately rectified and must at once be remedied. One of them is the absence of a trained whole time executive agency. Paid clerks, recruited from the list of trained men, should be entertained one for each society or for a small group of rural societies, whose appointment or tenure of office should not depend upon the pleasure of the board of management of the society, even though it contributes for his pay.

2. Good Co-operative societies to be put on a limited basis with a larger jurisdiction and to function as multiple purposes societies.

Unlimited credit societies do not make much headway at present. They introduced the thin end of the wedge at first and latterly have become the blood-sucking vampires of society; good and honest men do not join; undesirable men get in and stick to the places like leeches; control becomes ineffective; supervision become a farce. Co-operators have failed co-operation. Co-operative ideals are not really understood and put in operation. I am sorry to say that occasional gatherings and panchayatdars training became showy, expensive and useless Joint and unlimited liability proved a monster to many, who suffered for the sins of a few. Probably, I shall be accused of making uncalled for sweeping generalizations from a few instances. But I would like to see even a single village where the idea of co-operation has permeated the village or even an atmosphere favourable to the growth of co-operation is created by the village society. The reform of putting a village society on a limited liability character is long overdue.

The conviction has grown on me that fit-for-nothing places, having somehow got societies, have also come to grief for many other obvious reasons, that many important villages are still not brought within the influence of the co-operative movement owing to the recent official policy of no fresh extention which is euphemistically called " cautious " extention. In certain cases, previously existing societies have been revived and a larger jurisdiction for the area of operations has been suggested as an advantageous solution for many local ills; but the suggestion went unheeded. If the area of operations of certain well placed village societies is extended so as to comprise neighbouring villages, (when no fresh societies can be given to them) under some scrutiny and safeguards, at least temporarily, aiming at efficient business, I am honestly of opinion that the dead inactivity of many societies can be replaced by lively co-operative activity. Ordinarily, it is better to leave co-operative societies to pursue co-operation with a singleness of purpose. But my idea of singleness of purpose is not simply the credit aspect of the movement; but it should embrace also the non-credit side of it. That is why I very much like to see a rural co-operative society stand as a synonym for the entire economic organization of that village, functioning as local money lender, supplier of improved seed, implements and cattle, gatherer of produce and products, seller of the same or transmitter of the same to the nearest loan and sale society, to sell as its agent at a fair market, financer to house building, to collective or mixed farming and cottage industries. If some friends are disposed to call such a society as one with multiple purposes, I have no quarrel with their words and aver at once that I want such a multi-purpose institution. But other activities like sanitation, settlement of disputes, roads and communications, education. medical aid etc, should not be identified with co-operation in the present state of our villages and we must find other institutions for creating and catering to such civic amenities. To be clear, a village co-operative society must find itself able to initiate and help all activities of members whose productive buying, or selling and saving capacity is augmented.

3. Amalgamation of all District Banks with Provincial Bank.

As they are, the District Banks are working well generally and any suggestion of effacing them is unwarrented. Scrutiny of loans, supervision and rectification by Provincial Bank from a considerable distance are difficult and risky. The co-operative staff is not imbued with a spirit of service as yet. In course of time the apex bank will have to open as many branches as there are districts to perform the same duties as the present district banks but with another name.

4. Formation of an efficient co-operative service for all Financing Banks.

For a variety of causes the co-operative movement has received a serious set back. Co-operation may mean many things ; it also means a business and an important and valuable business. It aims not only at fiscal economy but also at the conservation of human energy. This needs constant watching, perpectual education frequent persuasion and occational coercion. A band of patriotic men cannot cope with it ; we cannot have conscription to make all educated or retired men to do this service for some years. The only alternative is to have an efficient paid agency doing whole timed service. The service due to a financing bank cannot be the hobby of a leisure time of a few honorary men.

5. Provision of branches to act either as agencies of village societies or individually lend to agriculturists.

It is difficult for agriculturists to become individual members of a financing bank by paying a large share capital. Such persons, with either capacity to pay or inclination to join, will be very few in the countryside. Besides, it is not possible to expect business habits from them so soon. So it becomes an additional responsibility to the distant financing bank to effectively watch the fortunes of these scattered men. Even, if there be a few good people fit to become individual members of the financing bank, by enrolling them the financing bank will be indirectly removing them from the purview on the village society which is sure to lose the benefit of the character and brain of the local man. One cannot be a member of the two credit institutions. I think, it is also bad.

I am not able to follow how the branch of the financing bank lends money to the members of the village society as its agent. Even if the bylaws are suitably amended, I cannot see how the directorate of the financing bank successfully arrange the assets and liabilities of a village society. If the financing bank can easily decide, promptly disburse, speedly recover and do all other necessary things as a business man on the spot, why should there be a village society at all.

6. Discretion to financing banks to utilise the services of supervising unions or open branches as the case may be.

Normally, there is nothing objectionable for retaining the option and discretion of the central banks to have or not to have the services of the local co-operative unions or to transact their business through their own branches. It all depends upon the volume of work and the financial state of the particular bank. But, I would like to invite the attention of co-operators to view things from another standpoint. Unions are generally located at the head-quarters of a taluq—one for each taluq. The central place of the taluq has invariably an urban bank or a big limited society. The exceptions, if any, are rare. If the central bank chooses to have a branch in the stead of the union, it must have it at the taluk head-quarters, that is, by the side of the existing urban bank or society. Let us not lose sight of the fact that we have pledged ourselves to working "co-operative" banks and not "commercial" banks. As such, we are for conciliation and not for competition. Our movement is only a means to an end—the removal of economic backwardness of those who are not otherwise credit-worthy. Imagine a situation where an urban bank and the branch of the financing bank are situated in the same town or street catering to the needs of men, making attractive overtures to the depositors by gestures and advertisements, giving cash credit accommodations to desirable men and creating other banking facilities to clients who may be members or non-members. It is an open secret that the central bank or its creature the branch office is better circumstanced in most matters than an urban bank, which is only a primary institution. This atmosphere is not congenial to the free growth of the lesser institution. When over-zealous but undignified men happen to handle one or both these institutions in the same locality, we can imagine the fissiparous tendencies, unbecoming rivalry and provocative mudslinging that often result, and invariably the mere personal differences are allowed to engross the institutions. In the interests of our common movement, it is best we avoid the cause that is capable of yielding bad results.

Then, the central bank can, at its discretion, have supervising unions. If they are the existing local co-operative unions, may God bless the central bank ! The present union consumes a large sum of the central bank. This expenditure can be avoided. The union, consisting of society-men, is inherently ill-fitted to be a supervising agency. They apply for loans through their societies.

They sanction loans as directors of the central banks. They recommend and scrutinize the disbursement of loans and supervise the actions of the societies as directors of the unions. Can we expect tangible results ? The unfortunate but very important functionary as a supervisor is made to serve two masters at the same time, each of whom has a distinct if not opposite, interest. Impartial men may easily see what the present unions are.

But, I think, the central bank as a financing bank cannot afford to shut its eyes to the supervision of societies. For this and many other purposes necessary for a creditor bank, I would suggest the retention of the present or the new creation of a union, for every taluq or for a specified area ; but instead of having directors from out of the society men, we must have an executive officer, who may be the central bank's director elected from the area, or the co-operative arbitrator, or a competent and influential non-official co-operator in the area, unconnected with other institutions, assisted by the supervisor or supervisors already employed by the central bank and the Inspectors (Auditor and sale officer) of the area employed by the Government. The executive officer can direct the activities of these supervisors and Inspectors either on his own initiative or as per the requirements of the central bank and the Department. What I want is the provision of a local agency which can unhesitatingly, impartially and efficiently carry on the important duties of constant supervision, rectification, consolidation, audit, arbitration and execution. If the official and non-official co-operators, who pride to call themselves the paid and unpaid servants of the movement, cannot put forth joint thought and action, at least now, what is co-operation for ?

7. Provision of credit facilities for production, supply, marketing and promotion of cottage industries by branches :

My own impression about the creation of branches has been stated *supra*. There must be ample provision of credit facilities and other facilities for promotion, production, sale and supply etc., of the cottage industries. If the industry is unorganized, or if it is still carried on by a few individuals or families, the local co-operative society will be able, or must be enabled, for the task. If the industry is organized, or if there is scope for a large scale production, it is not difficult to register a separate society for that industry or industries. If it is a fresh organization of any industry, even then it is easy to have a registered society separately. Funds could be

borrowed from the financing bank. The supply and marketing facilities can also be easily looked to through the unions.

8. Recognition of urban banks to lend in a larger jurisdiction (instead of branches) with same functions mentioned in VII, where village societies cannot be amalgamated as mentioned in II.

It is easy to answer this question in the affirmative. But, my idea is that, where existing societies cannot be expanded to include more villages (by the way, there is nothing to suggest an amalgamation in II), fresh societies must be created for needy villages, so that no important village, or for that matter no existing village, should be beyond the pale of the co-operative movement. In that case, credit may be easily, promptly and adequately had by the villagers both for their current needs and their individual side-industries ; with some effort small scale cottage industries can be started locally and financed through the society and the products consumed in the village itself, or sold in the shandy in the vicinity. It is rather difficult, if not rlso risky, for the urban bank to lend money to an unknown individual or to a distant villager and then employ expensive staff to supervise the application of that money and create facilities for its easy recovery. If the urban bank is big enough to do so, there is nothing objectionable, if thereby it does not confuse itself or come in conflict with the jurisdiction of the central bank. But, personally, I cannot reconcile myself to the situation where an urban bank goes on adding village after village, even for a particular purpose mentioned in VII and then creating a field staff at extra expense or dispatching its pre-occupied and honorary directors over the diffused jurisdiction with directions to use their leisure rightly and advantageously in the service of co-operative barrowers. It is a problem for each urban bank to solve for itself according to the local circumstances and its particular financial position.

When there is a separate society for cottage industries, a capable urban bank may find funds for promotion, production and sale of the cottage industrial products and deal with that society with less risk and difficulty. I am generally for the proposition that the District Bank must be the financier of every type of co-operative society in the district and that it should have its efficient unions for every taluq or a compact lesser area as discribed above.

The Madras Agriculturists' Relief Bill

BY THE HON'BLE V. RAMADAS PANTULU

It is the bonds of debt which shackle Agriculture. It is Usury—the rankest. most extortionate, most merciless Usury—which eats the marrow out of the bones of the raiyat and condemns him to a life of penury and slavery, in which not only is economic production hopeless, but in which also energy and will become paralysed and man sinks down beaten into a state of resigned fatalism, from which hope is shut out and in which life drags on wearily and unprofitably as if with no object in view. There is no use in denying the fact. *H. W. Wolff—Co-operation in India.*

Is this measure necessary and justifiable ?

1. The first question that has to be answered in connection with this measure is whether it is necessary and expedient for the Government to embark on legislation of so drastic a character, which abrogates obligations legally incurred and even judicially upheld? The answer to this question depends upon the answer to another question, namely, whether the burden of rural debt has assumed such alarming proportions and disquieting aspects as to cause a violent dislocation of our rural economy to the prejudice of national interests and to become a menace to our social and political order? If it has assumed such proportions and aspects, the right of the State to intervene cannot easily be denied. I believe that there can be no serious difference of opinion regarding the gravity of the situation created by the accumulation of chronic debt (mostly unproductive) of the agriculturists in South India. Periodical investigations into the volume of such debt have disclosed that it has been growing rapidly. The Madras Provincial Banking Enquiry Committee estimated it in 1930 at Rs. 150 crores. Mr. Sathianadhan, the Special Officer appointed by the Government, who reported in 1935 estimated it at Rs. 200 crores. Anybody who claims to possess first-hand knowledge of our rural economy must admit that the agriculturist is weighed down and is groaning under the burden of debt which is too heavy for him to bear. Unless the ruinous course which the debt is running is arrested, I feel that it is bound to lead to economic paralysis, if not to economic death, of those who are engaged in raising our national wealth from the soil. Chronic indebtedness leads to low agricultural production which in its turn leads to increased indebtedness.

The effect of debt on agriculture is thus described by the Madras Provincial Banking Enquiry Committee in their report

published in 1930 : " The effect of the debt undoubtedly is, however, that the ryot does not get such a return from the land as to induce him to make serious attempts to grow a bigger crop. Even apart from the general demoralizing effect of being constantly in debt to another, the fact that another person will get the lion's share of the produce will damp the ardour of the most enthusiastic. The debt thus results in inefficiency and the effect it has on the ryot's credit means that he has not and cannot easily get enough money to put into cultivation to yield a first-class crop ; seed, manuring, cattle and implements must be reduced to the cheapest that can be got." (page 81) No Government can look upon such a development with equanimity. The low economic efficiency of the ryot will lead to a deterioration of the soil and impair the productivity of the land. Land is a national asset and the State is bound to preserve it in an efficient condition and in a sound economic state for the benefit of the future generations. So, if indebtedness has a direct bearing upon productivity, it ceases to be a matter merely between creditor and debtor.

2. But there are other and even more serious considerations which the State should take note of. British Statesmen and Administrators of the past were fully alive to such considerations. Sir Edward Maclagan, the Chairman of the famous Committee which produced the classic report on Co-operation in India and later Governor of the Punjab, was one of those far-seeing administrators who drew pointed attention to the dangers involved in allowing the rural debt to accumulate unchecked. He wrote so early as 1911 as follows : " It is necessary for the Government, not only in the interests of the people but also in its own interests, to see that the evil does not spread too far and that its consequences are mitigated as much as possible. It must, in the first place be remembered that if a large body of people is oppressed by a load of debt, they must necessarily become dispirited and discontented not only with the load of the debt itself, but also with the classes to whom debt is owing and with the agencies to whom the severity of the debt is attributed. It is further impossible for the Government to view with equanimity any large increase in wasteful and unnecessary expenditure by which the balance at the disposal of the peasant for improving agriculture is seriously reduced. There are also certain consequences of indebtedness such as mortgage or sale of land which lead directly to class discontent, and occasions will arise when the intervention of Government is necessary to prevent the growth of a

large body of discontented agriculturists who have lost possession of their ancestral properties." He proceeded to illustrate these dangers thus: "The Sonthal rebellion of 1855 was due to an outburst of the peasant debtors against their creditors and there was a good deal of the same sort of thing in the United Provinces during the course of the Mutiny in 1857. The same cause was the origin of the Deccan riots of 1875 and of the riots at Ajmer in 1891. It was therefore held by many competent authorities that the constant transfer of lands from the peasants to the creditor class entailed a political danger and that the Government could not afford to wait till the danger came to a crisis."

The situation has grown much worse since 1911 and the case for State interference has become much stronger, since Sir Edward Maclagan expressed the opinion quoted above.

3. So much for the situation that calls for the adoption of effective State measures for reduction of the burden of rural debt. The next question that arises is that if the intervention of the Legislature is necessary, is it not possible to achieve the end in view by a less drastic measure which does not interfere so violently with the relations between the lender and the debtor, which have their origin under well-established principles of the law of contract. Milder methods of various kinds were tried in the past. Very wide discretionary powers were vested in the Courts by the Usurious Loans Act and by the Indian Contract Act, to relieve the debtors from the consequences of hard bargains. Measures were also enacted to reduce debt by voluntary conciliation, mediation, arbitration and so forth. Even direct loaning by the Government to relieve agricultural distress has been tried. But they made no impression on the problem as a whole. The assertion that is made in the Statement of Objects and Reasons annexed to the Bill, namely, that "conciliation and other voluntray methods have failed and the adoption of principles of compulsion has become necessary" is, therefore, fully justified.

Plea of Hardship to some Creditors.

4. Before we discuss the provisions of the Bill in detail, we must realise that the object of the Bill is essentially to rehabilitate agriculture which is the basic industry of the Province and not so much to give relief to individual agriculturists who have run into debt. The land is the source from which not only the food for the people but also the grist for the factories and mills is raised. Again, the depression of the agricultural industry, as a result of indebtedness,

reacts very unfavourably on other sections of the community as well, and with a depressed agriculture no part of the national economy can be sound or can thrive. In any scheme which rescues the basic industry of the nation from such a plight, hardship to individuals must give place to claims of general national welfare. That the Bill works hardship to some, perhaps many, individuals cannot be denied. But the interests of such persons must give way to the general welfare of the community.

There can be no common ground for debate on the merits of the Bill between its supporters and those who deny that the situation created by the accumulated and ever increasing rural debt is one of national concern calling for a drastic remedy. They differ on the very axioms and postulates on which the Bill is constructed. The numerous communications which have appeared in the Press since the publication of the Bill aim at drawing attention to the hardship that the Bill would cause to individuals. Without disputing the accuracy of the facts stated therein, the objections raised by the correspondents can be successfully met by the over-riding considerations of national interest to which individual interests should be subordinated.

Persons who come under the Bill.

5. We shall now examine the provisions of the Bill. The Bill, broadly speaking, applies only to the agricultural classes who may be said to be engaged in raising agricultural produce from land and who do not pursue other avocations to supplement substantially their income from land. Ryots holding land on a patta from Government, or under a landholder under the Madras Estates Land Act, or who hold an interest recognised by the Malabar Tenancy Act, or persons holding a leaseof agricultural land on 1st October 1937 from those persons, are all brought within the scope of the Bill. But this definition of agriculturist is considerably narrowed by excluding from its scope persons who pay any income-tax or profession tax of more than Rs. 0-8-0 per half year, and persons assessed to tax on non-agricultural land or house whose annual rental value is not less than Rs. 600. In regard to the last, *i.e.*, house owners, the debtor's residential building must be excluded. Those who build houses for investment alone should be excluded. Landholders who pay a peishkush of Rs. 500 and inamdars who pay a jody or quit rent of over Rs. 100 and Jammies who pay land revenue of over Rs. 500 are also excluded

from the scope of the Bill. These exemptions do not call for any serious comment except in regard to one or two particulars. The exclusion of persons who pay a profession tax of over Rs. 0-8-0 per half year, who would otherwise fulfil the requirements of the definition of an agriculturist is not justifiable. There are many genuine agriculturists who pursue trifling occupations in the neighbouring urban areas and are assessed to a small profession tax. It would be a great hardship to them to be denied the benefits of the Bill. They must have a substantial non-agricultural income. In some districts no profession tax is imposed in villages while in some districts it is imposed arbitrarily. There is no system. This exemption may be deleted. If the exemption is to be retained, I feel that the limit of profession tax must be raised from over Rs. 0-8-0 per half year to at least over Rs. 3 per half year. We must remember that the minimum of taxable non-agricultural income under the Incometax Act is Rs. 2,000 per annum. So, we should allow at least over Rs. 1,200 per year for those who pay profession tax.

6. The definition of agriculturist is seriously criticised by numerous correspondents who range themselves against the Bill. One of the main points of attack of these critics is that the larger landowners like mirasdars owning several *velis* of lands in the Tanjore and Trichinopoly Districts and large ryotwari pattadars elsewhere, who derive handsome incomes from lands and who can pay their debts should not have been brought within the scope of the Bill. This objection naturally comes from their creditors. It is alleged by these creditors that loans were sometimes contracted by these big mirasdars for wasteful and unproductive purposes and do not therefore deserve protection. In such cases, judged from the standpoint of sound national economy the creditors who lent for such purposes must be treated as persons in *pari-delicto*. They should not plead their own uneconomic and unsocial act as a reason for fair treatment to them. If those mirasdars were compelled to borrow for necessary and unavoidable purposes then they need protection, for their lands did not yield enough margin to them.

The test employed by the Bill is whether the persons who are brought within the scope of the Bill are those who are engaged in the service of the nation in regard to raising food from land. The mirasdars and pattadars satisfy that test. Again, it is a notorious fact that many of these mirasdars are largely indebted. Any enquiry into individual cases with a view to ascertain whether they are or

are not in a position to discharge all their debts will be both impracticable and fruitless. Generally speaking, the criterion adopted by the Bill, namely, of bringing within its scope and helping all persons engaged in the occupation of raising national wealth from land, is right. Small landholders and Inamdars deserve the same protection and their inclusion in the Bill is right. It is asked why land-holders who pay a peishkush of over Rs. 500 and Inamdars who pay a quit rent of over Rs. 100 are excluded from the benefits of this Bill and treated differently. The obvious answer is they are generally speaking not directly engaged in the occupation of raising food from land but are middlemen who collect rents from those who are so occupied.

What debts come under the Bill.

7. The next provision of the Bill which requires examination is the definition of *debt*. Debt is so defined as to comprise almost every liability of an agriculturist, whether in cash or kind, secured or unsecured, payable under a decree or order of a Court or on a bond or account or any other security. But it excludes from its scope *rent* which is dealt with separately by clause 12. Debts due under usufructuary mortgages which do not provide for any interest are excluded from the operation of the Bill. So also, liabilities of all kinds to Central and Provincial Governments, local authorities, debts contracted on the security of house property in municipalities, cantonments and old union panchayats and debts due to co-operative credit societies, including land mortgage banks, and to joint stock banks, and shares of debts due by members of joint Hindu families to the extent that any members of such family pursue urban occupations and get subsidiary incomes and pay incometax or other kinds of tax specified, are excluded.

Sub-clause (*d*) of this clause excludes a debt contracted on the security of house property in a village which was a Panchayat *union* before the 26th August 1930. But old Union Panchayats which may have now become municipalities comprised groups of villages which may or may not now be covered by Village Panchayat Boards, and the exclusion of debt secured on house property in those old village areas which are now outside the municipalities will cause hardship and the clause requires amendment in this respect.

The definition of debt is wide enough to include surety debts. If a non-agriculturist stands surety for an agriculturist, his obligations arising from suretyship will be " debts." If the agriculturist's debt is scaled down or wiped out, his surety, who is a non-agriculturist, has evidently to pay to the creditor the full amount of the debt, minus what the agriculturist pays. From a true construction of the Statute, it seems to me that he cannot recover his loss from the agriculturist. He loses his money for having gone to the rescue of the agriculturist. I wonder whether his case does not require looking into. It may be argued that if he lent money to the agriculturist he would have lost it under the Bill and it may be asked why should he be treated better simply because his obligation arises out of suretyship. But there is a snag in the argument. I feel that this is a matter which requires sympathetic examination by the Select Committee.

8. The combined effect of the definitions of " agriculturist " and " debt " in the Bill on the volume of debt that will come within its scope cannot be estimated with any approach to precision. But one can generally see that a good deal of the estimated debt of Rs. 200 crores of this Province stands out of the Bill altogether. An enquiry into this question has a direct bearing on the amount of the debt that will have to be discharged after being compulsorily scaled down under the provisions of this Bill, and the amount of credit that will have to be made available to the debtors to discharge that debt. In making a rough estimate of the debt scaled down in terms of the Bill I am disposed to hazard an opinion that it will not be much above Rs. 20 or 25 crores. If so, it should not be impossible for the Government to formulate some suitable scheme to link up the debtors, who obtain substantial relief under this Bill, with banks, commercial or co-operative, and other credit agencies. In dealing with the reactions of this Bill on the future of credit to agriculturists, I shall deal with the question a little more in detail.

Process of compulsory scaling down—The central clause of the Bill.

9. The central and most drastic clause in the Bill, and naturally the one that has evoked the fiercest opposition from the critics of the Bill, is clause 8 which provides for compulsory scaling down of the debts. The net effect of this long clause, read as a whole, is that no creditor can recover anything more than the principal amount outstanding on 1st October 1937 from an agriculturist as defined by the Bill. In other words, all arrears of interest outstanding on 1st October 1937 are wiped out, or to use legal language are deemed to be discharged. This does not of course mean that every creditor can

recover the principal amount of the loan outstan ding on that date While no creditor can recover more than the principal amount outstanding on that date, some can recover nothing and others only some portion of it. It happens this way. For the purpose of this clause, creditors who stipulated for simple interest of over 9 per cent or for compound interest are given a differential treatment under the Bill from those who stipulated for a lower interest and no compound interest. In the case of the latter, who certainly belong to the more humane class of creditors and who deserve some consideration for their less anti social conduct, they can collect the whole of the principal outstanding on 1st October 1937, although they might have collected already many times the principal by way of interest. In the case of the former, if they have collected before 1st October 1937 from their debtors in all an amount equal to twice the principal sum lent, they can recover nothing more and the entire amount of principal outstanding on that date is also deemed to be discharged. If the total amount so collected by them falls short of twice the principal amount outstanding on that date, only the balance necessary to make up the shortage or, the principal amount of the loan, whichever is less, can be collected. The net effect of this clause is, as I have said before, the most fortunate creditor, that is, who stipulated for interest of not more than 9 per cent and no compound interest, can recover the principal amount outstanding on 1st October 1937 in full, the next best will recover a portion of the principal only, and the last in rank nothing at all.

10. How the principal amount referred to in this clause is to be ascertained is a matter which affects creditors and debtors very vitally. The principal amount contemplated is the principal originally advanced and such sums as have been subsequently advanced as principal whether the liability arises under a security or a decree. In other words, all securities as well as decrees of courts will be reopened without any limit to the period of the continuance of the loan. There is a large volume of opinion in favour of limiting the period beyond which the enquiry should not go. It is also true that it may oftentimes be difficult to ascertain the principal when the decrees or bonds do not disclose it. In such cases it will be desirable to treat the amount appearing in the earliest document as principal and shut out oral evidence which will open flood gates of purgery. But much of the benefit conferred by the clause on debtors will be curtailed if renewals of original bonds effected before a certain period are treated as providing the test for ascertainment of the principal.

The real question that has to be tackled in connection with this clause is whether the creditors should be disallowed all interest outstanding on 1st October 1937 or whether they should get some reasonable interest. My own personal view is there is no strong case for any arrears of interest to be allowed to the creditors. Still, I must say that the general feeling in the public minds is that disallowance of all such arrear interest is too drastic and unjust. It is suggested by some that six per cent may be allowed for the period anterior to 1st October 1937 also, as it is considered to be a just and reasonable rate for the future. If, however, a concession is made to public opinion in the matter, I would put the rate at three per cent, subject of course to the operation of the rule of not more than twice the principal in all, or to be brief "*Damdupat.*"

I do not think that the benefits of the Bill will be considerably curtailed by such concession. If we calculate interest on the existing loans at three per cent simple interest from the beginning, the interest already paid in many cases will often amount to more than that calculated at three per cent simple.

Future Interest.

11. There is a general satisfaction with the provisions of the Bill relating to the application of the law of *Damdupat* and limiting future interest to rates *not exceeding* six per cent simple per annum. But in regard to this provision, the proviso to clause 11, which says that "the Provincial Government may, by notification in the official gazette, alter and fix any other rate of interest from time to time" will seriously affect the future credit operations. This provision is open to objection on more than one ground. First of all it introduces a large element of uncertainty in credit. Moreover, vesting the Executive by the Bill with such a wide power to alter from time to time the relations between the creditor and the debtor once established, is opposed to sound pinciples of legistation. Legislation by Executive, through powers of rule making and notifications, to which British Parliament has in recent times resorted frequently, is condemned by more than one Lord Chancellor of England as unsound and opposed to the democratic attributes of modern Legislatures. Moreover, if every creditor is in constant fear of the rate being reduced again below six per cent or every debtor is in fear of its being increased above six per cent by notification of the Executive Government, the tendency will be either to unduly restrict credit or to resort to methods resulting in the evasion of the Statute by concealing the true

interest stipulated for or levied from the debtors. Viewed from any standpoint, I think that the proviso to clause 11 ought to be deleted. If there is another national emergency which calls for further reduction or increase of the rate of interest provided by the Bill, the Government ought to take the public and the Legislature into their confidence and introduce another legislative measure. If the intention of the proviso empowering the Executive Government to alter the rate of interest is not to disturb the contracts entered into after the Bill, the policy underlying this proviso must be made clear by redrafting it suitably.

I do not wish to raise any constitutional question whether the Provincial Legislature can legislate in regard to business carried on by banks. "Banking", that is to say, "the conduct of banking business by corporations" is a subject for Federal Legislature, (*vide* item No. 38 of the Federal Legislative list of the Government of India Act). But "moneylending and moneylenders" is a subject for the Provincial Legislature, (*vide* item No. 27 of the Provincial Legislative list). These two provisions have to be read together and so far as moneylending activities of the banks are concerned, it may be legitimately contended that they come under article 27 of the Provincial list. I have no doubt that the Government would have taken legal advice in this matter. But the more substantial difficulty is whether the Government can or ought to regulate in practice the borrowing and lending rates of banks. If the Government contemplate to take powers to regulate the rates of interest, as the central banking and currency authorities do, this provision is wholly ill-conceived. A central or reserve bank does not bring about an alteration of rate of interest by decrees or orders passed by it. It regulates the bank rate and the rates of the money market through its open market operations and inflation or deflation of currency. Such functions are not discharged in any country through executive decrees or notifications fixing rates of interest from time to time except during wars or other emergencies of similar nature.

Arrears of Rents.

12. Rent payable by an agriculturist to a landholder or under-tenure holder under the Madras Estates Land Act, 1908, or to a janmi or intermediary under the Malabar Tenancy Act, 1929, is excluded from the definition of debt and is treated in a different manner. Clause 12 lays down that all outstanding arrears of rent for fasli 1345 and prior faslis, whether due as such or under a decree obtained

therefor, shall be deemed to have been discharged. In other words, land-owners of the class mentioned in the Bill can realise only the rent for the current fasli 1347 and for one fasli prior to it, *viz.* 1346. This clause naturally evoked very strong criticism from landholders. One of their contentions, if I understand aright, is whatever may be said about the interest on the arrears of rent, which is itself limited to six per cent simple under the Madras Estates Land Act, there is no justification for wiping out the principal amount of rent, which accrued in fasli 1345 and prior faslis. The rationale of the distinction made by the Bill between rent for faslis 1346 and 1347 and prior faslis seems, to my mind, to be this. Under the Madras Estates Land Act, the landholder can recover rent for faslis 1346 by summary process without resorting to a Court before the end of fasli 1347. Similarly, he can recover rent for fasli 1347 by similar process before the end of 1348. But in regard to arrears for fasli 1345 and prior faslis, he will have to institute suits for recovery thereof, if he had not already done so and obtained decrees. If tenants are exposed to fresh suits for arrears after the passing of the Act and are subjected to the hardships of execution proceedings under prior decrees, the beneficial intent of the Bill so far as tenants are concerned will be greatly frustrated. It is just this kind of protection against suits for arrears not collected by landlords and against execution of numerous decrees obtained by them for rents that is most necessary in regard to the ryot population engaged in the pursuit of agricultural industry. I must also say that there is no analogy between the principal amount of a debt due to a creditor and arrears of rent due to a landlord. The relations between the landlord and his ryot will depend on the continued mutual goodwill and continued economic prosperity of the ryot. The relations between the creditor and debtor are wholly dissimilar. When it is well known that agriculture does not yield enough even to pay the costs of cultivation and the current year's rent and revenue thereon, any proposal to leave untouched accumulated arrears of rent on land cannot be justified either from the economic standpoint or of a sound tenancy system.

In regard to arrears of rent, the more reasonable among the landholders seem to be content to put forward a modest request for the consideration of the Government. They want the arrears of rent for fasli 1345 to be excluded from the operation of the Act and they also ask for the costs to be given to them under the decrees, in suits

filed by them for arrears of rent, just as in the case of costs given to creditors who obtained decrees, in addition to the principal amount. They further ask that the portion of the local cess payable by the ryots under the Local Boards Act, which was collected from the landholders, should be allowed to be recovered by them. These are matters for representation by the landholders to the Government, and if the landholders give up their extravagant claims for all arrears of rent and also their high sounding constitutional pleas about the sacredness of the permanent settlement and things of that sort, the Government may perhaps be willing to consider such requests.

Exemption of Co-operative Banks and Joint Stock Banks.

13. Clause 4, sub-clauses (*e*) and (*f*) remove from the operation of this Bill liability in respect of any sum due to any co-operative society, including a land mortgage bank, or to any company registered under the Indian Companies Act or any other Act for the incorporation of companies.

13-A. *Co-operative Banks*:—As to co-operative societies, including land mortgage banks, I think the Bill is right in excluding them. I am fully alive to the fact that in the past co-operative societies charged high rates of interest almost like moneylenders. We started with $18\frac{3}{4}$ per cent and came down to $12\frac{1}{2}$ and $9\frac{3}{8}$ per cent and in addition we charged penal interest and compound interest. The highest rate now charged to the borrowers, with very rare exceptions, is only $7\frac{1}{2}$ per cent simple. There is a move to bring it down to 6 per cent. I advocated it in the recent Provincial Co-operative Conference but I was defeated. In calculating the arrears, most societies have given up penal and compound interest and collected the dues with simple interest at only five or six per cent. In some cases only the principal was collected and all outstanding arrears of interest were written off. Under instructions from the Registrar of Co-operative Societies, awards are now given by arbitrators under the Co-operative Societies Act for outstanding loans with simple interest at $6\frac{1}{4}$ per cent. Execution sales have been completely stopped. If some of the societies have not given full effect to the circulars of the Registrar in regard to reducing old arrears bearing high rates of interest and charging lower rates for future loans, the matter can be set right by the Registrar and the Provincial and Central Banks. So, objections for excluding co-operative societies from the scope of the Bill are not well founded. The Government promoted these banks and have a moral if not legal responsibility to the depositors. They should do nothing to shake public confidence in them. It will prevent inflow of deposits into them in future. The co-operative credit organisation should be strengthened to serve as an important source from which the agriculturist will derive controlled and productive credit in future.

In this connection, a reference to the theory and practice of co-operative banking will not be out of place. It must be remembered that co-operative credit banks are managed by borrowers themselves. These banks attract deposits from the investing public, but the depositors have no place in the Boards. Individual shareholders are virtually rendered ineffective. The commercial banks, including the Reserve bank, point out that the management of these banks by borrowers is their main weakness. On the other hand, co-operators pride themselves on that feature as the outstanding merit of co-operative banking. It is these borrowers that settle their rates of interest and other terms of borrowing. There is no other outside creditor who influences the rates of interest. If in the past co-operative banks had charged higher rates, it is because the borrowers themselves felt that those rates were necessary in order to work the banks without loss and to meet working expenses and earn sufficient profit to build reserves. Moreover, co-operative banks have no interest in acquiring the properties of their indebted members. It is not perhaps widely known that the share capital, members' deposits and reserve fund, *i.e.* the owned capital of the agricultural primary credit societies (excluding land mortgage banks) amounts to Rs. 155 lakhs while their outstanding loans amount to Rs. 450 lakhs. Thus the members' money constitutes 33 per cent of the credit lent to themselves. It must also be realised that the co-operative societies were organised primarily for the relief of indebtedness and were working with that aim. So to classify them along with money-lenders will be a very irreverent act even for the legislature.

13-B. *Joint Stock Banks* :—In regard to a joint stock bank, the clause lays down that in order to entitle it to claim exemption from the provisions of this Bill, it should have on its register of shareholders on 1st October 1937, 500 or more members. I consider this to be a very unsound provision. Many joint stock banks with less than that number of members are financially very sound and charge low rates of interest while some of those with a membership of 500 or more, are weak and charge high rates. The test is unreal and illogical. Evidently, the authors of the Bill had in

their mind cases of a few moneylenders putting together their resources and acting as a bank. But under the Indian Companies Act, private banking companies can be formed only when the number of members does not exceed 50. All companies having more than 50 members should be registered as public companies (*vide* Section 2 (13-A) of the Indian Companies Act). So, if a limit of membership of more than 50 is prescribed, all private banks will be excluded from the scope of the Bill. There is no reason to classify banking companies into those which have a membership of 500 and others which have less. This Bill is not intended to establish the financial stability of the Banks or to discriminate between financially sound banks and weak banks. That will be altogether outside the purview of the Bill, and belongs to the domain of banking reform. All that the Bill presumably aims at is that moneylenders who carry on banking under the guise of joint stock banks should not evade the provisions of this bill by such a device. It has been suggested that a better test will be to distinguish between joint stock banks, the bulk of whose working capital, say 75 per cent, is derived from public deposits and only the balance from directors. This too to my mind is not a sound test. Of late instances of a few promoters with very little of their own money and stake in the concern, starting a bank and attracting deposits offering tempting and competitive rates are becoming common. They are in some cases speculative ventures trading purely on people's savings utilising the deposits to promote their other business enterprises in trade, commerce or industry. It is these banks that are less entitled to protection, in my opinion, than sound banks in which the promoters have a large stake and which take deposits to the extent necessary and possess adequate share capital and reserves and charge low rates. So, I think the Bill should merely make a distinction between private and public banks and bring down the number of members from 500 prescribed in the clause to 50.

14. The second proviso to section 4 which is intended to be a proviso to sub clauses (*e*) and (*f*) seems to be misplaced. It deals with liabilities to co-operative societies and joint stock banks arising by reason of assignments to such societies and companies. I understand the proviso to mean that in order to come within the purview of the Act, such assignments should have taken place before 1st October 1937 or they must be assignments of loans granted by a co-operative society or joint stock company. The wording of the proviso and its location are confusing and seem to require attention.

Future Interest and Co-operative Societies and Joint Stock Banks.

15. The question whether the rule embodied in clause 11 of the Bill that in future not more than six per cent should be charged to the agriculturist, should be made applicable to co-operative societies and joint stock banks as well, however remains to be answered. If it is laid down in this enactment that moneylenders should not charge more than six per cent, it is difficult to justify on principle any exemption in favour of joint stock banks and co-operative societies, in regard to their future rates of interest. They should not be permitted to charge more than moneylenders can *viz.*, six per cent. But a real difficulty arises from the fact that while moneylenders, generally speaking, lend out of their own resources, the banks can only lend money either of the share-holders on which they have to pay dividend or of the depositors on which they have to pay interest. So long as there is no law to regulate, at one end, the rate of dividend payable to share-holders and interest payable to depositors, the regulation of the lending rate, at the other end, may not be practicable. Banks which pay even four or five per cent on their deposits cannot obviously lend at six per cent without working at a loss. The deposit rates vary with money market conditions which in their turn depend on various fluctuating factors. Many small banks may not get deposits at lower rates. So, the whole question of regulating lending rates in future of the joint stock and co-operative banks requires careful examination by the Government. The regulation of the money market and controlling bank rates and deposit rates will to some extent depend upon the policy of the Reserve Bank, which is created to discharge that function. Whether the Provincial Governments can or ought to regulate the operations of joint stock or co-operative banks in regard to borrowing and lending rates, independently of the Reserve Bank, is open to doubt to my mind.

The Bill inadequate to deal with the situation—other measures necessary.

16. The Bill, in order to achieve its object should be soon supplemented by other legislative measures. For instance, the case of insolvent agriculturists is not solved by this Bill. There must be a rural insolvency act to give speedy discharge to agriculturists who are willing to place at the disposal of their creditors their assets. The present law of insolvency is so hopelessly complicated and expensive that few agriculturists can take advantage of it to avoid harassment by creditors. The necessity for a simple rural insolvency act has been urged with great force by authorities like the

Royal Commission on Agriculture, the Indian Central Banking Enquiry Committee and the Civil Justice Committee. But no Provincial Government has so far taken any action on this well-considered and weighty recommendation. No more time should be lost in implementing such a measure. In putting on the Statute Book such a measure, provision must be made to retain for the agriculturist debtor a small subsistence holding and his dwelling house, which should be made unavailable to the creditors, and whose alienation either by voluntary act or by involuntary process should also be prohibited. Otherwise, there will be a grave menace to rural economy and a landless and homeless proletariat is a potential danger to social and political order.

17. One of the causes for depression of agriculture is excessive fragmentation of holdings. If agricultural industry is considered to be a national industry and land a source of national wealth, then legislation must be undertaken to prevent further fragmentation and for the consolidation of excessively fragmented holdings. Such legislation will no doubt interfere with the laws of partition, succession and inheritance. Nevertheless, such legislation should be undertaken to improve agriculture.

18. The Bill, as I have already said, touches only a fraction of the total indebtedness of the Province. Non-agriculturists, no less than agriculturists, require protection against usury. Urban population consisting of wage earners, salaried classes, small traders and numerous other sections of the society are in the grip of the money-lender and are economically bled. Relief to them is absolutely necessary for the promotion of sound national economy. Legislation to put down usury and regulate moneylending must follow this Bill. The lines of such legislation have been discussed by competent authorities in the past, particularly the Indian Central Banking Enquiry Committee. Each Provincial Government may have to appoint a Special Committee to deal with this question and to formulate legislative measures suitable to the conditions of the province.

Future Credit to Agriculturists.

19. I wish to draw attention to a real danger that awaits the debtors in the wake of the passing of this Bill. It may be reasonably anticipated that many creditors will resort to courts immediately after the passing of the Bill into law, in order to secure at least what is left to them by the law. Institution of numerous suits against debtors whose debts are scaled down will do incalculable harm and they will

lose in this litigation even the small relief they secured by the Bill. The Government should. I think prevent such a catastrophe. The Courts must be empowered to make sums decreed, if suits cannot be avoided, payable in instalments and if banks come forward to take as security the debtors' properties and offer to pay the creditor the amount in instalments, the Courts should utilise such offers to the advantage of the debtors. So far as co-operative banks are concerned, they will be in a position to release a large amount of controlled credit both for seasonal operations and long term purposes. If the Government extends its guarantee to the debentures of the Central Land Mortgage Bank it can find a substantial sum of money to enable the debtors who are benefitted by the Bill to discharge their debts. With the same amount of money they can benefit more agriculturist-debtors than they now do. Similarly other co-operative credit organisations can release funds for seasonal operations and if necessary can find long term money under new schemes of emergent nature for raising credit if they are helped by the Government to do so. It all depends upon how the Provincial Government is going to make use of these credit agencies. I must say that the Co-operative Movement was not availed of in the past for rational rural credit, either by the people or the Government. The view point of the capitalist, the money-lender and the landlord dominated the past Provincial Governments. It was wholly inimical to Co-operation and its neo-economic theory and practice. It remains to be seen whether the outlook of the new Congress Government will be different.

20. There is a widespread belief that credit to agriculturists will be drastically curtailed by this Bill and in future the agriculturists will find it almost impossible to raise capital necessary for the agricultural industry. To some extent thus apprehension may prove true in the earlier stages, due to the reactions which the new law is bound to produce on capitalistic lenders. But the law of demand and supply of credit will not be destroyed and people with money to lend will extend credit. The bill ensures a rate up to six per cent interest on future loans; the scaling down of the existing debt improves the economic position of the borrower and enhances the margin of security that he can offer. The instinct of the lender will still be there and I do not see why he should hoard his money instead of lending it. Hoarding is a perilous operation; while it yields no income involves the danger of the principal being lost. Moreover, if

the man with spare wealth does not lend to individual borrowers, he will at least invest the money in banks—joint stock or co-operative. Thus the savings of the community will be transformed, through the banks, into capital and made available for credit. The Government must take full advantage of the situation and link up the creditors who suffer by the operations of this Bill and the debtors who benefit thereby with banking and other credit institutions of the country. I suggest to the Government to convene a conference of bankers, joint stock and co-operative, and evolve a constructive programme in this connection. As I have already stated, the debt which is touched by the Bill, when scaled down, may amount to only about Rs. 20 or 25 crores. It should not be difficult for the Government to formulate definite schemes for satisfying such creditors, if necessary. Probably they have such schemes ready. An early pronouncement of their nature will enhance public confidence in regard to future credit.

Economic Rehabilitation of Agriculturists.

21. There is no one in this country who holds the view that relief of indebtedness by a measure like this or even a more drastic measure, will in itself be enough to bring about the economic rehabilitation of the agriculturists. The main cause of indebtedness is poverty. I have often read in publications on Indian rural economics, in official despatches and reports of committees that the chronic poverty of the masses is due to indebtedness. I entirely disagree with this view. I think that indebtedness is mainly the *result* and not the *cause* of poverty. Most people borrow not because they *can* but because they *must* in order to live. So, any economic reform for the rehabilitation of the masses must aim not merely at scaling down or even wiping out debts, for they will soon begin to incur fresh debts, if facile credit is available and will relapse into their old condition. A lasting remedy for the problem of indebtedness is the improvement of the income of the agriculturists and other sections of the people. There are various ways in which the Government should attempt this constructive economic reform. Something must be done to raise commodity prices when they are depressed. Concerted action on the part of the Provincial Governments and the Central Government is necessary. State action to secure for cash crops like groundnut better prices in the internal and external markets is a very necessary measure of reform. Government can after all transfer wealth from one section to another and cannot create it. Low prices transfer wealth legitimately due to producers of food to the men with fixed

investments and cash emoluments. That can be prevented only by raising price levels.

The Provincial Government must also seriously undertake irrigation projects and if necessary borrow largely for productive capital expenditure. More money should be spent on productive public works, for such expenditure not only improves the income of those who come within the beneficial effects of such works but will also to some extent relieve unemployment. So, the economic uplift of the masses by processes which put more money into their pockets is very important and measures for relieving indebtedness can only succeed if the margin between the income from land and cost of production is improved.

Example of Other Countries.

22. Recently many countries in Central Europe have adopted several measures for relief of indebtedness. Sgr. C. Costanzo contributed to the *International Review of Agriculture* a series of articles between January and April 1937, in which he made a general survey of the question and also gave detailed information about the measures adopted by several countries. On a careful reading of these articles I find that the nature of debt of the South Indian peasant and the conditions of South Indian rural economy are very different from those of the western countries discussed in those articles. The time and the circumstances under which those measures were adopted also differ from ours. Much of the debt of Central European farmers was contracted for the reconstruction of farms devastated by the war, for rebuilding roads, bridges, houses, plantations and so on. The South Indian agriculturist borrowed more in the boom period—in the pre-depression period—and borrowed less in the post-depression period. His pre-depression debt was too heavy to liquidate even with the high prices of land and its products in the boom period. The case is quite different with the European farmers, with whose indebtedness their Governments had to deal. A detailed study of the measures adopted in those countries shows how different their conditions were. I shall reserve the examination of this question in detail to another occasion. The following passage from the articles referred to will indicate the nature of debt contracted and of the relief required in those countries:

"The characteristic feature of European economic life, in the decade immediately following the war, was the extreme rapidity of

the reconstruction that took place both in agriculture and in industry. The destruction of farms during the war and their reversion to extensive cultivation at this period left agriculture with a considerable margin for development. On the other hand, the great expansion of capitalist economy and even the exaggerated development of some of its forms, induced agriculture, during its evolution, to have recourse to the means of economic expansion at the disposal of capitalism thereby coming much more under the influence of this system than before the war.

The extension of the capitalist system to agriculture mainly took the form of an important increase in the working capital in relation to the fixed capital and of the recourse to credit in order to form the working capital. Now as long as the capital belongs to the farmer himself and is not large in relation to the invested capital, the farmer remains able strongly to resist the variations in economic conditions, which no doubt may reduce his resources but cannot upset his financial equilibrium. While in this state, from the capitalist point of view, a farm still retains, to a large extent, its natural character. It is only when the working capital becomes large and is based on credit that the farm takes rather the character of a capitalist undertaking and becomes an organisation extremely sensitive to changes in economic conditions." How different is the problem of rural indebtedness in South India?

It will therefore be wrong to pass any criticism on the Madras Agriculturists' Relief Bill on the basis of the opinions expressed by Sgr. Costanzo in regard to the results of the European experiment. I am sure well considered suggestions for the modification of the Bill will be examined by the Government and that the Bill will emerge from the Legislature in an improved form retaining its underlying principles and main provisions unaffected.

AMENDMENTS SUGGESTED.*

The following amendments to the Bill are suggested, in order to liberalise the measure in the interests of the agriculturists :—

I. Definition of Agriculturist—Clause 3, Sub-clause (ii)

(1) The definiton requires amendment in respect of persons who are assessed to incometax, profession tax and property tax described in parts (A), (B) and (C) of the proviso to sub-clause (ii) of clause 3. An agriculturist must have been assessed to such taxes for

* References to paragraph relate to the paragraphs of the article.

at least two consecutive years before 31st March 1938. If a person was assessed to such taxes in one of the financial years 1935-36 or 1936-37 and had no assessable income in the financial year 1937-38, his exclusion from the Bill is unjustifiable. The assessable minimum under income-tax was Rs. 1,000 only three years ago and subsequently raised to Rs. 2,000.

(2) The test of profession tax in village areas should be abandoned. There is neither uniformity nor reasonable standard of assessment. (*Vide* para 5).

(3) In regard to property tax under part (C) of the proviso an exemption should be made in regard to residential building of the agriculturist, and the test must be applied only to agriculturists, who have built houses for investment and have rented them.

(4) In regard to Inamdars, the limit of Rs. 100 quit rent is too small. An Inamdar who pays Rs. 100 quit rent will only have an income of Rs. 700, even when he is assessed to one-eighth quit rent. In some later settlements, even three-fourths of the income was assessed as quit rent. So, the Rs. 100 limit is obviously ineffective to protect small Inamdars. It must be raised to at least Rs. 500.

II. Debts excluded from the Bill—Clause 4.

(1) *Sub-clause (d)*:—Debt contracted on the security of house property in a panchayat which was a Union before 26th August 1930 should not be excluded (*vide* para 7).

(2) *Sub-clause (f)*:—Debts due to joint stock banks without reference to membership should be excluded from the Bill. The distinction should only be made between "private" and "public" banking companies as defined by the Indian Companies Act (*vide* para 13-B).

(3) *Clause 8, proviso to sub-clause (2)*:—Usufructuary mortgages where no rate of interest is specified are also exempted though not under clause 4, but under another clause (*vide* proviso to sub-clause (2) of clause 8). If a usufructuary mortgage has run for a long period, say 20 years, the debt should be deemed to have been discharged, though no interest is provided for in the bond. (*Vide* paragraphs 353 and 369 of the Report of the Royal Commission on Agriculture.

(4) *Surety Debt*:—Surety debt is a "debt" under the Act. If a non-agriculturist stood surety to an agriculturist and if the latter's debt is scaled down under the Act, the liability of the

non-agriculturist surety should also be scaled down to the same extent (*vide* para 7).

III. Ascertainment of the principal—Clause 8.

It may be difficult in practice to reopen transactions without any limit of time to ascertain the principal of the debt, specially where the documents themselves do not disclose the amount of the principal. No scope should be given for letting in oral evidence. It will open the flood gates of purgery. So, in such cases a limit must be placed. The commencement of the depression, 1st July 1929, may be a convenient land mark.

IV. Altering and fixing Rates of interest—Clause 11.

The proviso to clause 11 empowering the Provincial Government to alter and fix rates of interest from time to time by notification should be deleted. The fixing of the upper limit at six per cent is enough. Delegated legislation of this character is dangerous (*vide* para 11).

V. Arrears of rent—Clause 12.

In order to make landholders refrain from suing for arrears of rents for fasli 1344 pending the final passing of this Bill, provision should be inserted to save such suits from limitation in the mean time. Even if the Bill is passed in this form, as complete discharge in respect of rents for faslis 1344 and 1345 is made conditional on payment of rents for faslis 1346 and 1347 within fifteen months suits for 1344 must be saved from limitation in the meantime. If a suit is to be now instituted for arrears of rent for fasli 1344, the arrears for subsequent two faslis must be also included, as they will be otherwise barred under the Civil Procedure Code. So, some transitory provision to save limitation is necessary.

VI. Stay of Execution Proceedings—Clause 14.

The period of sixty days provided by the clause is too short. It must be extended to at least ninety days.

VII. Sales of Properties—Clauses 16 and 17.

There must be provision for stay of court sales in execution proceedings during the pendency of this Bill in the Legislature. The period of ninety days given to apply to the Court to set aside the sale of properties is too short and should be extended to at least six months.

Conferences.

THE ANANTAPUR DISTRICT CO-OPERATIVE CONFERENCE.

The Anantapur District Co-operative Conference took place at Anantapur on the 7th and 8th November 1937, with Dr. B. Pattabhi Sitharamiah of Masulipatam as the President. The Hon'ble Mr. V. V. Giri, Minister for Industries and Labour, opened the conference. Mr. M. Narayana Rao, M.L.A., President, Anantapure District Co-operative Bank, welcomed the delegates on behalf of the Reception Committee.

In doing so, MR. NARAYANA RAO bserved that in the early days of the co-operative movement in this province, Anantapur was in the forefront, but that was not so now. The number of societies had fallen from 461 in 1927 to 406 at present. He referred to some common defects owing to which societies were not working satisfactorily—such as illiteracy, local factions, inefficient supervision etc. One of the special difficulties of Anantapur was that famine conditions were recurring in it year after year and had minimised the chances of co-operators repaying their debts. The district needed very badly the rehabilitation of its irrigation sources. Facilities existed in the district for subsidiary occupations such as spinning, weaving, bangle-making, cattle-breeding and cumbly manufacture. With proper State aid and by means of co-operative organisation it would be possible to build up these occupations for the benefit of the village folks.

The division of the departmental staff according to functions into administrative, audit, sale and liquidation Inspectors was not, in his opinion, promoting in their minds a sense of responsibility for the good working of the societies as a whole. He would therefore suggest that each departmental Inspector might be entrusted with a limited number of societies, say 25, and be charged with the responsibility of looking after not only such functions as audit, execution and liquidation, but also the proper working and well being of the societies. In conclusion he pleaded for greater facilities for the training of the staffs required for the management of rural societies.

In opening the conference MR. GIRI made an interesting speech in the course of which he said:—

"The co-operative movement has got in it all the qualities necessary for the evolution of a regenerated village life. Such evolution must be the outcome of a sense of realisation on the part of the villagers of the necessity for joint action, followed by willing submission to an agreed programme of work. The greatest difficulty is that they must first be convinced that their salvation lies in them alone.

"If we can only persuade the villagers not to be content with simply brooding over their present ills and difficulties, whether they be financial or social, but to think of ways and means of how best they can successfully face these difficulties, we will have achieved the first step in our programme. If the ambition to overcome adversities is aroused, the creation of a union among themselves for a common purpose with a common aim will be an easy one."

"The village agriculturist, carpenter, weaver and blacksmith must be made to feel that they are parts of one whole and that in the prosperity and well-being of the whole lies the prosperity and the well-being of the parts."

"If we can now make the co-operative institution a human organisation evolved out of a felt want, capable of self-development and nourished by the multifarious services it renders and the utility it brings to the village, we may consider ourselves as having sown the seeds of future prosperity in the village."

"The question is, cannot the society's activities be so arranged that they become part and parcel of villagers' life, attending to their financial needs, purchases and sales, placing before them subsidiary activities for supplementing their main earnings. All these should receive the serious consideration of us all."

DR. PATTABHI SITHARAMIAH devoted the best part of his address to a consideration of rural indebtedness and the proposed measures of the Government for its ameliorations. The Moratorium Bill was commented upon at some length. He protested strongly against the proposal to institute a sinking fund for the redemption of the debentures of the Central Land Mortgage Bank, as it would necessitate the raising of the rate of interest for the ultimate borrower. In an interesting passage he explained what was the goal of Congress policy with regard to village administration and development. He said :—

"The village is being sought to be made autonomous in all its activities : and hereafter, if all the schemes of the Ministers materialised, the village would be a miniature cosmos as it once has been when the ancient law-givers, the Rishis, and the statesmen carved out the Indian village system. It was once autonomous and self-complete, producing all things it required and depending upon itself for its needs. To-day once again this stream of outflow from the villages to towns is about to be stopped, not merely in the educational and cultural world but also in the administrative domain. When the village has got its autonomous councils it will be looking to its own well-being and the well-being of its fellow citizens, and it is not likely that an autonomous village will play the same part in district and provincial politics as it hitherto has been playing.

The autonomous village will be a complete centre in itself, wherein will be concentrated all efforts to promote the social, moral and material welfare of the people of the village. If the village is autonomous and made responsible for the collection of revenue through a hereditary Karnam and administration of justice through a hereditary headman, Patel or Munsiff, if the village as an autonomous unit, can distribute water, can regulate grazing and the collection of fuel and wood for construction of huts, if this unit can control the flow of water and ensure its even distribution amongst all the lands comprised in the village, if it can control bribery, if it can look after the education of children as well as sanitation in streets, if it can borrow money, distribute it equitably and collect it regularly and repay it punctually—then a new era will have opened which will make the co-operative societies, in these autonomous states, points of a new nationalism. It may be that the village autonomous unit will not be a single unit but may be two units, one dealing exclusively with financial matters and the other dealing with services to the village people. Whatever that be this new era will mark out the village societies as fountains of a new life pulsating in the whole country in union with the throbbing of a central heart.

"It will be in harmony with this new village ideal to abolish co-operative Central Banks as separate units and merge their activities with those of the village autonomous bodies to be created anew. No longer will a central organisation be required to finance these bodies, when they handle local revenues and divert them to local purposes—whether those purposes be financing roads and schools, constucting bridges and culverts or of helping agriculturists with short term loans.

"Government collects revenue and has enormous loose cash which, if properly handled, can be utilised for rural purposes. If money is to be borrowed let Government borrow and pay these village autonomous units or the Central Banks without individual share-holders. Then will disappear of half these problems, and puzzles that have cropped up in the wake of the Co-operative Banks in the Presidency."

Then the Conference after discussion passed the following resolutions :—

1. A condolence resolution on the death of Mr. T. Audinarayana Chettiar.

2. In the place of the present peripatetic training school a permanent school for the training of the supervisors should be established at Anantapur for serving the Telugu districts.

3. In the place of the present unlimited liability societies, multiple-purpose societies of limited liability, one for two or three villages, should be started as recommended by Sir Frederic Nicholson in his famous report

4. The Moratorium Bill should be immediately put in operation, and along with it legislation for debt relief should be introduced. At the same time arrangements should be made for the conciliation of debts and for the provision of credit on suitable terms for current agricultural operations.

5. (*a*) There should be three land mortgage banks for the three revenue divisions of this district.

(*b*) Encumbrance certificates and registration should be given free to members of land mortgage banks.

(*c*) The salaries of Sub-Deputy Registrars should be borne by the Government and not charged to the land mortgage banks.

(*d*) In view of the fact that land mortgage banks are generally unable to pay a reasonable dividend on their share capital, members should not be required to increase their share capital in proportion to their borrowings, and the possession of a single share should be considered sufficient.

6. Government be requested to stop the money-lending activities of the Kabulis in this district.

7. The rate of interest for a member of a primary society should be either 6 or 6½ per cent and that of the central bank to primary societies should be only 5 per cent.

8. Registration and encumbrance certificate fees should be waived in the case of co-operative societies and their members.

9. Execution fees are very heavy and should be abolished.

10. Village officers should be permitted to be honorary office-bearers of co-operative societies of all kinds without prejudice to their legitimate duties.

11. The departmental staff should not be classified as audit, executive, administrative and sale inspectors, but should be held responsible for the all round good working of the societies.

12. When societies are obliged to purchase the lands of their defaulting members in auction, they need not be required to get possession of them through the courts. The Registrar may be specially empowered by the Government to give them the possession of such lands.

The conference then terminated.

The Madras Agriculturists Relief Bill, 1938.

Bill to be introduced in the Legislative Council and Assembly of the Province of Madras.

Under the proviso to rule 73 of the Madras Council and Assembly Rules, the following Bill, together with the Statement of Objects and Reasons, is published for general information :—

A Bill to provide for the relief of indebted agriculturists in the Province of Madras.

Whereas it is expedient to provide for the relief of indebted agriculturists in the Province of Madras; It is hereby enacted as follows :—

Short title. 1. This Act may be called the Madras Agriculturists Relief Act, 1938.

Extent. 2. It extends to the whole of the Province of Madras.

Definitions. 3. In this Act, unless there is anything repugnant in the subject or context,

(i) 'person' means an individual and includes an undivided Hindu family, a Malabar tarwad or tavazhi and an aliyasantana family, but does not include a body corporate, a charitable or religious institution or an unincorporated company or association ;

(ii) 'agriculturist' means a person who—

(*a*) has a saleable interest in any agricultural or horticultural land in the Province of Madras, not being land situated within a municipality or cantonment, which is assessed by the Provincial Government to land revenue which shall be deemed to include peshkash and quit rent; or

(*b*) holds an interest in such land under a landholder under the Madras Estates Land Act, 1908, as tenant, ryot or under-tenure holder; or [Madras Act I of 1908.]

(*c*) holds an interest in such land, recognized in the Malabar Tenancy Act, 1929; or [Madras Act XIV of 1930]

(*d*) holds a lease of such land from any person specified in sub-clause (*a*), (*b*) or (*c*):

Provided that a person shall not be deemed to be an 'agriculturist' if he—

(A) has within any of the three financial years ending 31st March 1938 been assessed to income-tax under the Indian Income-tax Act, 1922, or under the income-tax laws of any Indian State; or [Act XI of 1922.]

(B) has within the two financial years ending 31st March 1938 been assessed to profession tax of more than eight annas in respect of any half year or of more than one rupee in respect of any year, under the Madras District Municipalities Act, 1920, the Madras Local Boards Act, 1920, the Madras City Municipal Act, 1919, the Cantonments Act, 1924, or any law governing municipal or local bodies in any other province in British India, any Indian State or any foreign State in India; or [Madras Act V of 1920. Madras Act XIV of 1920. Madras Act IV of 1919. Act II of 1924.]

(C) has within the two financial years ending 31st March 1938, been assessed to property or house tax in respect of buildings or lands other than agricultural lands, under the provisions of the Madras District Municipalities Act, 1920, the Madras Local Boards Act, 1920, the Madras City Municipal Act, 1919, the Cantonments Act, 1924, or any law governing municipal or local bodies in any other province in British India or any Indian State, provided that the aggregate annual rental value of such buildings and lands, whether let out or in the occupation of the owner, is not less than Rs. 600; or [Madras Act V of 1920. Madras Act XIV of 1920 Madras Act IV of 1919. Act II of 1924.]

(D) is a landholder under the Madras Estates Land Act, 1908, who pays any sum exceeding Rs. 500 as peshkash or exceeding Rs. 100 as quit-rent, jodi, kattubadi, poruppu or the like, or a janmi under the Malabar Tenancy Act, 1929, who pays any sum exceeding Rs. 500 as land revenue to the Provincial Government. [Madras Act I of 1908. Madras Act XIV of 1930.]

Explanation.—The annual rental value of any building or land for the purposes of proviso (C) shall—

(1) where the assessment is based on the annual rental value, be deemed to be such value;

(2) where the assessment is based on the capital value, be deemed to be five per cent of the capital value; and

(3) in any other case, be deemed to be the value ascertained in the prescribed manner;

(iii) 'debt' means any liability in cash or kind, whether secured or unsecured, due from an agriculturist, whether payable under a decree or order of a civil or revenue court or otherwise, but does not include rent as defined in clause (iv); and

(iv) 'rent' means rent as defined by the Madras Estates Land Act, 1908, or by the Malabar Tenancy Act, 1929, or quit-rent, jodi, kattubadi, poruppu or the like, payable to the landholder of an estate as defined by the Madras Estates Land Act, 1908, by grantees of land therein, and includes interest payable thereon and costs incurred in respect of the recovery thereof through a civil or revenue court. *Madras Act I of 1908. Madras Act XIV of 1930. Madras Act I of 1908.*

Certain debts and liabilities not to be affected.

4. Nothing in this Act shall affect debts and liabilities of an agriculturist falling under the following heads:—

(*a*) any revenue, tax or cess payable to the Provincial Government or any other sum due to them, by way of loan or otherwise;

(*b*) any revenue, tax or cess payable to the Central Government or any other sum due to them, by way of loan or otherwise;

(*c*) any tax or cess payable to any local authority or any other sum due to them, by way of loan or otherwise;

(*d*) any debt contracted on the security of house property only in a municipality, cantonment, or a panchayat which was a union before the 26th August 1930;

(*e*) any liability in respect of any sum due to any co-operative society, including a land mortgage bank, registered or deemed to be registered under the Madras Co-operative Societies Act, 1932; *Madras Act VI of 1932.*

(*f*) any liability in respect of any sum due to any company registered under the Indian Companies Act, 1913, or formed in pursuance of an Act of Parliament or any Indian Law or a Royal Charter or Letters Patent, or registered in an Indian State: *Act VII of 1913.*

Provided, that in the case of companies registered under the Indian Companies Act, 1913, or any other Indian Law or registered in an Indian State, the number of members on the register of shareholders of such company on the 1st October 1937 was 500 or more. *Act VII of 1913.*

(*g*) any liability arising out of a breach of trust;

(*h*) any liability in respect of maintenance whether under decree of court or otherwise:

Provided that where the liabilities mentioned in clauses (*e*) and (*f*) arise by reason of an assignment to the co-operative society or company, such assignment has taken place before the 1st October 1937 or is an assignment of a loan granted by such a co-operative society or company as is mentioned in clauses (*e*) and (*f*).

Special Provision for undivided Hindu families, etc.

5. Where an undivided Hindu family, Malabar tarwad or tavazhi or aliyasantana family is assessed to the taxes specified in provisos (A), (B) and (C) to section 3 (ii), or falls within the category of persons specified in proviso (D) to the same section, no person who was a member of the family on the 1st October 1937 shall be deemed to be an agriculturist for the purposes of this Act except section 11.

Sons and descendants of non-agriculturist members of Hindu families to be non-agriculturists.

6. Where in an undivided Hindu family, which is an "agriculturist" within the meaning of section 3 (ii) any member of the family is not an agriculturist, then, notwithstanding anything contained in section 3 (ii), none of his sons and descendants in the male line shall be deemed to be an agriculturist for the purposes of sections 7 to 10 and 13 to 21 of this Act.

Separation of share of debt in particular cases.

7. Notwithstanding anything contained in section 3 (ii) and subject to the provisions of sections 5 and 6, where in a Hindu family, whether divided or undivided, some of the members liable in respect of a family debt are not agriculturists while others are agriculturists, the creditor shall, notwithstanding any law to the contrary, be entitled to proceed—

(*a*) against the non-agriculturist member or members and his or there share of the family property, to the extent only of his or their proportionate share of the debt; and

(*b*) against the agriculturist member or members and his or their share of the family property, to the extent only of his or their proportionate share of the debt which shall be scaled down in accordance with the provisions of this Act.

Scaling down of debts of agriculturists.

8. (1) All interest outstanding on the 1st October 1937, in favour of any creditor of an agriculturist whether the same be payable under law, custom or contract or under a decree of court and whether the debt or other obligation has ripened into a decree or not, shall be deemed to be discharged, and only the principal or such portion thereof as may be outstanding shall be deemed to be the amount repayable by the agriculturist on that date;

Provided that, subject to the provisions of sub-sections (2) and (3) of this section and of sections 16, 17, 18 and 19, no appropriation for principal or interest made before the 1st October 1937 shall be reopened after this Act comes into force.

(2) In cases where any debt of an agriculturist bore simple interest at a rate higher than 9 per cent per annum or compound interest and the agriculturist has paid to the creditor twice the amount of the principal of the loan, whether by way of principal or interest before the 1st October 1937, all amounts outstanding in respect of such debt including the principal, shall be deemed to be discharged:

Provided that nothing herein contained shall affect any mortgage which is a usufructuary mortgage within the meaning of section 58 (*d*) of the Transfer of Property Act, 1882, where no rate of interest is specified as due to the mortgagee. IV of 1882.

Explanation.—This sub-section shall also apply to any case where there is a stipulation for payment in any contingency of simple interest at a rate higher than 9 per cent per annum, of compound interest or of interest on interest.

(3) In the case of debts falling under sub-section (2) and not falling under the proviso thereto, where the sums repaid by way of principal or interest fall short of twice the amount of the principal, such amount as would make up

this shortage, or the principal amount alone, whichever is smaller, shall be repayable.

(4) Nothing contained in sub-sections (1), (2) and (3) shall be deemed to require the creditor to refund any sum which has been paid to him, before the commencement of this Act.

(5) The provisions of this section shall not apply to any person who, though an agriculturist as defined in section 3 (*ii*), did not on the 1st October 1937, hold an interest in, or a lease of, any land as specified in that section.

Explanation (1).—Where the liability under a mortgage, promissory note, bond, decree or other obligation is renewed or included in a fresh document in favour of the same creditor, the principal originally advanced by the creditor together with such sums, if any, as have been subsequently advanced as principal shall alone be treated as the principal sum repayable by the agriculturist under this section.

Explanation (2).—Where a mortgage, promissory note, bond, decree or other obligation is claimed by a creditor by reason of an assignment in his favour, the principal sum shall be deemed to be the sum advanced to the debtor at the inception of the transaction unless it is proved that the assignment was taken at the instance of the debtor, in which case the amount paid by the assignee for the assignment shall be treated as the principal sum due to the assignee.

Provision as to costs in certain cases.

9. Where a debt payable by an agriculturist includes any sum decreed as costs by any Court, or sums lawfully expended by a mortgagee or other person in order to preserve the property mortgaged, such sum or sums shall be recoverable in addition to the sum recoverable under the provisions of section 8.

Provided that where a decree has been obtained against an agriculturist in a suit filed on or after the 1st October 1937, the Court shall allow only such costs as would have been allowable if the suit had been filed for the amount of the debt as scaled down in accordance with the provisions of this Act, and where in any such case a decree has been passed before the commencement of this Act, the Court shall, on application by the agriculturist, amend the decree accordingly.

Nothing in the foregoing proviso shall apply to any suit instituted on or after the 1st October 1937 and before the commencement of this Act in respect of a claim which would be barred by limitation before the 1st April 1938.

Rate of interest payable by agriculturists on old loans.

10. All debts which have been scaled down under the provisions of this Act shall, so far as any sum remains payable thereunder, carry from the 1st October 1937 interest at the rate previously applicable under contract, custom or otherwise:

Provided that it shall not in any case exceed 6 per cent per annum simple interest.

Rate of interest payable by agriculturists on new loans.

11. No debt incurred by an agriculturist shall, after the commencement of this Act, bear interest at a rate higher than 6 per cent per annum, simple interest:

Provided that the Provincial Government may, by notification in the Official Gazette, alter and fix any other rate of interest from time to time.

Conditional discharge of arrears of rent due to certain landholders.

12. All rent payable by an agriculturist to a land-holder or an under-tenure holder under the Madras Estates Land Act, 1908, or to a janmi or intermediary under the Malabar Tenancy Act, 1929, which has accrued for the fasli year 1345 and prior faslis and which is outstanding on the date of the commencement of this Act shall be deemed to be discharged whether the rent be due as such or whether a decree has been obtained therefor:

Madras Act I of 1908.
Madras Act XIV of 1930.

Provided that where the ryot or tenant does not, within fifteen months after the coming into force of this Act, pay up all arrears of rent accrued for faslis 1346 and 1347, the arrears of rent for fasli 1345 and prior faslis which were outstanding on the date of the commencement of this Act shall be deemed to be discharged in the same proportion as the rent due for faslis 1346 and 1347 which is paid up by the ryot or tenant bears to the rent due for those two faslis.

Explanation.—In cases governed by the Malabar Tenancy Act, 1929, any reference to a fasli year shall be deemed to be a reference to the agricultural year containing the greater part of the fasli year.

Madras Act XIV of 1930.

Illustrations.—(*a*) A tenant is in arrear at the commencement of this Act in respect of rent for fasli 1345 and prior faslis in the sum of Rs. 500 and is in arrear

on that date in respect of rent for faslis 1346 and 1347 in the sum of Rs. 200. Within a period of 15 months the ryot or tenant pays the landlord a sum of Rs. 200. The arrears of rent of Rs. 500 which were outstanding at the commencement of this Act will also be deemed to be discharged.

(*b*) A sum of Rs. 500 representing the arrears of rent for fasli 1345 and prior faslis and a sum of Rs. 200 representing the arrears of rent for faslis 1346 and 1347 are in arrear and outstanding at the commencement of this Act. The ryot or tenant pays the landlord within 15 months after the commencement of this Act a sum of Rs. 100. Only a sum of Rs. 250 or one half of the rent of faslis prior to and inclusive of fasli 1345 will be deemed to be discharged.

Amendment of certain decrees

Act V of 1908.

13. Every court which passed a decree, shall, on the application of any judgment-debtor who is an agriculturist, apply the provisions of this Act to such decree and shall, notwithstanding anything contained in the Code of Civil Procedure 1908, amend the decree accordingly or enter full satisfaction, as the case may be:

Provided that all payments made or amounts recovered, whether before or after the commencement of this Act, in respect of any such decree shall first be applied in payment of all costs as originally decreed to the creditor.

Stay of execution proceedings.

14. Every court executing a decree passed against a personentitled to the benefits of this Act, shall on application, stay the proceedings until the court which passed the decree has amended the same or entered full satisfaction, as the case may be, in accordance with the provisions of section 13:

Provided that where within 60 days after the application for stay has been granted no judgment-debtor applies to the court which passed the decree for relief under section 13 or where an application has been so made and is rejected, the decree shall be executed as it stands, notwithstanding anything contained in this Act to the contrary:

Act V of 1908.

Explanation.—The expression "the court which passed the decree" shall have the same meaning as in the Code of Civil Procedure, 1908.

Adjudications in insolvency.

15. Nothing contained in this Act shall apply to the debts payable by any person who has been adjudicated an insolvent prior to the coming into force of this Act:

Provided that the adjudication has not been annulled before or after the commencement of this Act.

Special provision or certain sales of movable property.

16. Where, in execution of any decree, any movable property of an agriculturist has been sold on or after the 1st October 1937, then, notwithstanding anything contained in the proviso to sub-section (1) of section 8, any judgment-debtor may apply to the court for an order that the provisions of section 8, 9 and 10 be applied to the decree, and the court, shall, if satisfied that the applicant is an agriculturist entitled to the benefits of those sections, apply the same and order the decree-holder to refund any sum received by him on or after the 1st October 1937 in excess of the amount to which he would have been entitled if the property had not been sold:

Provided that no such order shall be made without notice to the decree-holder and without affording him an opportunity to be heard in the matter.

Sales of immovable property, to be set aside in certain cases.

Act IX of 1908. Act V of 1908.

17. Where an execution of any decree any immovable property, in which an agriculturist had an interest, has been sold on or after the 1st October 1937, then, notwithstanding anything contained in the Indian Limitation Act, 1908, or in the Code of Civil Procedure, 1908, and notwithstanding that the scale has been confirmed, any judgment-debtor, claiming to be an agriculturist entitled to the benefits of this Act, may apply to the court within 90 days of the commencement of this Act to set aside the sale of the property, and the court shall, if satisfied that the applicant is an agriculturist entitled to the benefits of this Act, order the sale to be set aside:

Provided that no such order shall be made without notice to the decree-holder, the auction purchaser, and other persons interested in such sale and without affording them an opportunity to be heard in the matter.

Consequential provisions on setting aside of sale.

18. Where a sale is set aside under the preceding section, a purchaser who is himself not the executing decree-holder shall be entitled to an order for repayment of his purchase money against the person to whom it has been paid :

Provided that no poundage shall be payable in respect of any such sale and provided further that where poundage has been collected the court shall direct the same to be refunded.

Alienations by debtor.

Act V of 1908.

19. All alienations of immovable property made by an agriculturist debtor on or after the 1st October 1937 shall be invalid as against every creditor whose sale in execution has been set aside under section 17 or who became entitled to reteable distribution of the proceeds of such sale under section 73 of the Code of Civil Procedure, 1908.

District Collector to furnish information as to certain facts.

Act II of 1924.

20. Any creditor may apply to the Collector of the district in which the creditor believes his debtor to have been or to be assessed to income-tax in terms of proviso (A) to section 3 (ii) or to profession, property or house tax under the Cantonments Act, 1924, in terms of provisos (B) and (C) to that section, for information as to the above facts and the Collector shall thereupon ascertain such information and grant to such creditor a memorandum in the prescribed from as to whether the debtor has been so assessed to income-tax or to profession, property or house tax. Such memorandum shall be received in every court as evidence of the facts stated therein.

Executive authorities of local bodies to furnish information as to certain facts.

21. Any creditor may apply to the executive authority of a municipality, the president of a local board or the Revenue Officer of the Corporation of Madras for information as to whether his debtor was or is assessed to profession, property or house tax in terms of provisos (B) and (C) to section 3 (ii), and the executive authority, president or Revenue Officer shall thereupon grant to such creditor a certificate in the prescribed form as to whether the debtor named in the application has been so assessed to profession, property or house tax. Such certificate shall be received in every court as evidence of the facts stated therein.

Power to make rules.

22. (1) The Provincial Government may make rules for carrying into effect the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, the Provincial Government may make rules—

(*a*) in regard to any matter which is required to be prescribed by this Act;

(*b*) prescribing the form of, and the fees to be paid in respect of, applications under this Act; and

(*c*) for removing any difficulty in giving effect to the provisions of this Act.

(3) All rules made under this section shall be published in the Official Gazette and upon such publication shall have effect as if enacted in this Act.

STATEMENT OF OBJECTS AND REASONS.

The object of the Bill is to rehabilitate agriculture which is the basic industry of this Province. Directly or indirectly, the prosperity of all sections of the people is dependent upon the economic well-being of the agriculturist. His present deplorable plight is will-known. While, on the one hand, his income has diminished, on the other, the interest upon his debt has been steadily accumulating, often at an unconscionable rate. The predominent feature of the distress is due to the burden of debt. It is the duty of any modern Government which is alive to its responsibilities to the people to relieve the producers of the people's food from such an intolerable burden. It would not be right for the State to permit the hereditary skill of the agriculturist to pass into unemployment, allowing land to fall into the hands of people who are strangers to the calling of agriculture. Conciliation and other voluntary methods have failed and the adoption of the principle of compulsion has become necessary.

The Bill provides that payment of the outstanding principal should discharge the debt. Interest will run from 1st October 1937 at a rate not exceeding 6 per cent per annum. In cases where high rates of interest are charged, payment of twice the principal is to have the effect of completely discharging the debtor from further liability. As far as possible, persons following occupations other than agriculture have been excluded from the benefit of the Bill. Dues to Government and local bodies and to co-operative and certain joint-stock banks have also been excluded from its scope. Every endeavour has been made in drafting the Bill to simplify the issues and make them easy of decision, thus minimising litigation.

The Bill also provides for the relief of tenants from the burden of old arrears of rent without encouraging default in the payment of current dues.

Numerous complaints have been received that owing to the expectation of legislation on these lines, creditors have had récourse to coercive processes causing great distress among agriculturists, and it is therefore proposed to give the benefit of the measure to debtors proceeded against since 1st October 1937.

(By order of His Excellency the Governor).

P. APPU NAIR.
Secretary to Government, Legal Department.

News and Notes.

Mr T. L. R. Chandran, I.C.S., who was undergoing training in co-operation during the last seven or eight months, has been posted to Salem as Special Development Officer. He will carry out the rural reconstruction programme of the Government. In particular he will organise thrift societies and encourage members to deposit their savings with the societies.

* * *

Mr. Chandran's co-operative play in Tamil, " Sadhyama " was enacted at the Victoria Public Hall, Madras, on Saturday the 27th November 1937 by Mr. Pattabhiraman's party of amateur actors. Some co-operative officials also joined them. The performance was a success financially and a greater success artistically.

* * *

Among those who took a prominent part in the last Provincial Co-operative Conference were Mr. Nanavathy, Deputy Governor of the Reserve Bank of India and Rao Bahadur M. Giriappa Avergal, Joint Registrar of Co-operative Societies, Madras. We regret that by inadvertance their names were not included in Appendix B of the November issue of our Journal.

* * *

The Hospet Co-operative Central Bank should be congratulated on having been able to reduce during the last co-operative year its overdues under principal from Rs. 7.49 lakhs to Rs. 5.58 lakhs, that is, by nearly Rs. 2 lakhs, including the dues from liquidated societies. There was also a considerable reduction under overdue interest. The examination of loans in connection with the rectification programme showed that out of Rs. 8.07 lakhs due by 133 societies examined (out of 196) Rs. 5.99 lakhs was well secured, that the estimated amount of bad debts was 1.35 lakhs and of this about Rs. 63,000 would affect the Central Bank. The total bad debts from all liquidated and living societies are estimated at about Rs. 2 lakhs, against which the Bank has Rs. 1.2 lakhs in ordinary and bad debts reserves. It proposes to increase the latter by Rs. 10,000 every year until the whole bad debts amount is covered.

* * *

The annual conference of Primary Land Mortgage Banks took place this year on the 27th November. It was opened by the Hon'ble Mr. V. V. Giri. Mr. T. A. Ramalingam Chettiar, as President of the Central Land Mortgage Bank, welcomed the Minister and the delegates in an informing speech, in which he dealt with the main problems facing land mortgage credit. The conference adopted several important resolutions. For want of space in this number we are obliged to keep over the speeches of Messrs. Chettiar and Giri and the resolutions of the conference for the next number.

* * *

At a conference of co-operative ware-house officers of South Arcot district held at Cuddalore on the 9th November last, at which the Deputy Registrar of Co-operative Societies and the Assistant Director of Agriculture were present, it was resolved to construct a godown at Sivanandapuram and open a central store to supply provisions to other stores in the district and to stock produce.

* * *

Speaking of the achievements of co-operative credit in our country, Mr. T. Austin, I.C.S., Registrar of Co-operative Societies, Madras, observed recently at the Central Co-operative Institute that it had reduced the rates of interest charged not only by sowcars but by joint stock banks and the Imperial Bank itself. Perhaps that explains why the Reserve Bank wants the rate of co-operative interest, specially of land mortgage banks, to be put up. Its suggestion has of course come in the shape of scientific advice.

* * *

On the 11th November last a public meeting was held at Rasipuram under the presidentship of Mr. R. V. Krishnamurthi Aiyar, at which resolutions were passed placing on record the services of the late Mr. Adinarayana Chettiar in the Rasipuram area and offering condolences to the members of his family. The meeting was attended by the Deputy Registrar of the district and the local officials and non-officials.

* * *

The late Mr. Ramsay MacDonald, as was to be expected of a Labour leader of his eminence, was an ardent co-operator and did excellent propaganda for the co-operative movement on several occasions. When in 1923 the then Prince of Wales paid what was the first royal visit to the C.W.S. premises, Mr. Ramsay MacDonald, who was the Prime Minister, proposed the toast of "The Co-operative Movement". He was however opposed to the formation of a separate Co-operative Party in the Parliament.

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The Secretary of the Tiruvadi Co-operative Credit Society draws our attention to the fact that it is not all unlimited liability societies that are exempt from the levy of audit fees but only ***agricultural*** societies of unlimited liability that are so exemped. His society, though having unlimited liability, is not exempted and has been protesting vainly year after year against the impost. We do not see any reason why non-agricultural societies with unlimited liability should not be exempted. It is as necessary for them to build up the reserve fund as a safeguard against the enforcement of unlimited liability, as it is for agricultural societies. There is no point in distinguishing the agricultural from the

non-agricultural societies where both of them have accepted unlimited liability.

* * *

Presiding over the Silver Jubilee celebrations of the Karur Town Bank, Mr. T. A. Ramalingam Chettiar congratulated the Bank on its steady progress and advised it to make arrangements for lending on the pledge of jewels and agricultural produce, to promote thrift among its members by a system of instalment shares or provident fund contributions, to examine the needs of poor artisans and to give loans to poor women for buying cows and eking out a livelihood by sale of milk. The occasion was marked by the Bank issuing five-year thrift certificates on the model of the Post Office Cash Certificates.

* * *

The Modaiyur Stone Image Makers' Co-operative Society, Polur Taluk, North Arcot District, of which Rao Sahib M. S. Seshachelam Aiyar is president, makes and supplies to the public images of gods and national leaders like Mahatma Gandhi, Jawaharlal Nehru and Rajagopalachariar. Their sizes vary from 2 to 8 inches in height and the prices from Rs. 0-3-0 to Rs. 1-0-0 in the case of soft stone images and Rs. 0-8-0 ot 3-0-0 in the case of green stone images. The society will be grateful for orders from members of co-operative societies and of the public.

* * *

The deposits of individuals and institutions, not including Local Boards and Government contractors, with the Malabar District Co-operative Bank increased in 1936-37 by over a lakh of rupees compared with the previous year; and the loans issued by the Bank to societies and individuals also increased by about a lakh of rupees from Rs. 74,462 to Rs. 1,71,247-0-0. This was partly due to the working of the Malabar District Co-operative Produce Sale Society which was financed by the District Bank. A very large proportion of the reserve fund of societies has not yet been invested by them with the District Bank. The overdues under principal fell from 86.11 per cent to 76.96 per cent; but under interest the arrears remained about the same as in the previous year, *viz.*, 42 per cent. The bad debts reserve at the end of the year was Rs.57,000.

* * *

Even after setting apart Rs. 15,000 towards the bad debts reserve, the Madura-Ramnad Central Co-operative Bank earned a net profit of Rs. 39,683-0-0 in 1936-37. This was due to good collection of interest, there being no balance in most of the unions. The Palni Union won the shield for the second time in succession for showing the best collection both under principal and interest, the uncollected arrears being only 8 per cent under principal and nil under interest. There was also a very welcome improvement in the collection of interest from the Cardamon Banks. The working capital of the Bank on the last day of the year under report was Rs. 24 lakhs, its reserve fund Rs. 1,85,688 and its bad debts reserve Rs. 1,10,667.

The net profit of the Konaseema Central Bank of Amalapuram, East Godavari, in 1936-37 was Rs. 12,523-5-0, which was only about a half of what it was in the previous year. This reduction was due to the rates of interest on outstandings, including overdues, being substantially reduced. Far from regretting this fall in the net profit, the report of the Bank expresses genuine satisfaction at it. Collections of dues from societies under liquidation and from those under mana,.ers were not satisfactory. Very little was the income derived from the lands and buildings in its possession valued at about Rs. 6,400. In the current year the Bank proposes to issue special loans to loan and sale societies, to bring into operation the Trustee Bank scheme of the Joint Registrar and the Debt Conciliation scheme of the Government. The Bank held deposits amounting to Rs. 10 lakhs and had a bad debts reserve of nearly Rs. 50,000.

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The Bombay Provincial Co-operative Bank, which completed 25 years of its working on the 11th October 1936, decided not to incur any expenditure on a formal observance of its Silver Jubilee, on account of the unfavourable seasonal conditions prevailing in several parts of the Presidency, but to mark the occasion by declaring a special additional dividend of 1 per cent to its members, a special additional bonus to the members of its staff and a special rebate to its borrowers. It is to be hoped that its example will be followed by other co-operative institutions. The profits of the Bank were lower in 1936-37 than in previous years on account of the lowering of the rates of interest on its lendings and investments. It has invested about Rs. 69,000 in the debentures of our Central Land Mortgage Bank.

Registrar's Circulars.

No. A. 951/37.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES.
Madras, dated 25th November, '37.

M. R. Ry. T. AUSTIN ESQUIRE I.C.S.,
Registrar.

CIRCULAR.

Sub:—Reserve Bank of india—Agricultural Credit Department—Report—Recommendations relating to the Co-operative Department.

In paragraph 39 of their report submitted to the Government of India, the Reserve Bank has observed that it is essential that the Co-operative movement should be brought into closer contract with commercial banking and that local banking and business talent should, where possible, be utilised to a greater extent than at present. In the model bylaws of Central Banks (bylaw No. 12) there is a provision for the co-operation of one or more persons of experience in co-operation or banking on the Boards of management of Central Banks. A perusal of the bylaws of the various Central Banks, however, shows that several of them do not have this provision. The Registrar desires to recommend the Reserve Bank's proposal to all Central Banks and suggests that they amend their bylaws making provision for such co-operation so that local banking and business talent may be utilised where possible.

II

No. A. 8677/37 *Madras, 25th November* 1937.

M. R. Ry. RAO BAHADUR M. GIRIAPPA AVL., B.A.
Joint Registrar.

Sub:—Audit—Central Banks & primary societies—classification of loans in the Balance Sheet.

In the Balance Sheet of Central Banks, the loans due by individuals, primary societies, liquidated societies and other Central Banks are at present classified as (1) considered good and (2) doubtful. The Registrar considers that it would be better to classify the loans separately under Loans (1) considered good (2) doubtful and (3) bad. All Deputy Registrars are requested to adopt this classification in the audit of Central Banks for 1937—38 and succeeding years. Necessary additions may be made in manuscript in the audit report forms.

2. Similar classification should be made in the balance sheets of primary societies also.

III

No. D. Dis. F. Pdl. 2/37. *Madras 27th November 1937.*

REVIEW.

Sub:—Liquidation—Progress report of collections in liquidated societies—September 1937—Review.

The registration of 19 societies was cancelled during the month and the affairs of 17 were finally closed leaving a balance of 1432 societies at the end of the month. The affairs of many more societies should have been closed.

2. The assets pending collection at the beginning of the month amounted to Rs. 70,15,730 and Rs. 1,47,077 accrued during the month. Of these Rs. 24,954 were collected in cash and Rs. 26,019 by adjustment, and a sum of Rs. 74,788 was written off during the month. The corresponding figures for the previous month were Rs. 35,987, 39,778 and 52,778 respectively. The assets to be collected and liabilities to be discharged at the end of the month amounted to Rs. 70,37,046 and Rs. 49,53,892 respectively.

Copy of G. O. No. Ms. 2525 Development, dated 13—11—1937.

ABSTRACT.

Veterinary—Institutions—Levy of fees—Breeding bulls—maintained by Co-operative societies—exempted.

Order.

The Government exempt breeding bulls maintained by Co-operative societies from payment of fees for treatment at Government Veterinary Institutions.

(By Order of His Excellency the Governor)

C. J. Paul,
Secretary to Government.
