104

THE
INDIAN CO-OPERATIVE REVIEW

VOL. III | JULY—SEPTEMBER, 1937 | No. 3

CONTENTS

CONTENTS (*Contd.*)

THE INDIAN CO-OPERATIVE REVIEW

VOL. III. JULY—SEPTEMBER, 1937 No. 3

EDITORIAL NOTES

THE MADRAS AGRICULTURISTS' MORATORIUM BILL

The Madras Government is the first among the autonomous Provincial Governments, set up under the provisions of the Government of India Act, 1935, to publish a moratorium bill. Some of the Congress Ministries, like that in Bombay, have decided not to have recourse to any moratorium, while the intentions of the Ministries in other Provinces are not yet known. The Madras Agriculturists' Moratorium Bill, more fully described as "a bill to provide for the temporary relief to indebted agriculturists in the Province of Madras" was published in the *Fort St. George Gazette* dated 23rd September, 1937. The object of the bill is to give temporary relief to indebted agriculturists in the Province pending the formulation of comprehensive measures for dealing with the problem of indebtedness. It is provided in the bill that it will remain in force only for one year; but power has been taken to extend it for another year if need arises. The intention of the bill is to give relief to agriculturists who have a saleable right in agricultural land situated in the Province and who derive not less than three-fourth of their annual income from such land. The relief will be confined to agriculturists, whose liabilities under the heads of land revenue, rents and taxes and cesses payable to local authorities do not exceed Rs. 400 per annum. The bill will not apply to certain class of debts, e.g., revenue due to Government, income-tax, loans granted by Government and loans granted by co-operative societies and land mortgage banks and joint stock banks. No relief is given in respect of rent payable after 30th June, 1935. During the pendency of the Moratorium Act, i.e., after the bill becomes law, no suit or proceedings can be instituted against agriculturists, to whom the Act applies, and all pending suits and proceedings against them will be stayed.

The bill provoked considerable opposition and the Government consequently did not proceed with the measure immediately, as they originally intended to do. It is said that the Government will reintroduce at an early date the bill in a modified form. There is a large volume of opinion in favour of the view that moratorium, if it is considered absolutely necessary, should be proclaimed with immediate effect and the Government must be ready with their permanent relief measures simultaneously. The twenty-second session of the Madras Provincial Co-operative Conference held on the 23rd and 24th October, 1937 passed a resolution to the effect that a moratorium bill should either be ancillary to or should immediately be followed by a comprehensive measure dealing with the problem of indebtedness. It is therefore expected that the interval between the two measures will be considerably cut down in the new bill.

The main purposes of a moratorium are the prevention of property changing hands and the debtors being harassed while the Government are engaged in putting through their relief measures. These objects must, as far as possible, be achieved by methods less drastic than a long spell of moratorium. While the prevention of mischief in the interval between the declaration of the moratorium and the enforcement of substantive measures is a desirable object, it cannot be denied that a moratorium has the inevitable effect of curtailing even productive and necessary credit to agriculturists whom the Government want to help. Enquiries made in this Province in regard to the effects of the publication of the moratorium bill and putting off its final consideration, disclose that several landholders and creditors have instituted numerous suits and execution proceedings against their tenants and debtors. The Government cannot be too careful in dealing with the delicately adjusted instrument of *credit* in their eagerness to solve the problem of *indebtedness*.

The Madras Moratorium Bill excludes co-operative societies, as well as joint stock banks, from its scope. While some critics urge that they should also be brought within the full scope of the bill, others hold that the decision to exclude them totally from the bill is sound. There is a real divergence of opinion in this matter. We consider that the exclusion of organised credit institutions is, generally speaking, justified. It is inadvisable to restrain co-operative banks from recovering their debts generally. Even so, we consider that at least in one matter, protection may be given, under the moratorium bill, to members of co-operative societies. There is, in our opinion, a case for staying execution sales of immovable properties of indebted members by co-operative societies in the interregnum. If such intermediate protection is not given, some unexpected results may follow. Debts due to co-operative societies have been included within the scope of the Madras Debt Conciliation Act, though the settlement to be effected finally should have the approval of the Registrar. Again, legislation to limit the amount of interest that may be recovered, which is in contemplation, will we presume apply to co-operative debts as well. If in consequence of the relief which such measures give to indebted members of co-operative societies their debts are liable to be scaled down, the sales of their lands which may take place before the benefits of such relief are given to them will result in irreparable loss to the members. So, there is no valid reason to allow co-operative societies to sell the properties of the debtors in this interval. We feel that the same consideration will apply equally to joint stock banks.

The nature and scope of the permanent measures of relief of indebtedness which are in contemplation or suggested are discussed in the articles on debt relief published in this issue.

LAND MORTGAGE BANKS AND SINKING FUNDS

Co-operative land mortgage banks are now faced with a new problem to which they have not devoted much attention hitherto. The Reserve Bank of India seem to have tendered expert advice to the Provincial Governments that co-operative land mortgage banks should be required to constitute sinking funds in order to ensure the redemption of debentures, issued by the banks, on maturity. A sinking fund for redemption of a loan is usually of the type known as the accumulating sinking fund. This seems to be the type of the fund recommended by the Reserve Bank. An accumulating sinking fund is constituted by the bank setting aside periodically from its annual collection of the loan instalments, such sums as if invested each year, together with the investment of all interest thereon as it accrues, will amount to the specific sum on the date on which such sum is required for redeeming the debentures. The amount of the sum to be so periodically invested will be determined by the interest it yields. The lower the interest yield, the larger will be the amount to be thus invested. Again, there is always the factor of possible depreciation in the market value of the securities in which the fund is invested. When such depreciation occurs, the short falls in the sinking fund, resulting from such depreciation in the value of the securities, should be periodically made good. Thus, the success of such a sinking fund will depend on factors like our ability to find a ready investment, the date of redemption, the rate of interest on such investment and possible fluctuations in the market price of both the capital value and interest thereon.

The question whether co-operative land mortgage banks, which work on very slender margins between the rate of interest which they pay to the debenture-holders and the rate at which they lend to their members, should be forced to start such sinking funds is a moot one. The idea of a sinking fund is no doubt a sound one. Sinking funds are generally associated with borrowings of municipal bodies, port trusts and other corporations generally for capital expenditure. In the case of co-operative land mortgage banks, considerations that arise in the case of such borrowings by corporations do not necessarily arise. In the banks, principal collections come in annually as part of the equated payments made by the members, which is not the case with borrowings for capital expenditure by quasi public bodies. It will be more convenient and less expensive if some other method than the constitution of a scientific sinking fund on the lines recommended by the Reserve Bank can be devised in the case of co-operative land mortgage banks. The creation of such sinking funds must inevitably result in charging higher rates to agriculturists, who borrow from land mortgage banks, than are at present charged. It is necessary to keep down the level of lending rates on long term loans as low as possible. A sinking fund operates in the opposite direction.

In the case of land mortgage banks which have already built up a large amount of business which yields sufficient revenue to meet the working expenses and other charges there may be perhaps some justification for asking them to constitute sinking funds in respect of their future debenture issues. We hope that the land mortgage banks which are just making their appearance in some Provinces will not be stifled by undue insistence on the creation of scientific sinking funds, which will be financially beyond their competence. It seems to us that the Reserve Bank is erring on the side of excessive caution. If necessary, the banks may be allowed to redeem the debentures as and when the principal collections come in. We are aware that this process will make the debentures less popular and will stand in the way of their capital appreciation in the money market. But that is a lesser evil than stifling the land mortgage banks by insistence on the creation of sinking funds and making long-term money too dear to the borrowers. The matter is one which requires careful examination.

RESERVE BANK'S BULLETIN ON CO-OPERATIVE VILLAGE BANKS

The Reserve Bank of India followed up its bulletin No. 1, which we reviewed in our last issue, by its bulletin No. 2 on co-operative village banks. While the first bulletin dealt with the working of the Banking Union at Kodinar, this bulletin deals generally with the problems connected with co-operative village banks. The central idea of the author is that village co-operative organisations succeed best only when they take within their ambit every possible aspect of the farmer's life and endeavour to help him not only in regard to supply of credit but in all

matters which combine to make farming economic. As an introduction to this theme, long extracts are given from the report of 1905 by Sir Frederick Nicholson. In fact, the term " village bank " is taken from that report. The remark that the monumental report of Sir Frederick is now little read and almost forgotten does not apply, at any rate, to Madras. Co-operators and others interested in agrarian reform in the Province of Madras still consult that report whenever they have occasion to do so. If copies of the report are not available, it will be useful if the Government publishes an abridged edition of the report with suitable notes indicating the progress of events since the publication of that report.

The author of the bulletin rightly lays emphasis on the two outstanding features of our rural economy, viz., that for the Indian farmer agriculture is not a business but it is his whole life, and that his economic welfare is closely bound up with social and religious practices. The general survey of the economic position of the farmer is on the traditional lines. Among the disabilities of the farmer special attention is drawn to the following: (1) Minute, scattered and uneconomic nature of his holding, (2) his primitive methods of cultivation and poor outturn of crop, (3) the ruinous rates of interest which he has to pay for loans, (4) the exactions and frauds committed so as to deprive him of the small return for his labour, (5) his illiteracy, ignorance and lack of organisation, (6) the strain on his resources owing to the frequent replacement of stock necessitated by high cattle mortality, and (7) absence of sanitation and medical relief and his own poor nutrition leading to wastage of human material. The effects of increasing pressure on land by the extension of area under cultivation not keeping pace with the growth of population and the disappearance of small industries and arts and the consequent inability of the industry to absorb the increase in agricultural population are also described with a view to draw attention to the necessity of taking measures to restrict the number of people dependent on the land and to increase its productivity. The bulletin suggests the creation of a central agency to carry on research work in village conditions and be responsible for propagating and introducing measures calculated to bring about an improvement in rural conditions, supplemented by local organisations. The village co-operative bank, the village school and the village panchayat or council are singled out for special treatment among local organisations. The bulletin recognises that statutory village panchayats should be so constituted as to be capable of attending to those needs of the village, which require common action. Such needs are classed under four broad heads, viz., (1) supply of common wants of the village community, (2) supervision of public institutions, (3) improvement in the amenities of village life and (4) provision for sanitation.

But the main topic of the bulletin naturally is the village bank, its constitution, functions and possibilities. Like bulletin No. 1 this bulletin also advocates the multiple purpose societies as the best type of the village bank. The underlying notion of a village bank as described in the bulletin is that the whole of the village life is to be embraced within its activities and that every one in the village should be included within its scope. Even those who do not need or are unfit to receive credit have a place in the scheme of the village bank, for every man in society has a problem and the bank can by comprehensive action make considerable contribution to its solution. It is pointed out that members not requiring or getting no credit can get other advantages, such as cheap purchase, moral support in the cutting down of religious and social expenditure, training in business and co-operative education.

No one denies the advantages of multiple purpose society where it can be successfully organised and worked. As pointed out by the All-India Co-operative Conference held at Bangalore in July last, it is desirable to form such societies wherever local conditions permit it. The idea of a multiple purpose society of the type described in this bulletin and of a banking union described in bulletin No. 1 is familiar to co-operators in all Provinces. These have been tried in various places. The Punjab, for instance, is very familiar with the banking union. In Madras, the multiple purpose society as well as banking union were tried, though it must be said that they did not prove a success in this Province whatever the causes may be. It will be a useful field of research for the author of the bulletin to investigate into those causes. A fresh attempt may usefully be made to restart multiple purpose societies in select areas, taking advantage of the very useful suggestions made in this bulletin as to the method of organising and conducting them. The author of the bulletin rightly points out that such a multiple purpose society cannot be brought into existence by mere mechanical methods or departmental fiat and that it is a human institution which must grow out of a felt want. It is further pointed out that a new type of leadership is required among those who are to work such a bank and they must have insight into the problem and enthusiasm for effecting reform and they must also be trained and guided continuously. It is worthwhile making an experiment in selecting a suitable area and concentrating on it where the conditions prescribed by the bulletin are forthcoming.

In this connection we have to draw the attention of co-operators to the limitations of a co-operative bank. It is a voluntary organisation in which the services are utilised and paid for at the option of the members and possessing no powers of compulsion which local bodies constituted under statute possess. With regard to schemes of co-operators to combine the municipal and co-operative services in one body to retain all the freedom and elasticity of voluntary associations and at the same time enjoy the advantages of universality of membership and compulsory powers, Mr. and Mrs. Webb say in their " Consumers' Co-operative Movement " that " this vagueness of thought with its mutually inconsistent aspirations is an intellectual weakness from which co-operators would do well to free themselves. Neither universality of membership nor legally compulsory powers can ever be the attribute of voluntary associations." Some of the functions assigned to a village co-operative bank in the bulletin can, in our opinion, be better discharged by a statutory village panchayat and certain other organisations whose activities may however be co-ordinated.

The suggestions made in the bulletin for enlarging the scope of the co-operative village credit societies and making them effective instruments for financing not only the production and marketing of agricultural produce but also for processing of crops, organisation of village industries and for developing the countryside are very valuable and if pursued will make the village co-operative banks far more useful than they are at present. The need for the society to be in constant touch with the villager is now supreme. In most areas members resort to the societies mainly to borrow if they can and to repay if they must; that is hardly the function of a society. We have no doubt that the advice tendered in the bulletin for reviving the primary credit society and infusing new life into it by extending its activities into new spheres will be appreciated and followed by co-operators all over India. We commend a careful study of the bulletin to all co-operators. This and the bulletins to follow, we are sure, will be of great use to all those who are engaged in the reorganisation of village life and the countryside.

THE FOURTH ALL-INDIA CO-OPERATIVE CONFERENCE

We publish in this issue the proceedings of 4th joint session of the Indian Provincial Co-operative Banks' and the All-India Co-operative Institutes' Conference held at Bangalore on the 3rd and 4th July last. The Conference was held in the magnificent Town Hall, which is named after its distinguished donor Rajasabhabhushana Dewan Bahadur Sir K. P. Puttanna Chetty, Kt., C.I.E., LL.D., the Chairman of the Reception Committee, who welcomed the delegates to the Conference. Besides non-official and official co-operators from various provinces and States, Sir Mirza Ismail, the Dewan, the executive councillors, the heads of Departments of the Mysore Government and a large number of citizens of Bangalore attended the opening session. Messages from His Excellency the Viceroy and His Highness the Maharaja of Mysore were read and greatly appreciated by the co-operators assembled. Sir Puttanna Chetty in his welcome address referred to the Movement of "Back to the Land" and said that rural life should be made attractive and worth-while not only for rural folk but also for those who would prefer to go back to the village after they have had a spell of town life. He gave prominence to the land revenue problem in the agrarian programme of the Provinces and States.

Mr. Jamshed N. R. Mehta, Chairman of the Sind Provincial Co-operative Bank, presided over the Provincial Banks' section of the Conference. He made a useful survey of the activities of the Provincial Co-operative Banks in relation to rural credit. He pleaded for a separate Act to deal with Provincial Co-operative Banks and expressed the view that so far as Provincial Banks are concerned, they should be enitrely free from Government control except for purposes of audit. His reason was mainly political. He warned co-operators against the possible danger of the resources commanded by Provincial Banks becoming instruments in the hands of ministers or any political group or party to be used by the Co-operative Department, which has widespread wings of influence and power. He advocated a radical change in the constitution and functions of Provincial Banks by the introduction into their Boards of Management bankers and financiers as well as investors and by entrusting them with functions other than credit to help all-round development of rural life and the countryside.

The Hon'ble Mr. V. Ramadas Pantulu, who presided over the Institutes' Section of the Conference, like Mr. Mehta, dealt at some length with the preliminary Report of the Agricultural Credit Department of the Reserve Bank of India issued under Section 55 (A) of the Reserve Bank of India Act, and expressed disappointment at the attitude taken by the Reserve Bank in connection with the co-operative credit movement in general. He devoted a greater portion of his address to the enunciation of the fundamental problems of the rural masses and the limitations of the Co-operative Movement to solve them. He put in an earnest plea for the pursuit of an enlightened agrarian policy by the Government of Provinces and States. He gave considerable prominence to the reform of land revenue system. Among other measures of rural economic relief, he referred to the following: (1) Relieving pressure on land, by promoting schemes for reclamation of fresh land; (2) removing some of the existing impediments to efficient production, such as excessive fragmentation and sub-division of holdings; (3) development of minor irrigation works, in order to increase the area under crop and its yield; (4) fiscal assistance to agriculture by a system of tariffs and subsidies, according to the needs and conditions of the several areas; (5) organising the transport system of the country with due regard to the special interests of agricultural industry; (6) establishing for the benefit of the rural masses a system of sound general education with special provision for agricultural education and embodying the results of agricultural research within the practice of agriculturists; (7) revival and preservation of village crafts and home industries and protecting them from foreign competition; (8) provision of power and other assistance to rural industries subsidiary to agriculture; and (9) ensuring to the peasant fair treatment in the determination and recovery of debts, by the modification of processual and contractual laws, so as to protect him from the more serious consequence of indebtedness, such as the loss of land or the permanent impairment of his capital.

The proceedings of the Conference were lively. Considerable attention was paid to a detailed examination of the report of the Agricultural Credit Department of the Reserve Bank; and a large number of resolutions were passed expressing the opinion of the Conference thereon. Mr. Ambegaokar, the officer in charge of the Agricultural Credit Department of the Reserve Bank, took part in the deliberations and explained the position of the Reserve Bank in relation to the several matters discussed at the Conference. The subject of rural reconstruction also engaged the serious attention of the Conference. Mr. F. B. Wace, I.C.S., Registrar of Co-operative Societies, the Punjab, participated in the discussion on the subject and gave helpful suggestions.

The Government of Mysore gave all facilities to the organisers of the Conference to make it a success and made the stay of the delegates in Bangalore enjoyable. Opportunities were also afforded to the delegates to visit important societies and places of interest in the State. The thanks of the All-India Associations are due in a special measure to Sir Mirza Ismail, the distinguished Dewan of Mysore, who evinced throughout a keen interest in the deliberations of the Conference.

INDIAN DELEGATES AT THE INTERNATIONAL CO-OPERATIVE CONGRESS

Prof. K. C. Ramakrishnan of the University of Madras and Rai Ratan A. G. Sherlekar of the Premier Co-operative Bank of Indore, who were elected by the All-India Co-operative Institutes' Association as delegates to the fifteenth session of the International Co-operative Congress held in Paris in the first week of September last, we are glad to find, ably placed before the Congress the Indian view point. We hope to be able to publish in our next issue the proceedings of the Congress and a full report of the addresses delivered by the Indian delegates. They gave a press interview in London about their impressions of the Congress. To the Indian delegates' mind, the International Congress, as at present constituted, does not reflect the view point of the agricultural producers' co-operation and the representatives of countries like Holland, Denmark and India have little useful function to discharge at the Conference. In fact, the Congress does not touch their peculiar problems. This domination of the British Co-operative Consumers' point of view has naturally led the Congress to advocate free marketing and the removal of all barriers against free international trade. This can be easily understood. The British Consumer wants the supply of goods for his consumption on the basis of free trade between countries. Prof. Ramakrishnan urged briefly but forcibly on the Congress the case for discriminating protection to young industries in India, State support for essential rural industries and other methods for helping agricultural producers, and pointed out the unsuitability of the old free trade ideology which had definitely gone so far as India was concerned. Mr. Sherlekar is reported to have supported his co-delegate. But the Congress could not agree with them and passed by solid vote the report of the Central Committee of the International Co-operative Alliance on inter-trade relations, which was opposed to protection in any form and recommended that an end should be put to all restrictions on international trade.

The Indian delegates made a constructive suggestion in regard to the future of the International Co-operative Congress. They urged that there must be some link between the consumers' societies and the agricultural producers through the recently-organised International Wholesale Society and that that organisation should comprise within its scope agricultural co-operatives. They put forward an alternative suggestion that a separate agricultural section of the International Co-operative Congress or a separate International Congress should be organised to deal with problems of agricultural co-operation.

The two Indian delegates have planned an extensive and well arranged tour not only in England, Scotland and Ireland but in the important continental countries like Czechoslovakia, Yugoslavia, Denmark and Holland. The All-India Co-operative Institutes' Association deserves to be congratulated on the choice it has made, and we have no doubt that our delegates will, after their return, enriched with knowledge by study of the European Co-operative Movements, make substantial contributions to the pages of this *Review*, specially with regard to lessons which India has to learn from a study of the working of the Co-operative Movement in the several countries in Europe.

DEBT RELIEF AND THE CO-OPERATIVE MOVEMENT

BY

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

In most European countries the years immediately after the War were years of greatly increased rural borrowing. The causes were various. In some countries battles had actually been fought across the peasant's fields, his implements had been burnt, his livestock slaughtered, his very soil torn with high explosives and saturated with stagnant water. He needed capital to bring back this wilderness to cultivation. Even where no actual destruction had taken place, tools had worn out and buildings deteriorated without replacement, often because metal, building materials and labour were unobtainable. There had been a famine in artificial manures and feeding stuffs ; livestocks were few and of inferior quality.

Sometimes the peasant had none the less made money, since prices were fantastically high and he had been almost compelled to farm out his land as a bad tenant will farm it out before he surrenders his tenancy. Such gains, however, were for the most part ephemeral, monetary inflation taking away what famine prices had given. On top of all this came the post-war boom, the rush of industry to make good its own share of war-time devastation and retardation and the consequent demand for foodstuffs which rashly assumed to be permanent, was an irresistible temptation to the peasant to borrow and to the most (as well as to the least) reputable financial agencies to lend. Finally over wide areas of Europe a land reform had been put through which transferred thousands of acres from landlords to peasants and substituted for the old grain growing based on landlords' or bankers' capital, small scale intensive cultivation based on capital which was yet to seek but which neither landlord nor commercial bank were likely to supply.

As a result, there was an enormous extension of co-operative credit, straining the Raiffeisen structure and technique to breaking point and calling, in many countries, for state aid, which the best co-operators received with silent misgivings. In addition there was in many countries, and especially in the relatively undeveloped East of Europe, a very large unrecorded volume of borrowing from private, probably usurious sources. The position might have righted itself if the boom had not been so pitifully short and if the competition of the overseas countries, better capitalised, uninjured by the war, unhampered by lack of space and the complex charges on agricultural production in Europe had not been so formidable and persistent.

As the slump developed, the position of the borrowers became acute. Not only had prices fallen, frontiers had closed, or virtually closed, and most agricultural producers are exporters or at least depend on the export market for their cash income. They might (and did) restrict their present expenditure on feed and fertilisers and so not only save outlay but gradually reduce output and the piling up of unwanted goods on the market. They might (and did) abandon, at least partially, the costly industrial crop and turn to the growing food for themselves. Such things are possible within limits, and generally at a sacrifice of peasant standards of living. But they do not solve the problem of the annual service and amortisation of debts.

In fact of course, the peasant largely ceased either to pay interest or to repay the principal of his borrowings. Sometimes farms were sold up, even by co-operative societies, where there was reason to believe that default was voluntary and not wholly justified by circumstances. Wholesale foreclosure was obviously out of the question. It would have been cruel to the point of injustice; it would have been politically dangerous and it would have produced next to nothing for the lenders.

To end this impasse, to adjust indebtedness to the new level of prices, to give hope to the borrower and some measure of security to the lender, the governments of a number of countries introduced debt relief measures. A common expedient was to convert by legislation the great majority of short term debts into long term loans without interest, but with a scheme of progressive amortisation amounting to no more than one per cent in the first year but rising later to 12% or more. This was the Yugoslavian system, and from the debtors' point of view it had much to commend in it. Moreover, in regions such as South Serbia, where co-operative banking is a new development and peasants, in a relatively primitive state of economy, had fallen into the hands of usurers and usurious traders, it was generally felt that if the lender were inconvenienced, he had only himself to thank. In the North and West, however, which has for many years carried on a commercial economy, largely on co-operative lines, and necessarily based on cheap, short-term advances and prompt repayments, debt relief measures have had a much more doubtful reception from those who have the peasants' welfare at heart. However agreeable to the individual, they promised to be damaging to the institutions he had so carefully built up and on which his return to something like normal prosperity must depend. The position of the co-operative society has been made yet more difficult by the fact that a proportion of deposits were in any case invested in co-operative, municipal and other undertakings, and though probably safe, were certainly not liquid, and that in the early days of the slump there was a widespread demand for withdrawals. Under these circumstances it was for many years almost impossible to make new loans, as few deposits came in and these were all at call, while it was recognised that new loans would be long term in fact, even if not in name.

In Bulgaria, where co-operation is more centralised than in Yugoslavia, the state controlled Agricultural Bank (with which the Co-operative Bank was amalgamated in 1934) is the principal credit giving institution, working through a large number of local co-operative credit banks most of which receive, in normal times, deposits up to three-quarters of the value of their loans. In the last few years much farmers' credit in Bulgaria, as elsewhere, has been virtually frozen. The Government has intervened to take over up to 80% of the farmers' debts (the proportion graduated according to the sum involved) substituting amortisation over ten years. This is much the same expedient as that adopted in Yugoslavia, but in Bulgaria the debt has been transferred from the Agricultural Bank to the State, leaving the Bank with funds relatively liquid and the power to make fresh advances.

In Western Europe the crisis has rarely been so acute. In France, it is true, a decree was passed prolonging in certain cases the period during which agricultural debts might be repaid, a move which was received with mixed feelings by the long-established and very efficient agricultural credit movement. It was followed, however, by a second decree providing a special state fund for the amortisation of such extended debts, and the co-operative movement has escaped serious inconvenience.

In Denmark, a country whose agricultural economy depends directly on the prosperity of the English industrial market, the slump made itself felt early, and already in 1933 the state had intervened to suspend for two years all payments due by farmers to credit institutions, a state guarantee being given for ultimate repayment, and to reduce the rate of interest for such loans from 4% and 5% to 3½%. The credit institutions principally affected were not co-operative, but were non-profit-making mortgage corporations. The principal investors were the local savings banks, which in turn are based on farmers' deposits, so that permanent benefit of the relief to the farmer was mainly illusory, though it was probably successful in enabling him to turn an awkward corner.

In most European countries the worst of the agricultural depression is past and debt relief is less urgent than it was. No general attempt has been made to estimate the effects which such measures as have been taken have had, either on the individual peasant or on his co-operative organisations. That the co-operative banks in certain countries will remember their alarming experiences of frozen credits and in future pay more attention to the liquidity of their deposits, seems obvious and salutary. The intervention of the state has been universally unwelcome, even when it has been recognised as inevitable. One form of it, which has not yet been mentioned, seems at first sight to have no connection with debt relief. There is little doubt, however, that the two are associated. Since the state has become an investor in agriculture on a grand scale, either by lending to or guaranteeing the debts of co-operative societies, or through direct assumption of peasant liabilities, the prosperity of the peasant has become of something more than political or even fiscal importance. The state is in the position of the banker who has lent large sums to an insecure business. If the sums are too large to lose, he will virtually run the business himself. So the state in many European countries has stepped in to run agriculture, at least in its cash-producing, commercial aspects. The wheat controls, dairy boards, import and export monopolies of Europe, have at least one root and probably their longest and strongest, in the responsibility that the state has assumed for the debts of the peasant. Whether state trading, unlike the commercial control of the banker, will be prolonged after solvency has been recovered, remains to be seen.

MEASURES ADOPTED FOR RELIEF OF INDEBTED AGRICULTURISTS IN THE MADRAS PRESIDENCY

BY

THE HON'BLE V. RAMADAS PANTULU,

President, All-India Co-operative Institutes' Association

In the Province of Madras, there is no general Act, which can be described as an Agriculturists' Relief Act. Nor is there any Act to restrict the alienation of land by the agriculturists. It is not known whether the present Congress Ministry contemplates any measure to restrict alienation of agricultural land. Generally speaking, there is not much evidence of any demand for prevention of land alienation.

Relief against usury which debtors, including agricultural debtors, are able to get is only through Courts under the two important All-India Acts, the Indian Contract Act (IX of 1872) and the Usurious Loans Act (X of 1918). The Civil Courts are vested under these Acts with powers to relieve debtors against excessive rates of interest and other penal conditions embodied in contracts between them and their creditors. It was pointed out by the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee that there was considerable degree of disparity in the extent to which these provisions were applied in various Courts. There is a general feeling that they are not so applied as to give adequate relief to the debtors. But it will be an exaggeration to say, as it is said in some quarters, that these Acts remain a dead letter on the statute book. Numerous debtors get substantial relief from the courts under the general powers vested in them by these Acts. The Madras Provincial Banking Enquiry Committee pointed out that investigation into the working of these Acts in the Province of Madras disclosed that many judges, in practice, made it a point not to allow interest above a certain rate, and further pointed out that that practice had one beneficial effect, namely, that the plaintiffs or their pleaders on their own motion cut down the interest claimed in the suits, to what they thought might be reasonable in the eyes of the court, when they knew that the particular judge presiding over the court would not allow interest above a certain rate per cent. This has sometimes resulted in the powers given to courts being a check on interest rates without the application of the Acts themselves.

The other All-India Act which is intended to give relief to debtors outside the Presidency Town is the Provincial Insolvency Act (V of

1920). It was pointed out by the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee that this Act was unsuitable for application to agriculturists and other small debtors in the villages. The Act is condemned both by debtors and creditors. The enormous delay involved in the various stages from adjudication to discharge denied to the debtors and creditors the relief they looked for. The machinery is also far too expensive. There is a general demand to so modify and simplify the Act as to ensure expeditious and inexpensive procedure in the disposal of insolvency petitions and quick collection of assets and distribution to the creditors. But so far as agriculturists are concerned, a mere amendment of the existing law will not serve the purpose. The Royal Commission on Agriculture, the Indian Central Banking Enquiry Committee and the Civil Justice Committee have all recommended that a simple rural insolvency law should be enacted to give summary relief to honest agriculturist debtors who are willing to place all their assets at the disposal of the liquidator to be administered for the benefit of the creditors. Nothing has been done so far to give effect to these well considered and weighty recommendations. Even Congress Ministries in various provinces have not so far disclosed their intention to enact such a measure. It may perhaps come as part of a comprehensive Debt Relief Act. When a rural insolvency Act is enacted, it will be necessary to save for the debtor his homestead and at least a small portion of his holding to enable him and his family to have bare subsistence. To that extent no doubt assets which are now legally liable to satisfy the claims of the creditors, may be withdrawn. But in the interests of rural economy it will be necessary to take this step. The property so saved for the debtor must necessarily be saved from subsequent voluntary and involuntary alienation; otherwise no useful purpose will be served.

In the Province of Madras, there is a special Act called " The Agency Tracts Interest and Land Transfer Act (I of 1917) ", which applies to agency tracts of the Ganjam (old), Vizagapatam and Godavari Districts. There is a provision in this Act that no loan to a member of the hill tribe shall bear interest at more than 24 per cent and it shall not be compound interest, and that *no decree shall be given for an amount of interest in excess of the principal amount.* It is said that not much advantage is taken of the provisions of this Act by persons who are intended to be protected by it. The Act also makes the transfer of immovable property void, unless it be to another member of the hill tribe, otherwise than with the assent of the Agent to the Governor and if a transfer be made in contravention of the provisions of the Act the Agent may, on the application of any one interested, order ejectment of any person in possession claiming under the transfer. The Madras Provincial Banking Enquiry Committee state that these provisions are almost entirely neglected and the hill men generally allow their creditors to take possession without protest and that consequently land passes out of the possession of these hillmen.

Provision by way of direct financial assistance to agriculturists is contained in the Land Improvement Loans Act (XIX of 1883) and the Agriculturists' Loans Act (XII of 1884). In the year 1934-35, a sum of about Rs. 10 lakhs was advanced to agriculturists under the provisions of these Acts. Some portions of these loans are annually written off as irrecoverable. The Indian Famine Commission of 1901 and the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee examined with considerable care the working of these two Acts. The general trend of opinion is that the administration of these two Acts is far from satisfactory. The delay in the disposal of loan applications, insufficiency of loans, unfairness in realisation of joint bonds and certain amount of undue harshness in recoveries and other administrative defects, like corruption in disbursing the loans, have been pointed out by various authorities. In any case, the relief obtained by agriculturists under these Acts is negligible with reference to their needs.

Since 1932, the Government of Madras have been devoting some attention to the question of affording relief to indebted agriculturists. An Act called the "Madras Debtors' Protection Act of 1934" (VII of 1935) was one of the measures enacted by the Madras Government. The main provisions of this Act were modelled on the lines of Section 3 of the Bengal Moneylenders' Act (VII of 1933), section 8 of the Assam Act IV of 1934 and Section 3 of Central Provinces Usurious Loans Amendment Act (C. P. Act XI of 1934). Its scope, however, is very restricted, for it applies only to loans of sums less than Rs. 500 at a time in any one transaction. It deals with pawn-brokers as well, i.e. persons carrying on business of taking goods and chattels in pawn for a loan. Even in regard to such loans, its scope is further restricted by excluding from its operation advances made by persons other than those whose main business is moneylending or advances made by a landlord to his tenant and by a lessor to his lessee or advances made on negotiable instruments other than promissory notes. So that Act serves very little useful purpose in practice. Besides requiring small creditors, falling within the scope of the Act, to maintain accounts and to give receipts to debtors for payments, it contains only one substantive clause in regard to rate of interest to be charged. Section 6 (a) of the Act provides that the Court shall, until the contrary is proved, presume that the interest is excessive and the transaction as between the parties is substantially unfair, and to give relief under the Usurious Loans Act (X of 1918), where the interest exceeds in the case of secured loans 9 per cent per annum simple and in the case of unsecured loans 15 per cent per annum simple.

The next measure of importance is the Madras Co-operative Land Mortgage Banks Act (X of 1934). The establishment of the Primary Land Mortgage Banks was started in 1925 and the Madras Central Land Mortgage Bank which is now their apex bank was established in 1929. The issue of debentures is now centralised in the apex institution. These banks worked till 1934 under the Co-operative Societies Act in force. The Act of 1934 places the co-operative land mortgage banks on a statutory basis and is supplemental to the Madras Co-operative Societies Act (VI of 1932). The Central Land Mortgage Bank now finances about 95 primary land mortgage banks. Loans to the extent of about Rs. 125 lakhs have been issued. The funds required by the primary banks for this purpose are raised by the issue of debentures to the public by the Central Land Mortgage Bank and the Government of Madras have guaranteed both the principal and interest thereof. This scheme of relief has conferred substantial benefits on the indebted agriculturists of this Province. The business of these banks is capable of indefinite expansion. These banks are intended not only to help agriculturists to discharge their prior debts through long terms loans, but also to enable them to effect improvements to their lands by credit obtained on such loans. At present loans are issued for periods of 20 years and to a maximum limit of Rs. 10,000 (usually Rs. 5,000 in the case of many primary banks); and the interest charged to the ultimate borrowers is 5 per cent. Proposals are pending before the Government for the constitution of a sinking fund on scientific basis to ensure the due redemption of debentures on maturity, and it is not known whether the institution of the sinking fund will necessitate an increase in the rate of interest charged to the ultimate borrowers. It is held in responsible official quarters that the lending rate to the ultimate borrowers may have to be raised to at least six per cent, i.e., by one per cent over the present rate in order to successfully work out the scheme of sinking fund in respect of debentures to be issued in future.

A more recent measure is the Agriculturists' Loans (Madras Amendment) Act, XVI of 1935. The Agriculturists' Loans (India) Act (XII of 1884) empowers local Governments to advance loans to owners and occupiers of arable land for relief of distress, purchase of seed or cattle or any other purpose not specified in the Land Improvement Loans Act (XIX of 1883) but intimately connected with agricultural objects. The Act did not permit local Governments to grant loans to owners and occupiers of land for relief of indebtedness. In order to include this object within the scope of the Agriculturists' Loans Act, so far as it applies to the Province of Madras, the amending Act mentioned above, viz., Madras Act (XVI of 1935) has been enacted. It is a very short Act which has only one operative section. It says that in section 4 of the Agriculturists' Loans Act (XII of 1884) after the words, "relief of distress", the words, "or indebtedness" be inserted. By this simple amendment the Local Government is now enabled to lend to agriculturists money directly for the discharge of their prior debts. The Act is now being worked through special Revenue Officers. Loans are advanced for periods of 25 years and the interest charged to the debtors is 5 per cent. The maximum amount of loan advanced is Rs. 2,000. Preferential treatment is given to debtors who are able to conciliate their debts with their creditors for a sum of Rs. 2,000 so that the loan advanced by the Government may suffice to discharge the entire indebtedness of the borrower and start him afresh. So far, a sum of about Rs. 17 lakhs has been advanced to ryots under the Act. Having regard to the fact that land mortgage banks are operating now in many parts of the Province and also a Debt Conciliation Act, which will be referred to presently, has been enacted, there does not seem to be any necessity for direct lending by the Government under the provisions of Madras Act XVI of 1935, instead of dealing with such cases through an agency which can co-ordinate the activities of the land mortgage banks and the debt conciliation boards.

The next measure of agricultural relief is the Debt Conciliation Act (VI of 1936). This is based on the model of the Debt Conciliation Act of the Central Provinces and is fairly wide in its scope. Under the Act debt means all liabilities owing to a creditor in cash or kind, secured or unsecured, whether payable under a decree or order of a Civil Court or otherwise, and whether matured or not, but does not include arrears of wages, land revenue or anything recoverable as arrears of land revenue, rent as defined by the Madras Estates Land Act of 1908, or money for the recovery of which a suit is barred by limitation. But in regard to the category of debtors who come under the scope of the Act, it is restricted. Its scope is confined to relieving only agriculturists from indebtedness and not other classes of debtors. So a debtor under the Act means a person who earns his livelihood mainly by agriculture or who is an occupancy tenant or landholder whether he cultivates personally or otherwise and whose debts exceed Rs. 100. Like the Central Provinces Act, the scheme of conciliation is mainly voluntary. Debts due to co-operative societies are included within the scope of the Act, for the definition of a creditor includes a co-operative society. But a special safeguard is provided with regard to co-operative societies by a provision that where a co-operative society is the creditor, no settlement, in so far as it affects the debts owing to such society, shall be valid without the previous approval in writing of the Registrar of Co-operative Societies. So far five or six debt conciliation boards have been set up under the Act but no business was transacted by them. Neither creditors nor debtors have so far taken any advantage of the Act.

Congress Ministry and Debt Relief.—The Congress Ministry is said to contemplate the enactment of a comprehensive measure for the relief of the indebted agriculturists. The Ministry also contemplates the promulgation of a moratorium, pending the enactment of the Agriculturists' Relief Act. It is said that they intend to embark on a scheme of scaling down debts through some new agency to be set up and also undertake to discharge the claims of the creditors after such claims are determined on certain prescribed basis. It is said that the mitigated claims of the creditors will be met by the Government by the issue of bonds to the creditors bearing interest at 3 or 3½ per cent and that the obligations so incurred to the creditors will be discharged by payment in the course of 30 or 40 years by collection from the debtors, who will be charged interest at a rate which is at least one per cent over that which the bonds to the creditors bear. The nature and extent of the debts to be so dealt with is not known, nor is it possible at this stage to give any estimate of the obligations to be incurred by the Government in this manner. It may be somewhat premature to pronounce any opinion on a scheme of this kind. Having regard to the volume of indebtedness in this Province, which is estimated by a special officer appointed by the Madras Government recently at about Rs. 200 crores and also to the absence of repaying capacity among many of the debtors, a certain amount of scepticism as to the practicability and success of the scheme may be justified. If the debt to be so discharged by the Government is amortized on a 4 per cent. and 40-year basis, a sum almost equal to the entire amount of Land Revenue of the Province may have to be collected, that is about Rs. 6 or 7 crores annually, from agriculturists, in addition to Land Revenue.

Some investigations were made by the Madras Provincial Co-operative Bank and the Madras Central Land Mortgage Bank to ascertain whether any and if so what proportion of the members of rural credit societies might be brought within the operation of the land mortgage banks. In this connection intensive surveys were made in select areas, particularly in the Tanjore and East Godavari Districts. These investigations disclosed that a very insignificant fraction of the indebted agriculturists would be eligible for credit in the land mortgage banks on their present standards of assessing creditworthiness and repaying capacity of the borrowers. If these results give any indication of the extent of the

debts which may be brought within the Government's scheme, then the volume of it which can be discharged by the Government on the basis of eligibility of the borrowers for credit and the prospect of the Government collecting the debt from them seems to be very very limited indeed

So, in the case of a large number of such indebted agriculturists, whose assets are insufficient to meet their liabilities, or those who do not possess the necessary repaying capacity, the Government will have to adopt some other scheme.

In this connection, I may be permitted to point out that the reluctance of the Madras Government to extend the guarantee so far given for the debentures of the land mortgage banks mainly arises from the apprehension that any such indefinite extension of guarantee may affect the credit of the Provincial Government when they go to the money market to raise loans. It is difficult to reconcile this apprehension with the proposal to pledge their credit and to mortgage the revenues of the Province to a very large extent to the creditors whom they wish to satisfy directly by the issue of bonds. The expediency or the necessity for the Government directly discharging rural debts in the manner proposed instead of doing it through the existing agency of land mortgage banks, working in collaboration with the debt conciliation boards, seem to me to require further examination.

Remedial Measures.—In devising remedies for relief of indebtedness, some fundamental factors have to be borne in mind. (1) Indebtedness is largely the result of chronic poverty and the large bulk of the agricultural debtors are unable to balance their budgets with their slender incomes, and among such debtors there are people whose indebtedness cannot be wholly ascribed to improvidence or want of thrift. They borrow because they *must* and not because they *can*. So, the lasting remedy for curing indebtedness is the removal of the causes of poverty and increasing the income of the rural masses, the conversion of the prevailing *deficit* economy into *surplus* economy, as Mr. Nanavati, the Deputy Governor of the Reserve Bank, puts it. So long as the average agriculturist subsists on a deficit budget, he cannot but run into debt once again even if we discharge his prior debt. Any Government will be judged by its ability to bring about this change in our rural economy. Government must borrow more than they now do for capital expenditure on productive works, specially development of irrigation works and communication. This will be a better scheme than the Government getting into debt to discharge prior debts of agriculturists.

(2) It must be conceded that the legislative or executive remedies that even a Ministry fully responsible to the legislature can attempt must

be in consonance with sound principles of business code and the traditional character of our rural economy. It does not of course mean that contracts between debtors and creditors are inviolable and their rigour should not be mitigated even where circumstances justify. The relations between debtors and creditors are oftentimes disturbed by factors over which they themselves have no control. Trade cycles, economic depressions and manipulations in currency and exchange and other factors sometimes alter violently the incidence of the contracts entered into under different circumstances. One who borrowed in the pre-depression year 1929, for instance, now pays in terms of commodities twice the sum he borrowed and there is also an increase in the real interest burden. If the rupee is overvalued it further adds to the burden. It is a legitimate function of the State to correct the disequilibrium brought about by such disturbing factors. Such interference by the State will not offend against principles of law, equity, justice or business morals.

(3) In any measure of debt relief, it must be remembered that a substantial portion of what goes by the name of rural debt represents temporary mobilisation of productive capital which is borrowed and repaid every year by the agriculturists. Agriculture like other industry requires capital and credit and money borrowed for such purpose differs very materially from an unproductive debt. It will be more appropriate to call it agricultural credit and not debt. I estimate the annual seasonal credit needs of the agriculturists of the province at about Rs. 50 crores. Far from being an economic evil, such credit is both legitimate and beneficial to the agriculturist and his hereditary occupation of husbandry. So, the Government cannot be too careful, in framing any scheme of debt relief, not to cut off this source of productive credit to agriculturists.

Having these principles in mind, the following measures, in my opinion, will afford some relief to the rural debtors, though they will not by themselves entirely solve the problem of indebtedness:—

(i) A limit must be placed on the rate as well as total amount of interest that moneylenders and even organised credit agencies can levy from the borrowers. Taking the debt of this Province at about Rs. 200 crores and the average rate of interest charged at 10 per cent., a figure by no means excessive, the debtors in this Province will have to pay by way of interest alone a sum of Rs. 20 crores per year. This makes a very big hole in their pockets. So, some suitable action must be taken to bring down this annual drain by way of interest charges. It will not be unjust to creditors, if, by law, interest above six per cent is made illegal.

Facilities for accumulation of interest must also be restricted by prohibiting compound interest. The currency of simple and usufructuary mortgages must be limited to 12 years or at the most to 20 years. The old law of *Damdupat* may be resuscitated and no decree shall be given, in any suit for recovery of a debt, for interest which exceeds the principal amount borrowed.

(ii) The machinery for debt conciliation must be radically altered, and officers or boards vested with power to conciliate debt should be given also powers to pass awards binding on the creditors and debtors, even when they do not come to an agreement. Attempts at voluntary conciliation may succeed to a certain extent and may be tried to begin with; but the conciliating authority must, when it finds that voluntary settlement is not possible, have the power to scale down the debt and fix its amount in accordance with rules to be prescribed, taking care to leave a certain amount of latitude for exercise of discretion in cases requiring special adjustments. One fortunate circumstance in Madras is that there is no religious or communal cleavage between debtors and creditors as in some Northern Provinces, where debt conciliation has brought in its wake fresh sources of religious and communal differences.

(iii) Moneylending must be controlled by suitable legislation. Moneylenders should be compulsorily licensed. Unlicensed moneylenders should be precluded by law from resorting to civil courts to recover their loans. There must also be statutory regulation of moneylenders' accounts.

(iv) To meet the cases of the large number of debtors who cannot be helped to discharge their debts, even after they are scaled down in the manner suggested above, a simple rural insolvency law must be enacted and administered, through special officers, on the spot. An honest agriculturist who is willing to place all his assets at the disposal of his creditors must get a speedy and inexpensive relief by way of absolute discharge, so as to be able to seek his livelihood in a fresh atmosphere and environment. The existing law of insolvency binds him down to his debts and bars the exit out of it. So much so, the average agriculturist is born in debt, lives in debt and dies in debt. We must find an effective legislative remedy for this indefensible position, so as to save at least honest debtors. In administering such rural insolvency law, provision should be made for saving to such honest agriculturists, who are willing to place all their assets at the disposal of the liquidator for the benefit of the creditors, their homestead and a small portion of their holdings, to give them at least bare subsistence, besides articles which are now not liable to attachment and sale under the law. Properties so saved for debtors must be put outside voluntary as well as involuntary alienation, so that the debtors may not lose them at the instance of their new creditors.

(v) Adequate credit facilities must be created to finance agriculturists both for seasonal operations and for the movement and marketing of crops. Our ultimate aim should be to discourage individual money-lending and to replace it by organised banking. Co-operative organisations, indigenous bankers and other credit agencies operating under statutory regulations must be fostered. To provide long-term credit to eligible debtors, land mortgage banks, both co-operative and joint stock, must be organised and strengthened. The objects of these credit agencies must not be confined to helping the agriculturists to discharge their prior debts. Besides, financing agricultural production and marketing, they must also provide credit and capital for organising rural industries, improvement of land and development of the countryside.

DEBT CONCILIATION BOARDS IN THE PUNJAB

BY

KHAN MOHAMMED BASHIR AHMAD KHAN, M.A., LL.B.,

Honorary Secretary, All-India Co-operative Institutes' Association.

Amount of Debt.—The total debt in the Punjab was Rs. 90 crores in 1921. The Punjab Banking Enquiry Committee estimated the debt in 1929 at Rs. 135 crores. This means an increase of Rs. 45 crores. In 1930 the debt rose to Rs. 140 crores. Now it is estimated to have gone upto Rs. 200 crores. The annual interest paid on this debt is put at Rs. 20 crores at a modest estimate. This is nearly five times the total land revenue of the Province. This is a very grave situation and if it is not checked the position may lead towards bankruptcy and disaster. Therefore to ease the situation a special Act was passed in 1934 known as " The Punjab Relief of Indebtedness Act."

THE PUNJAB RELIEF OF INDEBTEDNESS ACT.

Its Necessity.—The Punjab Relief of Indebtedness Act came into force on the 9th April, 1935. The necessity for this law, according to the Preamble, was the expediency to bring about more healthy relations between debtors and creditors. The expediency leading to the enactment of this legislation consisted in the development of an unusual economic situation as a resullt of an unprecedented fall in the prices of agricultural produce. This development violently shook the existing economic equilibrium, and unless changes in the law were introduced in order to place the relations between debtors and creditors on a revised footing, very undesirable consequences were apprehended. The development of this novel economic situation and the undesirable consequences threatened by it account for the genesis of this legislation.

Conciliation Boards.—Part IV of the Punjab Relief of Indebtedness Act relates to the Conciliation Boards. The idea of establishment of the Debt Conciliation Boards in the Punjab was borrowed from the Central Provinces, where these boards were already in existance. The provisions of the Punjab legislation on the subject materially differ from those of the Central Provinces legislation in every vital respect. But the central idea under both legislations is that scaling down should take place as a result of mutual agreement between the debtor and the creditor.

Definitions.—Before we proceed further, it will be interesting to quote the definitions of "Debt", "Debtor" and "Agriculture" as given in Part IV of the Punjab Relief of Indebtedness Act. This will help in clarifying the position and undrstanding the subject properly.

"*Debt*," according to Section 7 of the Act, "includes all liabilities of a debtor in cash or in kind, secured or unsecured, payable under a decree or order of a civil court or otherwise, whether matured or not, but shall not include debts incurred for the purposes of trade, arrears of wages, land revenue, or anything recoverable as an arrear of land revenue, or any debt which is barred by the law of limitation, or debts due to co-operative banks or to co-operative societies or to the Imperial Bank of India or to any banking company registered under the Indian Companies Act, 1913, or the law relating to companies for the time being in force in British India."

"*Debtor*," means a person who owns a debt and (i) who both earns his livelihood mainly by agriculture, and is either a land-owner, or tenant of agricultural land, or a servant of a landowner, or of a tenant of agricultural land or (ii) who earns his livelihood as a village menial paid in cash or kind for work connected with agriculture.

Provided that a member of a tribe, notified as agricultural under the Punjab Alienation of Land Act, 1900, shall be presumed to be a debtor as defined in this section until it is proved that his income from other sources is greater than his income from agriculture.

Explanation.—(i) A debtor shall not lose his status as such through involuntary unemployment or on account of incapacity, temporary or permanent by bodily infirmity, or, if he is or has been in service of His Majesty's Military or Naval Forces, only on account of his pay and allowances or pension exceeding his income from agricultural sources. (ii) A debtor shall not lose his status as such by reason of the fact that he makes income by using his plough cattle for purposes of transport. (iii) A debtor shall not lose his status as such only because he does not cultivate with his own hands.

If any question arises in proceedings under this part of the Act, whether a person is a debtor or not, the decision of Debt Conciliation Board shall be final.

"*Agriculture*," shall include horticulture and the use of land for any purpose of husbandry inclusive of the keeping or the breeding of livestock, poultry, or bees, and the growth of fruit, vegetables and the like."

It will be observed that the term "Debt" excludes the following:— (a) Debt incurred for the purposes of trade; (b) debts due to co-operative banks and co-operative societies; and (c) debts due to Imperial Bank of India or any banking company registered under the law of the land. "Debt" as defined in the Central Provinces Act includes everything mentioned above.

Co-operative Societies Excluded: Why? The most important result of the definition of Debt in the Punjab is the exclusion of the debts due to the Co-operative Societies from the scope of the Debt Conciliation Boards.

The Co-operative Banks and Co-operative Societies have, for reasons of policy, been placed in a position of special advantage, for the recovery of the debts due to them by the law of the land. The present Act does not affect that position of advantage. The reasons which account for the distinction which has been made between ordinary creditors and co-operative institutions are as follows: (1) In the case of debt due to co-operative institutions the creditor is not a complete stranger or an entirely third person. (2) The profits resulting from the money-lending transactions of co-operative institutions are shared by the debtor. (3) The accounts are kept regularly in a prescribed form by all co-operative institutions. (4) The accounts are regularly audited by an official or semi-official agency and the account books are open to inspection not only by responsible Government officers but also by the debtor himself at any moment. (5) The working of co-operative institutions is controlled, regulated and guided by Government to an extent and in a manner which will secure to the debtor any relief necessitated or justified by the circumstances of the situation. Those who are not intimately associated with the co-operative institutions are not aware that as soon as the need for substantial relief became apparent, the Registrar of Co-operative Societies issued instructions that the rate of interest should be materially lowered with retrospective effect and that individuals who owed debts to co-operative societies should not be required to pay an aggregate amount larger than that which, together with the reserve fund, will be sufficient to pay off the liabilities of the societies themselves.

Establishment of Conciliation Boards.—Section 8 of the Act gives the Government power to establish Debt Conciliation Boards for the purpose of amicable settlement between debtors and creditors.

Present Boards.—The Government has established five Conciliation Boards in the districts of Jhang, Rawalpindi (Kahuta), Amritsar, Hoshiarpur (Garhshankar) and Karnal (Panipat).

Jurisdiction.—The jurisdiction of the Boards extends to Rs. 10,000. These Boards have no power to make a settlement between a debtor and his creditors if the total debts of the debtor exceed Rs. 10,000. The limit in the Central Provinces is Rs. 25,000.

Members.—The Boards, as at present constituted, consist of a Chairman and two members. There is no maximum number of the members of the Board in the Punjab. The Central Provinces prescribe 9 as the maximum. According to the Government rules the salary of the Chairman is Rs. 250 and that of the other members Rs. 200 per mensem. The Chairman and the members are entitled to receive in addition a fixed travelling allowance of Rs. 75 a month. The Chairman is generally selected from the retired judicial or executive officers. One of the members is a representative of the debtor class and the other of the creditor class.

Their Term.—The Chairman and the members of the Board are appointed for a term not exceeding three years but are eligible for re-appointment for an indefinite period. But actually the members were appointed for one year only. In the Central Provinces the Chairman and members of the Boards are appointed only for one year in the first instance and are eligible for re-appointment for a further period not exceeding one year.

Procedure: Application by Debtor or Creditor.—The procedure adopted for the conciliation of Debts is that a debtor or any of his creditors may apply to the Board appointed for the area in which a debtor resides or holds any land to effect a settlement between him and his creditors.

Particulars.—It is necessary that an application to a Board should be in writing and signed by the applicant. The application from a debtor should contain the following particulars, namely: (a) The place where he resides or holds land; (b) the particulars of all claims against him together with names and residences of his creditors; (c) the particulars of all his property, together with a specification of the value of such property and the place or places at which any such property is to be found; (d) a statement that he is unable to pay his debts and that they do not exceed the prescribed amount.

Hearing of Application: Its Dismissal.—When the application is received it is incumbent on the Board to pass an order fixing a date and place for hearing the application. The Board, however, has the power to dismiss the application at any time if it does not consider it desirable to attempt to effect a settlement between the debtor and his creditors.

Notice.—It is essential that notice of the date and place fixed for hearing the application should be sent to the creditors by registered post.

Statement of Debts.—Every creditor of the debtor is called upon to submit a statement of debts owed to him. The period allowed for the submission of this statement is two months. The Board, however, can extend the period for good and sufficient cause.

Result of Non-Submission of statement.—If a creditor fails to submit a statement of debts within the prescribed period, all debts owed to him by the debtor shall be deemed to have been duly discharged. If he does not include any debt in the statement, it shall be deemed for all purposes and all occasions to have been duly discharged. The creditor has to furnish, along with the statement, full particulars of all debts and also to produce at the same time all documents, including entries in books of account, in support of his claim together with a true copy of every such document.

Persuasion.—The Board has to give an opportunity to both the parties, the debtor and the creditors, to explain their case. It then induces the parties to come to an amicable settlement. The Board can depend only upon its power of persuasion. It has no authority to give a decision which is not the result of mutual agreement.

Agreement.—If the parties agree, the agreement will be signed by the Board and it will take effect as a decree of a civil court. The recovery of this decree is left to the ordinary course of execution in Civil Courts. In the Central Provinces the decreed amount has been made recoverable as an arrear of land revenue.

Effect of Application.—The presentation of an application before a Board involves the prohibition of recourse to civil courts and the suspension of all proceedings already in civil courts and this prohibition and suspension continue until the application pending before the Board is finally disposed of.

Certificate.—If, during the hearing of the application, any creditor refused to agree to an amicable settlement, the Board may, if it is of opinion that the debtor has made such creditor a fair offer which the creditor ought reasonably to accept, grant a certificate in respect of a debt owed by him to the creditor.

Provided that the Board shall not grant a certificate unless it is satisfied that creditors to whom not less than forty per cent of the debtor's debt is owing, have come to an amicable settlement with the debtor.

The conditions which must be fulfilled before a certificate may be granted by the Board are that (1) the creditor refuses to agree to an amicable settlement, (2) the debtor has made the creditor an offer, (3) the offer is, in the opinion of the Board, one which is fair and reasonably deserving of acceptance on the part of the creditor, and (4) the Board is satisfied that the creditors owing forty per cent of the debts have come to an amicable settlement.

It may be stated that the fourth condition of the creditors owing 40% of the debts agreeing to accept the settlement is not contained in the Central Provinces Act. This is a novel feature of the Punjab Act.

Effect of Certificate.—The effect of this certificate is that if a creditor brings a suit for the recovery of certified debt he loses all costs in such suit and any interest in excess of simple interest at six per cent per annum after the date of certification on the amount due on that date.

Decision Final.—The decisions of Conciliation Boards are final. Civil Courts are debarred from entertaining both suits and applications for execution.

Review.—There is no appeal or application for revision against any order of the Board. The Board, however, can review its order on the application of an interested person.

Legal Practitioner.—The Board may allow any party to be represented by an authorised agent or a legal practitioner. In practice, however, pleaders are not allowed to appear in proceedings before the Board. The Central Provinces Act does not allow any party to be represented by a lawyer.

WORKING OF THE BOARDS.

The Jhang Conciliation Board.—The total population of Jhang District is about 6 lakhs. According to a recent calculation, the total number of persons indebted is 1.20 lakhs. The average debt per head is Rs. 4166. The total agricultural debt has been put at Rs. 50 crores. These figures perhaps err on the side of exaggeration. But, nevertheless, they help in revealing an alarming state of affairs.

The Jhang Conciliation Board began to work from 14th September 1933. Its area of operation extends over the whole district of Jhang. It dealt with 1544 applications by the end of February, 1937. Out of these 617 applications resulted in conciliation of debts and 927 were dismissed. The chief cause of the dismissal of such a large number of applications was the non-appearance of one or the other party. More than half of these applications were dismissed for want of the attendance of either the creditors or the debtors. The second reason for the dismissal of applications was that the debts exceeded the jurisdiction of the Board. The third reason was that the Board did not consider it desirable in about 20 cases to effect a settlement. The Board has been working full time at 8 hours a day.

The Board received 5136 applications by the end of March, 1937. 3713 of these came from debtors and 1423 from creditors. The total debt claimed in the applications amounted to Rs. 197 lakhs. The amount involved in 617 applications, in which conciliation was effected, was Rs. 23.70 lakhs.

The number of cases in which certificates were given was 72. In these cases the Board was of opinion that the debtors had made the creditors a fair offer which the creditors ought reasonably to accept, but the creditors refused to agree to an amicable settlement. The Board was also satisfied that creditors to whom not less than forty per cent of debtors' debts were owing had come to an amicable settlement with the debtors. Therefore the Board was obliged to grant the debtors certificates under Section 20 of the Act. 359 cases were pending before the Board on 31st March, 1937.

When a debt is conciliated, the most usual form of payment adopted by the debtor is in cash or kind. Payment in kind includes trees, grain, fodder, cattle, jewellery, immovable property etc. When a debtor agrees to pay in kind, the method adopted is to appoint one or more arbitrators for deciding the price of the property, cattle or grain to be given in settlement of debt. The arbitrator is appointed with the consent and approval of both the parties. If both do not agree to have a single arbitrator then two or more arbitrators are appointed to represent each party. The decision of the arbitrators is binding on both the debtor and the creditors. The arbitrators fix a period in which the debtor should deliver the property to their satisfaction. If the debtor fails to abide by this decision, the creditor is allowed to recover immediately the amount settled by execution through a Civil Court. If the decision of the arbitrators is not accepted by the creditors and they do not take the property offered by the debtor according to the award of the arbitrators, they lose their claim. If any of the parties do not accept the decision of the arbitrators they (the arbitrators) have to make a statement on oath before the Board in the presence of the parties and the Board gives its final decision. This method of settlement is common in Jhang in deciding both civil and criminal cases. The Board has found this system working successfully.

There are very few cases in which the creditors or debtors do not agree to the awards of the arbitrators. There have been 5 such cases in this Board. The result was that the party at fault suffered the loss. This shows that the number of cases in which the settlement made by the Conciliation Board was not acted upon, was negligible.

The most healthy influence of this Board has been that where the debtors agreed to pay in cash, in 90 per cent of the cases payment was made at one time and only in 10 per cent of the cases instalments were fixed. The amount paid in 617 cases settled was Rs. 35,000 in cash, mortgage of land for Rs. 50,000, house property or non-agricultural land for Rs. 15,000. The value of cattle given in payment was more than a lakh of rupees. The principal debt was reduced only in 10 cases; but large reductions were made in interest by amicable settlement. Applications for revision have been received by the Board against their order in only about 6 per cent of the cases. 5 per cent of these came from the debtors and only one per cent from the creditors.

Panipat Conciliation Board.—The Panipat Board started its work on 21st September, 1935. There are three members of the Board. The Chairman is a Retired Extra Assistant Commissioner. One of the members is an agriculturist Ziladar and the other is a money-lender.

The total number of applications received by the Board from its start to the end of May, 1937 was 3070 for Rs. 25 lakhs. 1574 of these were given by the debtors covering Rs. 16.67 lakhs and 1496 were by creditors of the value of Rs. 8.38 lakhs. 2750 cases were disposed of by the Board. 1492 cases were conciliated completely or partially. 1258 were dismissed.

Debts are of two kinds, secured and unsecured. The secured debts include decretal money, registered documents in which property had been mortgaged and was as a security for loans. The unsecured loans are those claimed on *bahi* accounts (account books).

The secured debts claimed were Rs. 4 lakhs and were conciliated for Rs. 3.15 lakhs effecting a remission of 23 per cent. The unsecured loans amounted to Rs. 12.65 lakhs. These were conciliated at Rs. 6.16 lakhs resulting in a remission of 52 per cent. The total secured and unsecured loans of Rs. 16.37 lakhs were reduced in conciliation to Rs. 9.32 lakhs effecting a remission of 45 per cent.

Payment of the conciliated debt has been made partly in cash and partly in kind including cattle, trees, fodder, sites, *mustajari* in land. Cash payment amounted to Rs. 35,718. The value of cattle given in satisfaction of debts was Rs. 1,12,257. Trees valued at Rs. 10,458, fodder

at Rs. 8,159, sites at Rs. 3,298 were given in lieu of debts. The land given in Mustajari ranging from 2 to 20 years was 512 acres with possession of the value of Rs. 89,415 and 11 acres without possession for Rs. 2500.

There has been only one case in which the creditor refused to accept a fair offer by the debtor and this resulted in the issue of a certificate by the Board. Creditors are now resorting in great numbers to the Board than the debtors. This is because they have begun to appreciate the advantages conferred on them by the adoption of this machinery for the recovery of debts. One encouraging feature of the system is that most of the debtors are paying their instalments regularly. There have been only thirty cases so far in which the debtors have not been able to pay their instalments on the appointed date.

Garhshankar Conciliation Board.—The Board at Garhshankar in Hoshiarpur District was started on 1st October, 1935. Its area of operation extends to Garhshankar Tehsil only. 964 applications were received by the Board from 1-10-35 to 30-6-37. Applications from debtors numbered 788 and from creditors 176. 638 applications were taken up by the Board. 326 were dismissed. The reasons for dismissal were as follows:

1.	Non-appearance of debtors.	50
2.	Cases not covered as persons applying did not come within the definition of debtor etc., and did not reside or held land in the area of the Board.	73
3.	The Board did not consider it desirable to attempt to effect a settlement.	50
4.	Applicants failing to conduct their applications with due diligence	67
5.	Failure of parties to come to terms.	74
6.	Miscellaneous	12
		326

16 certificates were issued for failure of the creditors to accept reasonable offer. 432 cases were conciliated.

The average amount of conciliated claim was Rs. 676. The total amount of the authenticated claim was Rs. 3,73,807, out of which Rs. 1,94,875 was secured. The total debt as conciliated was Rs. 2,92,172.

Payment on settlement by sale of :—

I.	(a) Cattle	.. 2,245
	(b) Carts, etc.	.. 38
	(c) Agricultural Produce	.. 497
	(d) Fodder	.. 16
	(e) House Property	.. 1,621
	(f) Cultivable Land	.. 5,217
	(g) Trees	.. 20
		.. 9,654
II.	Cash Payment	.. 1,843
III.	Mustajari Mortgage (Land Mortgaged, 85 acres.)	.. 23,079

Out of 85 acres, 13 were mortgaged for less than five years for Rs. 1,662 mortgage money, 46 acres of Rs. 7,527 for less than 10 years and 26 acres of Rs. 13,890 for over ten years. 315 claims were settled without instalments and 559 by instalments. The cost of the Board was Rs. 19,348.

Amritsar Conciliation Board.—The Amritsar Board originated on 11th September, 35. It extends over the whole district of Amritsar. Its working from 11th September, 1933 to 31st. December, 1936 will be evident from the following statement :—

1.	Number of applications received from—		
	(a) Debtors. 1,420		
	(b) Creditors. 1,087		Total. 2,507
2.	Applications dismissed.		891
3.	Number of cases conciliated.		210
4.	Total Debt—		
	(a) Claimed.		Rs. 2,16,513
	(b) As Conciliated.		„ 1,38,860
5.	Percentage of debt as conciliated to debt claimed.		64%
6.	Cases Settled—		
	(a) With instalment.		26
	(b) Without instalment.		184
7.	Conciliated debt has been settled by		
	(a) Sale of :		
	1. Cattle		Rs. 5,688
	2. Trees		50
	3. Fodder		292
	4. House	Rs. 1,320	
	Property	Rs. 4,286	5,606
			Rs. 11,636
	(b) Payment in cash		Rs. 11,752
	(c) Mustajari Mortgage (82 canals of lands)		Rs. 3,155

Applications came from 481 villages. The majority of debtors who gave applications were Rajputs and Jats.

Startling Cases.—The operations of the Jhang Board have thrown a flood of light on the methods adopted by the creditors in their dealings with the simple-hearted agricultural debtors. There is a general practice to make an initial cut of about 5% to 10% known as *Gadhchora* or *Chilkana* is levied over and above the exorbitant compound interest with half-yearly and yearly rests on the loans advanced.

1. An agriculturist mortgaged his land with a money-lender in 1885 for the redemption of an old debt of Rs. 1,875. The condition agreed upon was that the land revenue paid and the owner's share of produce received by the money-lender would be debited and credited to the account of the agriculturist and a balance struck at the end of the year. No balance was struck for the first four years. Then for a short period some sort of account was rendered. After this no account was given for 25 years in spite of the repeated requests and notices from the debtor for a settlement and redemption. The matter eventually came before the Board. The creditor showed Rs. 4807 on the debit and Rs. 10,496 on the credit side of the account. But in spite of this the creditor claimed Rs. 50,000 for the final settlement of the debt.

2. Here is another case. An agriculturist once hypothecated his house for a loan of Rs. 1,000. He continued to repay it in cash and kind for years together. But for reasons unknown these payments were not taken into consideration and a decree was passed against the debtor for Rs. 1,000. The creditor by collusion got the same house sold for Rs. 100 to his own name with the balance of Rs. 900 still to be made good. The pity of the whole show was that the debtor came to know all these when he was actually ejected from his home.

3. Another story may be quoted. Three brothers leased out 8 *Killas* of land to the creditor for 20 years in payment of a debt of Rs. 700. The creditor calculated the interest for the future 20 years and manipulated the amount to Rs. 2,040. He managed to pass on the loan to another agriculturist and made him execute a pronote in his favour for Rs. 2,040 with interest and the original owners are still waiting for discharge receipt for their debt.

4. An agriculturist has ordinarily a number of creditors. At the time of the settlement of debt, his whole land is normally taken up in lease for twenty years and even upto 36 years by one of the creditors with a long list of others waiting for their turn. Thus, although nominally the land is leased for 20 years, in fact it is gone for ages from the hands of the agriculturist.

Interesting facts.—The working of the Jhang Board has brought to light many interesting facts; one or two of them may be described here with advantage.

1. The Scrutiny of the applications revealed that in good many cases the debts were incurred by the ancestors of the debtor. The conciliation of these debts was comparatively an easy affair.

2. In most cases the accounts were not properly kept by the creditors and in some cases they were doubtful. However, in most cases these creditors produced the legal bond or the acknowledgment of the debtors.

3. A large majority of creditors, whose accounts were doubtful, had adopted an ingenious device of obtaining decrees against the debtors. They sell the bond or the *bahi* acknowledgments of their debtors to a friend of theirs in some distant district who would file a suit for recovery of the amounts involved in the bond or the acknowledgment thus sold in his own district and would manage to get an ex-parte decree from the civil court for the amount. The debtors, being ignorant, fail to go and attend a distant civil court and in 90 per cent of the cases the services of the processes is not got done on the debtors through the manipulation and collaboration of the original creditor, so that they do not know that a suit is pending against them. When the period of two years, within which the ex-parte decree could be got cancelled, expires the decree is sold back to the original creditor, and this decree is got executed in the local civil courts. In almost all the cases the accounts pertaining to such decrees that have been called in evidence by the Conciliation Board, have been found to be defective. The Board, however, could not interfere with the amount of decree, but has been able to reconcile such decrees at lower amounts. It is estimated that about 15 per cent of the creditors held such decrees.

Effects.—1. The most salutary effect of the Debt Conciliation Boards has been that the creditors are coming forward in increasing numbers to take advantage of the simplified procedure provided by these Boards.

2. The adoption of this method saves the creditor the payment of court fee and this monetary advantage is appreciated by him.

3. The economic depression and the catastrophic fall in the prices of agricultural commodities during the depression has made the condition of the rural classes critical and they are finding it extremely difficult to meet their obligations. The wide-awake creditors have realised this fact and are trying to compound their debts all over the Province for anything between two and three annas in the rupee, provided they get tangible assets in return. When the creditors make use of the Conciliation Boards they do not feel any necessity to compound their debts.

4. The most important advantage which the creditors gain from these Boards is the amount which they are giving to them. It will be of interest to learn that the amount of debt claimed is 46 per cent, which means that the creditors are getting nearly seven annas in the rupee instead of two to four annas. So this is one of the reasons why creditors are coming forward in increasing numbers to take advantage of these Boards.

5. Out of 1,171 cases 392 have been settled without instalments, which means that the debtors paid cash at once or gave away cattle or other tangible assets. The beneficial result of this has been that instead of their going through the protracted process of civil court and having the decree executed, the creditors are now getting nine annas in the rupee instead of two to four annas which they would otherwise have got.

6. Another advantage is that several of the debts are settled once for all and there is no bitterness left. This result is of incalculable benefit both to the creditors and debtors in a Province which is afflicted with communal and class struggle.

7. Mention has been made of the amount of debts which have been paid straight away after conciliation. Besides these, there is another 28 per cent. which has been settled by means of *Mustajari* mortgages, which is an additional advantage to both the parties. It avoids bitterness and gives something tangible to the creditors who otherwise would not have been able to realise anything from some of the debtors.

8. Another good effect of these Boards has been that their activities have stimulated private conciliation of debts. Moreover, there is no indication that the operations of these Boards have resulted in any appreciable restriction of agricultural credit for current needs.

ALLEGATIONS

Interested persons and associations launched a vigorous propaganda against the working of the Jhang Conciliation Board and made innumerable baseless allegations against it, some of which are enumerated below:

1. **Fictitious Claims.**—It is stated that "the members of the Debt Conciliation Board (Jhang) on taking charge of their office openly began to preach to the debtor class that they were to insert fictitious claims of their friends and relations in their petitions so as to facilitate the impo-

sition of their own terms of settlement upon the creditors. Their suggestions were readily taken up by the debtor class with the consequence that there was hardly any petition instituted in the Board in which the bogus claims of the friends and relations of the debtor did not appear."

This is with reference to section 20 of the Act, under which, if those to whom 40 per cent. of the debts are due, agree to settle, all the creditors are bound under the law. In order to secure consent of holders of 40 per cent. of debts, fictitious debts are entered in the applications. If it so happens that new debts entered in the applications do not come up to 40 per cent., the allegation is, that the Board reduces genuine debts in order to raise the proportion of fictitious debts to 40%.

2. **Abuse of Section 13.**—(a) It is alleged that Section 13 of the Act has been badly abused by this Board. Under this Section, it is necessary that the creditors should submit within two months of the date of publication of the notice a statement of their claims against a particular debtor, who comes to the Board with an application for reconciliation of debts. The allegation is that a very long date is fixed for the hearing, and, as under the law, the statement of claims must be submitted within two months, the creditors file their statement but they are not taken by the Board. They are returned on oral direction that they can be presented on the date of next hearing, whereas that date is much after the lapse of two months, with the result that their debts are discharged.

(b) A serious abuse of the provision of Section 13 at the hands of the members of the Boards is that the creditors are occasionally given wrong dates for the hearing of applications and when they are absent, naturally, on that date, their debts are discharged.

(c) Then, Section 13 of the Act is alleged to be violated by the members of the Board in making an abrupt change in their own programme. The creditors not knowing of the change of the Board's programme, fail to appear before them.

(d) Fourthly, Section 13 is misapplied by the members of the Board in cancelling the just debts of the creditors when owing to some unavoidable cause or other sufficient reason the latter fail to appear on a particular hearing.

3. **Re-opening of Accounts.**—Section 13 provides that the creditors must submit a written statement of the debts within two months of the date of publication of the notice under clause 1 of that section. Publication of the notice is provided under the Act. Section 14 further lays down that the creditors must furnish all documents and

copies and so on. These sections do not give power to the Board to re-open the previous accounts of the creditors. This is what they do. Generally these accounts are examined by the peon in their court. He is asked to go into all the *bahis* (account books) of the creditors and find out the amount due. This is the way in which things are being done. The peon is the auditor, accountant and the commission. He is the unqualified assistant of the court. This unwarranted childish allegation carries its own condemnation.

4. **Exceeding Monetary Jurisdiction.**—(a) The members of the Jhang Board, it is alleged, have been exceeding their monetary jurisdiction in many ways. Their jurisdiction is confined to Rs. 10,000; but they have been dealing with cases in which debts of more than Rs. 10,000 in value are involved. This is one way in which they have exceeded their jurisdiction.

(b) One other way in which they have exceeded their jurisdiction is this. Section 7 defines a debtor, and they have taken cognisance of cases in which the persons concerned are not always debtors within the meaning of the section.

(c) Then again they are debarred from taking cognisance of cases concerning mortgages with possession and they are dealing with cases in which mortgages with possession are concerned.

5. **Records Incorrect.**—Again an allegation is also made to the effect that even correct records are not sometimes kept.

6. **Publication of Pamphlets.**—It has also been reported that the members have tried to popularise the blessings of these Boards by issuing pamphlets which were kept in the office of the Board and were distributed freely among the agricultural classes.

7. **Assets to Fictitious Creditors.**—Another complaint is that available assets are given to fictitious creditors who are relations of the debtors and the genuine creditors get nothing.

8. **Creditors not Represented.**—The creditors complain that they are not properly represented on these Boards. It may be stated that, with the possible exception of one Board, (but not Jhang) creditors have their representative on each of the five existing Boards and the Government has given an undertaking that in the case of the extension of these Boards to other areas, a real representative of the creditors will be taken on each new Board constituted. This should allay all the fears of the creditors.

9. **Members not Conversant with Law.**—It is said that these Boards are an anomaly on two grounds: firstly, because the object of these Boards is to keep people from having their claims settled through a court of law and secondly because these Boards are bad as the persons who are appointed to serve on them are not conversant with the provisions of law, and, therefore, they make mistakes which they should not do. The Boards are authorised to decide cases up to the value of Rs. 10,000. Cases of the value of Rs. 10,000 cannot in the regular course be tried by a third class or a second class Sub-Judge. They have to be tried by a first class Sub-Judge, a man of great experience. This criticism is, however, based on misconception of the real functions of the Boards. The Boards are not courts of law. Their sole function is to effect settlement between the parties if such a settlement can be arrived at and if after the best efforts, a settlement cannot be arrived at, then the parties are at liberty under certain conditions and restrictions to go to a court of law and have their claims settled there. The Board can in such cases issue a certificate for the information of the Court that the settlement could not be arrived at because of the unreasonable attitude of one party or the other. Moreover, for the settlement of debts it is not always necessary that persons conversant with law should be on the Boards. All that is needed in such cases is that the persons who are appointed to serve on the Boards should have commonsense, goodwill and sympathy for the parties.

10. **No Provision for Recovery.**—It is said that this Act is not intended so much to help the debtor as it is intended to involve the creditor into trouble and misery. There is absolutely no relief provided or no provision made for the realisation of the amounts that are decreed in favour of the creditor. According to Section 13 of the Central Provinces Act " if a debtor defaults in paying any amount due in accordance with the terms of the agreement registered under Sub-Section 2 of Section 13, such amount shall be recoverable as an arrear of Land Revenue on the application of the creditor made within 90 days from the date of default ". But such a provision is non-existent in the Punjab Act.

One of the most important features of this kind of legislation in other countries and in some Provinces of India also, has been, that whereas it has been provided by law that in certain cases and by certain procedure debts should be scaled down, a provision is also made for the recovery of the balances of the debts. In this Act there is absolutely no provision to assure the recovery even of the scaled down debts. This is because the ordinary law gives ample facilities for recovery. The complaint so far has always been that the law too much favours the creditor. Therefore no special provision for recovery of scaled down debts is called for.

11. **Restriction of Credit.**—Those who have only lip sympathies with the agricultural classes have taken a peculiar attitude in the case of Conciliation Boards. Their claim is that they oppose the organising of the Conciliation Boards not because they have no sympathy with the peasant or that they have no sympathy with the debtors, but they oppose them on economic grounds. They say that any measure that lowers the credit of the peasant is not free from objection. The agriculturist, according to them, needs money, and if his credit is lowered he will not be able to get anything and he will be reduced to misfortune. These are the arguments on which they base their opposition to the Conciliation Boards. But every student of economics who knows anything of rural finance, will at once point out that the high, cheap and uncontrolled credit enjoyed by the agricultural classes in the Punjab has been their misfortune. Therefore any measure adopted to restrict and control their credit will ultimately result in their benefit. If the Debt Conciliation Boards help in restricting the credit of the peasant, of which, however, there are very little signs, they should be welcomed in the interest of the masses. This restriction offers an opportunity to the Co-operative Movement to extend its operations and this is a hopeful sign for the peasantry.

12. **Boards Ineffective.**—Another line of criticism is that these Boards cannot solve the problem of indebtedness of the peasantry. They are only a palliative. Ineffective measures like this, it is claimed, will not avert the great catastrophy. If the difficult and delicate problem of the indebtedness of the masses is to be solved satisfactorily bolder measures on socialist line are needed. The number of this school of thought is, however, meagre at present. If the condition of the peasantry is not improved soon, there is every prospect of this school of thought gaining prominence. Their solution is the cancellation of all debts and also the handing over of the lands and other tools of production of the big landlords and commercial and industrial magnates to the masses.

Money-lending Lawyers.—The Board does not allow the parties to be represented by legal practitioners. This has antagonised the lawyers and they have started a vigorous propaganda against it. The majority of the lawyers of Jhang belong to the money-lending classes and a good many of them are themselves carrying on money-lending and they have a large number of their relatives engaged in money-lending business. As this Board is affecting the practice of the legal practitioners, they and their creditor relatives in sympathy with them, have adopted a hostile attitude against the Board. This is a short-sighted policy and the agitation is sure to die out in course of time. As a matter of fact signs are evident that it is already on its death bed. The money-lending lawyers carry on this propaganda very cleverly. On the one hand they advise the debtors, who are usually their clients, that they should not accept any conciliation of their debt unless 90 per cent of it is written off by the Board. On the other hand, they counsel the creditors not to accept anything less than the amount claimed and not to agree even to the reduction of interest and they assure them that if they adopt a firm attitude, their full claims will be accepted.

The agitation against the Board is based on airy arguments or on the very problematic advantage which the opponents of the Board believe the creditors can derive by the abolition of the Board.

It may be stated that even those, who are against the Debt Conciliation Boards, do not object to them on principle. They are in complete agreement in regard to the underlying principle and admit that the existence of these Boards is a source of advantage both to the debtor and the creditor. A prominent member of the Punjab Assembly and once a Minister, who vehemently opposed the extension of these Boards said, "In principle, I approve of conciliation of debts and scaling down of debts provided that some provision is made also for recovery, but until a provision is made for effective supervision of the working of these Boards, they should not be extended further."

It may be mentioned here again that under the law there is no provision for appeal or revision. No legal practitioner is allowed to appear before the Board without its permission. All this is necessary to make a speedy and clear settlement of the disputes.

Confidence of Creditors.—That the Jhang Board commands the confidence of the creditors is apparent from the ever-increasing number of applications received from them. The Board received 66 applications from debtors in January, 1937 and seventy by creditors. In February 70 applications were made by debtors and 75 by creditors. In April the number of applications from debtors was a little more. In May 32 applications were made by debtors and 57 by creditors. In Shorkot Tehsil in the four months referred to above applications by debtors number 205; while those by creditors number 208.

It is difficult to understand why the Board to which the number of applications made by the creditors is more than those made by the debtors, is so adversely criticised.

Complaint by Debtors.—Complaints from Panipat and Kahuta are that the Debt Concilation Boards are working very sternly so far as debtors are concerned. They say that the amount conciliated is much beyond their capacity to pay. If these Boards had not been set up, the creditors would have been forced to come to terms with the debtors and settle the debts at much smaller figure. What now happens is that instead of paying two to four annas in the rupee, the debtors have to pay as much as seven annas, or possibly even more in the rupee. It is asserted that the debtor is in no case bound to agree. Therefore, if the Boards do not settle the debts according to the wishes of the debtor he can refuse to accept the settlement. This is true and for this reason debtors are not wanting who have already begun to complain that the Boards are working to their disadvantage and therefore should be scrapped. The mild protest of the debtors "save us from our friends" is already in the air.

Extension of Boards.—Impatient critics have often criticised the Government for not extending the debt conciliation machinery to the whole of the province. It is asserted that in most of the provinces the Act, which allowed the constitution of Debt Conciliation Boards, is nothing more than a dead letter. The plea has been advanced that the Government ought to establish Conciliation Boards throughout the province. The argument of lack of funds is dismissed by these critics lightheartedly. Some even go so far as to say that more money should be spared for Conciliation Boards by reducing the police force. They further argue that economy should be effected in the expenditure on the administration of Justice and the money thus saved. As already stated, there are five Debt Conciliation Boards in the Province and provision has been made for the establishment of 5 more boards in the year 1937-38.

The justification of the Government for not starting Conciliation Boards in each district is the paucity of funds. Moreover, it was not considered advisable to rush through a measure of economic reform without gaining practical experience on a limited scale. Now that the Boards have been working for sometime and the Government and the people have been convinced of their utility, their extension to the whole of the Province is only a matter of money and time. It is hoped that, as money becomes available, the Boards will be constituted in each district of the Province.

The question of the extension of the Boards was discussed by the Punjab Assembly in June 1937 and it resolved that "This Assembly recommends to the Government that the number of Debt Conciliation Board be increased in the Punjab."

Help by Co-operative Societies.—The question of giving help to the Conciliation Boards by co-operative societies was considered by the All-India Co-operative Institutes' Association at its Standing Committee meeting held at Patna in September, 1935 and the Committee suggested the following methods by which Co-operators and Co-operative Societies could help the Debt Conciliation Boards :—

(1) Co-operators know the economic conditions of the people, particularly the members of the co-operative societies in particular areas. When the Government went to select suitable areas for introducing the experiment of Conciliation Boards, Co-operators can help the Government in this task by their knowledge.

(2) Co-operators can help the Conciliation Boards by advice and assistance. Where they are trusted in the villages they can give valuable assistance to the Board in arriving at a reasonable amount and method of composition in inducing parties to agree upon it.

(3) Co-operators can guide societies in possible methods of debt conciliation with their own member-debtors, in order to set an example to private creditors.

(4) Co-operators may encourage debtors, who are not plainly insolvent, to join societies. They can also help in the formation of societies where none exist and where these societies can usefully extend credit to debtors.

(5) It is possible that managing committees of good credit societies may be employed in bringing together debtors and creditors, whose case is before a Conciliation Board, and in inducing the creditors to compound their debt for a reasonable figure.

(6) If members of co-operative societies bring their debts for conciliation before the Boards and if they have not exhausted the limit of their credit, societies will of course be able to advance them money upto the maximum credit limit.

(7) If Debt Conciliation Boards are to be successful, they must work in close conjunction with Co-operative Land Mortgage Banks. This system has been tried in Central Provinces. It has been found by experience that the Debt Conciliation Boards without the adjunct of the Land Mortgage Banks, are not a very effective means of providing the necessary relief either to the agriculturist or to the creditor who is prepared to compromise his claim. Therefore the Co-operative Movement can help the Debt Conciliation Boards by the formation of Land Mortgage Banks.

Effect on Co-operative Societies.—The Registrar of Co-operative Societies in the Punjab in his Report for 1935 commenting on the effect of recent Debt Legislation remarks that, "There is general agreement among officials in all parts of the Province that the effect of this Legislation has been to deter money-lenders still further from making advances to agriculturists. Another effect has been to stiffen the rural debtor's resistance to his creditor's demands even in many cases when he is quite able to meet them, and this is so not only when the creditor is the money-lender, but when it is debtor's own Co-operative Society. One Assistant Registrar goes so far as to say that whereas formerly to evade repayment of debts was considered social degradation, it is now regarded as a matter of pride. While I do not consider that this is an attitude which is at all wide-spread, there is no doubt that in certain areas it exists and its growth would be a real danger to rural societies. Nor is it suggested that these are the only effects of the legislation that has been passed ; this can only be judged when it has been in operation for a long time, and, in particular, when the conciliation machinery has had time to start working."

"The Indebtedness Relief Legislation which has been passed during the year and the further legislation which is threatened have had the effect of sending the money-lender still further out of business, so that there is an increased demand for co-operative credit. In this lies both an opportunity and a danger ; the danger is that a great majority of agriculturists who are thus deprived of their former sources of borrowing have already exhausted their legitimate credit, if needed they have already exceeded it, and their indiscriminate admission into societies or the formation of societies composed of such men as members would be disastrous. It must not be forgotten that the new legislative measures, in so far as they increased the difficulty of recovery of debts, have increased it for co-operative societies equally with private money-lenders. Nevertheless an opportunity is undoubtedly afforded for cautious expansion which can and will be taken when adequate staff is available."

The short experience of the working of the Conciliation Boards in the Punjab has shown that fortunately they are not having any detrimental effect on co-operative societies. Dewan Bahadur K. V. Brahma in his welcome address to the Berar Co-operative Conference held in July, 1937 pointed out the adverse effect of Debt Conciliation Board on Co-operative Societies in the Central Provinces and said : "It has become fashionable of late, for some to compare our efforts at conciliation with the efforts of the Debt Conciliation Boards and to decry us and the Co-operative Movement on that ground. In my opinion there can be no comparison between the two. Even a little reflection would show that there are limits, beyond which we cannot go. We have both creditors and debtors to deal with, namely, the depositors cannot be conciliated unless we choose to go into nothingness." Specially successful as Debt Conciliation Boards are admitted to be in the Central Provinces and Berar, their influence on co-operative societies has been very much to the disadvantage of the movement. In the first place they have created a demand for the scaling down of debts due to societies by their members. It is forgotten that the extent to which this can be done is very limited. In the second place members are with-holding payments in order to urge the reduction of dues later. This attitude is the very negation of Co-operation and calls for persistent teaching of the members of co-operative societies in the elementary and basic principles of Co-operation.

The Registrar of Central Provinces states that one of the reasons for the low recoveries of outstanding loans by co-operative societies in recent years has been the working of a large number of Debt Conciliation Boards, "the establishment of which was everywhere the signal of with-holding of payments by debtors". It is painful to learn that the constitution of the Conciliation Boards, which were organised to help the peasant, should have affected the recoveries in co-operative societies. It is hoped that this is a passing phase and when Conciliation Boards are well-established and their utility recognised by the agriculturists, their harmful effect on the recoveries of co-operative societies will disappear.

The experience of the Central Provinces forcefully teaches the lesson that co-operative societies should be excluded from the operations of Debt Conciliation Boards, as has very wisely been done in the Punjab.

Mr. T. Adinarayana Chettiar in his presidential Address at the Nellore District Co-operative Conference held in August, 1937, referring to the Debt Conciliation Scheme in Madras Presidency said that: "While the intentions of the framers of the legislation are good, in carrying out the scheme, some unsatisfactory features are manifesting themselves. First, the machinery is costly. The Senior Deputy Collector and his Staff mean a large sum. These special officers seek the help of village officers who, in their fear of causing displeasure to their superiors, use pressure and make parties agree to conciliation, while there is occasionally a secret understanding to pay the difference to the creditor behind the special officer's back. Sometimes debts due to co-operative societies are "conciliated" with the result that the patiently-built up accumulations are swallowed up, thereby causing heart-burnings in the minds of the rest of the members."

SUGGESTIONS FOR IMPROVEMENT.

(1) **Raising of Monetary Jurisdiction.**—The monetary jurisdiction of the Boards is Rs. 10,000. Therefore so far only tenants, menials and small peasants have taken advantage of the Boards. The middle class agriculturists, who form the bulk of the population, are not in a position to avail of the machinery provided by the Boards as their debts usually are far in excess of Rs. 10,000. Therefore in their interest it is essential that the jurisdiction should be raised to Rs. 25,000 in the beginning and then Rs. 50,000 after some time. The limit in the Central Provinces is Rs. 25,000. The Government has the authority under the Act to raise the monetary jurisdiction to any amount.

(2) **Abolition of the condition of the agreement of creditors owing 40% of Debt.**—One of the conditions for granting a certificate under section 20 is that a Board must be satisfied that creditors to whom not less than forty percent of the debtor's debts are owing have come to amicable settlement with the debtor. This condition is unnecessary and has proved in practice harmful both to the creditor and the debtor. This induces the debtor to avail of the opportunity provided by this provision and to include fictitious creditors in his list so that the required limit of 40 per cent may be achieved. The creditors stand to lose because the payment of their dues may have to be spread over a longer period. This provision has unnecessarily increased the work of the Boards. In the words of Chaudhri Chhotu Ram "this proviso was meant to humour and placate money-lending interest, the fury of whose agitation seems to have deflected the course of this legislation to an undue extent. When a fair offer, reasonably worthy of acceptance in the opinion of the Board itself, has been rejected by a creditor, the case for the issue of a certificate is complete, and no further condition is either needed or justified. But the proviso to subsection (i) introduces a novel condition which will go a very long way to nullify the object of proceedings before a Board. There is no such condition in the corresponding section of the Central Provinces Debt Conciliation Act. Sub-section (1) of section 15 of that Act which deals with this subject simply says that "where, during the hearing of an application—any creditor refuses to agree to an amicable settlement, the board may, if it is of opinion that the debtor has made such creditor a fair offer which the creditor ought reasonably to accept, grant the debtor a certificate." Why the Punjab Legislature decided to add a proviso which has the direct effect of amasculating the substantive subsection of this section can be explained only on the hypothesis that political expediency outweighed the dictates of sound commonsense and straightforward legislation. The task of persuading a money-lender who is accustomed to driving a hard bargain at every step and whose training in life antagonises his whole soul to fair dealing is hard enough in all conscience. To insist that before a certificate can be issued, creditors to whom not less than forty per cent of the total debts of the debtor

are owing should agree to an amicable settlement is unduly to load the dice against certification. Therefore the sooner this condition is abolished, the better it will be for all concerned.

(3) **Period of the Board.**—The period for which a Board is appointed is usually one year at present. This period should be extended to three years as is provided by law. A tendency is noticeable in certain creditors to prolong the proceedings in the hope that the Board will not be extended next year. If the Board is appointed for three years, the attempt on the part of the creditors would receive a check and this will increase the disposal of cases by the Board.

(4) **Decrees: Power for Alteration.**—As pointed out before the ex-parte decrees obtained by the creditors are in almost all cases the result of fabricated accounts. It would be desirable if the Boards are given power to look into the accounts of such decrees and alter the decretal amounts themselves or refer the same to the civil court for revision.

(5) **Notices on Post Cards.**—Notices issued to the parties by the Board are usually in closed covers. Some of the notices are refused acceptance by the addressees, this being the case among the majority of creditors. It seems advisable if it is laid down that all such notices be issued on post cards or in open covers so that the addressees may know, if they want to, what the notices are about. At present it cannot be presumed that the persons who refused to take delivery of the notice did it with the knowledge that it was from the Debt Conciliation Board.

(6) **Personnel.**—There is no doubt that there is much to be desired in the actual working of the Boards and effective steps should be taken to see that the main principles underlying the activities of the Boards are effectively applied in justice and impartiality. It must not be forgotten that the personnel of the Conciliation Boards is a matter of great importance and every attempt should be made to ensure the working of the Conciliation Boards, both in action and in personnel, to see that they inspire complete confidence, justice and impartiality. If any Conciliation Board is not working properly, it should be set right. This does not

1. "The Punjab Relief Indebtedness Act" by R. B. (Now Sir)—Chaudhri Chhotu Ram. It is the best commentary so far published. This book also contains the Debt Acts of the Punjab, Central Provinces and United Provinces. There is an interesting and instructive "Preface" to the book, which serves as a useful background to the study of the subject. I have freely quoted from this book.

mean that the machinery of Conciliation Boards should be withdrawn or should not be extended and applied to other districts. This piece of legislation is an instrument whereby the oppression, which has been practised on the peasantry of the province, should be completely eliminated.

(7) But above all, as suggested by Mr. Ramadas Pantulu, Debt Conciliation Boards must be vested with powers to give awards binding on the creditors and debtors. Attempts at voluntary conciliation will not yield any tangible results. Therefore the law should be radically amended so as to make the awards of the Boards binding on every creditor and enforceable like decrees of courts.[1]

1. The information supplied by Syed Zahur Hussain Shah, B.Sc., P.C.S., Educational Assistant Registrar, Co-operative Societies, Punjab, Lahore has been very useful in the preparation of this article and I take this opportunity to offer my heartfelt thanks to him for his help.

RECENT MEASURES TAKEN FOR DEBT RELIEF IN THE UNITED PROVINCES

By

BIND BASNI PRASAD,

Addl. Civil Judge & Director, Central Co-operative Bank, Bulandshahr.

This province is predominantly agricultural. A grave situation was created in it by the steep fall of prices in 1930. At once the income of the agriculturist shrank. His capacity to meet the normal demands of his liabilities e.g., rent and debt was reduced. At the same time, the pressure upon him for the payment of his dues increased. Under the law as it existed, the Civil and the Revenue Courts could afford little relief to him and the coercive processes of law could be easily employed by the creditors and the landlords against him. The poor agriculturist was aghast. The whole economic fabric in the province appeared to be on the breaking point. Many fore-saw a revolt and a disaster, if immediate action was not taken to relieve the situation.

In this state of affairs, the Government stepped in. The measures taken fall under two broad heads: (1) relating to rent and revenue and (2) relating to debts.

Rent and Revenue.—First by an executive order, the Government reduced the rent payable by the agriculturists of this province by about Rs. 4.2 crores and land revenue by about Rs. 1.14 crores annually. Remissions continue even now. At present they are 3.46 crores in rent and 1.10 crores in revenue. These remissions were not in strict accordance with the existing law, and the landlords made some protests on the ground that the remissions in rent were disproportionate to those in revenue. The remissions, however, continued and this bold step gave an immediate relief to the agriculturists and produced in him a confidence that the State was solicitous about him. Legislative measures were then taken to soften the coercive measures for the collection of rent and also to facilitate the collection of rent by the landlords. I proceed to describe them.

The U. P. Arrears of Rent Act No. 1 of 1931.—According to the local tenancy law, an agricultural tenant is liable to ejectment from his holding in execution of a decree for arrears of rent. This Act provides that

the ejectment of a tenant would *not* be ordered for arrears falling due between the 1st. of July and 30th of June, 1931, provided that within two months of the date of the decree the tenant paid 2|3rd. of it. Further, it laid down that for the rent falling due between the 1st. July, 1930 and 30th. June, 1931, a landlord would not be competent to distrain or to sell the produce of holding for an amount exceeding 2|3rd. of such arrears. According to the law then existing, the produce of every holding in the cultivation of a tenant was hypothecated to the landlord and he had a right to distrain it for rent that fell due within a year previous to the distraint.

Act No. 2 of 1931.—The threat of no-rent campaign alarmed the landlords. The ordinary legal process for the recovery of arrears of rent was deemed inadequate. Hence as a measure of relief for the landlords, this Act was passed. It provides that in case of any general refusal on the part of the tenants of any local area to pay arrears of rent, rates or cesses due by them to their landlords, the Local Government may declare that such arrears may be recovered as arrears of land revenue and then the Collector shall realise the arrears as land revenue. In this province many agriculturists are petty landlords also. This measure could help them also.

The U. P. Assistance of Tenants Act No. 8 of 1932.—By this Act, the courts were given power to remit the arrears of rent for 1337 and 1338F up to 25% of the amount due, if they found that the tenant was unable to pay the full amount due and that his failure to pay was not deliberate, subject to the condition that no remissions could be allowed in respect of holdings in which remissions had already been made. It was also provided that simultaneously with the remissions of rent, the land revenue would also be remitted to the extent of 40% of the amount of rent remitted. Formerly, no instalments could be granted by courts in decrees for arrears of rent. By this Act, some power was given to the courts to grant instalments and it was provided that no interest would be payable for the period covered by such instalments. It was laid down that if a tenant adequately explained his failure to pay the instalments when due, the order of his ejectment from the holding would be cancelled, if within 30 days of the order he paid up the instalment.

In the measures taken in connection with rent and revenue, the Government and the landlord both shared the sacrifice, the former foregoing about 1.14 crores of revenue and the latter fore-going about 4.2 crores of rent and consenting to the various legislative measures mentioned above. At that time, the legislature in this province consisted predominantly of landlords and the Ministry was composed of them.

Debts.—The Provincial Banking Enquiry Committee's report had already placed before the public ample material showing the state of indebtedness of the peasantry. The total debt was at the stupendous figure of 125 crores of rupees. Its onerousness increased with the fall in prices, or in other words with the rise in the value of money. It was perceived that the doctrine of *laissez faire* in the field of private contracts could not be allowed to operate freely and that the State should step in to relieve the agriculturist debtor, who was considered to be the weaker party in contracts. Such action as was possible under the existing law was therefore taken first and then six Acts were passed, and enforced from the 30th. April, 1935, to afford him relief from debts, keeping in view also the reasonable interests of the creditors. Execution sales of landed property by Collectors (under Section 68 Civil Procedure Code) were temporarily stayed by the Government. A notification was issued (under Section 61 C.P.C.) exempting one-third of the agricultural produce from attachment to enable the debtor to support himself until the next harvest and to carry on his cultivation.

Broadly speaking, the underlying principles of the recent Debt Acts are to scale down interest of both decreed and undecreed loans, to allow liberal instalments, to facilitate liquidation of the liabilities of the landholders to afford the debtor the full value of their landed property at its pre-slump rate, to give him an incentive to make prompt payments, to limit usufructuary mortgages, to save the debtors from the dishonest methods of creditors, and to make the settlement of disputes regarding debts easy and less expensive. The five Debt Acts are :—(1) The Temporary Regulation of Execution Act; (2) The Temporary Regulation of Sales Act; (3) The Encumbered Estates Act; (4) The Agriculturists' Relief Act; (5) The Usurious Loans Amendment Act; and (6) The Agriculturists' Loans Amendment Act. The first three Acts were temporary and expired on 29-10-'36. They were emergency measures. The remaining three are permanent and will remain in force until repealed.

The Temporary Regulation of Execution Act.—This Act applies to all tenants and petty landlords paying not more than rupee one per annum as local rate, provided they are pure agriculturists and engage themselves only in agriculture and allied occupations. Under this Act only the decree debts were dealt with. Any agriculturist against whom a decree stood could within a period of one year from the commencement of the Act apply to the Court which had passed the decree or if the decree was under execution, to the court in which the execution was pending, to give him the benefit of the Act. To avail of the Act, the preliminary condition is that he should deposit one-fourth of the decree with the application or within 30 days of it. If he did so, the court was bound to pass an order staying the execution proceeding and that the debtor should pay the balance into court by annual instalments subject to the following important provisions :—(a) If the rate of interest at which the debt was incurred exceeded 24% per annum, the total of the instalments would not exceed 40% of the amount due under the decree. This means that the debtor would get a discharge by paying only 65% of the decree and the balance of 35% of the decree would be written off.

(b) If the rate of interest at which the debt was incurred is equal to or is less than 24% per annum, the total of the instalments would not exceed 50% of the amount due under the decree. This means that 25% of the decree was written off. (c) The number of the instalments could not exceed 5; and (d) No interest would be chargeable on the instalments.

Decrees of the following nature only could be dealt with under the Act :—

(1) Those passed before the Act,

(2) Those ranging between Rs. 10 and Rs. 1,000 only.

Provided that the Local Government could by the notification increase the maximum limit.

The Act was not applicable to decrees in favour of a Co-operative Credit Society, decrees passed on the basis of contracts whereby a cultivator promised to supply sugarcane or any other agricultural produce in consideration of an advance of money made in order to enable him to carry on the operations necesary for the production thereof, and to decrees dealt with under the Encumbered Estates Act or under the Agriculturists' Relief Act.

Cultivators paying income-tax could not avail of this Act.

The Temporary Regulation of Sales Act.—The object of the Act was to regulate the sale of agricultural land in execution of Civil Court decrees against agriculturists. It applied to all who paid land revenue or a local rate. It was limited to those decrees which were passed in respect to loans taken prior to the Act. Execution sales of agricultural land are conducted in this province by Collectors. The Act empowered the Collector to determine the pre-slump value of the land sought to be sold and to give the decree-holder the option of—

(a) Taking so much of the agricultural land as might be equal to the value of the decree. The value of the land was of course to be calculated not at the market rate but at the pre-slump rate ;

(b) Having the sale postponed till November 1, 1936; or

(c) If the decree-holder chose neither of the above two courses, then having the decree realized by sale of so much of agricultural land, as represented in value at the pre-slump rate equal to the amount of the decree. If at such a public auction the sum realized did not fully satisfy the decree, then the rest of the decree was written off.

The Act did not apply to a mortgage decree sought to be executed by sale of the mortgaged property in the hands of subsequent transferees who had taken the transfer subject to the mortgages.

The Encumbered Estates Act.—This Act applies to all landlords paying a local rate of more than rupee one per annum. It enables them to liquidate all their liabilities. It is an optional measure. The landlord wishing to avail of this Act may apply to the Collector that the benefits of the Act may be applied to him. After preliminary examination of the application, the Collector sends the application to the Civil Court which determines the assets and liabilities and ranks all the debts in order of priority as follows :—

(1) Debts recoverable under the Tenancy Act and Land Revenue Act.

(2) Public debts due to the Government and to a local authority creating a charge on immovable property.

(3) Secured debts.

(4) Debts due on account of goods supplied or services rendered.

(5) Unsecured Debts.

The Civil Court then sends its findings in the form of decrees to the Collector for execution. In determining the debts, the Civil Court has to observe the following provisions in awarding interest :—

(a) The amount of interest held to be due on the date of the application shall not exceed that portion of the principal which may still be found to be due on the date of the application. This is a modified application of the rule of *damdupat* that prevailed in this country in the past.

(b) The rates laid down in the Usurious Loans Act will be applicable.

(c) The U. P. Agriculturists' Relief Act shall not apply to the proceedings under the Encumbered Estates Act.

It may be noted here that by the acceptance of his application under the Encumbered Estates Act by the Collector, the landlord petitioner gets a certain protection and also incurs a certain disability. All execution proceedings against him are stayed at once. No fresh suit or other proceeding, except processes for ejectment for arrears of rent, can be instituted against him. He cannot without the sanction of the Collector transfer any property by way of exchange, or gift, or sale, or mortgage or lease.

The Collector on receipt of the findings from the Civil Court, proceeds to liquidate his liabilities. The procedure before the Collector is cumbersome. Its main feature are as follows :—

1. Creditors themselves have no right to execute the decrees. Everything is in the hands of the Collector. Indeed the Act provides that for the purposes of execution against property outside the United Provinces, the decrees passed by the Collector shall be deemed to be decreed in favour of the Collector.

2. It affords facility to the debtors to pay up the liabilities. It allows liberal instalments.

3. It tries to save the landed properties as far as possible.

4. It allows pre-slump rates for the properties of the debtor. It saves the landlords from the effects of the fall in the value of the landed properties. The rules framed by the Local Government prescribe standard transfer multiples for different areas and they range from 20 to 70, meaning thereby that the Collector would transfer the properties at so many times the net pre-slump profits of the property.

5. It provides maintenance allowance and residential house to the indebted landlord and his family with due regard to his position.

6. The future interest on the debts are substantially reduced. Its rate is determined by the Local Government and shall in no case be higher than 4½% per annum.

7. The debts are discharged by the Collector in the order of priority as given above.

8. Due regard will be paid to agricultural calamities in modifying the instalments initially determined.

Briefly, the Collector on the receipt of the finding follows the following procedure :—

He gives two months' time to the debtor to pay the liability. If on the expiry of this period the debtor does not pay up the full amount, the

Collector proceeds to liquidate the amount first by realising the value of the debtor's properties other than land, leaving to the debtor at least one residential house and the necessary furniture therefor. If the sale proceeds so realised do not suffice to liquidate all the dues, then if any person agrees to pay the amount still due and to take a mortgage on the condition that the balance of the dues would be paid off in 20 years by him, the Collector shall grant him such a mortgage. The mortgage can be made of not more than ¾th of the landed property of the debtor. If such a mortgage is not possible, the Collector shall fix instalments the period of which will not be more than 20 years and the said instalments will be realisable as land revenue. The Local Government has the power to assume charge of the estate of any debtor, who has made defaults in the payment of instalments. In case instalments are fixed, the Collector shall give bonds to each creditor at a rate not exceeding 3½%. The Collector has also power to transfer landed property at pre-slump rate. The instalments have been declared to be a charge on the estate of the debtor.

A large number of proceedings under this Act are pending at present in the Civil Courts and very few of them have so far gone to the Collector owing to the fact that several notices have to be issued by the Civil Courts at intervals laid down by the statute, and all this takes time.

The Agriculturists' Relief Act.—This is by far the most important debt Act and is being extensively taken advantage of by the people. Its main features are :—

1. It regulates the rate of interest for the debts incurred by the agriculturists after 31-12-1929. Statutory rate of interest for secured and unsecured loans have been separately laid down. It varies from 9½ to 6½ per cent per annum in the case of secured loans and 14 to 10 per cent per annum simple in the case of unsecured loans. The rate is higher in the case of loans of lesser amounts. The Local Government has been empowered to vary the rate from time to time by notification in the Gazette, and as a matter of fact the above rates have been further lowered since the introduction of the Act by the Local Government by 1¼% per annum.

2. The courts so far usually allowed 6% per annum as future interest in decrees. Now, the Local Government has taken the power to fix future interest in decrees. The present rate as fixed by the Local Government is 3¼% per annum.

3. It allows reduction of interest according to the above rate even in decreed loans and the indebted agriculturist can apply to the court for the amendment of the decree accordingly.

4. It allows liberal instalments both for decreed and undecreed loan. They are usually to be spread over four years, but in the case of agriculturist of larger means they may be spread over 15 years.

5. It gives an incentive to prompt payment. It provides that if the debtor repays the loan within two years or the stipulated period of the loan, then an unsecured loan shall bear the rate of a secured loan.

6. It saves the agriculturists from the dishonest methods of the money lenders by prescribing that the money lender shall maintain accounts in a certain form and annually supply every debtor a statement of accounts. Failure to comply with this, results in the creditor forfeiting costs of the suit and interest for the period for which he did not supply the debtor with the accounts.

7. It provides a speedy procedure for the redemption of mortgages.

8. It saves to the agriculturists some expenses relating to the execution and registration of bonds. In schedule 5 of the Act a much reduced scale of stamp duty, registration fee and copying charges are laid down. This has been done to encourage that the loan transactions may be supported by good evidence.

9. It affords facility to the agriculturist to settle his dispute and repay his loan by conferring on him a right to sue the creditor for accounts or to desposit in court any sum not less than ¼th. of the amount due for the payment of the creditor.

10. It fixes a limit for the execution of decrees by sale of agricultural produce. In no case shall a decree passed by a Civil Court be executed against an agriculturist by attachment and sale of agricultural produce after a period of 4 years calculated from the date of the filing of the first execution application.

Provided that the period during which more than ¼th. of the judgment debtor's holding has been sublet or during which he has suffered an agricultural calamity shall be excluded from the period of 4 years.

Provided also that, when instalments have been granted, the period of execution allowed shall in respect of each execution, date from the day on which the instalments fall due.

11. It brings justice within easy reach of the agriculturist, as it provides that suits for the recovery of unsecured loans against him shall be instituted in the court within the local jurisdiction of which, he resides. Until now, the law was that a creditor could sue either where the loan was taken or where the defendant resided.

12. It limits usufructuary mortgages and provides that it cannot last for more than 20 years. On the expiry of this period, the mortgagee must deliver back the property to the mortgagor free from all encumbrances.

13. It provides certain penalties for creditors, if they are found guilty of certain dishonest methods.

The Usurious Loans Amendment Act.—This Act is of general application and applies to all debts and all debtors whatsoever.

The two important amendments that it makes in the old Act of 1918 are that (1) it is now obligatory, and not discretionary, for the courts to reduce the rates according to the Act and (2) it prescribes maximum and minimum for secured and unsecured loans. It lays down that a court *shall* deem a rate excessive if it exceeds 12% per annum in the case of secured loans and 24% per annum in the case of unsecured loans and shall not deem it excessive if the rate does not exceed 7 and 9 per cent per annum according as the loan is secured or unsecured respectively. The discretion of the court thus slides between 7 and 12 per cent per annum and 9 to 24 per cent per annum for secured and unsecured loans respectively.

The Agriculturists' Loans Amendment Act.—This Act amends the Agriculturists' Loans Act of 1884 and empowers the Government to lend money to agriculturists not only for the relief of distress, purchase of seed or cattle and improvement of land, *but* also for the payment of existing debts and the purchase of rights in agricultural land.

Effect of the Debt Acts on Co-operative Movement.—The word 'loan' as defined in the Agriculturists' Relief Act excludes loans advanced by Co-operative Societies. Societies are therefore saved from the operation of many of the provisions of the Act.

There is one provision, however, which does affect land mortgage banks. According to section 9 possessory mortgages cannot operate for more than 20 years. If ever, therefore, any land mortgage bank takes a usufructury mortgage, it should be careful to see that it advances only so much as, together with the interest, can be repaid from the average profits of the mortgaged property in 20 years.

While directly this is the only provision in this Act which affects Co-operative Societies, indirectly it influences Co-operative Societies to a great extent. In the awards passed under the Co-operative Societies Act, the future interest usually allowed in this Province is from 9 to 12%

and no instalments are fixed in the awards. When a debtor finds that if he had borrowed from an ordinary money lender, future interest in the decree would have been only 3¼% per annum and he would have obtained liberal instalments from courts, his loyalty to the Co-operative Society is bound to be weakened.

In this province there are many societies which charge 15% per annum as interest. The graduated scale of interest prescribed by the Agriculturists' Relief Act lays down 13¾% per annum as the maximum rate permissible at present. The societies should come in line with the statutory rate; otherwise the members will slowly leave the societies. I notice that a large number of societies in this province have, in fact, reduced their rate of interest after the passing of this Act. The instalment system prevalent in the societies also requires reconsideration.

The fact that agricultural produce can be seized only for 4 years is also bound to affect the awards obtained under the Co-operative Societies Act and executed through Civil Courts. Agricultural produce is the main source from which the societies realise their dues from their members. Societies should, therefore, limit their advances to the members.

The Encumbered Estates Act affects the societies prejudicially, because it allows 4½% per annum as the maximum future interest. Societies work mostly with borrowed capital and pay usually 9% per annum as interest. If future interest is cut down to 4½% per annum, then obviously the society will suffer a loss.

General effects of the Debt Acts.—While the above Acts have afforded some immediate relief to the landlords and agriculturists, they have rudely shaken their credit. Creditors are now very reluctant to advance money to them. They have lost faith in the sanctity of contracts and even of decrees. They fear that any day their debts might be written off or reduced by the Legislature. Credit is indispensible in agricultural operations. The Acts solved only one aspect of the problem. The other aspect is to afford reasonable facility for productive credit, and for this little has been done as yet. In my opinion, extensive organisation of credit and marketing societies is urgently called for and for this purpose sufficient funds should be placed in the hands of the co-operative department.

DEBT RELIEF IN CENTRAL PROVINCES *

BY

DR. P. J. THOMAS,

University Professor of Economics, Madras.

The Government of the Central Provinces was the first in British India to concert measures for relieving the heavy burden of rural indebtedness resulting from the world economic crisis of 1930. In 1932, that Government drew up a scheme of debt conciliation and early in 1933 legislative sanction was given to it. Since then other Provinces and certain Indian States have taken similar action, and in many cases the scheme in operation in the Central Provinces was adopted with, of course, modifications to suit local conditions. The debt relief experiment in the C. P. therefore deserves the closest study at this juncture.

The Rural Economy of the Central Provinces.—In order to understand the nature and working of the debt relief measures taken in the Central Provinces, a knowledge of the land tenures and rural conditions of that province is essential. The principal tenure in vogue in the C. P. (as distinct from Berar) is the malguzari, and 26,827 out of the 36,151 villages or 72 per cent are under that tenure, whilst ryotwari accounts for only 2,972 villages or 8 per cent of the total. But, of the 21,940,090 acres of land under malguzari, only 3,752,834 acres (or about 17 per cent) are cultivated as home farm (*Sir* or *khudkasht*) whilst the rest is held in tenancy right. Of the tenancy land, nearly 90 per cent is held by occupancy tenants and are not transferable. Even if we consider the whole occupied land (22 million acres), 15 million or nearly 70 per cent of it is inalienable. Indeed malguzars have power to transfer their malguzari rights, but the occupancy tenants have no rights of transfer except to co-sharers and certain heirs, and their land cannot be used as security for loans, although takavi advances form a charge on it. Occupancy land cannot be attached or sold in execution of decrees, but for arrears of rent the tenant may be ejected by a revenue court. As a result, the great majority of the agriculturists of the province have only such credit as their standing crops, their cattle and their movable property will command. No wonder that of the total debt in 1928 only 27 per cent was 'secured'. The greater the risk the higher the rate of

* Certain portions of my article on the same subject in the *Madras University Journal* (Jan: 1935) are incorporated into this paper.

interest. The average rate is 24 per cent with a penal stipulation of a higher rate—usually 37 per cent in case of default, which is common.

In Berar, however, the bulk of lands is under ryotwari tenure and is transferable, and therefore the debt is largely secured. In 1928, secured debt formed more than 60 per cent.

Debt Conciliation in Earlier Days.—During the economic depression resulting from the great famine of 1897-1900 and after, Government carried out a scheme of debt conciliation in six districts. The total debt conciliated was Rs. 240 lakhs of which Rs. 155 lakhs was remitted. The beneficiaries were mostly tenants. The conciliation proceedings were conducted by panchayats presided over by Government officers. Debtors and creditors were collected together in villages and they signed agreements consenting to abide by the decision of the conciliators. The paying capacity of the debtor was taken into account and easy instalments were fixed for repayments, the period being fixed at 5 to 10 years in the case of tenants and 15 years in the case of malguzars. Six per cent was allowed in the case of overdue instalments. A good deal of irrecoverable debt was written off, and according to some accounts 'a very large proportion of the debts conciliated was irrecoverable', but a material relief was given to debtors. The creditors seem to have soon repented of the wave of generous enthusiasm that swept over the country, and their exactions became more rigorous afterwards. However, there was no contraction of credit due to this measure. In Betul, there was a temporary withholding of credit, but wiser counsels soon prevailed and matters went on as before.[1]

The Origin of the Debt Conciliation Boards.—The Debt Conciliation Act of 1933 was a result of the bold generosity of the Government of Central Provinces and it was ably piloted through the Council by Mr. (now H. E. Sir Hyde) Gowan, then Revenue Member. The opposition came chiefly from certain representatives of the people, who suggested a proper enquiry. 'If you see your house on fire', asked the Revenue Member effectively, 'will you enquire into the causes before you put the fire out ?[2] The bill became law in January 1933 and came into force on 1st April. Two Conciliation Boards were established in July 1933 (Khurai in Saugar District and Seoni in the Chindwara District). Since then, 46 Boards came into being. Five of the Boards completed their work in 1935 and 1936. At the beginning of 1937, there were 43 Boards working. The Boards are constituted of non-officials working in an

1. See C. P. Banking Enquiry Committee Report.
2. Council Proceedings, 19th January, 1933.

honorary capacity, the chairman being an officer from the executive or judicial service. The Act originally provided for only five members, but as the work imposed a heavy strain on the members, the Act was amended and the strength of the Board was increased to 9.[3] It is interesting to note that several money-lenders have volunteered to become members and are taking a keen interest.

The Procedure of Debt Conciliation.—Debtors or creditors may apply to the Board, but only debtors who do not owe more than Rs. 25,000 may apply, as the law stood. The application must contain particulars about the parties, the amounts owed to each creditor, the property owned by the debtor, and so forth. On receipt of the application, the Board fixes a date for hearing the application. If after examining the applicant, the Board is convinced about the desirability of a settlement, a notice is issued to all the creditors to submit an account of the debts owed to them. If a statement of debt is not made in time, such debts are deemed to have been discharged. The creditor must also submit his books and documents for inspection. The Board then endeavours to make an amicable settlement, summoning witnesses, if necessary. If the creditors to whom 40 per cent of the debts are owing agree to a settlement, an agreement is signed setting forth the terms. The agreement is then registered under the Indian Registration Act. In any proceedings before a Board, parties may be represented by agents authorised in writing, but not by legal practitioners. Lawyers therefore have no place in the conciliation system.

If a debtor defaults in paying the instalments according to the agreement, such amount may be recovered as arrears of land revenue on the application of the creditor, but if the Deputy Commissioner fails to recover such arrears, he will certify that it is irrecoverable, and the agreement will cease to subsist.

If a creditor refuses to agree to an amicable settlement, on the terms considered by the Board as reasonable, the Board may grant the debtor a certificate in respect of the debts owed by him, and if the creditor thereafter sues the debtor in the civil court for the recovery of the same, the court will not allow him any costs in the suit, or interest on the loan after the date of certificate not exceeding 6 per cent. If, after the registration of an agreement, an unsecured debtor sues for the recovery of the debt, any decree so obtained will not be executed until all amounts payable under the agreement have been paid off. Civil courts are prohibited from entertaining suits in any matter pending before a Board, and proceedings pending before a court are suspended, and cannot be revived until the Board has dismissed the application.

3. See Central Provinces Gazette, 16th March. 1934.

Inclusion of Co-operative Debt and Landlords' Rents.—There was at first great opposition to the inclusion of co-operative debts in the scope of debt conciliation. It was feared that the inclusion would ruin the co-operative movement by causing a run on the deposits in the central banks, and non-official co-operators stoutly opposed it. The Registrar of Co-operative Societies held on the other hand that co-operative debt should be included, because (1) conciliation must comprise the entire debt, if it is to be effective; (2) the exclusion of co-operative debt would cause a grievance to private creditors; and (3) the conciliation of co-operative debt would stimulate the process, already initiated, of writing off bad debt. It was also pointed out (4) that if co-operative debt was not included, the debt owed to private creditors would become like a first charge on the ryot's annual income. Even otherwise, moneylenders have a virtual charge on crops by seizing produce at the threshing floor, but when conciliation is effected, the co-operative society will have to wait till all other creditors are paid off. By allowing conciliation, provision could be made for co-operative debt in the agreement, along with other debts, and if the debtor's land is sold, the society could get a share of the proceeds. However in the end it was decided to include debts owed to the Co-operative Society, but subject to the previous approval of the Registrar of Co-operative Societies. The wisdom of this decision is doubtful. It is now thought by many that co-operative debt must be altogether left out or be included like all other debts, no debtor claiming a privileged position.

Another question which created some comment was whether rent should be excluded from the purview of the Act. It was argued that as land revenue was paid from the rent received by the malguzar, it would be unfair to allow rent to be cut down. But in reality the arrears of rent which landlords complain of are really arrears of loans advanced by them to the tenants. Usually, the landlord lends money to tenants, but when rent is paid such payments are taken towards arrears of interest or principal, and rent is marked as in arrears. By doing so, the landlord could effectively threaten the tenant; for the latter could be turned out if rent was in arrears for three years. Therefore rental arrears have been treated in a special manner by the Board, and in many cases they have insisted on applicants paying their rents before applying for debt conciliation. If rent had been excluded by statute from the operation of the Act, a good number of the cases that have come for settlement would have been dismissed, and the Debt Conciliation Act would have been of little real help in relieving agricultural distress.

The Working of the Boards.—Five of the Conciliation Boards in the Province completed their operations by the close of 1936, and we are now in a position to review their working and the results achieved. At first, the Boards found it difficult to attract clients. At Seoni, threats of sowkars and fears that no more credits would be available made debtors reluctant to approach the Board. But soon the nature of the debt settlement came to be known widely, and applications flowed in. For a time there was such a rush of business in the Conciliation Board Office that petition-writers and gadivallas, pan-vendors and tea-sellers swarmed the place and gave it an appearance of a village fair. I had occasion to visit the place in 1934 and I found it throbbing with activity.

Of the total number of applications made to the Board, about 20 per cent in Seoni and more than 30 per cent in Khurai, had to be rejected, either because of want of jurisdiction or because of the obstinacy of debtors. In some of these cases, subsequent events showed that the obstinacy was foolish. Of the cases considered, the largest number ended in full settlement, and in a good many cases, certificates were issued under section 15 (1). The following table will make the position clear :

Name of Board.	No. of cases settled.	Total amount claimed.	Amount according to assessment.	Percentage remitted.	No. of certificates issued.
		Rs.	Rs.		
Kurai. (July '33—Jan. 35.)	1,693	16,07,275	8,36,849	48·3	901
Seoni. (July '33—July. 35.)	3,326	48,08,999	26,04,905	46·5	542
Mekhar. (June '34—July 36.)	2,461	38,19,733	26,55,622	33·5	164
Kelapur (Jan: '34—Feb. 36.)	482	15,49,125	10,25,518	33	218
Narsinghpur-Gadarwara. (April '34—Dec. 36.)	3,866	57,63,370	25,22,166	56	1,304

Taking the work of all the Conciliation Boards, 46,537 cases, involving an amount of Rs. 5·63 crores, were settled till the end of June 1937. That amount was scaled down to Rs. 2·93 crores; in other words, as much as 48 per cent. of the total debt has been remitted. Thus the total debt burden of the Province has been lightened by nearly one-half.

Remissions have been largest in the case of unsecured loans (simple money claims), and least in the case of secured loans (Mortgages). Thus in Seoni, the remission in the case of mortgages was only 37·2 per cent while in the case of simple money claims, it was possible to scale them down by about 50 per cent.

Creditors holding mortgages and decrees were found reluctant to accept settlement, because they have a sheltered position under law. Whether they come into the agreement or not they can claim and obtain their pound of flesh. Only those secured creditors who had filed their suits in court or who had applied for the execution of decrees were affected by the Conciliation Act; for, Section 21 suspends all such suits and legal proceedings, and prevents their being revived till the registered agreement ceases to subsist. The Act does not bind the hands of other classes of secured creditors—i.e., those who had not filed a suit and those decree-holders who had not instituted proceedings. They are not bound by the provision in Section 15 (3) which compels unsecured creditors who have not come into the agreement to wait till the amounts payable under the agreement have been paid. Indeed the Board can grant a certificate under Section 15 (1), but it only means that the creditor will not get the cost of the suit and that interest will not exceed 6 per cent after the date of certificate. This cannot have any strong deterrent effect. As for the creditor who had already obtained his decree, the certificate does not affect him, and he is free to execute the decree in defiance of the agreement. Thus a large section of creditors has no incentive to come into the agreement.

The reluctance of the secured creditor to come into agreement has been somewhat reduced by an amendment of the Act. According to the original Act, when a secured creditor entered into an agreement, his mortgage lien on the assets of the debtors would be extinguished and thus his position would be little better than that of unsecured debtors; but after the amendment if a secured debtor joins an agreement his mortgage lien would subsist until the amount due to him has been paid or the property has been sold for the satisfaction of such debt.

At Seoni, and to some extent also at other places, it was found by experience that the scheme of conciliation and repayment by instalments suited only cases involving comparatively small sums. Large claims, specially mortgage claims, cannot be satisfactorily settled in this way. If the conciliated sum could be repaid immediately, the creditor would agree to large remissions, but if repayment is to be made by instalments ranging over many years, such remissions would not be made. Therefore it was found by experience that the best method of settling large claims was to transfer a portion of the mortgaged property. This would enable the debtor to start life afresh and under more favourable circumstances than if he was encumbered by large annual payments to be made to the creditor. In 75% of the mortgage claims settled at Seoni, this method was adopted. In some cases, claims had to be settled by the transfer of village shares. Of course, the debtors were unduly reluctant to give up land, but the far-sighted ones agreed to it. Those optimistic debtors who insisted on keeping their land will soon have a bad time, unless prices rise in future.

In a good many cases, repayment is out of the question and insolvency is the only proper solution, but most agricultural debtors would not resort to it willingly. It would be desirable therefore to empower Boards to declare a debtor insolvent with his permission.

Provision for Repayment.—The crux of the conciliation arrangement is the provision for repayment. If a suitable mode of repayment could be shown, creditors would agree to large remissions. In the Central Provinces, Government undertakes to collect instalments, through the Revenue agency. This provision caused many misgivings at the outset, but in practice it has not worked too badly. In Seoni, instalments have been, so far, fairly regular and only in a few cases had Government to put through the coercive process of recovery. In Khurai, collection was difficult in 1934, because the crops have been damaged in that season. Instalments have been fixed with due regard to the repaying capacity of the debtor and therefore in normal years, collection may not be difficult.

But, a more suitable agency for repayment is the land mortgage bank. With a land mortgage bank prepared to advance the whole conciliated sum to the debtor, the creditor would agree to liberal remissions. Further, a land mortgage bank has the necessary technical equipment for carrying on transactions lasting over a long period and could carry it out on business lines. Therefore land mortgage banks must collaborate with conciliation boards if the best results are to be obtained. Hence the efforts of Government to speed up the establishment of these banks.

In the Central Provinces, several land mortgage banks (about 10) have been started, but, so far they have not been able to do much. Many persons are unwilling to resort to them, partly because of the entrance fee and valuation charges and partly because of the fear of a scrutiny into their assets and liabilities. In order that these banks may be useful, the equated payments due from the borrower must be such as to be found from the year's net income, but this will not be possible unless the period

of repayment is longer than 20 years. Even in Madras, where interest rates are low and where the land mortgage banks have been functioning longest, re-financing has been proceeding slowly and only a little over Rs. 1 crore has been advanced by these banks. If work must proceed rapidly, special provisions must be made for it, under direct Government supervision and control.

Restriction of Credit.—When the debt conciliation system was being devised, there was a wide-spread fear that the measure would create a sense of insecurity among moneylenders and that rural credit would thus break down. But such fears have been lately falsified. No doubt there has been a restriction of credit: ryots are now unable to borrow freely for celebrating marriages and other feasts, and this is a very welcome development every way. For financing agricultural operations, however, ryots have been able to borrow, and there is no evidence of any difficulty in this matter. On the other hand, the agriculturists who have been freed from debt are now able to borrow on more favourable terms than previously for productive purposes. Some of the more enterprising moneylenders have been adopting the methods and terms of land mortgage banks, with a view to expanding their business.[4] This is no small credit to the few land mortgage banks of the C. P., in spite of their having worked only for a short time. But this is largely due to the Debt Conciliation Boards which have taken off the load of rural debt or relieved its burden considerably. The debtors are now able to meet their obligations by spending a much smaller proportion of their incomes and therefore their spending power has largely increased.

It is too early to estimate the success of the debt conciliation system in the Central Provinces. Considering the fact that conciliation is on a voluntary basis, the success achieved may be regarded as creditable. But it is well to remember that conciliation of debts is only the beginning of debt settlement; it remains to be seen whether the repayment would go on properly. Further, the majority of applicants have been persons harassed by creditors. A large proportion of debtors have not applied to the boards and in a good many cases conciliation has failed. In 1928, the total rural debt of the Province was Rs. 36 crores. Assuming that it has gone up by one-half since, hardly a tenth of the total debt has come under conciliation. If debt settlement is to proceed rapidly, the boards must be given fuller powers. The Bengal and the Punjab Acts have gone farther in this respect, and their results must be carefully watched.

4. See Rao Bahadur M. G. Deshpande's address 1930 and 1936 extracted in the *Indian Co-operative Review*, Vol. II. p. 712.

Other Measures to Relieve Indebtedness.—The Government of the Central Provinces have also carried out legislation to regulate money lending and to keep interest rates under control.

(*i*) *The Usurious Loans Amendment Act*, 1934.—The Usurious Loans Act of 1918 has given the courts power to reopen transactions and cut down interest if (1) the rate of interest is excessive, and (2) the transaction substantially unfair. But both these conditions are essential for interference, and it is left to the discretion of the courts whether to interfere or not. The result has been that most courts have not interfered, save in very exceptional circumstances. Law is intensively conservative, and many lawyers and judges will appeal to the sanctity of contract, even if injustice to a party is patent. The Usurious Loans (Central Provinces Amendment) Act of 1934 is meant for strengthening the hands of law courts in meting out justice. Clause 2 of the Act empowers the courts to interfere if the transaction is substantially unfair or if the rate of interest is excessive; both these conditions need not be fulfilled. Not only does it empower the courts, but compels them to interfere, as is clear from the substitution of the word 'shall' for 'may' in Sub-section (1) b of Section 3 of the India Act. The exact level beyond which the interest rate may be deemed excessive, is left to the discretion of the court, but interest will be deemed excessive if it exceeds 12 per cent on secured loans and 18 per cent on unsecured. For future loans the Provincial Government may order that compound interest in excess of 10 per cent is excessive.[5]

(*ii*) *The Central Provinces Moneylenders' Act*, 1934.—This Act aims at controlling moneylending in the Province. Provisions have been made for the maintenance of accounts by moneylenders and for the supply of statements thereof to debtors, but debtors are not bound to admit the correctness of such accounts. The procedure of courts in suits regarding loans is laid down. The principle of *damdupat* is recognized: interest in future is not to exceed the principal, and this may apply to past loans also, with certain reservations. Decretal amounts may be paid by instalments.

(*iii*) *The Central Provinces Reduction of Interest Act*, 1936.—The object of this Act is to protect landlords and tenants paying revenue or rent not exceeding Rs. 5,000 (*a*) by reducing rate of interest on loans contracted between January 1917 and January 1930, in respect of the period after 1930, (*b*) by reducing the rate of interest on loans contracted

5. In certain parts of the C. P. 40 per cent. is the average rate of interest charged to agriculturists.

after 1930 till such time as may be found necessary,[6] and (*c*) by limiting their credit so as to check the tendency to incur improvident loans. Thus not only are the burdens arising from the slump sought to be relieved but an attempt is made to prevent future accumulation of debt by laying down that claims which are above a prescribed multiple of land revenue or rent will not be recoverable by judicial proceedings. Such restriction of credit seems essential in the present circumstances.

(*iv*) *The Central Provinces Protection of Debtors Act*, 1937.—This is intended to protect debtors from molestation and harrassment.

The above Acts are expected to relieve the debt burdens of those who have not approached the conciliation boards either by ignorance or by fear of moneylenders. Of course, laws for curtailing interest rates can be circumvented in many ways, but that is no reason why such legislation should not be carried out.

Measures are also being taken to increase the number and enlarge the usefulness of land mortgage banks. Rural uplift is a keenly discussed subject in the Province. Consolidation of holdings has been proceeding steadily these last few years, and Mr. M. L. Darling admitted that the C. P. was not far behind the Punjab in this respect.[7]

Conclusion.—It is clear that the Government of Central Provinces has tackled the problem of rural debt in right earnest. The success of the conciliation system is already perceptible. The results of the other measures cannot yet be estimated, but it is certain that they will exert a powerful influence in keeping agriculturists free from debt. Although economically not in the front-rank of Indian Provinces, the C. P. has lately shown great vigour in combating rural debt and has achieved greater success in this respect than any other province in India.

6. For sums below Rs. 5,000, compound interest is not to exceed 7½ per cent., and simple interest 10% (secured debt) and 15% (unsecured debt). The rates are slightly lower in the case of sums above Rs. 5,000.

7. Indian Legislative Assembly Debates, 24th September, 1936.

DEBT RELIEF MEASURES IN MYSORE

By

Y. Sreenivasaiya,
Advocate, Mysore.

Of the Regulations enacted by the Government of Mysore with the main intention of giving relief to Agriculturists, the Usurious Loans Regulation (No. 9 of 1923) gives powers to courts to deal with usurious loans of money or in kind, to any debtor whether he be an agriculturist or not. The Government has reserved the power to exclude any area, class of persons or class of transactions from the operation of this regulation. Whenever the court has reason to believe that the rate of interest is excessive and that the transaction was, as between the parties thereto, substantially unfair, it may reopen the transaction, take account between the parties, and relieve the debtor of all liability in respect of any excessive interest. Even where there is an agreement in purporting to close previous dealings and to create new obligations, the court is invested with the power to reopen any account already taken between the parties and relieve the debtor of all liability in respect of any excessive interest; and even ask the creditor to refund the excess he has received. The court can set aside either wholly or in part any agreement entered into between the parties. It is left to the discretion of the Judge to decide whether the interest is excessive or not in each case; and the judge is directed to take into consideration the risk incurred as it appeared to the creditor at the date of the loan. If the debt is well secured, the court has to give greater relief to the debtor than otherwise. In considering whether a transaction was unfair or not, the court is directed to take into consideration the necessities of the debtor at the time of the loan so far as they were known or must be taken to have been known by the creditor. In considering whether interest is excessive, it is directed that the court shall take into account any amounts charged or paid whether in money or in kind for expenses, inquiries, fines, bonuses, premia, renewals or any other charges, and if compound interest is charged the periods at which it is calculated.

This regulation is thus applicable to all debtors whether poor or rich, whether agriculturists or non-agriculturists, whether possessed of the means to pay the debt or devoid of any means at all. The discretion vested also is such that the judge has power only to reduce the amount of interest, but not to grant time sufficiently long to the debtor to discharge the debt without losing the secured or other property. Except in cases where the rate of interest is very heavy the relief obtained by the debtors in the majority of cases is very meagre.

The Regulation which was enacted next was the Mysore Agriculturists' Relief Regulation (No. 18 of 1928) whose object is to relieve agricultural classes in Mysore from indebtedness. It is applicable only to those areas to which it is extended by the Government. At present the Government have extended its operation to the whole of the State. It is not the intention of the legislature to give relief under this Regulation to the rich amongst agriculturists, but only to the middle and poorer classes, i.e., to persons who ordinarily engage themselves in agriculture and whose income does not exceed one thousand rupees per annum. In cases where an agriculturist gets an income from other sources, he gets the benefit of this regulation if the income from the other sources does not exceed five hundred rupees per annum. This enactment gives a number of privileges to the agriculturist debtor. The Court is empowered to give him time up to eight years and in some cases even longer periods to discharge his debt and that too in annual instalments. His agricultural land cannot be sold unless the arrears amounts to two or more instalments. He is exempt from arrest and imprisonment in execution of a decree for payment of money. When the amount claimed by the creditor is disputed, the court is empowered to take an account from the commencement of the transaction, reopening any agreement entered into in the interval purporting to close all prior accounts. And even when the creditor has taken a fresh bond consolidating a prior debt with accrued interest, the court is empowered to reopen the transaction and consider as the principal, only the amount lent originally. In fact the court prepares a statement of accounts putting towards the principal amount only the sums actually lent by the creditor and setting off the sums paid by the debtor first against the interest due and the surplus, if any, against the principal amount. The court avoids compound interest. It generally allows the contract rate of interest except when it considers it to be unreasonable, in which case it has the power to fix the rate of interest payable by the debtor.

The creditor has certain obligations to fulfil while dealing with an agriculturist. He has to maintain accounts. He has to furnish a pass-book to the debtor, and tender him receipt for money paid by him whether he demands a receipt or not. An agriculturist is entitled to demand a statement of accounts once a year from the creditor. The creditor when he files a suit against an agriculturist, should produce a certified extract of his account unless the court orders for reasons to be recorded that there is no need to produce the extract. His suit shall not be proceeded with if he fails to produce, when directed by the court, a certified and verified extract of accounts he has maintained of his dealings with the debtor.

The rigours of the General Law are relaxed in certain cases in favour of the agriculturist. He has been given the right to adduce oral evidence to vary the terms of a written agreement, whether registered or not, even when the terms are alleged to be contemporaneous. He is given the right to prove payments towards a decree out of court even after the lapse of the period of limitation. In the case of suits for redemption, he is entitled to obtain a decree for redemption though the debt is not fully paid. He can obtain a decree for redemption even when the time fixed in the bond for repayment has not arrived. He is entitled also to pay the decree debt in instalments in a redemption suit. In the case of such a suit the court can pass a decree prescribing that the mortgagee shall remain in possession of the property for a term of years and appropriate the yield towards the full satisfaction of his claim. The period of limitation has been doubled in the case of money suits. Thus a suit on a bond against an agriculturist can be filed within six years if it is unregistered but twelve years if it is registered.

An *Agriculturist does not get the benefits of this* Regulation in a suit for rent except when, having sold or mortgaged the land, he has taken it back on lease from the vendor or the mortgagee. So also when he is sued as a trespasser or for damages he does not seem to get the benefit of this Regulation. It is only in suits arising out of express contracts where courts can pass a decree for payment of money that the agriculturist gets the advantages provided for him in the Regulation.

The aim of the legislature in passing this regulation is, as is obvious, to prevent expropriation of the lands of the middle and poor classes amongst agriculturists, to protect them from the fraudulent or coercive actions of the money lenders who may exploit their ignorance, illiteracy, or credulity and take unfair advantage of their unavoidable need for money.

It is enacted that all suits under this Regulation should be tried as original suits. Thus the trial will not be summary even in suits of the nature triable by Small Cause Courts. The parties therefore get the right of appeal in all suits to which the Regulation applies. The Regulation applies to suits where even only one amongst the defendants is an agriculturist and therefore the rest, whatever their occupation or means may be, also get the benefits of the Regulation.

Agriculturists do not look upon the Regulation as a boon. For though they appreciate the benefit conferred upon them as regards the discharge of the existing debts, their chances of raising future loans are curtailed because the creditor who lends on personal security to an agriculturist has got no chance of recovering it by any coercive steps since the latter cannot be arrested nor his land sold for the discharge of the debt, until he commits default for two consecutive years. The Regulation originally protected all immovable properties of the agriculturist—whether lands or houses—from being sold away in execution of a decree. Latterly, the law has been amended so as to exempt immovable properties other than the agricultural land from the operation of this Regulation, as well as empower the court either at the time of passing the decree or subsequently during the execution of the decree, to demand for sufficient causes shown by the plaintiff, security from the debtor for the decretal debt, and if he fails to furnish the said security, to proceed to attach even his agricultural lands. As the law stands at present the position is as follows :—

(1) When immovable property whether agricultural land or not is mortgaged under a registered bond the creditor can enforce his security against the debtor, and sell the land.

(2) and even if there has been no security created under an agreement, if the debtor fails to furnish the security ordered by the court, his immovable property including agricultural land can be attached and reserved so to speak to be sold in satisfaction of the decree if he commits default in respect of two or more instalments.

The chances of unscrupulous agriculturists alienating their lands and frustrating the creditor from realising the fruits of his decree have been thus reduced, if not eliminated.

The most recent addition to the list of laws enacted for the benefit of the agriculturists is the Debt Conciliation Boards Regulation No. VI of 1937. In this Regulation provision is made for the establishment of Debt Conciliation Boards to relieve agriculturists from indebtedness as it is found expedient to give such relief by amicable settlement between them and their creditors. The Government may establish a Debt Conciliation Board for any District or part of a District. It shall consist of a Chairman and two others, who shall generally be appointed for a period not exceeding three years and reappointed after the expiration of the said period for a further period not exceeding three years. The debt of the agriculturist who can take advantage of this Regulation should exceed one hundred rupees. The debtor or creditor can make an application to the Board for the settlement of the debt, provided that when the debtor's application is pending no creditor can make an application of his own. The application should be made to the Board within whose territorial jurisdiction the debtor resides: or if there is no Board established within that area, then to the Board within whose jurisdiction his immovable properties are situated. If applications are made to more than one Board, they shall all be transferred to a single Board for disposal.

The debtor should affirm in his application that he is unable to pay his debts, and should furnish particulars of his debts with the description of the creditors as well as the particulars of both his movable and immovable properties. It resembles an insolvent's application for adjudication. But when the creditor applies for the settlement, he has merely to mention the place of residence of the debtor and the particulars of his claim against such debtor. The Board, after examining the debtor, if it is satisfied that it is desirable to attempt to effect a settlement between him and his creditors, shall issue notices to the creditors to submit a statement, duly verified, of debts due to them by the debtor. If any creditor fails to submit the statement, his debt shall be deemed for all purposes and all occasions, to have been duly discharged. The Board is empowered to take evidence as regards the amount of the debt, and its decision on the point will be binding on the parties. In the end the Board prepares a schedule of the creditors, and of the assets and liabilities of the debtor.

If the creditors to whom more than 50% of the total amount of the debtor's debt is owing, come to an amicable settlement with the debtor, such settlement shall forthwith be reduced into writing in the form of an agreement; such agreement, if considered equitably by the Board, shall be read and explained to the parties, and be signed or otherwise authenticated by the Board as well as the parties to the agreement. However, when one of such creditors is a co-operative society, the agreement shall not be valid, so far as the debts of the society are concerned, without the prior written approval of the Registrar of Co-operative Societies. An agreement thus entered into, shall be registered within 30 days from the date of making thereof. If a debt deemed to have been discharged owing to the failure of the creditor to file his statement within the prescribed period, is however revived either by the Board or the civil court after the agreement has been entered into, with some of the creditors, the agreement shall stand cancelled.

A secured creditor who does not agree to this settlement of the Board, shall not have his rights to proceed against the secured property affected in any manner.

The properties of the debtor which are exempt from attachment under the Civil Procedure Code shall be left to the judgment debtor

free from any liability for his debts. No creditor shall be allowed more than twice the amount of the principal amount. If no amicable settlement is arrived at within twelve months from the date of the application the Board shall dismiss the application. When the debtor fails to pay according to the terms of the agreement, the Deputy Commissioner is empowered to recover it as arrears of land revenue provided that the application is made to him within ninety days from the date of default. When the Deputy Commissioner fails to recover the dues in full, he shall certify as to the extent to which it has been irrecoverable. Thereupon the agreement ceases to subsist. However the balance due at the time of the Deputy Commissioner's certificate shall be recoverable as if it were a decree passed by the civil court on the date of certificate of the Deputy Commissioner.

When any creditor refuses to agree to an amicable settlement, the Board shall consider, taking the surrounding circumstances into consideration, whether the offer is fair; and when it is satisfied that the offer made is fair, which the creditor ought reasonably to accept, it shall grant the debtor a certificate in the prescribed form. If the creditor sues the debtor in a civil court for his debt in respect of which a certificate has been granted, the court shall not award costs to the plaintiff, nor allow any interest exceeding 6% per annum on the principal sum from the date of the certificate. If the creditor with reference to whose debt the certificate is granted is an unsecured creditor, he cannot realise from the property of the debtor the amount of his decree until the debts comprised in the agreement are fully realised.

The civil court has no jurisdiction to entertain suits in respect of any matter pending before a Board, nor question the validity of any procedure or the legality of any agreement made under this Regulation. Similarly it cannot entertain suits regarding debts payable under an Agreement entered into under this Regulation, or for the recovery of debt deemed to be discharged under any of the provisions of the Regulation. There is no appeal or revision against the decision of the Board. But the Board may review an order passed by it, if an application is made within ninety days from the date of the decision.

Unlike the Co-operative regulation, this regulation allows legal practitioners to appear for a party before the Board with its permission.

Applications can be made to a Board even as regards matters pending decision before a civil court. Under such circumstances the pending suit shall be suspended till the application is disposed of by the Board.

The Government have wide powers to frame rules for the working of the provisions of this Regulation. The Government have not yet framed such rules nor have they established any Boards so far. It is not, therefore, possible to describe how the Regulation has been working.

There is another measure, namely, the Land Mortgage Banks, adopted to relieve the agriculturists, who are unable to discharge their debts without selling their lands or other property. The Central Land Mortgage Bank raises debentures with the prior sanction of the Government which guarantees both the principal and interest of the debentures. Loans are advanced to discharge their prior debts though it is permissible to advance sums to improve the land. At present loans are advanced by the Central Bank, to the primary land mortgage societies, all of which are members of the Central Land Mortgage Bank ; and the primary societies, lend in their turn to the individuals who are their members. The loans advanced are from Rs. 500 to Rs. 5,000 repayable in 25 annual instalments. Thus the very poor amongst the agriculturists though they form a large proportion have no opportunity of getting the relief from the Land Mortgage Banks. Government is considering the recommendation of the Co-operative Committee to reduce the lower limit to Rs. 300.

The interest charged on the loan is 8% which is very heavy. The debtor pays annually 9-6-0 for every one hundred rupees borrowed for a period of 25 years and thereby discharges the debt in full. The rate of interest at 8% being very heavy the societies are not so popular as they were expected to be, and the percentage of defaulters is increasing. It is expected that there will shortly be a reduction of the rate of interest.

The Government wants to popularise these institutions. Hence it subsidises them in the earlier stages. It advances a grant money annually to meet a proportion of the working expenses of the Central Land Mortgage Bank also. Till the rate of interest is substantially reduced, this scheme is not likely to develop as much and as fast as is required and is desirable. The scheme is still in an experimental stage.

These several enactments are mere palliatives which merely put off the evil day of expropriation of the lower and middle class agriculturists, unless their income from lands and other sources substantially increases. How to do it is the problem that has been engaging the attention of both the Government and the public.

CO-OPERATIVE IDEALS AND ACHIEVEMENTS

BY

K. C. RAMAKRISHNAN, M.A.,
University of Madras.

The strength of any movement depends to a large extent on its ideals. An idealist does not mind when they are realisable or whether they have any injurious effects on certain sections of the community, at any rate in the transition stage. A distant goal of a classless society has been enough inspiration. It is the vision of a co-operative commonwealth—where all private profit will have been abolished and all business will be done by associations of consumers, voluntarily organised in co-operatives or compulsorily organised in state or municipal bodies—that has evoked the energy and enthusiasm of many a leader and sustained the loyalty of many a member in the consumers' co-operatives in the West, particularly in Great Britain. The movement has developed an ideology of its own, which ardent members find it hard to modify in spite of the recognition of limitations to co-operative enterprise. It is this faith, as much as practical and immediate gain, that has built up the big edifice, while the many social and educational activities have cemented the loyalty of members.

The ideals of the founders of the flourishing agricultural movement have never been so radical. The dreams of Robert Owen and his disciples in Europe and America who founded land communities, where all the workers were to govern themselves and share the proceeds of jointly owned and cultivated land, were doomed. Not one land community has survived. Nor have the attempts of the English and Scottish Co-operative Wholesales to farm lands of their own in the British Isles been at all successful, though there is yet no frank avowal of the difficulty of direct tillage of the soil by a consumers' organisation. Raiffeisen who founded the credit movement in Germany, the Danes who first set up the modern co-operative dairies, the Irish leaders who organised both credit and dairies, the farmers of the New World who were the first to succeed in the co-operative sale of fresh produce—none of these looked for a silent transformation of economic organisation, for a change in the ownership of the means of production or in the control of it as the leaders of the consumers' movement did. The rank and file of members, except perhaps in the New World, were small peasant proprietors each with a stake in land and opposed to the idea of merging individual rights of property in a co-operative community of ownership and production as envisaged by Robert Owen. Though these agricultural co-operators were by no means 'conscious socialists', it was absurd to decry them as 'a capitalistic ring of individual producers'. British co-operators' views have for long been coloured by the existence in Britain of big farmers and landless labourers and they seldom think of peasant proprietors. But the basis of co-operation, or a fundamental assumption held in Ireland and in most European countries has been that the ubiquitous small-holder was in dire need of co-operation. Indeed small-holding has been encouraged everywhere as an economic and social ideal to be aimed at, generally at the expense of larger estates. Co-operation has been recommended as a sequel to small-holding. The famous formula of Horace Plunkett—Better Farming, Better Business and Better Living—was really intended for the small-holders created by the Gladstonian land legislation of 1881. The most remarkable attempt in recent times has been that of Czechoslovakia. The big farmers that continue are not, however, debarred from joining co-operative societies. They are indeed encouraged in non-credit societies. Farmers, small and big, only act in self-defence when they co-operate to do away with middlemen's profits.

Co-operation in India was inaugurated by the State. Horace Plunkett is reported to have said that co-operation in India is not so much a movement as a governmental policy. This policy was at first confined to the supply of credit facilities to persons of limited means carrying on agriculture or cottage industries. Administrators could not be aggressive and therefore would not indulge in the talk of elimination of moneylenders. This was left to non-official propagandists. Nor could they assume the role of prophets as people's leaders alone could do. They could not promise a new world for would-be co-operators. Indeed the colleagues of Nicholson in Madras were not so impressed with the evils of moneylending or the boons of co-operation that they gave a cold shoulder to his recommendations. A Famine Commission Report and Curzon's Government were required to take up the scheme. The advance was cautious and was not to embrace other activities than credit. It is strange that British civil servants in India did not think first of the co-operative store movement which was so flourishing in Britain and did so much good to the poorer classes. The Triplicane Urban Co-operative Society, founded a little prior to the Act of 1904, had to have a credit branch tacked on to it for the purpose of registration. India was perhaps thought unsuitable soil for the store, so successful among industrial working classes in Britain. But early records show little evidence of any interest in co-operative stores for urban or rural areas or of supply and marketing societies—though Denmark, Germany and Ireland had already achieved world-wide reputation in these latter spheres.

Mr. L. D. Gaurmans of the Malayan Civil Service writes in his study of Co-operation in India and Europe: "The Englishman in the East is probably more ignorant of co-operation than most other Europeans. With the exception of Consumers' Stores, which do not appeal to any great extent to the educated classes from which the British official is largely recruited, co-operation in Great Britain is little developed. The ordinary Englishman is apt to know little of its other possibilities and is less conversant with the co-operative organisation of agriculture than the German, the Dutchman or the Dane." Horace Plunkett complained "British co-operators do not understand agriculture. British agriculturists do not understand co-operation." Even to-day the British farmers seem to favour the control of milk distribution by a semi-public body like the Milk Marketing Board, in preference to any scheme of voluntary co-operative marketing and to hanker for subsidies much to the annoyance of the consumers' co-operatives. Agricultural co-operation except in respect of supply of farm requisites has not found in Britain a congenial soil. It is indeed to the experience of other European countries that we have to turn to develop agricultural co-operation. Even in respect of consumers' co-operation, for which in spite of all the difficulties experienced in the past we believe there is ample scope for development in urban and industrial areas, while a study of British co-operative methods and technique might be of great use to us, British co-operative attitude in the matter of inter-trading with agricultural co-operatives is not one that can command allegiance in our country.

This subject of the relationship between Consumers' Co-operatives and agricultural organisations has received special attention in the report of the recent American Committee on Co-operative Enterprise in Europe. It is stated that "It is in Britain that the poorest working relationship exists between agriculture and the consumer co-operatives, who have consistently opposed the Government farm marketing schemes, which are farmer-controlled as tending to create 'a farmers' monopoly,' which is only 'modified capitalism'." One can understand their chafing against quota restrictions which have raised food prices and subsidised uneconomic culture like the beet sugar industry. But they would not, in the past at any rate, tolerate co-operative concerns of farmers processing their produce. They set up a number of creameries in Ireland, baconcuring factories in Denmark in wasteful competition with the agricultural co-operatives. They have large flour mills and dairy farms and some of them still profess their policy to be 'to go as far as possible in controlling our own sources of supply.' But for the fact that they have burnt their fingers in the purchase and running of extensive farm land, they would insist on cultivating the crops required. There is only a slow recognition of the truth that "farming is by nature a family enterprise and can best be conducted on an individualistic basis." In fact there appeared to be a rapprochement between the two sides as evidenced by some financial help given by consumers' co-operatives to agricultural and the joint ownership of processing plants in some cases. Relations would have been better perhaps but for the extraordinary protection given by the Government in the marketing schemes.

The relationship between the organisations of consumers and agricultural producers is decidedly better in other European countries, where farmers are as a general rule much better organised for supply as well as marketing. For instance the American Committee say that in Sweden, Consumer Co-operatives are 'studiously friendly to farmers,' and buy from them whenever possible and help them with finance. There was some difficulty over the question of processing of milk and meat, due partly to rigid government control of prices. But an agreement was being negotiated. In Switzerland there is little conflict between the two federations (V.S.K. and V.O.L.G.). They buy jointly and buy from each other. There is a joint milk distributing company, each owning 50 per cent of stock. There is an agreement that no new store would be opened where the other has already one. They have a joint arbitration board for settling disputes. In fact in Switzerland consumers' co-operation is less a class movement than in any other country. In Finland the two groups are said to look upon the co-operative movement as a means of lessening the spread between the prices realised by the farmer and paid by the consumer, which is therefore of mutual advantage. Urban labour had nothing but sympathy for the farmer working on land. In France best relations are said to prevail in the region best known, the Charente Country. Said the Manager of a consumers' society "The best price is not a price that permits the producer to starve." A new law has been made permitting interlocking directorates which might lead to better relations between the two sides. In Czechoslovakia, in spite of sharp differences of outlook, the two groups are reported to deal with each other harmoniously and with close collaboration.

All this is heartening indeed. There is hope that in the International Co-operative Organisations, where British consumers have so long naturally dominated, these countries where the two groups of co-operators have established better relations between themselves will pull some weight and work for a more harmonious relationship. The International Co-operative Alliance has for some years past set up an important committee to go into the question of inter-trading between the two groups. A report has been already made and another is awaited. The talk of socialising agriculture, carrying it on extensively by a co-operative concern of consumers or workers, may still proceed especially in lines where there is an obvious economy and ample scope for the utilisation of machinery. The collectivist farming in Soviet Russia has arrested the attention of every one and has led to the revising of notions on the virtue of self-sufficing family farms. It is doubtful if large scale factory farming will be the most economic unit except for a few grain crops. Rice culture, at any rate, on which countries in the East depend so much cannot be responsive to large scale treatment. Much less will horticulture or poultry or even dairying respond. Nor, as a sympathetic writer, Mr. G. D. H. Cole, says, "could such *kolkhoz* farming be superposed on the quite different agricultural tradition of any Western country—or where the main body of cultivators consisted of homestead farmers or peasant owners with a 'stake in the country'." India where individual peasant economy has taken strong root is in the same category. It would be a thousand pities if the countries with well organized consumers' societies still coqueted with the idea of consumer control of agriculture, instead of dealing with them on equal terms.

Consumers' co-operation has no doubt been gaining ground in all countries and attracted a larger proportion of their population within the co-operative fold—ranging from 25 to 50 per cent of total population. But the percentage of total retail trade captured by co-operation is yet quite small, because of the low purchasing power of most members. It is only 12 per cent in Great Britain, where 50 per cent of the people are said to be co-operators. It goes up to 30 per cent in Finland and Czechoslovakia; it is much lower in other countries. On the other hand agricultural co-operatives in most countries have gained enormous ground and but for the depression and tariff restrictions would weild very great influence. In Denmark, according to the American report, producers' co-operatives control 85 per cent of export bacon, 49 per cent of export butter, 83 per cent of imported fodder, etc. In Finland co-operative dairies manufacture 95 per cent of butter supply; egg societies handle 38 per cent of export. In Switzerland co-operative dairies control 90 per cent of milk production. The semi-monopolistic position thus acquired by producer co-operatives must offer the consumers food for reflection and help reconsideration of their ideals and policies.

TWO VILLAGE BANKS

A CONTRAST IN CHARACTER AND LEADERSHIP

BY

F. B. WACE, I.C.S.,

Registrar, Co-operative Societies, The Punjab.

So much ink has been spilt and so much emotional rhetoric has been let loose on the subject of the difficulties of the zamindar during the period of the agricultural depression that a few indisputable figures illustrating economic tendencies in actual villages must necessarily be of interest. These figures are taken from the records of two co-operative credit societies working in villages in which economic conditions are as near as may be identical. Both are in a canal colony (the type of area which has been hardest hit by the depression), both are within fairly easy reach of a large market town, the average quality of land and the irrigational features are much the same. The average size of cultivated holding per member of society is also similar, just under 40 acres in one case and 35½ in the other. One important difference, however, is that whereas in the first society the leading members are full owners of their land, in the other the majority of members hold their land on service (horse-breeding) conditions as Government tenants. This has, of course, an important bearing on the credit enjoyed by these men. It will be seen that the zamindars in both villages have holdings far larger than the provincial average. The object of this article is not to demonstrate the general economic situation in the Province, but to point a contrast between developments in similar and neighbouring villages, and to see what lesson can be drawn from that contrast.

The first society is a large one; five years ago its membership was 167 but it has been steadily dropping and the number is now 128. The members are original inhabitants of the tract, under the leadership of one of the chief men of their tribe. It was founded in 1928, and the members at once started borrowing heavily, so that three to four years later, when the depression began, they already owed their society a total of Rs. 38,975 in addition to debts of Rs. 26,990 to other creditors. The following table shows their progress since that date:—

Year.	Debts owed to the society.	Unsecured debts outside the society.	Total.
	Rupees.	Rupees.	Rupees.
1931-32	38,975	26,990	1,04,366
1932-33	39,566	52,150	1,01,703
1933-34	38,230	66,136	65,965
1934-35	36,647	65,052	91,716
1935-36	35,483	64,906	82,389

The average debt per member has increased from Rs. 395 five years ago to Rs. 644 at the present time, the increase being, however, entirely in the debts owed outside the society. It will be seen that though their debts to money-lenders increased enormously during 1932-34, during the last year there has been a substantial reduction of these debts, and this is undoubtedly due to settlements by mutual agreement. The arrears of interest due from members to their society have reached the formidable figure of Rs. 9,528. The society has accumulated no funds for distribution to its members and although it decided on a retrospective reduction of its rate of interest, hardly any members benefited thereby as they were already so heavily in arrears with their payments. Their rate of interest on new loans is still 9⅜ per cent, though in fact no new loan business can be undertaken. The society's owned funds are practically non-existent. There are 7 members of the Managing Committee and of these four owe Rs. 27,193, practically the whole of this enormous sum being owed by three members of a single family, the biggest landlords in the village. The President of the society is the head of this family, a Zaildar and an Honorary Magistrate; neither he nor any member of his family has made any material repayment to the society during the last five years. There are altogether 25 defaulters in the society owing Rs. 30,206, and without constant driving from the staff of the Co-operative Department no effective action is taken against them. None of these members market their produce co-operatively.

The second society is a comparatively small one of 32 members and the membership has been constant for the last five years; all are immigrant colonists from a neighbouring district. Five years ago when the depression began these 32 members owed to their society a total of Rs. 7,062; they also owed to outside creditors unsecured debts to the amount of Rs. 6,750. The table which follows should be compared with that given to illustrate the progress of the first society:—

Years.	Debts owed to the society.	Unsecured debt outside the society.	Total.
	Rupees.	Rupees.	Rupees.
1931-32	7,062	6,750	12,812
1932-33	6,973	6,800	13,773
1933-34	5,682	6,800	12,482
1934-35	4,536	6,335	10,871
1935-36	3,927	2,396	6,323

The initial average debt in this society was higher than in the first society, but these figures reveal that in spite of the depression the members have reduced the average from Rs. 432 to Rs. 197, the total reduction of debt in this period amounting to about Rs. 7,500—more than 50 per cent. It will be noticed that whereas the reduction of debt to the society has been steady, the reduction of outside debt has been very marked in the last year; this again indicates that there has been substantial settlement of debts owed to moneylenders during this period; it may be mentioned that there is no Debt Conciliation Board Working in this area so that the settlement has been without the aid of that machinery. There is no mortgage debt among the members. In 1933 this society reached its tenth birthday and distributed Rs. 665 accumulated share-money to its members; again in 1933 the society decided to make a retrospective reduction in interest rates and in consequence members received a cash refund of Rs. 914 on their cash payments of interest for the previous two years. In spite of these distributions the owned funds of the society still amount to Rs. 5,452. The society owes nothing to its central bank, and members can obtain fresh loans at the rate of 5 per cent. The running expenses of the society are small, the Secretary working without remuneration. There are six members of the Managing Committee, of whom three owe the society a total of Rs. 318; the President owes no loan. The members of this society sell their produce through the co-operative commission shop in the neighbouring market and the President is also the Vice-President of the commission shop and sells his entire produce through that agency. In the last five years only one member has been in default to the society and against him action was promptly taken and the loan recovered. No interest is overdue from any member. The members are now organizing a Better Living Society in their village.

What is the reason for the striking contrast between these two sets of figures? As has been said above the agricultural and general economic conditions were practically the same in both villages; departmental audit and supervision have been exercised in the same degree, it is obvious that the status and prestige of the president of the big society have prevented effective action being taken and pressed against him and his family; the degree of education in the two villages is not materially different. The answer can only be the difference in character and leadership. Whereas in the one society there has been a President who, without possessing any marked material or social advantage, has steadily taken the lead by force of character and has himself set an excellent example of thrift, hard work and better living resulting in a material improvement in the position of the villagers even through four years of depression, in the other society the leader of the village, with all the advantages of tribal headship and the prestige conferred by Government favour has led his village and his fellow tribesmen down the road to ruin.

The figures suggest one other general conclusion, and that is that, hard though the lot of the zamindar has been during the last five years, it has not been impossible for him by the exercise of thrift and with the help of co-operation to maintain and even slightly to better his position. The members of these two societies are admittedly well-to-do, with substantial holdings in a secure and well-established colony, and it is not suggested that the poorer zamindar could necessarily have achieved similar results, and he certainly could not have done so if he had started the depression with a crippling loan of inherited or accumulated debt. Admitting this, however, it is clear that excessive sympathy need not be wasted on the type of zamindar which the figures of the first described above reveal.

A MODEL BANKING UNION

By

VAIKUNTH L. MEHTA, B.A.,
Managing Director, The Bombay Provincial Co-operative Bank, Bombay.

The publication by the Reserve Bank of India of a Bulletin containing a detailed examination of the working of the Co-operative Banking Union at Kodinar in the Baroda State is to be welcomed as indicating a desire on the part of the authorities of the Agricultural Credit Department of that Bank to come to grips with the day-to-day problems of the co-operative movement. Kodinar is a somewhat isolated taluk of the Baroda State, situated in Kathiawad and peopled by a comparatively backward class of agriculturists. Co-operative societies were originally started there thirty years ago, but made little impression in the life of the people until in 1912 the then Registrar of Co-operative Societies, Mr. Manilal B. Nanavati, who is now the Deputy Governor of the Reserve Bank of India, decided to affiliate the societies to a co-operative banking union with comprehensive objects. In addition to the usual objects of a co-operative central financing agency, this Union undertook to provide facilities for the joint sale of the members' produce and for the joint supply of requisites, to render active assistance in common action for economic improvement, and to serve as a federal supervising and local controlling agency. The achievements of the Union in the last quarter of a century are set forth in the Bulletin. These provide ample evidence of the all-round development that the Union has been able to secure for the members of the societies committed to its charge by organizing an efficient system of credit, by securing to agriculturists some of the profits of supply and sale, by introducing agricultural improvements, and by encouraging secondary occupations. The principal reasons for the success that has been achieved are summarised by Sir James B. Taylor, Deputy Governor of the Reserve Bank of India (now Governor), in his Foreword to the Bulletin. These are, according to him, first the careful choice of suitable personnel, second that the problems of the agriculturists are dealt with comprehensively, and third the insistence on self-help and the co-operative spirit throughout.

Applicability of the system in Indian Provinces.—A banking union of the pure type is not a novelty in the financial co-operative structure in India, and among the major provinces the Punjab, Bihar, Orissa, Bengal and the United Provinces possess several

co-operative banks of this type. These unions are necessarily for small compact areas, and eliminating as they do individual shareholders the control vests entirely in the representatives of affiliated societies. Except in the Punjab, the unions used to be entrusted with the work of supervision and mutual control, and in some of the provinces they undertook in addition to their ordinary work of finance the improvement of agriculture including the sale of produce and the supply of requisites. Undoubtedly, unity of aim and effort and centralization of authority in one agency confer advantages, but apparently in other provinces these advantages so far have not been so striking as to induce the Co-operative Departments or non-official co-operators to favour this form of organization in preference to others. May it not be that the success attained in the Baroda State was due to the accident that the Co-operative Department and especially the Registrar of Co-operative Societies took special pains over this particular area ? Such personal factors have to be discounted in any consideration of the practical applicability of the scheme elsewhere. It also appears to be the case at Kodinar that the day to day management was entrusted to a capable manager, selected by Mr. Nanavati, who possessed a broad outlook and generous sympathies. Co-operators elsewhere may not be equally successful in making selections. Lastly, the Union at Kodinar was able to derive the advantage of co-ordinated action on the part of various departments of the Baroda State in its programme of economic betterment. Can that co-ordination of effort be vouchsafed elsewhere ? At the same time, it must be recognized that this successful experiment provides much ground for hope. It shows first the need for co-operators seeking a solution for the evils of economic stagnation not along one line but by attempting to deal with all the aspects of an agriculturist's life. The interdependence of the functions of credit, of marketing and supply cannot be too strongly emphasised. Secondly, instead of dissipating energy over the administrative routine of a multiplicity of organizations it is better to have, so far as possible, only one central agency for directing efforts at economic improvement. And, lastly, in order that such efforts may have good prospects of securing the cordial co-operation of the people, the area of operation should be compact and limited, so as to maintain healthy contact with the people among whom and for whose benefit work is being carried on.

CO-OPERATIVE HOUSING SOCIETIES IN THE BOMBAY PRESIDENCY

By

M. D. Bhansali, Bar-at-Law, I.C.S.,

Registrar, Co-operative Societies, Bombay.

Early History. Co-operative Housing Movement was initiated in the Bombay Presidency in the year 1915, and the first Co-operative Housing Society in the Presidency named the Saraswat Co-operative Housing Society, Limited, Gamdevi, Bombay, was registered in that year. Bombay was pioneer in this type of co-operative activity, as the Society was the first of its type to be registered in India. The Society owes its existence to the keen propaganda which the Co-operative Housing Association had been carrying on since 1913 for better housing under the leadership of Sir Prabhashankar Pattani and Rao Bahadur S. S. Talmaki, Chairman and Honorary Secretary of the Association respectively. The Association conducted lectures, issued pamphlets and maintained a library of useful books on the problem of housing. The success of the Association was also due to the interest which Mr. J. Orr, C.S.I., I.C.S., Chairman of the Bombay City Improvement Trust, took in the improvement of housing conditions in Bombay. In 1918, the Association merged in the Bombay Provincial Co-operative Institute.

In the initial stages the Societies were confronted with two main difficulties. The first was as regards drafting a suitable constitution, which while maintaining the co-operative character of the institution, secured a sense of ownership to the tenant members. Model bye-laws of Housing Societies, regulations for tenancies and the forms of leases were framed, and these bye-laws have been so drafted as to be applicable to societies working on either the tenant co-partnership or tenant-ownership system. The second difficulty was with regard to the finance of these societies. It was clear that societies could not make headway unless they were assured of long-term finance, and the Central Banks within the Movement could not undertake this type of finance, their resources being of a short-term nature. The first Society that was registered took a loan of Rs. 24,000 from Sir Prabhashankar Pattani. This difficulty was solved, as the Government of Bombay practically sponsored the scheme by liberal assistance by way of long-term loans at a low rate of interest. The Press Note, announcing the terms on which State loans are available, issued by Government in 1919 served as a

great impetus to the formation of more societies. Societies did not have much difficulty in securing lands, as the Improvement Trust placed plots of land at their disposal.

Types and Constitution. Housing Societies in this Presidency are mainly on the consumers' model with the singular exception of the Broach Co-operative Building and Road Construction Society, Limited, at Broach, which is a Producers' Society, on the Bracciante Model.

The Housing Societies conform to one or other of the following types :—

(1) Co-partnership Tenancy,

(2) Tenant-ownership and

(3) Mixed type (a combination of both co-partnership and tenant-ownership).

In societies organised on co-partnership basis, the society owns the land and builds houses in which a member is allotted a tenement or tenements. The member contributes out of his own resources at least up to one-fourth of the total cost of the site and structures and the remaining cost of the houses is met by way of loan from Government or a financing agency. Tenants are charged monthly rents which are so calculated as to cover the general expenses of the society and leave a balance for meeting instalments towards the re-payment of the borrowed capital. Borrowed capital is re-paid from the revenues of the society. When the whole borrowed capital is re-paid, shares up to the value of the borrowed capital could be issued to the tenant-members and the tenant-members would become the joint owners of the houses. A society of this type is co-operative in character : members in their corporate capacity are the joint owners of the houses and generally also the colony owns a common hall, a common playground and other social amenities. One of the conditions generally imposed by the societies is that the tenants will keep the house in good order and will maintain well laid out gardens. This condition secures healthy and sanitary surroundings.

Experience of the working of the societies on the co-partnership model has not been very encouraging, and they have ceased to be popular. In actual practice the members do not evince the same loyalty and attachment to their institution as is found in the case of tenant-ownership societies. Another factor which has detracted from the popularity of co-partnership societies which were the main type organised in the early stages has been the high cost of construction in the boom period, which together with certain fixed items of expenditure made it difficult for the societies to reduce the rents or to save sufficient funds for repairs and alterations. Since 1923 most of the societies registered have been of a Mixed Type and since 1927 practically all the societies have been on tenant-ownership basis.

In societies on tenant-ownership basis, separate houses and bungalows are built to suit the taste and requirements of individual tenant members. Tenants pay monthly instalments which cover the society's general expenses and the instalment of loans advanced to them by the society. When loans are fully repaid, the tenants become the owners of the houses they occupy. They continue, however, to remain as lessees, paying a nominal rent as lease-holders and the leases executed in their favour contain restrictions as regards assigning, sub-letting or parting with the property without the written consent of the society. These restrictions, while securing the co-operative character, exclude rigidly any idea of profiteering. The terms of finance are more rigid in this type of societies, as members are required to contribute initially up to one-third of the total constructional costs.

In the mixed type of societies there are some houses owned by the society on co-partnership basis and others owned by the tenants on tenant-ownership basis.

Membership and Distribution. Practically all the societies in the Presidency cater to the needs of middle and upper class people including as members a large element of Government servants and salary-earners. In Ahmedabad, Harijan Colony has been created and a large number of Harijan families are housed with the Vanker and the New Vanker Co-operative Housing Societies. Recently a Housing Society has been registered for the Harijans in Poona. The problem of organising the lower middle classes consisting of wage-earners or millhands presents considerable difficulties, and attempts made in this direction in the past have not yielded satisfactory results. The case of the St. Joseph Guild Co-operative Housing Society at Ahmednagar, which after a precarious existence had to be wound up, is an instance in point.

A co-operative housing society like all other co-operative institutions requires to be run on sound lines, if it is to be a success. The members joining the housing schemes should, therefore, necessarily possess some initial capital of their own to start with. As already stated above, the initial quota of contribution towards the constructional costs is fixed at one-third of the total costs in the case of the societies of the tenant-ownership system and one-fourth of the total cost in the case of societies on the co-partnership tenancy basis. In cases where these contributions have not been realized or in cases where the members have

been allowed to incur commitments beyond their repaying capacity, the societies have invariably come to grief.

Communal ties have been the chief characteristics of membership in housing societies. Out of 80 societies as on 30th June 1936, about 60 are working on communal basis. This basis of organisation has been found to be most suitable, as the housing society, apart from providing housing accommodation, is also intended to provide social amenities which could best be achieved only if there is a bond of common habits and common usage among the members.

As to geographical distribution of societies, it is noticed that the housing activities are concentrated in big industrial cities like Bombay and Ahmedabad. Out of the 80 societies referred to above, 42 are in Ahmedabad, 6 in Bombay, 15 in Bombay Suburbs and Thana, 6 in Poona, 3 in West Khandesh, 2 in Dharwar and one in Sholapur.

State-Aid and Finance. As pointed above, the working capital of the societies comes partly from the members' contributions towards share capital, but largely from loans. In the initial stages of the movement, Government financed societies at rates varying from 4½ to 6¾ per cent. These rates compared very favourably with the rates which the society would have had to pay elsewhere. Government also made further reductions in the rates from time to time consistent with the reduction in the rate on their own borrowings. Since 1933, however, Government have decided not to incur fresh commitments in this respect, with the result that the societies have now to make their own arrangements for finance. Certain societies have since been financed by Insurance Companies. The total amount of loans advanced by Government to Housing Societies aggregated to about Rs. 36 lakhs. The terms of repayments varied from 25 to 40 years and in one or two cases even 50 years. The equated system of repayments is followed in all cases of loans advanced to the societies.

Apart from State-aid by way of long-term loans, Government have also extended liberal assistance to housing societies in the matter of the acquisition of building sites. All co-operative societies registered under Act II of 1912 are declared as companies within the meaning of Section 3 of the Land Acquisition Act, and in view of this provision, Government can acquire land compulsorily on behalf of housing societies. An anomalous position was created in the case of housing societies at Ahmedabad as the result of a judgment delivered by the Bombay High Court to the effect that the concession as regards compulsory acquisition could not be availed of by societies registered under Bombay Act VII of 1925, as a society registered under the Bombay Act is not a company within the meaning of Section 3 (e) of the Land Acquisition Act. With a view to remedy the situation the Government of Bombay introduced a fresh piece of legislation in the Bombay Legislative Council in 1933, as a result of which a new Section 72-A has been incorporated in the Bombay Co-operative Societies Act, entitling the societies registered under the Act to the benefit of compulsory acquisition.

Audit and Supervision. The statutory audit of societies is conducted by a staff of Special Auditors belonging to the Bombay Co-operative Service. Apart from this statutory audit, the societies make their own arrangements for their internal audit by appointment of local auditors. The societies are mostly managed by Managing Committees consisting of literate and intelligent people. The housing societies at Ahmedabad have an Association of their own, which is intended to co-ordinate the activities of the societies and give them useful advice as regards their management and other matters.

General Progress and Condition. Ever since its inception, the housing movement has been making slow and steady progress. There are, however, certain difficulties encountered by the societies that built houses during the boom period. These societies mostly situated in Bombay have to face a difficult problem owing to the economic depression which has resulted in vacancies in the tenements to quite an alarming extent and consequent inability to meet their obligations. The large area of land acquired by these societies during the boom period has also considerably added to their financial embarrassment, as the societies are now experiencing great difficulties in disposing of the plots. In some cases, the progress of the societies has also been hampered owing to internal dissensions and factious spirit amongst the members. On the whole, the progress of the societies has been satisfactory, as will be seen from the following figures regarding housing societies as on 30th June, 1936 :—

	1934-35.	1935-36
No. of Societies	77	80
No. of Members	5,654	5,617
Share Capital	Rs. 20,07,683	Rs. 20,70,477
Reserve Fund	Rs. 1,74,534	Rs. 1,79,740
Working Capital	Rs. 90,70,335	Rs. 90,73,070

Rural Housing. There are no visible signs yet indicating any distinct enthusiasm for removing the squalid conditions of housing in the rural areas. The only attempt in this direction was made in the Dharwar District, where a society was registered as early as 1923, but it did not start work and was ordered to be wound up. Mention must, however, be made of the special type of housing societies that had to be organised in Gujerat in 1928 owing to the unprecedented floods that devastated this part of the Presidency. Owing to the floods many houses and in some cases whole villages were destroyed. In order to give relief through co-operative agency, the Department prepared a special set of bye-laws for organisation of reconstruction societies in the flood-stricken areas. As a result of the initiative taken by Government, 25 house reconstruction societies came into being and they were granted loans to the extent of over a lakh of rupees. The term of repayments is fixed at 15 years. The constitution of the societies provides for their liquidation after the loans are fully repaid.

Conclusion. The Co-operative Housing Movement has made in recent years great strides of progress in certain areas and in certain directions which can be ascribed to various causes. In the first place, the movement has appealed specially to the upper middle classes who imbued with modern ideas of culture and better living could appreciate the direct and indirect benefits of living in houses built on scientific and hygenic principles. The phenominal fall in prices of building materials and the availability of capital on easy terms accelerated the progress in building activities. People who had any savings to invest invested them in buildings, as such investments were found to be more remunerative than other safe and profitable outlets for investment. Facilities afforded by several housing societies by way of loans to their members for building houses and purchasing plots which could be repaid in small instalments spread over a large number of years made it possible for men of small means to build and own houses for themselves by joining co-operative housing societies. The encouragement often accompanied by liberal concessions by public bodies and Government to their employees and others who desired to organize co-operative housing societies was responsible for initiation of several housing schemes. Apart from the advantages accruing to individuals from participation in the housing movement, the movement has a social value, in that it has helped to remove congestion in crowded localities in cities and towns and brought people together in a common enterprise and for a constructive purpose. A movement which has achieved such good results deserves well of the public and Government.

REVIEWS

REPORT ON CO-OPERATIVE SOCIETIES AND BANKS IN GWALIOR: By Prof. V. G. Kale, M.A. (Published by the Government of Gwalior, Gwalior, 1937).

Some months ago, the Government of His Highness the Maharaja of Gwalior invited Prof. V. G. Kale to undertake an enquiry into the working of the Co-operative Movement in that State. The learned Professor has undertaken the task with great ability and we have before us his valuable report.

The enquiry comprised not only subjects like auditing of co-operative accounts and the personnel of the Co-operative Department, but also more fundamental issues. He was expected to pass in review the working of the movement as a whole, and to indicate the mistakes in past policy. He has done all this and has besides drawn up a five-year plan for future development.

The Government of Gwalior have long been granting loans to agriculturists. As early as 1903, such loans were brought under proper regulation and in 1909, Agricultural Banks were established at the headquarters of Tahsils for carrying on such loan transactions. They were not really banks in any real sense; they merely lent State funds to needy agriculturists, and the Tahsildar who undertook this work was also responsible for recovering them along with land revenue. The system worked badly, as it was bound to. In 1916, it was decided to start co-operative societies in the State and legislation for the purpose was carried out in 1918.

Co-operation has since made rapid progress in the State. The number of societies increased to 2,171 by 1924-25 with a membership of 36,554 persons. In the year 1936, there were 4,226 primary societies with a membership of 75,914 persons and a working capital of Rs. 57 lakhs.

Prof. Kale has devoted great attention to laying down lines of future development. He has made a keen analysis of the causes of the slow progress of the co-operative movement in India. As regards Gwalior, the main evils discussed are the unsuitability of existing co-operative machinery, absence of non-official leaders and dearth of a trained staff. Each of these defects has been fully dealt with and remedies have been suggested. All the recommendations cannot be put into operation at once. Therefore a five-year plan has been sketched and this is not the least interesting part of this very interesting report.

P. J. T.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

CENTRAL PROVINCES AND BERAR

Extracts from the Report of the Registrar, Mr. G. S. Bhalja, I.C.S., for the year ending 30th June 1936.

SUMMARY OF GENERAL PROGRESS

General Position.—The co-operative movement had to face yet another year of indifferent harvests and low prices of agricultural produce. As a consequence there could be "no recovery in any area" of the province. The cumulative effect of a series of years of low crop outturns, slump in prices and the spread of demoralisation among the members of societies has resulted in heavy overdues, while fresh financing of societies is practically at a standstill and the indebtedness of members continues unabated except in the third circle. The main problem before the majority of the central banks continues to be the recovery of the arrears. It is now clear that the process of liquifying the frozen assets of the banks must take a long time. The outstanding arrears must once for all be spread over a number of years. In order to do this, however, the movement must have long term capital to enable it to meet the outside liabilities punctually.

In spite of the critical period through which it has been passing, the financial position of the movement as a whole continues to be sound, as would appear from the following statement:—

Liabilities.	Rs.	Assets.	Rs.
Deposits—		Cash in hand and in banks outside the movement ..	4,03,876
(a) Fixed Deposits ..	1,40,88,760	Surplus in Government securities ..	12,62,237
(b) Savings Deposits ..	32,64,593	Fluid resource in Government securities ..	23,18,477
(c) Current Deposits ..	5,95,695	Reserve fund in Government securities ..	30,44,634
Debentures ..	1,00,000	Demand loans on security of	
Provident fund of employees.	3,48,134	Demand loans on security of deposits and Government paper ..	42,458
Loans due to banks outside the movement ..	58,771	Deposits in approved banks outside the movement ..	38,31,568
Total Liabilities to outside creditors ..	1,84,55,953	Total liquid assets ..	1,09,04,250
Paid up share capital ..	21,62,878	Building & Stock ..	6,74,248
		Landed Property ..	23,54,691
		Total fixed Assets ..	30,28,939
		Total liquid and fixed assets	1,39,33,189
		Good debts outstanding against societies ..	89,46,743
Grand total of Liabilities ..	2,06,18,831	Grand total of Assets ..	2,28,79,932

Consistently with maintaining the financial stability, all possible measures have been adopted to grant relief to the indebted agriculturists. The temporary schemes of relief described in the reports of previous years were continued. In Berar the Bad Debt Enquiry was completed and the scheme of writing off the irrecoverable loans from reserve funds of societies was put into operation. 31 Debt Conciliation Boards were in operation, and the Department has endeavoured to co-operate with them and to facilitate their work in every possible way.

Several central banks had difficulties in meeting the demands of their depositors. The association of the Provincial Bank with the management of the Mandla, Amraoti and Malkapur banks continued. The experiment has been successful at Mandla and it will be possible to restore the normal state of affairs at the end of the next yéar. The arrangement, however, as pointed out in the previous report, cannot be extended to many banks. The resources of the Provincial Bank are not inexhaustible that it can assume responsibilities to an indefinite extent. While assisting the central banks in their difficulties, the apex bank must take every care to see that it has sufficient liquid resources to meet its own liabilities punctually.

The central banks had to acquire more land in the course of coercive operations against societies and members. At the close of the year the area of land held by the banks was 1,523 acres in the Central Provinces and 39,641 acres in Berar. The difficulties of managing these large areas of lands continued to be unabated.

The Department, while following the dual policy of consolidation and reconstruction, has set before itself the task of nurturing the existing societies as far as possible and to form new societies on soundlines. As a result, for the first time, the number of newly registered societies has exceeded the number of those wound up. Experience shows that the bugbear of joint liability is not so formidable an obstacle to formation of new societies as it is often made out to be. If propaganda is carried out on right lines and the principles of co-operation are properly explained to the people, societies can still be organised under the existing rules and by-laws. Indeed, with the contraction of other credit facilities for the agriculturists due to legislative measures of relief, the co-operative movement has a vast field for expansion.

It must be borne in mind that mere provision of credit facilities will lead nowhere unless they mark the beginning of better farming and better living. The success of the movement is not to be judged from the grandeur of the co-operative edifice, however imposing it may appear, but from the extent to which the members of primary societies have really and truly assimilated the principles of co-operation and lead a fuller and richer life than before

The village society in this province, as in other parts of India, has been organised on the Raiffeisen system which presupposes the spirit of thrift. It was expected that the members of such societies would raise capital from small savings which they would lend out among themselves. This Raiffeisen essential has been, however, largely absent and the deposits have come from persons higher in wealth and social status than the borrowers. It has been well said that "the unlimited group of thriftless persons is something which is worth nothing. Indeed, it is worth less than nothing because it prevents persons of moderate substance from joining. Therefore the village bank should be selective and exclusive and confined to those who are thrifty enough and honest enough to be credit worthy." It is this aspect of thrift,

rather than of credit, which must be impressed and emphasised on the mind of the members of the primary society.

Recoveries.—Recoveries of the loans due by societies to central banks amounted to Rs. 12,82,040. Recoveries of principal amounted to Rs. 6,83,130 and Rs. 1,23,545, while the total of both principal and interest recovered was Rs. 9,56,260 and Rs. 3, 25,780 in Central Provinces and Berar respectively. The total demand which the central banks had to recover during the year was Rs. 152,59,342. The actual recoveries therefore amounted to 8.5 per cent of the demand. To the figure of recovery in Berar may be added, however, 7,738 acres of land purchased by the Berar banks for Rs. 4,49,459 during the course of coercive proceedings.

The causes of low recoveries have been pointed out in successive departmental reports and it is not necessary to repeat them again. A new factor that vividly came to notice during the year was the working of a large number of Debt Conciliation Boards the establishment of which was everywhere the signal for withholding of payments by the debtors. In many places the resources of the members are exhausted and their indebtedness has become very heavy so that only a succession of favourable years can enable them to liquidate their liabilities. Increasing demoralisation amongst members and internal dissentions amongst honorary workers also contributed to the meagreness of recoveries.

Advances.—The position regarding fresh financing underwent little change during the year. Cash advances amounted to Rs. 7,39,962. In Central Provinces they declined slightly to Rs. 6,34,788 while in Berar they increased to Rs. 1,05,174. In many places financing of members is only nominal. The increase in cash advances, wherever it has occurred, is due to a considerable extent to the financing of new societies.

In addition to the cautious attitude which the central banks have had to adopt in the matter of financing in view of the heavy overdues outstanding against members, a new factor has come into operation. The establishment of Debt Conciliation Boards has made the central banks chary of financing members, whose debts have been conciliated, as under the Debt Conciliation Act the recovery of such loans is postponed until after the payment of the conciliated amounts. For the continued existence and the health of the movement, however, expansion of business is essential, and this point of view is steadily pressed on the attention of the central banks.

Outstanding Loans.—The total loans outstanding against members of societies in the Central Provinces increased slightly from Rs. 68,31,709 to Rs. 68,94,801, while in Berar they went down from Rs. 1,07,96,663 to Rs. 1,07,82,945. The proportion of overdues to the total dues increased from 79 per cent to 84 per cent in the Central Provinces but decreased from 96 per cent to 95 per cent in Berar. Renewals granted in the Central Provinces and Berar increased from Rs. 36,920 and Rs. 1,596 to Rs. 54,465 and Rs. 6,757 respectively. Taking the renewals and the overdues together, the arrears increased from Rs. 158,54,676 to Rs. 160,88,402. The overdues have reached the above high figures as members have been able to pay little more than interest for several years, and the practice of granting renewals has been practically stopped. It would be necessary to spread them over a number of years, but this process would require long term capital, the ways and means of raising which are now engaging the attention of the Department.

AGRICULTURAL CREDIT SOCIETIES WITH UNLIMITED LIABILITY

The total number of primary credit societies with unlimited liability increased by 73 to 3,585, of which 3,052 were in the Central Provinces and 533 in Berar. The working capital of societies in the province excluding those under liquidation decreased from Rs. 134,95,111 to Rs. 124,59,872; in the Central Provinces it fell from Rs. 60,11,585 to Rs. 58,95,076 and in Berar from Rs. 74,83,526 to Rs. 65,64,796. The loans due by members also fell from Rs. 107,71,761 to Rs. 100,98,019. The fall is mostly due to the liquidation of 42 societies with outstandings of Rs. 1,83,492 in the Central Provinces and 34 societies with outstandings of Rs. 6,25,853 in Berar.

The total cash recoveries of central bank loans due from societies fell from Rs. 7,53,518 to Rs. 6,83,130 and from Rs. 2,18,000 to Rs. 1,23,545 in Central Provinces and Berar respectively. Similarly cash recoveries from members of working societies decreased from Rs. 9,55,294 to Rs. 8,41,577 and from Rs. 3,88,248 to Rs. 2,66,300 in the Central Provinces and Berar respectively.

The total of loans advanced by societies to members fell from Rs. 17,28,977 to Rs. 16,73,307, but cash advances increased from Rs. 6,17,466 to Rs. 6,72,433, being Rs. 5,76,859 in the Central Provinces and Rs. 95,574 in Berar respectively. The purposes for which loans were advanced are shown below :—

	Central Provinces.	Berar.	Total.
For purchase of seed	17,548	2,033	19,581
For cultivation expenses	67,537	45,918	1,13,455
For purchase of bullocks and plough cattle	3,17,401	1,465	3,18,866
For agricultural implements ..	390	....	390
For purchase of land ..	10,917	1,957	12,874
For improvement of land ..	30,452	50	30,502
For house building and repairs	10,453	230	10,683
For payment of rent and revenue ..	34,904	4,321	39,225
For repayment of old debts ..	5,724	23,720	29,444
For marriage and other ceremonies ..	9,402	725	10,127
For other purposes	72,131	15,155	87,286
	5,76,859	95,574	6,72,433

Big borrowers or members owing more than Rs. 1,000 each were 361 or 86 per cent of the total number of members in the Central Provinces and absorbed Rs. 7,15,478 out of the total loans of Rs. 46,43,716; while in Berar they were 1263 or 20.9 per cent of the total number of members and were responsible for loans amounting to Rs. 42,72,050 out of Rs. 54,24,303. The accumulation of disproportionately heavy outstandings against individual members is most marked in Berar.

The effect of the rule framed by Government limiting the individual loans in the Central Provinces and Berar to Rs. 250 and Rs. 500 respectively has been most salutary. With the gradual realisation of the present heavy overdues, it is to be hoped that the credit business of primary agricultural societies will have been placed on a permanently sound basis.

LAND MORTGAGE BANKS.

The number of land mortgage banks remained the same as in last year, i.e., 10. Since the close of the year, it has been decided to organise two more banks in Bilaspur and Wardha in the Central Provinces. The following figures will show the working of these banks during the year :—

		Rs.
Number of members	..	765
Number of applications	..	1,000
Total amount of loans applied for	..	10,81,428
Number of applications rejected	..	279
Number of applications sanctioned	..	179
Number of applications pending	..	592
Loans advanced	..	1,06,982
Recoveries	..	4,113
Loans outstanding on 30th June 1936	..	1,38,995
Cost of Management	..	5,925
Share Capital	..	24,321
Deposits (temporary) held at the end of the year from individuals	..	17,345
Provincial Bank Loan	..	1,32,101
Working Capital	..	1,74,543

The Central Provinces and Berar Provincial Co-operative Bank, which at present performs the functions of the Central Land Mortgage Bank, floated the first series of debentures of the value of Rs. 1,00,000 at the rate of 3¾ per cent for financing the primary banks. The floatation was a great success, the applicants receiving only half the amount applied for, in spite of the fact that the debentures were not widely advertised. Since the close of the year, the Central Provinces Land Mortgage Banks Bill has been passed into law and is now on the Statute Book.

CENTRAL BANKS.

The number of central banks continued to be 35. Their total working capital decreased to Rs. 245,12,375. The share capital declined to Rs. 16,26,218; it fell from Rs. 10,42,067 to Rs. 10,23,942 in the Central Provinces and Rs. 6,37,981 to Rs. 6,02,876 in Berar. Reserve and other funds, however, further increased to Rs. 50,71,194 out of which a sum of Rs. 31,03,464 was ear marked as provision for bad and doubtful debts. The total loans outstanding against affiliated societies decreased to Rs. 145,50,175. It decreased to Rs. 55,33,532 in the Central Provinces and to Rs. 90,16,643 in Berar. Bad debts amounted to Rs. 11,79,079 and Rs. 31,25,925 and doubtful debts to Rs. 4,69,395 and Rs. 10, 425 in Central Provinces and Berar respectively.

Deposits from individuals fell to Rs. 121,74,441 for the whole province. In the Central Provinces they increased to Rs. 50,56,828, while in Berar they further fell to Rs. 71,17,613. Deposits were returned to a large extent from fresh deposits and to a small extent from loans from the Provincial Bank. Speaking generally, the Berar

Banks had to lean more on the Provincial Bank than the Central Provinces Banks. The situation as regards withdrawals of deposits is not yet free from anxiety and needs careful watching, particularly in Berar.

The net profits of these banks during the year decreased from Rs. 1,64,882 to Rs. 90,898, while the unrealised interest increased from Rs. 22,11,122 to Rs. 26,18,439. 23 central banks were not able to distribute any dividend

THE PROVINCIAL BANK.

The working capital of the bank increased to Rs. 144,15,386. The net profit slightly decreased to Rs. 50,972. The amount due from central banks and societies totalled Rs. 32,99,801 of which Rs. 7,79,616 were due from the Central Provinces and Rs. 25,20,185 from the Berar banks and societies. Against this amount the bank holds mortgages and assignments of 25,276 acres of land, government paper of the face value of Rs. 2,44,000 and fixed deposit receipts aggregating to Rs. 15,000. The bank continued to exercise caution in granting loans to central banks having heavy overdues. In the cases of some banks loans were advanced for repayment of deposits on the security of the mortgages of immoveable property owned by the banks themselves and the assignment of mortgages of lands belonging to members of societies made in favour of central banks by the latter.

The deposits from central banks and individuals increased to Rs. 11,75,225 and Rs. 36,31,680 respectively. The bank continued to have large surpluses ranging between Rs. 19,00,000 and Rs. 27,00,000 during the year, which were invested partly in Government securities and partly in commercial and co-operative banks outside the province. The share capital and reserve fund of the bank amount to Rs. 5,36,060 and Rs. 2,45,000 respectively. In view of the increasing overdues and the uncertainly about their early realisation, the provision for bad and doubtful debts has been substantially increased to Rs. 5,00,000 which represents about one third of the overdues. The financial position of the bank continued to be strong.

THE CENTRAL PROVINCES AND BERAR CO-OPERATIVE FEDERATION.

The Annual Federation Congress met at Nagpur in March 1936 and discussed several important questions, such as adoption of measures to make the primary society the pivot of the movement, amendment of the standard by-laws of central banks, so as to remove the preponderance of the indebted members of societies, desirability of organising primary societies on a limited liability basis and capitalisation of interest. One of the resolutions passed by the Congress was that the minimum rate of interest charged to members of societies to which the reserve fund scheme has been applied should be reduced from 6 to 4 per cent. The resolution has been accepted and the scheme is being continued for another year.

THE INSTITUTES.

The province continues to be divided into five institutes and all the banks except Balaghat and Wardha have been affiliated to them. Experience shows that individual banks cannot make adequate arrangements for supervision and education of primary societies, the need for which was never greater than at present. Government continued to make grants to the institutes totalling Rs. 24,000 as in the previous year.

RESERVE FUND

The reserve funds of societies of all kinds increased to Rs. 64,92,050. That of the Provincial Bank amounted to Rs. 2,45,000, of the central banks Rs. 13,23,721, of the primary and other agricultural societies to Rs. 47,19,489, and of other kinds of non-agricultural societies to Rs. 2,03,840. The figures include the reserve funds of societies under liquidation which amounted to Rs. 18,02,659. Out of the total reserve fund of the movement, a sum of Rs. 36,07,258 is invested in government securities and post office cash certificates. The balance of Rs. 28,84,792 is mixed up in the working capital of banks and societies.

GENERAL.

The co-operative movement was initiated and continues with the help of the honorary workers whose ranks are being depleted. It has been passed through many vicissitudes and is still struggling along. The period of trial is not yet over. The fact that it is holding its own in the face of continued economic depression is a sign of its inherent strength. It affords ample opportunities for sterling but silent service in the cause of the peasantry. In the words of His Excellency the Governor, "whatever dangers may be inherent in the movement and into whatever paths of error it may wander, there can be no possible doubt that it offers the only real chance of salvation and prosperity to an agricultural community."

UNITED PROVINCES OF AGRA AND OUDH.

Extracts from the Report of the Registrar, Mr. Vishnu Sahay, I.C.S., for the year ending 30th June, 1936.

GENERAL STATISTICAL PROGRESS

A statement showing the numerical progress is given below:

Type.	Number of societies. On 30th June 1935.	Number of societies. On 30th June 1936.	Number of members. On 30th June 1935.	Number of members. On 30th June 1936.	Working capital. On 30th June 1935.	Working capital. On 30th June 1936.
					Rs.	Rs.
1. Central banks.	71	73	*5,349 **5,613	*5,903 **6,282	86,33,174	88,78,609
			10,962	12,185		
2. Non-credit Central Societies. . .	19	41	*1,335 ** 686	* 6,005 ** 986	8,71,921	15,33,304
			2,021	6,991		
3. Agricultural primaries.	6,253	6,924	136,997	163,662	1,01,18,401	1,07,62,760
4. Non-agricultural primaries.	369	421	40,548	43,113	38,83,907	44,96,073
Total.	6,712	7,359	1,90,528	2,25,951	2,35,07,403	2,56,70,746

*Individual **Societies.

It will be observed that the number and working capital of non-credit central societies has doubled The number of primary non-credit societies has also increased considerably ; thus correcting to some extent the tendency of developing credit societies alone.

The total capital involved in the movement is Rs. 1,85,00,000 of which Rs. 1,14,00,000 or 62 per cent. is owned. Ten years ago when the Oakden Committee met, the total capital was Rs. 1,17,00,000 of which Rs. 63,00,000 or 54 per cent. was owned. The actual increase in owned capital is over Rs. 51 lakhs and represents quite considerable additional strength.

CREDIT SOCIETIES—CENTRAL

Share Capital.—There has been further reduction of share capital which is Rs. 22.42 lakhs as compared with Rs. 23.60 lakhs at the end of 1933-34, due to the postponement of share demand and adjustment of excessive shares as part of the measures of relief to which reference was made last year. The Maclagan Committee recommended that borrowings of central banks should not exceed eight times the own capital ; the share capital alone of our banks is more than one-fourth the working capital, and even after reduction provides more than the recommended guarantee of safety.

Borrowings.—There has been a satisfactory reduction in the rates of interest on deposits—some of the banks are able to get money at 2½ per cent. for one year deposits and a few at even 2 per cent. Eleven central banks however, still offer or have to offer 4½ per cent. or more for one year deposits. The amount of deposits from individuals rose from Rs. 37.36 lakhs to Rs. 40.99 lakhs and the majority of banks find no difficulty in raising money even at the low rates now offered. The amount of deposits from societies rose from Rs. 5.88 lakhs to Rs. 6.48 lakhs, the surpluses of the older societies which have accumulated more capital than they need. Interlending decreased from Rs. 3.90 lakhs to Rs. 3.09 lakhs, and the cause was that there was less idle money to lend and most of the banks could themselves raise as much money as they wanted. With the exception of two or three small banks, matured deposits have been promptly paid. A remarkable feature of the deposits in co-operative banks at present is that they are rarely withdrawn and are usually renewed even at low rates. The relations between depositors and the persons prominent in the directorate are much more personal than in other concerns and the problem of liquid cover is much less important than in commercial banks. Most of the banks maintained ample liquid cover.

Loans and Repayments.—Advances to working societies increased from Rs. 18.6 to Rs. 27.8 lakhs. This very considerable increase is not due to lavish lending (the average loan per member was less)—but is the result of more societies being organised and of the increase in membership. Recoveries from working and liquidated societies increased from Rs. 19.77 to Rs. 25.37 lakhs. They are this year less than the advances, the cause is that in many of the new societies, advances were made towards the end of the year and no repayment was due. Outstandings increased from Rs. 47.50 to Rs. 49.96 lakhs ; of this Rs. 6.54 lakhs was due from liquidated societies. The outstandings against working societies increased by Rs. 31.14 lakhs and against liquidated societies decreased by Rs. 0.78 lakhs. Overdues decreased from Rs. 28.56 lakhs to Rs. 24.68 lakhs and they are now 49 per cent. of the outstandings against 60 per cent. last year. If liquidated societies are excluded, the

percentage of overdues is 41.8 against 53 last year. On the other hand the same progress is not noticeable in regard to overdue interest. In working societies, it decreased from Rs. 3.80 lakhs to only Rs. 3.63 lakhs, while in liquidated societies, it actually increased slightly from Rs. 3.89 lakhs to Rs. 3.95 lakhs.

Financial Position.—The working capital of the central banks increased from Rs. 86.33 lakhs to Rs. 88.79 lakhs, of which 44 per cent. is owned, quite a considerable figure.. As far as the individual banks are concerned, the number of those which worked at a loss remained unchanged at 9, those that could not distribute dividend decreased from 31 to 28, those in which overdue interest exceeded profits decreased from 22 to 14 and those in which disbursements on account of interest and establishment exceeded receipts from interest decreased from 19 to 15. Most banks which could afford it reduced the rate of interest charged from societies with the result that the total interest earned was reduced by Rs. 40 lakhs as against a reduction of Rs. 15 lakhs only in the amount of interest paid on deposits.

Repayments in kind.—The Moradabad Bank continued the grain repayments scheme, sold 19,000 maunds of the members' grain worth about Rs. 68,000 made Rs. 3,634 on the business and improved the percentage of collections on demand from 61 last year to 82. The members' overdues to the societies fell from Rs. 58,000 to Rs. 25,000 the percentage overdues on outstandings being reduced from 30 to 12. This improvement must be genuine, for farzi repayments are obviously ruled out. The Kotdwara Bank also tried the same scheme with similar results. The value of marketing assistance as a support to co-operative credit is also illustrated in the results of the Dehra Dun and Deoria-Kasia banks, where sugarcane belonging to members was co-operatively marketed on a considerable scale.

CREDIT SOCIETIES—PRIMARY

Land Mortgage Societies.—The number of land mortgage societies remained unchanged at 5. The working capital rose from Rs. 59,511 to Rs. 98,230, of which 23.4 per cent. is owned. The total advances were about the same as last year, viz., Rs. 43,000. The whole demand was collected except for a small sum of Rs. 195. As experiments on which to base future policy, these results are encouraging, but the plain fact of the matter is that unless two essentials of land mortgage banking—long instalments and a low rate of interest, so that the demand is within the repaying capacity—can be ensured, the number of landowners who can be safely helped will be very small. The societies are financed from short-term deposits, the lending rates are 7½ to 9 per cent. and the period of repayment is rarely more than fifteen years. Simple calculation will show that under these conditions not even one-third of the value of the Zamindars' land can be advanced without exceeding the repaying capactiy. One can then help them only when they have outside sources of income. Naturally the scope is very limited. In Madras and Bombay long-term finance at very cheap rates has been arranged for with the help of Government guarantees and assistance has also been given for staff for land valuation and supervision.

Agricultural Unlimited Liability Societies.—Five-hundred and eighty-two such societies were registered and 48 liquidated, the total now being 6,004, with 125,000 members. The average membership per society increased from 20 to 21. Several schemes are being tried to further the thrift-encouraging side of these societies.

Some societies have introduced thrift policies under which a member paying Rs. 2 a year will be able to get Rs. 50 at the end of 15 years. In some others compulsory deposits are taken in addition to share contributions at the time of advance. In others a portion of the interest paid is credited to the member's deposit account.

The demand is usually fixed at the time of the advance in consideration of the nature of the loan. The logical system would be to fix it in consideration of the re-paying capacity at each fasli. This is now being tried by some societies. The rate of interest charged is 18¾ per cent., and must be paid at each fasli in addition to such demand of principal as may be fixed by the panchayat in consideration of the crop, if the demand thus fixed is paid punctually, the rate of interest is reduced to 12½ per cent. and the difference, 6¼ per cent., is credited as additional payment towards principal. Credit societies will in future be called "thrift and credit Societies".

Advances and Repayments.—Advances to members increased by Rs. 8.04 lakhs to Rs. 31.16 lakhs, and recoveries by Rs. 3.40 lakhs to Rs. 27.91 lakhs. Recoveries are less than advances, due not to any change in the policy—the average loan per member decreased from Rs. 66.3 to Rs. 59.6—but due to the new societies where no demand arose within the year. The percentage of recoveries to demand including the overdues of the previous year was 44.2 it was 36 last year and 30 the year before. Overdues decreased by Rs. 6.28 lakhs to 38.1 lakhs and the overdues including postponements amounted to Rs. 40.1 lakhs as against Rs, 45.41 lakhs last year, and their percentage on the total outstandings was 53.7 as compared with 63.3 last year. The overdue interest has, however, decreased only from Rs. 17.90 lakhs to 17.82 lakhs and is in marked contrast with improvement in overdues in principal. The fact is that the process of recovery in the bad societies has been very slow; it is the better societies which have recovered so much.

Financial Position.—The working capital of the societies increased from Rs. 98.7 to 103.0 lakhs and the owned capital from Rs. 58.5 to 60.8 lakhs. Of the 6,004 societies, 97 could not start work during the year, 4,200 are more than 10 years old, 1,803 distributed dividends, 1,036 gave rebates to members and 1,703 reduced their lending rates. The number of societies which did not finance their members has been reduced to 1,624. Seven hundred and eighty-nine societies owed overdue interest against 1,013 in the previous year but the incidence of such interest per society has increased and is another indication of the continued stagnation of the worst societies.

Non-Agricultural Limited Liability Societies.—Personal propaganda and leaflets sent to many offices produced a further development of co-operative societies of salary-earners. Eighteen societies were registered, and at the close of the year there were 109 societies, of which 95 were of officials. The number of members is 33,700, an impressive figure but the element of thrift, it must be confessed, is largely wanting, and without that co-operative credit for consumers is likely to be a snare. But steady propaganda ought to improve the position. My own expérience was: I attended the meetings of three such societies and attempted to induce the members to agree to regular obligatory savings deposits, one society rejected the proposal by a narrow majority, the second referred it to a sub-committee and the third accepted it.

Non-Agricultural Unlimited Liability Societies.—The number of such societies increased from 166 to 189, and membership from 3,342 to 4,277. Overdues are 43 per cent. of the outstandings which compares well with 53 per cent. in agricultural societies. The bulk of these societies are of weavers, leather workers and petty traders, and monthly collections as in the ugahi system are the rule.

NON-CREDIT SOCIETIES—PRODUCTION AND SALE

Cane Supply Societies.—The most important development has been in sugar-cane production and sale societies. These societies fall under two heads, the older societies which began with co-operative sale and are now paying attention to production also, and the recently started better farming and sale societies which receive help from a subsidy granted by the Government of India out of the Sugar Excise duty and which have begun with the organization of production first and will take up sale as the improved cane develops. The objects of both kinds of societies are, however, really the same.

Of the older socieites, the biggest is the Cane Marketing Board, Deoria, which supplied over 25 lakhs maunds of cane and earned a commission of about Rs. 54,000. Dadni advances were given and have been nearly fully recovered. The net profits were Rs. 17,800. The Board employs an agricultural graduate for agricultural propaganda.

The Dehra Dun society has 527 members in 43 villages and sold about 5 lakhs maunds of cane to the Doiwala sugar factory at one pice per maund more than the Government minimum rate. Rupees 58,000 were advanced at 7½ per cent. for cultivation and recovery was very good: A pice per maund was earned in commission, which is in essence, payment for organising supply. The society paid Rs. 13,000 in a lump sum as irrigation dues to Government on behalf of its members and the amount was later recovered from the price of cane supplied by them. The rent of some members was also paid by the society. The co-operative quality of the society is high and its members are progressive.

The Meerut society supplied about 5 lakh maunds from 12 different centres, earned about Rs. 6,000 as a commission and distributed seed worth Rs. 25,000. Its area of operations is scattered owing to there being a large number of factories in the district and the factories' unwillingness to take supplies from the society at their gates.

There are similar societies, though on a smaller scale in Moradabad, Muzaffarnagar and Gorakpur District, which with one exception, worked reasonably smoothly. In the case of the exception, there was a last minute repudiation of the contract by the factory and the society broke down.

It is not easy to arrange that cane from thousands of fields and hundreds of growers should go into the factory strictly according to schedule. Sometimes the factory would have a breakdown and there would would be telegraphic instructions to stop supply. Sometimes there would be delay in starting the factory or it would want to postpone the supplies from the co-operative society till its gate supplies were exhausted. Or some members themselves would bring their cane out of turn, and crowd the weighing station. In the beginning of the season there would be a scramble among the members to dispose of their cane as early as possible, and towards the end of the season there would be a scramble among the membres to dispose of their cane as early as possible, and towards the end of the season there would be a scramble among neighbouring factories to get what cane they could. With these difficulties, I think it is a tribute to the good sense and loyalty of the members and the accommodating spirit of the factory managements that the organizations worked as satisfactorily as they did.

Cane Development Scheme.—The cane development scheme is jointly run by the Agricultural and Co-operative departments. The aim is to develop and improve the natural sugarcane zone round a factory and to arrange that this cane is co-operatively sold to that factory. Better farming and sale societies are being formed in the area selected for this purpose and an agriculturally qualified staff consisting of one inspector and three fieldmen-supervisors, with the necessary number of Kamdars has been appointed for each area for agricultural propaganda. Two-thirds of the cost of the scheme in each area will be borne by Government and one-third by the factory concerned. Nineteen factories have joined the scheme, and one other has joined slightly amended scheme.

In the few months the scheme has been working, demonstration plots have been established, improved seed and chemical manure has seed supply, better farming societies have been organised and instruction has been given in better methods of cultivation.

The Biswan Sugar Factory.—The Biswan Co-operative Sugar Factory started crushing early in the season from the 6th November, 1935, and continued till the 15th June 1936, as large quantities of cane were left standing in the neighbourhood at the end of the ordinary crushing season. The total amount crushed was 13 lakh maunds and the average yield of sugar was 8.67 as compared with 8.34 per cent. last year. The factory has decided to extend the capacity to 800 tons. There are 132 registered and 32 unregistered primary supply societies affiliated to the factory. The factory paid the cost of their supervision and has decided to pay one pice per maund more than the Government minimum price to the members and this extra payment will go to their shares in the factory.

Ghee Societies.—The Chauobn-ka-pura ghee sale union now has 44 primary sale societies with 1,114 members affiliated to it. About 1,100 maunds of ghee were dealt with. Owing to the unexpected fall in the price of ghee during the summer, the union this year suffered a small loss of Rs. 534. The societies however made a profit of Rs. 910. The union introduced improved varieties of she-buffaloes and arranged for improved cattle feeds. New ghee societies were organised in Etawah and Meerut Districts and round about Jasrana and Sihkohabad.

Cotton Sale Societies.—The Iglas society did no work. The Bilgram society purchased 5,800 maunds of C402 cotton, ginned and pressed it and earned a profit of about Rs. 4,000. C402 is of good quality but is delicate and it is not yet certain whether it will flourish in this tract.

RURAL DEVELOPMENT

Consolidation of Holdings.—There are 82 societies for consolidation of holdings in Saharanpur, Bijnor and Mordabad Districts. In Bijnor 23,000 plots have been consolidated into 1,700. Similarly in Saharanpur and Mordabad 9,000 and 3,200 plots have been reduced to 1,200 and 600 respectively. We register the society only after consolidation has been effected and there is no question of compelling even a minority. The whole work from beginning to end is done by persuasion alone. The benefits of consolidation are appreciated by the members and lack of staff alone prevents expansion of this useful work. All the staff there consists of two organisers on Rs. 60 per mensem each and three chairmen.

This is work which can be attempted with advantage in the villages taken up under the Government Rural Development Scheme—one such village has already been consolidated in Saharanpur.

Irrigation Societies.—There are one central and 36 primary irrigation societies, sixteen of these are in Moradabad, with 21 wells and 240 members and irrigate 6,400 bighas. Collections of instalments were good; on the other hand faction and lack of interest has led to deterioration in the Bareilly societies.

Better-Living Societies.—The total number of separately registered better-living societies is 347—6 central and 341 primary—in addition to the large number of village credit societies which are being taught to enforce group agreements for better sanitation, for limitation of extravagant expenditure, for prevention of litigation and the like. Over 550 societies keep medicine chest, 2,800 societies have physical culture clubs over 4,000 members were given training in scouting, and large sums are reported to have been saved by reducing expenditure on ceremonies.

Partabgarh.—Some account of the Partabgarh societies may be interesting as an indication of the programme sought to be pursued. There are over 5,000 manure pits, and over 2,000 members keep urine preservation beds, ninety-two wells were bored and 100 new pucca wells constructed. Two tanks were put in order and Rs. 250 subscribed in two other villages for the construction of a bundh. Cane demonstration plots were arranged and green manuring introduced. An improved method of gur-making demonstrated by the Agricultural Department has been taken up in a dozen societies. Good Patna potato seed was introduced in 12 villages and was successful. There are 7 seed unions and 4 village seed supply societies. To build up future sources of seed, supervisors have been asked to oust the desi varieties of wheat from a group of village so that the stock may remain pure. The Jamnapari goats introduced two years ago did not thrive—probably on account of bad feeding; five of these are now being maintained under a supervisor and are doing better. Poultry breeding has been introduced in a few villages. In 173 villages, the members put the manure outside the *abadi*. Two hundred and forty-five dais have been given training. Seven hundred and sixty wells were disinfected. There are 52 adult schools and clubs with 1,000 members. The reported attainments in literacy are 547 capable of reading and writing up to the preparatory standard, and 315 up to the primary standard. A vernacular middle school has been started by a group of societies. There are 117 physical culture clubs and four of them engaged professional wrestlers for teaching the art. Ghee sale was organised in one area. Four hundred maunds of potatoes were sent to Calcutta and sold there. There were five group conferences and a play.

Masodha (Fyzabad).—A new development on the Masodha group of societies was in improving houses and cattle sheds. The landlord, the Ajodhya estate under the Court of Wards, has been generous with new sites, and in the beginning, to encourage the idea also gave assistance in material. This assistance is not now needed. Over 250 houses and sheds were reconstructed during the year. A woman worker taught sewing, cooking and needle-work to women in six villages. The sale of the goods produced by the women, was however, not successful. An attempt was made to arrange for the marketing of agricultural produce of members but met with little response. A number of schools were maintained and agricultural practice has improved noticeably. The progress in these societies is due to the unabated interest and sympathy of Rai Bahadur Pandi Kashi Nath, M.B.E., the Honorary Secretary of the District Rural Development Association and Special Manager of the Ajodhya estate.

Benares.—No new separate better-living societies were organized in Benares, the attempt was to induce the existing credit societies to become better-farming, better-living and credit societies as fully as possible. The weakness of the Benares Societies was neglect of better-farming. To remedy this, thirty of the villages have been placed under the supervision of the Divisional Superintendent of Agriculture and he has been provided with a staff of kamdars for agricultural propaganda.

Collaboration with Government Rural Development Scheme.—In two districts, officials of this department worked as honorary Secretaries of the District Rural Development Associations set up under the main scheme recently started by Government and in most districts they helped in rural development committees, meetings, and exhibitions. A considerable number of villages selected under this scheme already has co-operative societies; for the others instructions have been issued for the organization of better farming and better-living societies wherever Collectors wish this to be done.

Women's Societies.—Women's Societies may be mentioned in this chapter, though many of them are in a city. There are 16 registered better-living societies, and 16 thrift societies besides 72 unregistered societies. Everywhere difficulty is being felt in arranging for the direction and supervision of this work and the tangible results assessable in terms of money are very small. It is doubtful whether there is scope for thrift societies among village women at any rate—they scarcely ever handle money—and the work at present is largely educational. Some efforts were made to get members in Lucknow and Fyzabad to produce saleable articles like pickles but there has been little success so far.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE FOURTH ALL-INDIA CO-OPERATIVE CONFERENCE

Bangalore, 3rd and 4th July, 1937.

The Fourth Joint Session of the All-India Co-operative Conference of the Indian Provincial Co-operative Banks and the All-India Co-operative Institutes met at Bangalore on the 3rd and 4th July 1937. Distinguished non-official co-operators from various Provinces and States, the Registrars of Co-operative Societies of the Punjab, Madras, Coorg, Gwalior, Mysore and Cochin and two officers of the Reserve Bank of India in charge of its Rural Credit Department were among those who attended the Conference. Sir Mirza Ismail, the Dewan, the Executive Councillors, the heads of Departments and prominent non-officials of the State and a large number of citizens of Bangalore attended the opening session. The opening session was held on the morning of the 3rd July at the Puttanna Chetty Town Hall.

Welcome Address.

Rajasabhabhushana Dewan Bahadur Sir K. P. Puttanna Chetty Kt., C.I.E., LL.D., the veteran publicist of the Mysore State, while welcoming the delegates, said:

First of all I should like to read to you the following message I have, in my capacity as Chairman of the Reception Committee, received from His Highness the Maharaja of Mysore, whose personal interest, quite apart from that of His Highness' Government, has meant so much for the Co-operative Movement generally:—

Message from H. H. The Maharajah of Mysore.

I am very glad to welcome to Mysore this Conference of people who have distinguished themselves for their services to the Co-operative Movement in India.

I wish you the best of all possible results from your deliberations and trust that they may be fraught with benefit to the rayats of India.

This message which His Highness has been pleased to vouchsafe to us and which you have all so loyally and enthusiastically received will, I dare say, live long in our individual memories and prove an incentive to high endeavour in the great mission of mutual good will and mutual help for which the Co-operative Movement stands.

It is my privilege to accord you a cordial welcome to our beautiful and salubrious City which is daily being made more picturesque and proud for us by the untiring zeal of my esteemed friend Sir Mirza M. Ismail, K.C.I.E., O.B.E, the distinguished Dewan of Mysore, whose presence here this morning betokens not only his own but also the State's warm interest in the Co-operative Movement. Co-operation, though Provincial and State in the matter of administration, is really All-India in its aims and objectives. It augurs well, therefore, that the All-India Co-operative Conference Executive should decide upon holding their sessions now and again in the capital cities of Indian States as well.

Utility of All-India Conference. I do not propose to go into the present position of the Co-operative Movement, whether in India as a whole or in the Provinces and the States. We have each of us our own local problems in administrative matters and also our own particular difficulties to contend against, difficulties which are inherent in the Movement as a whole. But there is hardly any doubt that the Movement has been of great service, from the point of view of the economic well-being of the people as a whole, whether in the urban or the rural areas. Our larger problems are nearly the same, while the remedies we seek for them are such as to require common discussions and common decisions. The utility of a Conference of this type thus stands unquestioned. Its best justification is that a country which has a common heritage of culture and civilisation and has for its ideals and aspirations a common goal cannot but act in unison where the prosperity of the masses is most concerned.

Co-operation in Mysore. The Movement in this State has made considerable progress during the past three and thirty years it has been in existence here. Owing to a variety of causes—not least the after-effects of the War and the continued depression that has been on us—the Movement has shown here, as elsewhere, a slackening in the rate of its progress. But the Administration and the Department here have adopted from time to time measures to keep the co-operative spirit unhurt by the adverse tendencies which have operated to drag it down. Steps have been taken to check deterioration in the working of the Societies by a scheme of rectification and consolidation. Recently a Special Committee was appointed by Government, presided over by my friend Rajadharmapravina Dewan Bahadur K. S. Chandrasekhara Iyer, B.A., B.L., Retired Chief Justice, Mysore High Court, and it has presented a valuable report of great practical import which is now under the active consideration of the Government. Most of you have probably already read it, but if any of you have not, I should be glad to refer you to it for an authoritative exposition of the position of the Movement in our own State.

The Movement To-day. The organising of Rural Credit has been one of the fundamental objectives of the Co-operative Movement. It will be, I dare say, your duty to consider how far the Movement has succeeded in improving the position of the agriculturists in India. If it has not accomplished as much as was expected of it at one time, what may be the cause for it? What may be the remedies that may be necessary for putting Rural Credit on its true basis in this country? Is it still enough to say "Find Raiffeisan"? I feel that much water has flown under the bridge since that phrase was first uttered years ago. In recent years, we have had more comprehensive remedies propounded to us—the banishing of illiteracy, better methods of cultivation, conciliation of debt, the development of subsidiary rural occupations, facilities for marketing, the organisation of mortgage societies and the like. More than all these even has been the personal interest taken by His Excellency the Marquis of Linlithgow, the Governor-General and Viceroy of India, in all that pertains to the well-being of the rural people, more especially for the great impetus he has given to the improvement of the live-stock of the country. No Viceroy has attempted to do so much in this direction as the present representative of the Crown in India since the days of the late lamented Earl Mayo. Locally, in Mysore, it may interest you to know that our Agricultural Department, founded on an absolutely scientific basis, with trained investigators and expert collaborators, has been the earliest in all India to tackle, in the spirit of true research, the complex problems connected with Agriculture, with which the prosperity of the tiller of the soil is so closely bound up. It may also interest you to know that our Agricultural Department has been declared by the highest in the land as one of the best of its kind run in this vast sub-continent and that its scientific and departmental work has ever won the admiration of those who are in a position to judge of its work. It may please you to know further that our Department of Agriculture has always worked in the closest manner with the local Co-operative Department. What success we have so far attained in either Department of work is due entirely, in my view, to this true co-operative spirit displayed by both of them. In recent years, our Government, under the inspiration of our august Ruler His Highness the Maharaja of Mysore, has turned its attention to the scheme of social and economic amelioration known widely in India to-day as Rural Reconstruction. Work here, in this direction, has included, thanks to the active zeal and persistent efforts of Sir Mirza M. Ismail, our popular Dewan, the provision of potable water, the banishment of dirt, disease and pest and the addition of that clean and much welcomed substitute for day-light—electric lighting—to which there is every hope of the radio being added before very long.

The Land Revenue Problem. Rural life is thus being made not only attractive but also worth while, not only for the rural people exclusively but also for those who would prefer to go back to the village after they have had a spell of town life. The movement "Back to the Land" is thus being facilitated in a natural, simple and unsuspicious manner and is bound to make itself felt in the years to come. Even this may not help, perhaps, in the view of some people, to make the position of the rural cultivator as happy as it might well be. Those of you who have followed the recent trend of discussions in this country, especially the programmes of work of the various Provincial Ministries now functioning, including the so-called Interim Ministries, will have noted the desire to tackle the Land Revenue problem with earnestness and zeal, with a view to solve it in a manner that might prove beneficial to the cultivator. What the remedy may be which these Ministries or their successors may adopt, we, of course, cannot anticipate. But there can be no question that this is, perhaps, the problem of problems in India and it is just possible that in the long run it will be solved on lines in consonance with what has occurred elsewhere in connection with the Land Question. With the growth in "direct" taxation, the idea of taxing Land by itself has nearly ceased to exist in Europe. Tax contributions have taken the place of the revenue from land and fees. There is no reason why a similar parallel rule may not successfully operate in our own land. Nay, more than that, it would seem that taxes on commodities are likely to be replaced or at least exceeded by the imposts levied on income as such, in the shape of either of income-taxes proper or of charges on accumulated wealth. The recent history of the several financial systems of the civilized world is almost decisive on this point. A clear perception of the conditions under which the effective attainment of revenue is possible is now recognised as one of the principal outcomes of financial developments. Security and the absence, in particular, of arbitrary imposition—which latter has rightly or wrongly been associated with the revision of revenue associated with the periodical Land Revenue Settlement operations—combined with convenient modes of collection have come to be recognised as indispensable helps in financial administration, whose primary aim is the selection of really productive forms of charge. I do not think I can pursue this complex yet all-important matter further here, but would leave it for discussion by your specialists in Co-operation and Finance.

Solicitude of Mysore Government. The Co-operative Movement is a beneficent movement, a movement too which calls for the best energies which human talents can put forth for the bettering of the social well-being of the poor and the needy who are ever with us. In our own State, not only has our benign Sovereign taken a personal interest in its development but also his august brother His Highness the Yuvaraja of Mysore has ever shown a zealous interest in its progress. His Highness' Government have always been solicitous in directing its work on right lines as will be evident to you from the reports and other literature placed before you.

Rural Credit and the Reserve Bank. The provision of Rural Credit is attended with many difficulties and our experience does not perhaps materially differ from that of other Provinces and States. A combination of circumstances have contrived to force to prominence the practical difficulties—and I had almost said the anxieties —connected with this problem. It is small wonder therefore that the aid of high Banking of the professional kind is being thought of in this connection. The Reserve Bank of India is, as you all know, charged with the peculiarly heavy duty of linking with its own activities the provision of Rural Credit on safe and sound lines. Though this State is not directly connected with the operations of this Bank, still with the coming of Federation, the work of this Bank, especially in the rural field, is bound to attract the close attention of the leaders of the Co-operative Movement, as the development of land cannot go on except with the aid of reasonably cheap credit.

Final Words. You will agree that I have said enough. I have no desire to stand between you and your elected Presidents for the session, Messrs. Jamshed N. R. Mehta, President, Provincial Co-operative Banks' Conference, and the Hon'ble Mr. V. Ramadas Pantulu, President, All-India Co-operative Institutes' Conference. Their outstanding abilities and ripe experience are well known to all interested in co-operative work in India. I have no doubt whatever that under their able guidance, the deliberations of this session will lead to fruitful results.

It gives me much personal pleasure to declare this Conference open and to invite Messrs. Mehta and Ramadas Pantulu to take their respective Presidential Chairs.

Message from His Excellency The Viceroy.

After the welcome address was delivered, Khan Mohammad Bashir Ahmed Khan, Secretary, All-India Co-operative Institutes' Association read the following message from His Excellency the Viceroy.

"*It gives me great pleasure to send my good wishes for the success of the Fourth All-India Co-operative Conference, which is being held at Bangalore. Keenly interested as I am in all that can make for improvement in the conditions of life of the cultivators of the Indian countryside, I appreciate fully the value and importance of the Co-operative Movement. I trust that this Conference will lead to further extension of the scope for the service of the Movement, to the true and lasting benefit of the rural population of India.*"

Presidential Address at the Provincial Banks' Section of the Conference.

Mr. Jamshed Nusserwanji Mehta, Chairman of the Sind Provincial Co-operative Bank, who presided over the Provincial Banks' Section of the Conference, delivered the following address:—

It is with great diffidence that I have accepted the privilege of being the President of the All-India Provincial Co-operative Banks' Conference. It is an honour which I value and for which I am grateful to you. I pray that I may prove worthy of it.

Ours is a Provincial Co-operative Banks' Conference and therefore I hope you will permit me to confine my remarks mainly to the working and the constitution of these banks, the difficulties that face them and the work that lies before them. I propose to take facts as they are and suggest how the banks can serve for the welfare and interest of the provinces which are mainly peopled by agriculturists and workers in small and large industries.

Necessity for All-India Provincial Co-operative Banks Act. The Co-operative Movement in India is at present entering on its third stage of existence. From 1904 to 1912 the Movement was confined to purely rural agricultural credit work and was controlled by an All-India Legislation. In 1912 the Co-operative Societies Act was amended and the scope of the Co-operative Movement was widened in order to embrace non-credit activities and urban areas as well. After a period of seven or eight years with the introduction of Montague Chelmsford Reforms, co-operation was made a transferred subject and was handed over to the Provincial Governments. The various Provincial Governments replaced the India Act of 1912 by local legislation, but the main features of that Act were retained. The Movement, however, could not make much progress owing to the peculiar fact that the Ministers in charge of the Co-operative Movement, which was a transferred subject, had no control on Finance, which was a reserved subject. We are now entering into the third and an important stage because under the new reforms the Co-operative Movement will be controlled by responsible elected Ministers with conrtol of Finance in their hands. Naturally in many quarters there are high hopes that the Co-operative Movement will progress considerably and will prove of utmost advantage to each province and cure many ills of our country. I am also one of those who have high hopes in the Co-operative Movement and pray that may God give us wisdom and unselfishness to get from the Movement fullest benefit for our people, whom it is our aim to serve.

I would be failing in my duty, however, if I did not lay particular stress on a very important point which, if not well considered, owing to the new political situation, may involve the Movement in a serious danger. The Co-operative Movement came into existence in our country at the initiative of the Government. The originators of the Movement were very clear in their minds that the official control over the Movement should go on progressively decreasing as the Movement progressed onward. This has not been possible and in many respects Government control has on the contrary been increased. I agree with Mr. Darling, who suggested in one of his latest speeches, that there should be a careful graduated departmental control over the Societies. But so far as the Provincial Banks are concerned, I am distinctly of the opinion that they should be entirely free of Government control, except for audit purposes of the Government. My reason is this. The Provincial Co-operative Banks have huge financial resources and we should be very careful to see that these resources do not become instruments in the hands of Ministers or any political group or party to be used through Co-operative Department, which has widespread wings of influence and power distributed extensively, specially in the mofussil, in all parts, howsoever remote. The influence of Co-operative Movement should be retained entirely for the welfare of the people and should not be utilised for the purposes of any party, group or political ends. If Provincial Banks are not free from such control, lakhs of members in the Co-operative Societies and crores of rupees that are invested in the Movement and all the power behind it could be very easily utilised for party and political purposes. If this happens the Movement will be ere long dead and I am doubtful if it can survive from such shocks. We have experience of England and Ireland before us where the Co-operative Movement is scrupulously kept away from political influences.

I therefore submit that the Provincial Co-operative Banks of the country should be governed by an All-India Provincial Co-operative Banks Act which may be so designed as to make these banks absolutely free from control of any political party, group, or such influences. If an All-India Companies Act and an All-India Insurance Companies Act have been found necessary, I feel more strongly that an All-India Provincial Co-operative Banks Act is vitally necessary in the interests of all concerned. I would, therefore, earnestly request those interested in the lasting good of the Movement to devote their attention to this question, and see whether it is advisable to have an Act of this nature and if so, on what lines it should be enacted, and to find out ways and means to get over the constitutional difficulties that no doubt are there! Such a piece of legislation would do real good to those for whom the Provincial Banks are meant.

Nature and Extent of Government Control. Until such an All-India Act is enacted, it is of vital importance that the nature and extent of the Government control over the Co-operative Movement should be clearly and well defined. No where in the Acts--at least I am certain of the Bombay Act—is the power given to the Registrars to control the Movement as Executive officers. The Registrars have appropriated powers which are not assigned to them by the statutes. They have become dictators without responsibility and where they lack the knowledge of finance, it becomes exceedingly difficult to run any co-operative institution with safety, as it has been rightly pointed out by the Hon'ble Mr. Pantulu, and I agree with Mr. Darling when he said at Patna that the Registrars without Financial Advisers can be dangerous to the Movement and that it is practically suicidal. If it is the intention of the Provincial Governments to give the controlling authority to the Registrars, it is but fair that along with the control the corresponding responsibility of the Government should also be made very clear. The various Provincial Governments should give statutory undertaking that they will come to the help of the Central and Provincial Banks, as soon as it is found necessary. No where explicitly has such undertaking been given. I know in some provinces the local governments had to come to the assistance of the Provincial Banks in time of need. I am, therefore, emphatically of opinion that time has come when it should be made legally clear as to what are the duties of the Registrars, as to what extent they can control the Movement and what are the responsibilities of the Provincial Governments, specially for the financial results that may follow from executing the policies laid down by the Registrars.

Constitution of Provincial Co-operative Banks. Connected with the question of the control over the Finance of Apex Banks is the question of their constitution. When originally Central Banks were started in India, it was supposed that they will hold in deposit large surplus sums of the Societies which will grow year to year and therefore it was thought essential that these banks should elect wholly or in part the Managing Committees or the Boards of Directors from amongst the members of the Societies, with a view that the funds may not be utilised in any manner calculated to injure their interests. But the position is exactly the reverse. The primary societies have rarely any surplus funds invested with Central or Provincial Banks. A good number of the Provincial Banks obtain enormous deposits in large cities from individuals belonging to urban areas and lend the same mainly to agriculturists and others in rural areas who have no stake in the banks except a few shares which are also many times purchased from the money lent by the Bank. This has created a vital problem and it will be useful to consider what is said in the report of the Agricultural Department of the Reserve Bank of India that:

> "The theoretical pre-requisite of co-operation is that some of the groups should be lenders and others borrowers; this is not the case in our country. The capital is almost entirely borrowed from outside sources and the share capital in many cases is not a real exception to this because to the extent to which it is contributed by the members of the societies it really represents nothing more than an inflation on their debt."

Under these circumstances to make the governing boards of the Provincial Co-operative Banks predominantly representative of the borrowers is to diminish the credit of some Provincial Banks in India. There is a notion lurking in the minds of several persons that because they are in the Co-operative Movement, the Provincial Banks are philanthropic institutions and should not be governed as business concerns. Whilst one can agree that in the Co-operative Movement the banks should have a wide and social outlook, there is not the least doubt that the existence of these banks depends upon the confidence of the lenders, who are mostly outside the Co-operative Movement, and that there can be no slackness of any kind in running the Banks on sound commercial lines. We should unhesitatingly take the advice of the Reserve Bank of India and devise means to see that the Provincial Banks are put in the hands of practical bankers and adequate representation for depositors is secured on the Boards of the Provincial Co-operative Banks. I am certain in my mind that such bankers on the Board of the Provincial Banks will control the ordinary wild notions that the Apex Banks have always to give and never to receive back. This will also improve recovery and will check overdues. The talent of these commercial and educated bankers will also be utilised for finding out means to put into operation various schemes for the welfare of the rural areas through Co-operative Movement. The talented bankers and financiers have realised very well that the prosperity of the province and country depends upon the welfare of the rural areas and the agriculturists. There is a very interesting suggestion made in the report of the Reserve Bank that attempt should be made by the apex institutions to work on commercial lines and out of the profits made from such undertakings build up reserves and help borrowers—rural agricultural credit societies. This suggestion deserves full consideration and if it is to be carried it becomes more necessary to have the help and good-will of educated bankers and financiers on the directorate of the Provincial Banks.

Functions of Provincial Banks. This brings me to the consideration of the functions of the Provincial Co-operative Banks. It is claimed that the Provincial Co-operative Banks are to be purely Agricultural Co-operative Banks and are meant only for financing agriculturists. It is no doubt true that in the initial stages the Co-operative Banks were meant for financing agricultural societies only. But after 1912 the view was given up and the Co-operative Movement was expected to embrace all sorts of activities wherein people agreed to associate voluntarily with each other on terms of equality in order to secure the satisfaction of their common economic needs. It does not matter whether the members are agriculturists or labourers or salary earners, etc. As Mr. Calvert puts it:—

> "Co-operation is an alternative form of organisation to capitalism. It is specially suitable to people who have no capital sufficient for the full satisfaction of their ends on a joint stock basis."

India being mainly an agricultural country and agriculture being the industry that absorbs 90 per cent of its population, in the initial stage, it was no doubt intended that Co-operative Movement should only concern itself with agricultural credit. Since the time of the East India Company, it was the function of the Government of India to finance the agriculturists. But in 1904 Lord Curzon saw the enormity of the problem and thinking that Government of the country could not for all time to come handle the question of financing agricultural industry, he made attempts to start co-operative credit movement in India. But after a quarter of a century of working of this Movement it is seen that although the Movement may mainly concern itself with agricultural credit, yet there is enormous scope for others also to achieve their economic ends through Co-operation. There are a large number of urban banks, salary earners' societies, co-operative labour unions, housing societies, sale and supply societies, which are non-agricultural and non-credit in their character. It cannot be therefore said that one of the functions of the Provincial Co-operative Banks is not to finance and encourage such sort of societies. To confine the activities of Provincial Co-operative Banks merely to finance agricultural societies is untenable and under the present circumstances would be uneconomic.

Audit. I have further begun to feel that the duties of the auditors of the Co-operative Department have invariably been mixed up along with the administration of the societies. The auditors are not independent officers, because they are under the control of the Registrars who in many instances have their opinions expressed through auditors. It will add greatly to the soundness of the Movement if the auditors of the Co-operative Department are made independent of the Registrars and are placed directly under the Auditor or Accountant-General in each province. This will have a very salutary effect upon the working of the administration of the Co-operative Department and Co-operative Societies.

In this connection let me quote Mr. Lahiri of Bengal, who says:

> "The basic principle of a sound system of audit is that the auditing authority should not have any responsibility in the management of the concern, the accounts of which are to be audited. So far as I am aware, the various systems of audit in force in different provinces in India contravene this essential condition. And so long as the Co-operative Departments retain their present system of control over the management and working of Co-operative Societies, their audit cannot be expected to yield the results expected from an independent and efficient system of audit."

I would therefore earnestly request the Conference that we should press for the reform in this direction to be introduced at an early date.

Report of the Agricultural Credit Department of the Reserve Bank of India. Now, friends, permit me to deal at some length with the recent report of the Agricultural Credit Department of the Reserve Bank of India. At the joint meeting of the Standing Committees of the Provincial Co-operative Banks' Association, and of the All-India Co-operative Institutes' Association, which took place in Delhi during last Easter, disappointment has been already expressed regarding the report. Be it, however, said to the credit of the framers of the Report that they have analysed the problems relating to agricultural finance in a very thorough manner. They have diagnosed and located the disease, correctly dissected the body but have left it on the operation table for others to stitch up the wounds and find out medicine to cure it. They have comprehensively considered the credit facilities of various kinds required by the agriculturists in India and as this is the report from one of the highest banking authorities in India it ought to be carefully considered. So far as the question of providing long term credit through the agency of Land Mortgage Banks is concerned, I think it would be out of place if I dwelt on this problem in detail because ordinarily it is not the function of the Provincial Co-operative Banks to provide long term credit to agriculturists. It is the business of Land Mortgage Banks which have at their disposal long term finances. As we are not considering here the question of Land Mortgage Banks I can only say this much that the Provincial Co-operative Banks will not be able to do much in the way of accepting advice of the framers of this report until and unless the Land Mortgage Banks are established on sound basis with sufficient funds at their disposal

and I regret to say that the Agricultural Credit Department of the Reserve Bank gives very little hope to the Land Mortgage Banks so far as finances are concerned. The report embodies many useful suggestions to the Land Mortgage Banks. It suggests measures for restricting unproductive credit; it suggests scaling down of debts by means of Debt Conciliation Boards; it has suggested principles of sound constitution for Land Mortgage Banks. But it is ridiculous that so far as any active financial help is concerned, the report states:

> "With regard to the question of direct financial assistance by the Reserve Bank of India to the existing Co-operative Land Mortgage Banks by investing in or giving money on the security of their debentures, we reserve our opinion until we have gained more experience of their working...... We shall make it one of the principal tasks of the Agricultural Credit Department of the Reserve Bank of India to keep in touch with the Co-operative Land Mortgage Banks, study their constitution and working and give the benefit of banking advice."

In short, the Agricultural Credit Department of the Reserve Bank of India, which came into existence after long struggle of the leaders of the country, who held high hopes that the main industry of the country, financing of which was formerly one of the main functions of the Government, would now be seriously taken into hand by the State Bank, states in plain terms that they would give nothing substanial except empty "banking advice". The Reserve Bank proposes to maintain absolute "fluidity of its resources" and therefore cannot afford to lock up its funds in debentures, etc. of these banks. If the Reserve Bank of India, which is practically a State Bank having enormous resources of the Government at its disposal, is afraid to lock up its funds in debentures of banks which are out to finance the staple industry of the country, I wonder which other sources the Land Mortgage Banks would tap for their working!

I may here draw the attention of the Conference to the fact that it was one of the grievances of Sir Horace Plunkett, one of the greatest Irish Co-operators, that the deposits of the local savings banks were transferred to London and were not used to the benefit of the country. I do not see why a substantial portion of the post office savings bank deposits in India, which amount to crores of rupees, should not be made available to the Land Mortgage Banks or to the Provincial Co-operative Banks for being utilised for long time credit financing the industry which is the mainstay of 90 per cent of its population? The post office savings deposits should not be utilised at all by the Government of India for any of its capital expenditure or for any other purpose except for the purpose suggested above. I would earnestly request those of you who are members of the Central Legislature to take this point into consideration and move the authorities to accept this suggestion.

Leaving aside the question of the Land Mortgage Banks, if we consider the relations which the Agricultural Credit Department of the Reserve Bank of India wish to establish with the Provincial Co-operative Banks, which are supposed to supply only short term credit to agricultural societies, we find that the recommendations in this respect also are equally disappointing and hopeless. The report states: "We must also make it clear that unless the co-operative banks put their long term debts on a business footing and separate them from their other business, the Reserve Bank will not be in a position to be of assistance to them . . . except for genuine short term business, Provincial Co-operative Banks cannot expect facilities from the Reserve Bank." The Reserve Bank of India has made its position very clear and stated it in a very crisp manner. But how are the long term debts of the Provincial Co-operative Banks going to be put on business footing? The report recommends that even co-operative *societies should submit to the* Debt Conciliation Boards and to their proceedings. But this would mean reduction of societies reserves and capital or interest or both. The report does not suggest who is to bear these losses resulting out of this debt reduction business. Further even if the long term debts are put on business footing by transferring the same to the Land Mortgage Banks (for there is no other remedy), the Reserve Bank refuses to finance the Land Mortgage Banks until they have examined their working. This is nothing but indirectly avoiding the issue. The Reserve Bank wants the Provincial Co-operative Banks to put their houses in order before it can financially help them and for putting the houses in order they suggest transference of long term debts to Land Mortgage Banks which in turn they refuse to finance. The conclusion, therefore, is that for the time being the Reserve Bank of India refuses to give any financial help to any of the present co-operative institutions, i.e., the bank that enjoys State aid disclaims all responsibility of financing agricultural industry on which the whole Indian economy depends! This is a sorry comment both on the Reserve Bank of India and on the Government. But let us not grow despondent. It may be that hereafter the management of the Reserve Bank of India may show broader outlook and less of capitalistic circumspection. I would suggest this Conference to arrange for a meeting between the Governors and Directors of the Reserve Bank of India and representatives of the Provincial Co-operative Banks to discuss some outstanding problems of agricultural credit amongst themselves and hammer out some suitable policy of helping the Apex Provincial Co-operative Banks and Land Mortgage Banks. This huge problem of agricultural indebtedness and agricultural finance has to be faced with sincerity of purpose and I hope that the Government of India will bring about some sort of co-operation between the Reserve Bank of India and the Co-operative Banks *on the* existence and soundness of which depends the Co-operative Movement in India which has now reached enormous dimensions.

Interest and Recovery. In many provinces the problem is being discussed as to what should be the equitable rate of interest charged by banks to societies. At present it varies from 5 to 8 per cent for money lent to Central Banks and Societies. The rate of interest is determined, among others, by the following factors: (1) cost of collecting the loan, specially when the borrowers do not repay punctually, (2) security offered, i.e., upon the risk of lending and (3) the cost of the lender incurred in his business. Leaving aside the other factors I may mention here that unlike the Joint Stock Banks *it is* one of the main function of the Co-operative Banks that finance Agricultural Societies to see that the loans advanced to societies are used for productive purposes or for the purpose for which they are specifically given. It used to be a maxim in the co-operative world sometime back in India to send Inspectors after every rupee of a loan given to the societies. In order to fulfil this function of seeing that the loans advanced are utilised for proper and productive purposes, naturally the cost of maintaining field staff must be taken into consideration, while determining the rate of interest charged to societies. Apart from this the recovery both of principal and interest from agricultural societies is most disappointing and has become in fact one of the main problems of the Co-operative Movement. If the repayments are proper and punctual the banks can afford to charge lesser rate of interest than they are at present charging. It should, therefore, be our duty to find out all means within our power to have punctual payment of interest and give all kinds of advantages to the societies in the matter of reduction in rates of interest. We should also agree that the dividends to the shareholders should be reasonably restricted.

As for recovery, I may here mention that there is one suggestion, which I do not know how far we can agree in accepting, in the report of the Agricultural Credit Department of the Reserve Bank of India. The authors of that report opine that the co-operative societies in various provinces are given a prior claim over the crop in case of loans for seed and manure. The Bombay Act gives the charge to the societies on the crop as well as the stock-in-trade like cattle, raised or bought from the loan given by the societies. But this also raises many difficulties. The above mentioned report states that under the English Agricultural Credit Act of 1928, which is one of the best pieces of legislation in the whole world so far as agricultural credit is concerned, "when a charge is created, it is obligatory on the borrower to repay his loan out of the proceeds of the property charged and he is liable to penal servitude upto three years if he fails to comply with the obligation or disposes of his property." The Calvert Committee also recommended that the societies have a charge upon the crop raised from the loans of the societies. If a cultivator-borrower disposes of his produce without repaying his loan he may be made liable to three months' imprisonment. This recommendation requires careful examination by the chief workers in the Co-operative Movement. If it is judiciously enforced, it may stimulate recoveries. After careful consideration the Provincial Governments may be advised to see whether the local co-operative acts could not be suitably amended to this effect.

Loans—Short Term and Long Term Credit. It is very necessary for those interested in the Provincial Banks to come to some definite and decisive conclusion about the short term and long term credit. Howsoever much one may like that the loans to the agricultural credit societies should be given only for short term and that it is the only safe way for the banks, they have to admit that long term credits are necessary for the societies. The commitments, collected debts or even past mistakes of the agriculturists are such that the short term credit can never bring them out of their difficulties and past debts over which interest runs continually. It may be considered a very weak financial policy or a mistake to bring them out of past bad debts but we would be moving without that in a vicious circle all the time. One suggestion is that of Land Mortgage Banks. Difficulties have been shown by those who are interested in Land Mortgage Banks that even that step would not relieve the agriculturists of their age long debts altogether, and we would be placing Land Mortgage Banks in a similar difficult position as the Provincial Banks. There are those who believe that Land Mortgage Banks will not be the panacea of these evils. And even to do some good, a large number of such Land Mortgage Banks would be necessary and it must take a very long time.

Cannot the Provincial Co-operative Banks do something in this direction till the Land Mortgage Banks are established and attain a growth where they can be of some substantial benefit to the heavily indebted peasantry? I am of opinion that the owned share capital and reserves of these banks should be invested in relieving the indebtedness of the members of the societies from whom payments may be accepted by easy instalments. There may be other ways of helping the situation and I urge serious consideration of the subject by the Standing Committee of the Provincial Banks' Conference.

Rural Welfare and Upliftment. I have said a good deal about the constitution, functions, responsibilities and safeguards of the Provincial Co-operative Banks, but I cannot close my speech without mentioning something about a particular duty which is laid down on us as Co-operators—that of human consideration. The difficulties of the agriculturists have been very often described by many leaders of our country. Their lot, no doubt, in a large number of instances, is terrible and the problems facing them are very difficult. Many solutions have been suggested and a good many of them have been and are being tried. Tenancy Laws are being studied, enacted or amended in various provinces. Debt reconciliation and redemption are also being talked of, and are being practised in various provinces under different acts. The Government of India have lately adopted various methods of improving the lot of agriculturists by appointment of Marketing, Dairy, and Cottage Industries' Officers. The Agricultural Department is making experiments and researches for increasing the productivity of land. Irrigation schemes are being executed and contemplated continually. Apart from the Government, the Indian National Congress, other institutions and public bodies have been focussing their attention on rural upliftment and even the mercantile bodies, Chambers and Trade Institutions are thinking of this problem and are trying to help the situation, as they have come to a definite conclusion that the prosperity of trade and industry is linked with the prosperity of agriculturists.

As far as the Co-operative Movement is concerned, within the Movement, we have gone so far as Co-operative Sale and Supply Societies, Housing Societies, Seed Societies and some non-credit societies of other types, but we have not yet touched even the fringe of the welfare work which we, as Provincial Banks, should undertake. My suggestion, therefore, is that each Provincial Bank should have a separate department of village welfare and rural upliftment. The officers and staff appointed for this purpose should have no other work but to continually visit the rural areas, make enquiries of the circumstances of the members of the co-operative societies, of the small industries and work such as dairying, bee-hiving, poultry-farming, etc., which they can do outside agriculture during their leisure hours, induce them to collect their crops or collect the milk, honey, eggs, poultry and such other saleable articles which they can produce or make and get them sold through this Department of the Provincial Banks. Small loans should be allowed to them for such purposes and all possible encouragement should be given to them in improving their agricultural produce and inducing them to turn their minds to cottage industries. I know for certain that much can be done in this direction and if the Provincial Banks with their wide influence all throughout the mofussil area would undertake this type of work, the result would soon be realised in material development.

There is another way in which this Department could help. It is to inquire about the grievances of the members of the co-operative societies and if they are found to be substantial, to represent them, through the bank, to the authorities concerned and thus get their grievances redressed so that their lot may be somewhat easier. At present it is very difficult for them to get themselves heard. They have no money even to pay for applications which are at many places charged for highly. Fear that they have of representing matters is such that they remain silent. Generally the rural areas have corrupt subordinates and their lot becomes still harder. If the Provincial Banks can institute such a department as may represent the cases of members of co-operative societies to higher authorities, it will help them greatly and it will be an additional consideration for them to become members of co-operative societies. Unfortunately at present the whole idea of the co-operative movement is to borrow or lend and then struggle over it. This department also can make a link with the various Government departments such as Agriculture, P.W.D., Irrigation, Marketing, that of the Director of Industries and the Director of Information and can thus add considerably to the happiness of the members of co-operative societies. It can also help in the work of reconciliation. Wherever there is some agricultural difficulty or irrigation difficulty, the officers and staff of this department can get them the help required and even the knowledge or information for that particular work. A little difficulty here in fruit growing or in the growth of the crop, a little difficulty there when the water should be taken from the canals, information about the market prices, information about the weather conditions—all this could be supplied to the advantage of members of co-operative societies by this Welfare Department. The social work means co-operation in the right sense, and will eventually become a strong economic back-ground.

Folk Schools. I know I would be asking perhaps too much if I suggest that it should be the duty of the Apex Banks to start and aid folk schools. It may appear visionary, but we have an example of a country like Denmark, which is one of the happiest countries in the world, as far as co-operative societies are concerned. It is estimated that 90 per cent of its people belong to the Co-operative Movement and they believe that the success of co-operation in their country is due to the fact that folk schools were established there and preceded the starting of the co-operative societies. The Finance Member of the Government of India gave last year a grant of about fifteen lakhs of rupees for co-operative training and teaching. It is not yet known in detail what use has been made of this sum. I would wish that such or a larger sum could be utilised year by year for folk schools through the Rural Welfare Department of the Apex Banks. Thus instead of building a co-operative movement on the foundation of sand, we will be building it on that of cement.

Nation Building. My last suggestion is to appeal to the Government to accept the Co-operative Movement as an important factor in the nation building programme. Everywhere people and leaders talk of nation building activities. The co-operative movement is an ideal lever or instrument to be utilised for nation building activities in the rural areas and also in the cities with large and small industries. If the Government takes things seriously, we can also have a happy Denmark in our country. It is for those who have vision to see that I am appealing and I pray to God that we may all get wisdom and unselfishness to work for the uplift of humanity through Co-operation.

Presidential Address at the Institutes' Section of the Conference.

The Hon'ble Mr. V. Ramadas Pantulu, President of the All-India Co-operative Institutes' Association, who presided over the Institutes' Section of the Conference delivered the following address:—

I desire to tender, on behalf of the All-India Co-operative Institutes' Association, our grateful thanks to the Co-operators of Mysore and to the Reception Committee for the generous invitation they have extended to the Association to hold this Conference in the State of Mysore and for fixing this lovely and far-famed City as the venue of the Conference. The All-India Co-operative Institutes' Conference is being held to-day, for the second time, in an Indian State. Our first session was held in Simla (The Punjab) in 1928: the second at Hyderabad (Deccan) in 1931: the third at Amraoti (Berar) in 1934 and the fourth is now held at Bangalore (Mysore) in 1937. Thus we have been assembling alternately in a British Province and an Indian State once in three years. I consider this to be a significant convention which, I hope, will be maintained in the coming years. We co-operators in India established our National Federation of Co-operatives in the Provinces and the States by the constitution which we gave to ourselves in 1928, while the Simon Commission was adumbrating its opinion that the Political Federation of India was yet a distant ideal and the Round Table Conference was not even summoned to think out the problem. In our two All-India Associations, the co-operators of the Provinces and the State meet and collaborate without being oppressed by a sense that the Provinces and the States are separated by any socio-economic barriers, which obstruct joint thought and joint action on their part. The Indian States are territorial units contiguous to the Provinces. The Provinces and the States are not wholly unrelated units even under the existing British Indian Polity. The people of the States are after all the kith and kin of the people of the Provinces, living in one country, possessing one civilisation, with a common historical tradition and common biological descent and having common aspirations to promote the economic welfare of the masses of India as a whole. We must remember that our duties and responsibilities to the people do not end with the management of our societies alone, for Co-operation is not an isolated factor of our national economy. It has its tasks and its place in the political system of the country as much as Capitalism or Socialism has. We, co-operators, who have anticipated the politician and the statesman in the matter of a Federal Constitution for our organisations, cannot therefore be merely disinterested spectators of the coming momentous changes in the constitutional development of India, but must be actual participators in the endeavour to establish a genuine political federation, which is calculated to unite the peoples of the Provinces and the States in a common effort to realise the dream of a United India, which is a free and self-governing nation. To my mind it augurs well for the future that the people of the Provinces and States should thus confer, though in the limited sphere of the economic system of Co-operation, as component factors of a Federated Nationality.

Our Fundamental Problems and our Limitations. In addressing a gathering of co-operative experts like this, it is difficult to choose the appropriate theme and more difficult to attempt to give a lead. The difficulty is enhanced by the knowledge that the problems which face us are not exactly the same in all the provinces and even where our problems are the same, they do not always lend themselves to identical solutions everywhere. Nevertheless, conferences like this afford us unique opportunities not only to take a general survey of the working of the movement in the different parts of India, but also to understand each other's special problems and to profit by the knowledge of how they are being tackled, whether such attempts have resulted in success or failure. These are tasks which I propose to leave to the Conference itself, confining myself on this occasion to an examination of a few of our fundamental problems. The first and foremost of them, to my mind, is a true appreciation of the scope and extent of real contribution which co-operators can make to our national economy, in the present political, social and economic condition of the people. On such an appreciation will depend our programme. I am constrained to think that the Movement has to some extent, lost its moorings in India to-day, by its being charged with tasks too onerous for it to discharge and by a very inadequate appreciation of its limitations and handicaps. The failure of the co-operative credit movement, to achieve even a fraction of what was expected of it for the economic rehabilitation of the village, and the liquidation of rural indebtedness, has set people thinking not merely about the causes of that failure, but also about the actual potentialities of the movement to remove poverty and indebtedness among the people, even if we are able to eradicate the many and the serious defects which are to a large extent responsible for the present unsatisfactory working of the organisation. As a result of this investigation we have arrived at the conclusion that Co-operation alone cannot remove the economic debility of the Indian peasant or liquidate his debt. The outstanding feature of our rural economy is that agriculture, which is the mainstay of the bulk of the rural population, is not to-day an occupation of profit but of subsistence, a bare and precarious subsistence. A large number of holdings

of the members of our societies are un-economic. By "economic holding" I mean a holding which allows a man a chance of producing sufficient to support himself and his family in reasonable comfort, after paying the necessary expenses of farming and his rent or revenue. If a holding is not "economic" in that sense, no question of a margin of profit, out of which he can repay his debt, arises at all. Indeed "profits of cultivation" in regard to 90 per cent of the holdings of our members is a term of art coined by the settlement officers and such "profits" do not spring from those holdings, but from the fertile soil of the settlement officer's technique. Unless agriculture is itself a secondary occupation or, if a primary occupation, it is supplemented by some remunerative subsidiary occupation, the vast majority of the members of our credit societies, do not possess what is popularly called "repaying capacity." The catastrophic fall in prices of land as well as its products, during the present prolonged period of economic depression has destroyed what little margin which even a few big agriculturists, with economic holding, used to have at one time.

It is not merely the uneconomic character of the bulk of our holdings that the peasants suffer from, but also a repressive system of land tenure, with its evils of absentee landlordism, infeudation and subinfeudation, and an oppressive system of land revenue which presses too hard on the man with small holdings and cripples him economically. The age-long dependence of the agriculturist on the usurious money-lender, who keeps his victim in a state of perpetual subservience, has practically broken the economic backbone of the indebted peasant. The closing of the overseas markets to many of our commercial crops, mainly due to the emergence of a new phase of economic nationalism of our old customers, and unfavourable exchange ratio (an over-valued rupee) and other complicated factors have substantially increased the load of the agriculturist's debt and the burden of his taxes. The depressing environment, which envelopes rural life, and the low economic vitality of the peasant are thus the results of many complicated social, political and economic factors. Attempts to increase production and induce the cultivator to adopt improved methods of agriculture are blocked by economic circumstances. Mr. Keatings, in his "Agricultural Progress in Western India" says: "There are many physical obstacles for the chemist, the botanist, and the engineer to surmount, but the value of their assistance must be seriously discounted, where obstacles which dominate the situation are economic; and the state of affairs must continue until the economic difficulties are overcome." What has been said of Western India applies equally to the rest of India.

I do not for a moment deny that this aspect of our rural economy has been present in the minds of the Government and the people and that some remedial measures have been advocated and even attempted with varying degrees of success. But, it must be said that no concerted and effective attack has been so far launched by the State in India to remove the causes of the chronic poverty of the Indian peasant, to improve his income and purchasing power and to bring about a change in his outlook on life and his standard of living. I believe that there is no one in India to-day who will contend that this task can be accomplished without well-conceived and courageous State action. An enlightened agrarian policy has not been a marked feature of any provincial government in India so far. With few exceptions, the same may be said of the India States. With the passing of the Government of India Act, 1935, measures relating to agrarian reform are now primarily within the purview of the Provincial Governments and it is therefore to them that we have to look for relief.

It is obviously impossible, in an address like this, even to indicate in broad outline the measures which have to be taken by the Provincial Governments and the Indian States to remove the chronic poverty of the peasant and to relieve him from the ruinous consequences of his indebtedness. I dealt with some of these measures of agrarian reform in my address to the joint meeting of the Standing Committees of the Banks' and the Institutes' Associations held at Delhi in March last; and I do not wish to repeat myself on this occasion. I shall now content myself with referring to one of those reforms which, in my opinion, must be placed in the forefront of the agrarian programme of the autonomous provinces.

Reform of Land Revenue System. The demand of the people of the British Provinces in India to apply to land revenue sound principles of taxation and to place it on a statutory basis is a very old one. The vast disproportion of the incidence of land revenue, compared with that of other taxes, and the necessity of removing a part of that burden from those who are unable to bear it, and laying a more equitable share of it on other classes and interests, who are able to bear it, cannot be disputed. The Marquess of Salisbury, speaking in the sixties of the last century, when he was the Secretary of State for India, said: "So far as it is possible to change the Indian Fiscal system, it is desirable that the cultivator should pay a smaller proportion of the national charge. It is not in itself a thrifty policy to draw the mass of revenue from the rural districts where capital is scarce. This injury is aggravated in the case of India where so much of revenue is extracted without a direct equivalent." It was expected that the provincial governments, as reconstituted by the Government of India Act of 1919, would tackle this problem, especially as a right lead was given to them by the Joint Parliamentary Committee, which gave the final shape to the Montague-Chelmsford Constitution and a decade later by the Simon Commission. But, nothing was done mainly because of the traditional conservatism of the reserved half which was dominated by old time revenue administrators and of the reactionary nature of the transferred half, which was captured by zamindars, money-lenders, and other vested interests.

The vital and urgent nature of this reform to ameliorate the condition of the rural masses, is evident in the fact that, in all provinces of India, an extraordinary feverish activity has developed since the first Day of April in the year of Grace 1937 Anna Domini, on the part of both the majority ministries and of what are called the Interim ministeries. This only shows that no administrator after having become responsible to his electorate and his legislature in the Province can expect to retain his seat in a provincial government without satisfactorily handling this problem of land revenue reform. All provincial ministries have now realised, as if by sudden inspiration, that the old system of periodical resettlements, resulting in enhancement on each occasion must be abandoned. It is now conceded that the settlements based on the price level during the war period and the post-war period must be scrapped, and that in any case we must go back to 1912 or 1913, as the basis of future reform. It is further conceded that substantial reduction should be made in the rates of land revenue even as they stood in 1912, in order to give just and adequate relief, specially to those whose holdings are small and uneconomic. On the question of how the loss of revenue caused thereby should be made up, at least partially, there is as yet no consensus of opinion Speaking for myself and with special reference to the province of Madras, I advocate the imposition of a graduated tax on agricultural incomes, above a certain prescribed minimum, of holders of land in the ryotwari areas as well as holders of permanently or temporarily settled estates. There will of course be local rates in addition. The Taxation Enquiry

Committee put up a reasoned case in defence of a levy of tax on agricultural incomes with an element of progression in it. It is now fairly clear that "political objections" and "administrative difficulties" which have so far been persistently urged against such a reform, both by the Central and by the Provincial Governments, can no longer be urged by the Provincial Governors who have given clear assurances that they will not interfere with the constitutional activities of their ministers; and no one will deny that land revenue reform on these lines is a constitutional activity. I believe that, under such a scheme of reform, the relief to the small agriculturists in the province of Madras, whose incomes from land are below Rs. 1,000 per annum would be a reduction of about 25 to 50 per cent in the amount of land revenue now paid by them according to the varying conditions of the different tracts of the Province.

Relief to agriculturists in the permanently and temporarily settled estates by reduction of the exorbitant rents now charged on their holdings and in provinces where the tenants do not possess rights of occupancy, by giving fixity of tenure by making holdings heritable, if not alienable, is equally important; in other words, the tenants of estates require adequate protection from rackrenting and freedom from eviction. The Socialists in India are against schemes for the conferring of occupancy rights on tenants, for they would create proprietary rights in a large proletariat and "serve as a dope that would subdue and hold under check any revolutionary spirit that may be left in the peasant". But, fortunately the Indian National Congress stands committed in its published agrarian programme to revision of land tenures so as to confer rights of occupancy on tenants and, a front rank Congress leader assures us that the Congress "does not visualise a kaleidoscopic change of a sudden and startling character at a remote age in the social agrarian and economic conditions of the country, which would in one bound abolish private property and with it the thousand ills to which the ryot of to-day stands heir." So, there is hope that even Congress ministries will handle this problem correctly.

Other Measures of Economic Relief. To mention only a few of the other measures of rural economic relief, which deserve the attention of the Government and the people, the following may be seriously considered:—(1) Relieving pressure on land, by promoting schemes for reclamation of fresh land; (2) removing some of the existing impediments to efficient production, such as excessive fragmentation and sub-division of holdings; (3) development of minor irrigation works, in order to increase the area under crop and its yield; (4) fiscal assistance to agriculture by a system of tariffs and subsidies, according to the needs and conditions of the several areas; (5) organising the transport system of the country with due regard to the special interests of agricultural industry; (6) establishing for the benefit of the rural masses a system of sound general education with special provision for agricultural education and embodying the results of agricultural research within the practice of agriculturists; (7) revival and preservation of village crafts and home industries and protecting them from foreign competition; (8) provision of power and other assistance to rural industries subsidiary to agriculture; and (9) ensuring to the peasant fair treatment in the determination and recovery of debts, by the modification of processual and contractual laws, so as to protect him from the more serious consequences of indebtedness, such as the loss of land or the permanent impairment of his capital.

Rural Reconstruction. After years of working of the Co-operative Movement, it seems to have been felt by co-operators that the problems of the villager are not capable of being handled in water-tight compartments and that his economic needs should be satisfied, with an understanding that his life cannot be cut up into distinct and isolated departments. Therefore, the question whether the life of the villager can be brought as a whole within the range of the Co-operative Movement has forced itself more and more on the attention of co-operators. This, in fact, is the genesis of co-operative programmes of Rural Reconstruction. Eminent co-operators have, from time to time, declared that rural organisations will succeed better if they are placed on a co-operative basis. The latest pronouncement on the subject is embodied in the resolution of the Registrars' Conference held at Delhi in December 1936. It runs as follows:—

"The Co-operative Movement should be used to the fullest possible extent, compatible with its principles, for extending the rural reconstruction movement, having regard to the fact that it is the best and in many areas the only means of providing the one organisation, within which the rural reconstruction movement can be expected to be permanent."

While I am in full agreement with the idea that the spirit of co-operation is vital to organise rural reconstruction programmes, I am not quite satisfied that the whole range of the economic needs of the villager can ever be comprehended in the Co-operative Movement, having regard to the present position of our village economy and the well-known limitations of Co-operation. I entertain serious doubts whether the present day rural economy in India will lend itself to reconstruction on a co-operative basis. It was nowhere attempted in the west. It might have been perhaps possible under the old system of village community life. But the community life of the village has been definitely replaced by the individual economy. Mutual co-operation has given place to competition. The villager no longer feels that he is an integral unit of a simple social structure, which is knit by mutual self-interest. The traditional balance between culture and wealth has been upset and the moneyed classes gained an unhealthy ascendency. With the destruction of the old village crafts and home industries by the inevitable competition of organised industry and mass production, the villages are no longer economically self-contained units, even in regard to the satisfaction of the daily needs of the villager. He may consume the rice or wheat produced in his village for food; but, he wears a cloth made either in a foreign country or in a distant Indian mill, drinks in Austrian metal cups, eats in British enamel plates, feeds his children on Swiss condensed milk, and lights his home with a German lantern. With the disappearance of the village artisans and their service inams, which were granted as remuneration for community services, the villager has to pay in cash for all the services he needs—those of the carpenter, the blacksmith, the cobbler, the potter, the washerman, the barber and even the priest. The amount of cash he possesses fluctuates with the prices of his products. The modern system of administration, with its individual pattahs, cash rents and the ballot box, have thoroughly revolutionised the nature of the old corporate village life, without at the same time substituting for it a modern organisation, which is calculated to foster a sense of corporate existence or civic responsibility in the villager. We must remember that it is on such village soil that we have to sow the seed of Co-operation. It will either not grow or the plant will soon wither away, if it grows at all.

After giving my close thought to several programmes of rural reconstruction, I feel that there are several items in them, which either do not rightly pertain to the sphere of co-operation, or which cannot be successfully carried out by the co-operative organisations. In these programmes, there are such items as the education of the villagers' children, the construction of village roads, maintenance of rural dispensaries, village conservancy, construction and repair of drinking water sources like wells and tanks and maternity welfare schemes. I cannot really understand

why such services to the village community, which under the modern systems of administration, rightly pertain either to the Provincial Governments or Local Bodies like District Boards and Village Boards, should be thrown on the shoulders of "Co-operation." Those shoulders are certainly not broad enough or strong enough to bear such heavy burden. It must be patent to every one, who has the faintest acquaintance with problems of administration, that it is impossible to accomplish such a programme without the statutory right to tax the villagers and the legal power to enforce the obligations which are involved in the carrying out of such a programme.

My solution for the socio-economic reconstruction of our rural life is the creation of statutory village panchayats with powers of taxation and administration. These panchayats are the only organisations, which can effectively carry out schemes of rural reconstruction. I am aware that there are village panchayats and village panchayat acts in many provinces. They are a mere farce and a sham. No Provincial Government ever took kindly to these village self-governing bodies. In a scheme of centralised government, devolution of power on the lowest administrative unit like a village, by a process of thorough going and genuine decentralisation, is most difficult to accomplish. Neither the Provincial Government nor the Local District Board nor the heads of departments like Revenue, Irrigation, Forest, or Sanitation etc., were willing to part with any of their effective powers to the village administrative unit. On the financial side, these panchayats were treated so niggardly as to make it impossible for them to run their administration on any decent standards of efficiency. The entire land revenue collected in the village is carried to the Provincial Revenues and additional cess called the local cess is collected to spoonfeed the local self-governing bodies; and in the process of doling out fractions of that cess to several local bodies, no more than a tiny drop reaches the village panchayat. All this must change if the Provincial Governments really believe in rural reconstruction and seriously mean to carry it out. Unless an adequate portion of the land revenue collected in each village is left in the village itself for administration of the village panchayat, to be supplemented by local taxation, village self-government will continue to be illusory.

When effective statutory village panchayats are set up in the villages, and the village self-government is based on a satisfactory financial and administrative basis, the co-operative organisations can and will function as useful auxiliaries to rural reconstruction. Indeed, the village credit society can be made to comprehend a wider range of the villager's economic life than it now does and can be turned into an agency to draw the villagers together for many common purposes.

Better Living Societies. In this connection, I should like to express my own views about the expediency or otherwise of multiplying types of co-operative institutions as aids to economic reconstruction of the villages. The most favoured type of such co-operative institutions is the Better Living Society, in which the Punjab now leads. In the bye-laws of these societies, the members bind themselves by voluntary agreements to submit themselves to the compulsory enforcement of the decisions of their elected committees and general meetings. The members who commit a breach of their obligations under the bye-laws are liable to a fine ordinarily extending to Rs. 100, which can be collected by coercive process, as if it were a debt due to the society. I know that these Better Living Societies have done some useful work in the Punjab and elsewhere. Where they are working well they may be further strengthened with advantage. The question is whether in Provinces like Madras, where such societies have not yet been formed in any appreciable number, we should introduce them. I feel some hesitation in recommending the formation of such societies in Madras, with whose conditions I am naturally more familiar than those of other provinces. In the first instance, the human material available in the villages to run co-operative organisations being very limited, societies of new types should not be multiplied, unless it is absolutely necessary to do so, and the chances of their successful working are assured. In the second place, the main work of the better living societies in the Punjab has been the eradication of certain abnormal social evils and the reduction of extravagant expenditure on social and religious ceremonies. It is obviously impossible for mixed societies, which aim at reforming social and religious customs to lay down rules binding on all sections of their members. Therefore societies in the Punjab have mostly been formed on sectarian, communal and caste basis, to reform social evils obtaining in a particular sect, community or caste. This is not a development which I favour in Madras.

Coming to the reduction of expenditure on social and religious ceremonies, it is not easy to estimate correctly the results achieved by the better living societies in the Punjab and elsewhere. The economic adversity of recent years has taught the villager some virtues, the least important of which are not the practice of thrift and curtailment of avoidable expenditure. Indeed the Registrar of the Punjab, in his administration report for 1933, makes the following observation :—" How much of the reduction is due to the preaching and practice of these societies and how much to the shortgage of cash is a debatable point. The villager had some reason on his side when he met the living propagandist with the question " where were you when our pockets were full, what is the use of this sermon, now when we are broken ? " Practice of thrift being the bedrock and the cardinal principle of credit co-operation, as declared in the preambles of all the Acts beginning from 1904, I fail to appreciate the special necessity for a separate organisation for the practice of thrift. At one time in the Punjab, it was contemplated that better living societies should precede the formation of credit societies, but very rightly this idea was abandoned, as the practice of thrift was the foundation of success for all forms of co-operative effort. In view of these and other reasons on which I need not dwell at greater length, I am not an enthusiast in advocating the introduction of better living societies where they do not exist now. In the wake of the economic depression, the demand for credit has diminished and the credit society can be put to many uses which are all comprehended in its bye-laws and used as a powerful instrument to promote thrifty villager. In several places the common good funds of credit societies are being utilised to promote general welfare schemes for common benefit of the members through their Credit Societies.

The True Role of Co-operative Credit. Great as the economic potentialities of co-operative credit are, it is a mistake to believe that a credit society can or ought to cater to the needs of every one and for all purposes. The position is well put by Mr. R. F. Bergengren thus : "The Credit Union is a sane business-like device for creating credit, not for every applicant, but for every applicant eligible to and worthy of credit ; not for all purposes, but for purposes which hold forth a real probability of ultimate value to the borrowers ". I feel that this truth has been often overlooked in the past, much to our cost. Co-operative opinion, official and non-official, has, however, now veered round to the view that the main function of the co-operative credit society is to supply efficiently, promptly and adequately the normal seasonal credit needs of the agriculturists. Nevertheless, the ground hitherto covered by co-operative banks in financing productive operations of agricultural industry is insignificant, while that left uncovered is vast. Short term credit comprehends not merely credit for operations of actual production, but also for purchase of goods or services required for farm operations, as well as domestic consumption of the farmer and also credit for marketing his produce. This itself is indeed a vast range of the villager's economic life to cover.

Reserve Bank and Rural Credit. The preliminary report recently issued by the Reserve Bank of India, under section 55 of the Act, has a great deal to say about co-operative credit. Co-operators, I believe, will be in general agreement with the emphasis laid in the Report on the need for the loans from central banks and societies being largely limited to cultivation finance and to so control credit as to prevent over-financing. I do not however know what will be the reaction on co-operators of the report as a whole. Speaking for myself, I regret I am unable to agree with much of what is contained in the report on the Co-operative Credit Movement. The report is written in text-book style, setting out the main principles of agricultural credit and the canons of sound banking, with special emphasis on the limitations imposed by the very nature of agriculture in respect of credit facilities, and hardly does justice to the particular subject on which it is required to report under section 55 of the Act, namely, " the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank." The report is extremely disappointing and has largely misunderstood the principles of Co-operation. Mr. Darling, who conducted the preliminary investigation connected with the establishment of the Rural Credit Section of the Bank, stated his opinion on the report in these words, in his address to the Provincial Co-operative Conference of U.P. : " Some of us may think that the report does not make sufficient allowance for the features that distinguish co-operation from ordinary commercial banking." This is as far as an official critic could go with propriety, to characterise the general trend of the report. In plain language, this comes to much the same thing as what I have said about the report.

The report, starting with the idea that it is difficult to finance small scale agricultural production and that it is needless to finance the producer in respect of marketing of his crops, as these are invariably sold or pledged to the dealers in the village or market centre, sets up an elaborate defence of the attitude of the commercial banks towards financing of the agriculturists. The banks are neither " conservative nor indifferent." It is the market conditions, with their diversification and vagueness that hinder their helping the farmer. I do not know how market conditions improve when advances are made to merchants on the pledge of produce which is still ungraded or unstandardised. The authors of the report have frankly no faith in co-operative marketing, even in the holding up of produce for a better price after the harvest, as too much risk and expense are involved in storage, outweighing any possible rise in price. It is assumed throughout that co-operators at the helm of affairs are lacking in the knowledge of markets and technical skill and presumably could not acquire those qualities even by study and experience—qualities in which uneducated merchants excel. They go on to argue " if they employ experts it will almost amount to the same thing in the end as going for the services of middlemen." They, however, approve of loan and sale societies, with warehouses, as useful links between dealers and commercial banks. What an enviable role for Co-operation !

The climax of ignorant criticism of the Co-operative Movement is reached when they deal with the Provincial Co-operative Banks. They say " If these institutions appear to be too one-sidedly representative of the debtor, they will not carry confidence when they wish to borrow." Again, " a bill issued by a primary and discounted by an apex bank, will have very little added to its value by the intervention of the apex bank, if the latter is merely a combination of the various primaries and is in the same boat with them." It is high time that the Reserve Bank knew something of the resources of the Co-operative Provincial, Central and even Urban Banks, which are all embarrassed by the plethora of funds, the public have been depositing with them, in spite of the low rates of interest offered and the so-called dominance of the borrowing elements. Have the authorities of the Reserve Bank investigated the possibilities of providing Provincial Banks with finance to aid the movement and marketing of agricultural products, at specially low rates of interest on the backing of documents of title to goods which satisfy the standard prescribed by the Reserve Bank? That is perhaps deemed to be too much of unnecessary effort of the Bank.

The portion of the Report dealing with long term credit is equally disappointing. Reading the report carefully, the very need for long term credit seems to be questioned, not to speak of the soundness of meeting it by any bank. If all long term credit is a deviation from the straight path, the control of it by borrowers and not lenders—as it strikes them to be the case in India—is vicious. I do not know on what authority it is stated that "the theoretical pre-requisite of co-operation is that some in the group (in land mortgage banks) should be lenders and others borrowers." They are however gratified that the existing central land mortgage banks are mostly of a quasi-co-operative character, without any predominance of voice to the borrowers in their management. What a travesty, I ask of Co-operation all this is! While the Reserve Bank are pleased to recommend the debentures of the Central Land Mortgage Banks to insurance companies, they do not promise any financial aid themselves by way of investment in, or advances on, such debentures. The special efforts made by almost all countries abroad to deviate from the beaten track of joint stock banks, with a view to go to the rescue of the distressed agriculturists, specially after the depression, receive little or no attention, and no significance is attached to the way in which the State and the central banks in other countries help the agriculturists organised in co-operative societies. I feel no hesitation in saying that schemes for the economic development of rural India will be incomplete and are not likely to yield beneficial results, unless the benefits of the country's banking system are extended to the agriculturists. The report of the Reserve Bank shatters the high hopes entertained by legislators and co-operators in this behalf.*

The Problem of Agricultural Indebtedness and its Co-operative Solution. Closely associated with co-operative credit, is the problem of rural indebtedness. Indeed, the co-operative credit movement owes its origin to a desire to find a solution for the redemption of agricultural indebtedness. The problem of indebtedness has far-reaching implications, which pervade the whole range of our rural economics. The chronic indebtedness of the ryot is certainly responsible for our low agricultural production; and low agricultural production, in its turn, leads to increased indebtedness. I have often expressed the view that, in the majority of cases, indebtedness is the result and not the cause of poverty in India. The average agriculturist borrows not because he can, but because he must, though in some cases borrowing may be improvident. The more carefully I investigate into this problem, the more confirmed I become in this view. So, to my mind, the real solution to the problem of indebtedness lies in the removal of the factors which account for the chronic poverty of the masses, which, in its turn, leads to ever-growing indebtedness. It is true that indebtedness is not a new thing in India and it existed even at the beginning of the British rule, as the writings of Munro, Elphinstone and others

* See the Editorial Note on the subject in the *Indian Co-operative Review* for January, 1937.

show. But it is conceded, by British administrators, like Sir Edward Maclagan, that indebtedness has risen considerably during the last one century. The Indian Central Banking Enquiry Committee, acting on the data collected by the Provincial Committees, estimated our indebtedness roughly at 900 crores. Later enquiries assert that this, if at all, is an under-estimate. For instance, the indebtedness of Madras was put by the Banking Committee at 150 crores. But the enquiry recently made by Mr. Sathianadhan, I.C.S., at the instance of the Madras Government, puts it at over 200 crores. Just a few days ago, I came across another estimate for India which places the total indebtedness of the country at 1,800 crores, just double the figure given by the Banking Enquiry Committee in 1931. I am not myself able to account for this alarming increase in the indebtedness, at any rate during the last one decade. It can be easily understood that the burden of the existing debt has become heavier by the fall in prices, by unfavourable exchange and other causes. But, the actual growth in the size of the debt is a very different matter. From all accounts, credit to agriculturists by the money-lenders and all other agencies has been considerably curtailed, since the commencement of the depression. It is definitely so in the case of co-operative credit agencies. How then, does it come about that the estimates made subsequent to the commencement of the depression in 1929 show a rise in rural indebtedness even in the post depression period? I think that the matter requires more careful examination than has hitherto been made.

Before I proceed to state what co-operation can do to reduce indebtedness, let me guard myself against two possible misapprehension. In the first place, it must be remembered that indebtedness is, in itself, not a cause for anxiety. Debt, when productive, is as useful to an agriculturist as capital advanced to an industrialist. Such debt is really necessary credit and not debt. In normal agricultural pursuit, the economic background of seasonal credit is the harvest out of which it comes. It will be wrong to assume that there are no agriculturists, in whose case such credit is productive and is being repaid from the year's harvest. I have reason to believe that about one half of the agricultural debt of India is floating debt, borrowed and repaid annually. It is in this sphere really that co-operative credit can do a great deal, both by way of substantial reduction of interest paid on it and of so controlling it as to prevent over-financing, which will lead to a portion of the so-called seasonal credit becoming a chronic debt. In the second place, I do not deny that the agricultural population of the country have had their share of the economic benefits which have accrued from improved communications, opening up of trade, improved systems of survey and land-records and maintenance of law and order. It may then be asked why indebtedness has not decreased in spite of the elements of prosperity. The answer is that some part of the increase in the debt is indeed due to these very factors which have contributed to impart an enhanced value to the land as well as its products, thereby making land a coveted security, and enhancing the borrowing power of the ryot. There should have been no occasion for regret if these facilities were availed of by the ryot to improve his economic position and to strengthen his ability to produce more and add to the agricultural wealth of the country. But the number of agriculturists who could have taken advantage of these factors was never very great, for the bulk of our holdings were tiny and un-economic; and they were not touched appreciably by these factors.

It is now for me to express my opinion on the question, "Have co-operators any solution to the problem of indebtedness?" In regard to debt borrowed for agricultural operations and repaid out of the harvest annually, yes, co-operators have a solution. Controlled credit carefully dispensed through co-operative credit societies, at rates of interest substantially lower than those charged by money-lenders, provides a real and effective remedy to the problem. Such credit fructifies in the pockets of the borrowers, gives them a larger margin by the reduced interest charges they have to pay otherwise, and rescues them from the grip of the sowcar or the village money-lender, who, in addition to charging interest on the loan, oftentimes binds his debtor to part with his produce to himself for low prices, thus frustrating schemes for the co-operative marketing of the produce. Every endeavour should therefore be made to expand co-operative credit along these lines. Such expansion will not only benefit the members of our societies who directly come under the scheme, but will also bring about a substantial reduction in the prevailing rates of interest and considerably lessen the influence and power of the money-lender. There is no reason why we should not succeed in this endeavour, if we set about the task earnestly and make our plans well.

Then comes the accumulated unproductive debt. My study of the problem of this debt has convinced me that a large proportion of those who are involved in such debt are incapable of being saved through co-operative remedy or any other remedy for the matter of that except the cancellation of the debts by State action. The time has now come for the State taking drastic measures to wipe out such debt. In the interests of national economy, the legal rights of the creditors have to be sacrificed. But there are some classes of debtors who can be assisted by less drastic measurers.

(1) In cases where the liabilities exceed the assets, a speedy and inexpensive machinery should be set up to release the debtor from the consequences of his debt by placing all his assets at the disposal of his creditors, with the exception of his dwelling house and other indispensable assets which the law even now makes unavailable to the creditors. For this purpose, a simple rural insolvency law, somewhat on the lines suggested by the Royal Commission on Agriculture, the Civil Justice Committee and the Central Banking Enquiry Committee should be enacted in each province without delay.

(2) In cases where the debtor can be saved by scaling down his debts, to a certain extent, the machinery of debt conciliation should be set up. The existing measures for debt conciliation are, in my opinion, wholly inadequate to produce any effective results. The conciliation boards must have wide powers to settle the debts at levels, which the debtor can pay; and they must have statutory powers to enforce their decisions against any individual creditor, in whose case they pass an award. A certain percentage of debtors can be saved by such a process.

(3) In the case of debtors, the volume of whose original debt or the conciliated debt, in relation to his assets, is such that it can be repaid say, in a period of 20 or 25 years with a small interest, the co-operators have a remedy to suggest. It is the scheme of liquidation of prior debt through co-operative land mortgage banks. It is gratifying to be able to say in this connection that Madras has done better than other provinces in regard to the land mortgage banks. The report of the Reserve Bank clearly shows that the commercial banks are unable to afford any relief to agriculturists by way of long term credit. So, in this field, co-operative credit can play a useful part.

Our programme for the reform of the co-operative credit movement must, however, be broadbased on the steady and continued education of our members in the principles and practice of co-operation and on the creation of the right kind of rural leadership. The importance of such leadership cannot be exaggerated. In an instructive article, which Mr. F. B. Wace, I. C. S., the Registrar of Co-operative Societies in the Punjab, has sent me for the current issue of the Indian Co-operative Review, he describes the working of two credit societies, situated in two villages whose agricultural and general economic conditions are practically the same. They are both situated in secure and well-established canal colonies. The degree of education in the two villages is not materially different. The departmental audit and supervision over the two societies is exercised in the same degree. While one society has substantially benefitted its members, by co-operative credit, the other has virtually ruined them. How is this to be accounted for? I may give the answer in the words of Mr. Wace himself. He says: "Answer can only be the difference in character and leadership. Whereas in the one society there has been a president who, without possessing any marked material or social advantages, has steadily taken the lead by force of character and has himself set an example of thrift, hard work and better living resulting in a material improvement in the position of the villagers even through years of depression; in the other society, the leader of the village, with all the advantages of tribal leadership and the prestige conferred by Government favours, has led his village and fellow tribesmen down the road to ruin." We must learn two lessons from this. One is that the success of Co-operation on its material and business side wholly depends on the strength and soundness of its moral side. The other is that we should not waste excessive sympathy on the type of the bad society, described by Mr. Wace; and if we mean to succeed, we must operate only through the good societies of the first type in the story of Mr. Wace.

Harijans and Co-operation. I feel that, in spite of a great deal of talk about the amelioration of the economic condition of the depressed classes, there has not been much co-operative endeavour to help them. For a long time, they were either thrown on the charity of Christian Missionaries or made the concern of the Labour Commissioner. The Co-operative Department observed an untouchability of its own, for reasons which have never been clear to my mind. The Harijans require special treatment and larger concessions. My experience of the depressed classes societies is that the average level of honesty and the sense of obligation to repay are in no way below that of the members of the ordinary caste societies. I have not had much experience of the depressed classes societies in rural areas but, in urban areas, the question of unemployment is a serious one with the members of the societies. Unless the Provincial Governments set apart annually substantial sums of money for financing the members of these societies, and loans are made either without interest or at nominal rates of interest, allowing sufficiently long periods for repayment, there cannot be any tangible improvement in the working of these societies.

Another direction in which the Harijans can be co-operatively helped is by the establishment of co-operative colonies and promotion of co-operative house-building. Those who know anything about the condition of these people will concede that the problem of possessing a site for building a hut on, is a serious one with them. Most of them have no dwelling sites. The limits of the small cheries allotted outside the villages cannot be extended; nor can new sites be acquired inside the villages. With many a Harijan the question is not finding the money to build his hut, but finding the place where to build it. Surely, the Co-operative Movement is not so resourceless as not to solve this problem if genuine endeavour is made. I am constrained to say that no such endeavour has hitherto been made. What has been done by the Government is woefully inadequate and that done by the co-operative organisations is practically nothing.

The Government have helped some landless Harijans in the past with grant of gricultural lands. In Madras, these grants were coupled with a condition that they hould not be alienated for ten years. But, in practice, this condition has been a dead letter, for much of that land has changed hands and the grants have benefitted the creditors of the grantees more than the grantees themselves. In many cases, the grantees are unable to cultivate the lands for want of necessary credit and capital. The right solution of the problem, to my mind, consists in abandoning the practice of grants of lands to individual Harijans, and adopting a new system of collective grants to co-operative societies composed of groups of Harijan families. The lands will be owned by the societies, while the families will be the lessees. Individuals composing a family will have ample incentive for cultivating the land in a well-organised system of cultivation carried out on a co-operative plan, in which bulls, implements, seeds and other requirements are owned jointly. I hope and trust that the Provincial Governments will have the practicability of such a scheme carefully investigated into.

Co-operative Law and Administration. Before I conclude, I desire to refer to a matter of considerable importance, to which the All-India Co-operative Institutes' Association has, of late, been frequently drawing the attention of the co-operators. It is the increasing tendency to officialise the movement. In the last ten years, the co-operative law has almost been re-written in many provinces, with the Registrar as the centre of the picture and not the co-operaitve society. No co-operator will grudge the vesting of sufficient and effective powers of ultimate control and supervision over societies in the Registrar and his staff. But, what the Acts aim at is not that, but a comprehensive and minute administrative control, involving interference in every detail of internal administration and the day-to-day work of the societies. This new orientation is already having a very undesirable effect on the movement. The Registrar, who is conceived by the All India Acts of 1904 and 1912, as the friend, philosopher and guide of the movement, has been metamorphosed by the Provincial Acts into an inquisitor and dictator. I deeply regret this change. Internal autonomy of the societies is the very breath of the movement. We, co-operators, call it local self-government as opposed to centralisation. A political philosopher once distinguished the two thus: He said that Local Self-Government is a system of government under which the greatest number of minds, knowing the most, and having the fullest opportunities of knowing it, about the special matter in hand, and having the greatest interest in its well working, have the management of it or control over it. He defined Centralisation as a system of government, under which the smallest number of minds, knowing the least, and having the fewest opportunities of knowing it, about the special matter in hand, and having the smallest interest in its well working, have the management of it or control over it. Writers on political institutions have taught us that under local self-government, the officials exist for the benefit of the people and that under centralisation the people exist for the officials; that local self-government provides for the civic education of the people and centralisation "based upon the principle that everything is to be done for the people rather than by the people, creates a spirit of dependence which dwarfs the intellectual and moral faculties and incapacitates them for citizenship." The basis of local self-government is confidence in the people, while the fundamental idea of centralisation is distrust of the people. It is this political philosophy of centralisation that is fully carried out in the scheme, scope, aim and objects of the new Co-operative Societies' Acts in India. I venture to make a most earnest appeal to the provincial co-operative organisations and to the autonomous Provincial Governments to undo all this and to place Co-operation once more on its proper pedestal as a popular movement, based on self-help, self-reliance and self-government.

Politics and Co-operation. Friends, I have said much that must appear to you quite commonplace. I have also perhaps made undue demands on your patience

and indulgence. My justification for dwelling at such length on some of the very elements of Co-operation is that they require frequent reiteration, inasmuch as our simple but life-giving message has not yet reached the masses; nor have our principles and methods drawn to them even a small fraction of the educated and thoughtful section of our people. Large accessions to our ranks can be had only when it is widely realised that Co-operation simultaneously promotes individual good as well as the good of the community as a whole and that, if rightly applied, it tends to eliminate factors, which make for internal conflict in society. It is a movement, in which the duties of civic life, responsibilities of corporate existence and lessons of self-government can be learnt by daily practice. It is, therefore, a matter of particular regret to me that the potentialities of co-operation as a nation-building activity are not duly appreciated by those who are seriously engaged in the struggle for the political freedom of India. I plead for a better understanding and closer collaboration between congressmen and co-operators. My appeal to congressman to swell the ranks of co-operators and a similar appeal to co-operators to swell the ranks of congressmen, are in no way incompatible with the cardinal principle of co-operation, namely, political neutrality. The *Madras Journal of Co-operation* has given a right lead on this question. I appeal to the Provincial Governments and their officials to shed their suspicion of the constructive activities of the Congress and its agrarian programme. The aim is the achievement of Economic Swaraj which must be equally the aim of the Provincial Governments. Political neutrality to be real must be practised both by the non-officials and officials. Among the many definitions which Mahatma Gandhi gave of Swaraj in the course of his remarkable utterances, there is one which says that "Swaraj means at least the power to conserve Indian industries that are vital to the economic existence of the nation and prohibit such imports as may interfere with such existence." Has co-operation no place in such a scheme of Swaraj which is broad-based on the economic emancipation of the masses? It certainly has. If only people care to do so, Co-operation can be harnessed to the constructive programme of the nation, so as to make India self-reliant, in her endeavour to feed and clothe her children. Why then are the ranks of co-operators so thin? The fault perhaps is not entirely that of the people, but perhaps partly ours also. In order to enthuse the nation and make our movement subserve national ends, we, co-operators, must ourselves develop an intensely national outlook and must rise above every tendency that makes for disunion. When we co-operators have attained this standard, our call will be irresistible; for

> "Thou must be true thyself
> If thou the truth would'st teach.
> The soul must overflow
> If thou another soul would reach."

After the presidential addresses were over, Khan Mohammad Bashir Ahmad Khan presented the report on the working of the All-India Co-operative Institutes' Association. As it was already late, the report was taken as read. The report has been printed separately under the heading *A Short History of the All-India Co-operative Institutes' Association.*

The opening session then came to a close.

PROCEEDINGS

The business session of the Joint Conference was held on the afternoon of 3rd July at the Apex Bank Hall, Bangalore City, the Hon'ble Mr. V. Ramadas Pantulu presiding.

The Hon'ble Mr. V. Ramadas Pantulu: This is the business session of the Conference of the All-India Provincial Banks' and All-India Co-operative Institutes' Associations and we have followed the general practice of holding the deliberations jointly. The Standing Committees of both the Associations which met yesterday, considered the agenda and framed draft resolutions to be placed before you for discussion. It is open to any delegate to move an amendment or modification in the draft resolutions. The usual procedure in such cases is to put down a proposer and a seconder. As we did not know which of the delegates had arrived—some of them having arrived this morning—we have not been able to put down the names of the proposer and seconder for the draft resolutions. Any delegate who wishes to speak on the resolutions will be allowed to do so.

I am glad to see that the Registrars of Co-operative Societies of Madras, the Punjab, Mysore, Gwalior, Coorg and Cochin and the Additional Joint Registrar of Madras and two representatives of the Reserve Bank of India in charge of the Agricultural Credit Department are present. In Madras, there is complete co-operation between the Department and the Societies, and I hope the presence of the official members on this occasion will further the spirit of co-operation. We shall be glad to hear them and know their point of view. We shall greatly appreciate any suggestions that come from the Registrars and the representatives of the Reserve Bank on each occasion as the resolutions are moved. I now request Mr. V. M. Thakore to move the resolutions one by one:

Income-Tax

Mr. V. M. Thakore then moved the following resolution:

"1. This Conference resolves to request the Government of India so to amend the Indian Income-tax Act as to exempt from income-tax and super-tax the incomes derived by co-operative societies from (a) investments of their own reserve funds in Government Securities; (b) investments in Government Securities for purposes of fluid resource to be maintained on a prescribed scale, under statutory obligation, in force in each province."

The present position is that whatever income is derived from interest on securities after deducting interest allowed on deposits, the balance is assessed to income-tax as well as to super-tax. The injustice we always feel is that under the Indian Income-tax Act, although the profits of co-operative societies are exempt from income-tax, our income derived from interest on Government securities, which goes to make the profits, is assessable to income-tax and super-tax.

Khan Saheb Khan Hasham Khan seconded the resolution.

Rao Bahadur Sir M. G. Deshpande: We cannot invest our surplus funds in anything but Government Securities. Can you not ask the Government to exempt investments of Provincial Banks made in Government Securities for the maintenance of fluid resources prescribed under the Act and the rules framed by the Registrar?

The Hon'ble Mr. V. Ramadas Pantulu: That provision is made in the resolution. It will be seen that we do not ask for exemption from income-tax on income from our entire investments in Government securities. What we ask for is in respect of the amount co-operative banks have to invest in Government securities for the maintenance of the prescribed fluid resources and the amount of Reserve Fund required to be separately invested in Government Securities. In Madras one of the central banks obtained relief from income-tax on both these heads while another failed to get it. The Registrar addressed the Madras Provincial Co-operative Bank to get the matter settled by a reference to the High Court.

The resolution was adopted unanimously.

Reserve Bank and Co-operative Societies in Indian States

Mr. V. M. Thakore then moved

"2. This Conference recommends to the Government of India to amend the Reserve Bank of India Act so as to secure to Provincial Banks and Co-operative Societies in Indian States the same rights and privileges as are available to such banks and societies in British India, under the Act."

Mr. A. G. Sherlekar while seconding the resolution said: There is no need to elaborate on a resolution which speaks for itself.

Mr. K. Bhashyam wanted to know what the attitude of the Reserve Bank of India was on this matter.

Mr. K. G. Ambegaokar: The Reserve Bank of India does not come into the picture at all, as the amendment to the Reserve Bank Act is a matter for the Central Government and not the Reserve Bank authorities to deal with.

Mr. K. Bhashyam: If the resolution is sent to the Government of India, they will certainly refer it to the Reserve Bank of India for opinion. I therefore request the representative of the Reserve Bank to let us know what the Reserve Bank thinks about it.

Mr. M. A. Gopalaswami Iyengar: A similar resolution was forwarded to the Finance Department of the Government of India but the request made in the resolution was not acceded to. Although individuals in Indian States are entitled to hold shares in the Reserve Bank, co-operative societies and banks doing business in Indian States are not entitled to purchase or hold shares of the Reserve Bank.

Mr. K. G. Ambegaokar: If an amendment of the Act is desired, it can be done only by the Government of India and not by the Reserve Bank.

The Hon'ble Mr. V. Ramadas Pantulu: When the Reserve Bank of India Act was put before the Select Committee of the Central Legislature, I was deputed on behalf of the Association to give evidence. Although the Reserve Bank had not come into existence at that time, I pressed the view that co-operative banks and societies in Indian States should be allowed to have shares in the Reserve Bank. This was, however, not favoured by the Central Legislature and the then Finance Member, Sir George Schuster, also opposed it. I believe the Government of India will not now object to what the resolution desires. This is the time when an agitation should be set up in support of the resolution. I hope the Government of India will not refuse our simple and reasonable request at a time when an All-India Federation is in contemplation.

The resolution was unanimously passed.

Reserve Bank Report

Mr. V. M. Thakore moved the following resolution :—

"3. (a) *This Conference places on record its feelings of disappointment at the preliminary report issued by the Reserve Bank of India under Section 55 of the Act and requests the Central Board of the Bank to give effect to the provisions of Section 17 of the Act, so as to provide through the Provincial Co-operative Banks agricultural finance on the security of co-operative paper of the standard and eligibility laid down by the Reserve Bank.*

(b) *This Conference further requests the Reserve Bank of India to provide Provincial Co-operative Banks short credit at special concession rates for purposes of developing sale and supply societies (marketing societies) on the security of promissory notes bearing the signature of Provincial Banks supported by documents of title to goods.*"

Mr. V. L. Mehta: I rise to support the resolution which has been formally moved by Mr. V. M. Thakore. Though this resolution is divided into 2 parts, yet it is really composed of three parts. The first expresses disappointment at the report which has been submitted by the authorities of the Reserve Bank on the subject of agricultural credit under Section 55 of the Act. This disappointment has been expressed on various platforms on various occasions, and in various papers. I think it is unnecessary to explain to this conference the reasons why we felt keenly disappointed at the attitude which the Reserve Bank authorities had taken towards the co-operative movement in general. I therefore do not propose to spend much time on the first part of the resolution by recapitulating the causes of disappointment. To my mind, the most important part of the resolution is the second part. The Reserve Bank of India should discuss the general line of their policy, so that those who are connected with the working of the Provincial Banks may know on what conditions and to what extent the Reserve Bank will be prepared to grant financial assistance to those banks for the purpose of agricultural loans. It has been said on several occasions that the authorities of the Reserve Bank have made no distinction whatsoever between the various Provincial Co-operative Banks in the country. They have made no attempt to distinguish the position of one co-operative bank from another. They have also made no attempt to examine in relation to the statutory provisions of the Reserve Bank of India Act as to how far it will be possible for the Reserve Bank of India to extend financial assistance to Provincial Co-operative Banks in their agricultural credit operations. We have of course received a great deal of advice as to what the Provincial Banks should do or should not do. That is all the Report has given them. The Provincial Banks were all very grateful to the Reserve Bank for the advice and were themselves bent on improving their standards and raising their efficiency. Along with such advice we should certainly welcome the Reserve Bank to vouchsafe to us some indication of the lines on which and the extent to which it was prepared to grant financial assistance to co-operative banks. Unfortunately in the Report on agricultural credit there is no indication of the line on which such action will be taken. I do not think I am revealing any secret when I say that when Mr. Darling during his All-India tours, while examining the lines on which the Agricultural Credit Department of the Reserve Bank should be established, visited the Provincial Banks in various parts of the country, he discussed at least in Bombay, the lines on which it might be possible for the Reserve Bank of India itself to grant financial accommodation to co-operative banks without extending the provisions of the Act. Mr. Darling's report is not known to us and we do not know the conclusions he arrived at. I may refer here to the Registrars' Conference which was held in Delhi in December 1936. There was on the agenda paper of the conference a string of recommendations framed by the Registrars of Co-operative Societies without any assistance from non-officials like our worthy President of to-day, referring to the lines on which Registrars could request the Reserve Bank to give financial assistance to the various Provincial Co-operative Banks in India. Unfortunately those recommendations did not come up before the Conference that day and I do not know in what pigeon-hole of the Secretariat those recommendations have found their final resting place. Those recommendations were very valuable and referred to such matters as the limit of credit to be allowed to Provincial Co-operative Banks, the class of documents which the Reserve Bank of India would be prepared to discount and the eligibility of the papers, etc. It was suggested that the papers of central banks and primary agricultural societies of 'A' and 'B' classes alone would be dealt with by the Reserve Bank and no other type of paper. The Provincial Banks now want to know definitely as to where they stand in the matter and how the authorities of the Reserve Bank of India will come into touch with the co-operative banks and give them an indication of the lines on which they can get financial assistance from them. Most of the Provincial Co-operative Banks whose papers are going to be discounted are surplus banks to-day. They have more money to-day than they know what to do with. So the Provincial Banks need no financial assistance at present. But they may not remain always in the same position. We therefore certainly want to know the lines on which such assistance will be forthcoming from the Reserve Bank.

The third part of the resolution which has just been read to us by Mr. Thakore is merely a continuation of the second part. It suggests that in addition to the discounting of ordinary agricultural paper, facilities might be made available on suitable concessional terms to co-operative banks to extend the business of financing and marketing of agricultural produce. We have strong criticism levelled against us in the Report of the special marketing officer of Government of India who says that we are not taking sufficient interest in financing of marketing and on the other hand the Report of the Reserve Bank of India on Agricultural Credit throws cold water on co-operative banks undertaking that work which, they say, fell within the scope of capitalistic banks. I can say with all the emphasis I can command that no such monopoly can be given to capitalistic banks. There is no reason why co-operative banks which are in close touch with agricultural operations should be debarred from financing marketing activities. Co-operative banks have been doing such business in a small way and for years. They should therefore be encouraged by the Reserve Bank of India to do that work and they should be given financial assistance.

Mr. A. G. Sherlekar: I would like to get some information, although I am a member of the Standing Committee. I think some of the papers of co-operative societies could be discounted. In fact if these facilities were extended to co-operative banks by the Reserve Bank, I am sure much of the trouble that we are suffering from would be avoided. My difficulty is that so long as the co-operative paper does not come up to the standard which is expected by the Reserve Bank, I do not think we shall be able to press the Reserve Bank to extend this facility. There are also certain limitations on account of which the Reserve Bank will not be able to discount the paper we can offer even when it is backed by Provincial and central banks.

Mr. V. L. Mehta: The kind of paper that will have to be discounted by the Reserve Bank is identically the kind of paper covered by Sections 17-C and 17 (4) (d). I am not referring to any paper which does not fall within the two sections. If any Provincial Bank is not in a position to produce that paper, it will have to go without any assistance from the Reserve Bank.

Rao Bahadur Sir M. G. Deshpande: When Mr. Darling had been to C. P. we discussed what sort of help the Provincial Banks would get from the Reserve Bank of India. We were told the Reserve Bank of India would be able to meet the needs of the Provincial Banks and we expected that when the report was published, Provincial Banks would have great support from the Reserve Bank. Formerly we used to get sufficient financial accommodation from the Imperial Bank on the collateral security of societies' pronotes; but since the Reserve Bank came into existence even the Imperial Bank of India has ceased to give that accommodation. It is therefore proper for us to move a resolution and bring to the notice of the Reserve Bank as to why they are also hesitating to help the Provincial Banks.

Mr. K. G. Ambegaokar: I will reply in turn to the three parts of the resolution referred to by Mr. Mehta. In spite of the severe condemnation which the Reserve Bank's Report has received in this morning's speeches, I think this conference must be feeling grateful to the Reserve Bank for one thing at least. I see that the Reserve Bank figures largely in the agenda and has in fact mainly supplied the ammunition for this conference. My object in standing up to speak on this resolution is not so much to take up the cudgels on behalf of the Reserve Bank as to point out that the ammunition has been wasted in the sense that it was directed against a friend mistaking him for a foe. I have been carefully following all the criticisms of the Report appearing in the various journals and I was hoping that the condemnation which it was receiving was largely due to the exigencies of journalism which requires reports of this nature to be reviewed in a short time with the result that the first impressions formed after a hasty reading get publicity. I was hoping that after the Report had been properly digested it would be seen that it was not so bad as it appeared at first. That hope has been shattered by this morning's presidential addresses in which the same ideas have found expression and I must say that first impressions exercise a fascination which even the most advanced intellect find it difficult to shake off. I do not want to take your time in defending everything that has been said in the Report. What I do want to say here is: "Don't let the desire to say something impressive and ingenious lead you to misrepresent what the Report contains. Do not be led away by prejudice and a desire not to find sense in anything which the Reserve Bank has said."

K. B. Malik Noor Mohammad Khan: I wish that sense had been shown in the Report.

Mr. K. G. Ambegaokar: You must remember that the Board of the Reserve Bank is composed of some of the most leading persons in this country. More than half the criticism to which I listened this morning is based on misquotations from and misreading of the Report. I can cite several instances. For instance, the statement in para 16 that the advancing of funds for long term for liquidating old debts is not the function of a banking institution, as generally understood, has been misinterpreted to mean that the Bank has questioned the very necessity for long term credit. Actually what the Bank meant was that banking, as generally understood, is confined to short term finance and that for long term purposes special institutions are required. It is not necessary to quote more instances, but I must say that the Report has been misinterpreted and misread. Certain

recommendations have been made by the Reserve Bank in the light of their own appreciation of the problem. You may or may not agree with them; but my request to you is to read the Report for yourself without prejudice and not to be content with what other people say about it. I can assure you that the Reserve Bank's intention is not to be obstructive but rather to be helpful in all practical ways. I will go further and say that it will be the constant endeavour of the Reserve Bank to find a solution to the difficulties regarding agricultural credit and that it is considering the whole question in a sympathetic manner. You seem to be carried away by the idea that the Reserve Bank does not want to do anything; but I can assure you that it will do all that it can. You must remember that the Report we are discussing is only a preliminary survey of the problem with a view to stimulate discussion and to direct it to the main points. It is in no sense a final one. Efforts of the Reserve Bank do not end with it. It must lead to something else. The Reserve Bank has to submit a further report. Though the Report was published only six months ago, it was actually prepared a year ago. At that time we had reviewed the position of co-operative banks and we felt that all the sound co-operative banks had sufficient funds and were not in need of financial assistance. There is no justification for the severe condemnation which the Reserve Bank's Report has met with. I hope you will be satisfied with this explanation and will not find it necessary to pass the first part of the resolution.

As regards the second part of the resolution I must say that it has taken the wind out of my sail. Some such scheme as contemplated in the resolution is essential and has to be worked out by the Reserve Bank. I do not think we have made any secret about this. Whenever we have got an opportunity to discuss this matter we have discussed it. The Reserve Bank is working out a scheme on the lines suggested in the resolution, mentioning the lines and the extent to which it would be prepared to afford financial accommodation to Provincial Co-operative Banks to enable the latter to finance agricultural operations. When the Report was prepared it was found that there was no desperate hurry to formulate such a scheme as the sound banks did not require any help. We found that there were certain difficulties in the working of others and we wanted to wait in order that as large a number of banks as possible should be benefitted by the scheme by putting their affairs in order. I do not think you can say that that attitude of the Reserve Bank was wrong. Sufficient time has now passed and the Report has been in your hands for six months. We can therefore proceed with the scheme and lay down principles on which financial accommodation can be granted by the Reserve Bank to Provincial Banks. When it is ready we shall certainly consult the various Provincial Banks concerned. A circular stating the lines on which financial accommodation will be given to Provincial Banks for purposes of agricultural credit and detailing the whole scheme will be issued shortly. I hope this will satisfy you all. There is no question of the Reserve Bank being unsympathetic towards the Provincial Banks. We want that the business should be done on right lines.

So far as the third part of the resolution regarding agricultural credit is concerned, I have to say that this is also provided for under section 17. Due to the misreading of the Report the criticism has been made that the Reserve Bank is opposed to the Co-operative Banks financing marketing operations. But this is not the case. Our idea was only to point out the dangers and difficulties and to warn co-operative societies against them. We have said in the Report that co-operative marketing will improve the facilities available to the agriculturist and is the best way of linking him up with the money market. Our remarks were not meant to discourage you. They were only meant as guidance. If you organise co-operative marketing, the Reserve Bank will be able to render assistance. On this part of the resolution I have nothing more to say except that I am not sure what is meant by concession rates. If it means interest charges below Bank Rate, I do not think the Reserve Bank will be able to give that concession. The Bank Rate is very low as it is, and I do not think Co-operative Banks are justified in asking for any lower rate. I do not want to go further into a discussion on this point. Marketing can be developed through co-operative organisations, and when it is so developed on sound lines the Reserve Bank can take a part in financing the marketing of crops. As I have said this is provided for under the Act and will automatically receive our attention. The Reserve Bank will, of course, have to lay down its conditions and this will also be explained in the circular which will be issued shortly, as I have already said.

In conclusion, I appeal to the co-operators to take a more dispassionate view of the Report of the Reserve Bank on agricultural credit than they have done. There is no cause for them to feel insulted by that Report. I have heard vehement criticism of the Movement at many gatherings of co-operators. This was taken by them in good spirit. Only when somebody else from outside said the same thing, they felt insulted.

Professor V. G. Kale: I think we have come to a sort of working agreement with our friend representing the Reserve Bank. The Reserve Bank is not silent after issuing reports. The authorities of the Bank are going to do something. We do not claim that the Reserve Bank should accommodate all Provincial Banks and societies without distinction. The point is that the Reserve Bank should consult the authorities of the various Provincial Banks and ask them what they have to say after having considered the Report. At the Provincial Bank in Bombay we have had a number of discussions and we raised a number of points arising out of what the Reserve Bank in its Report would ask us to do. It is necessary for the Reserve Bank to consult the Provincial Banks and settle the rules and conditions which will govern the accommodation which the Reserve Bank will be prepared to give. That has not been done and a great deal of time has been wasted. That time could have been utilised in having consultations with the Provincial Banks. Regarding that part of the resolution to which objection has been taken, there can be no objection except to the one word "disappointed." But it is not a harsh word. I think except this word there is complete agreement between us and the Reserve Bank's representatives. Our grievance is that the Reserve Bank should have taken the similar precaution of holding consultation with the Provincial Banks before drawing up its conclusions. It is for the Reserve Bank to do something now in this direction.

K. B. Malik Noor Mohammad Khan: I believe that after the speeches made on this subject have been heard, no further speech is necessary, specially when the officer of the Reserve Bank has come to an agreement. What I want to submit is that in the resolution we have said that we are "disappointed." This is a very mild term and not "severe condemnation". We accept that the Reserve Bank is our friend. We have not taken the Reserve Bank as our enemy, but it has failed to come up to our expectations. We could be disappointed only with a friend and not an enemy! The Act, I believe, gives us very high assurance that the Reserve Bank would come to our rescue, but we find from the Report that the Reserve Bank will not be giving help except to first class banks. Strong banks will not require the assistance. It is only the sick man that goes to a doctor, and it is the duty of the doctor to treat him. If the doctor is satisfied that the patient would survive, he must help him. All that the doctor can stipulate is that the sick person should pay the doctor at the conclusion of the treatment, if he still survived! The co-operative banks do not deny that there are defects in themselves. But they cannot admit all the defects which are alleged against them in the Report of the Reserve Bank. I hope the Reserve Bank will also understand our view point, and we will in future be able to work together as confirmed friends.

The Hon'ble Mr. V. Ramadas Pantulu: Our thanks are due to Mr. Ambegaokar for the sympathetic and explanatory speech he has made. We have not criticised the Report of the Reserve Bank on account of any pre-conceived prejudice. There cannot be any two opinions about the fact that the Report is extremely disappointing. Mr. Ambegaokar has said that hostile criticisms of the Report are unfounded. But can he point out to a single line in the Report which refers to any concrete suggestion for the helping of Provincial Banks by the Reserve Bank? Is that not the very object of this section of the Act under which the Report has been drawn up?

Mr. K. G. Ambegaokar: But this is not the final Report.

The Hon'ble Mr. V. Ramadas Pantulu: We are criticising only the Report which has been published, and it does not contain anything about what we ask. If another report is published, we will judge it on its merits. The Report which has been published does not even refer to the matter which it should have made it its duty to deal with exclusively, according to the Section of the Reserve Bank of India Act under which the Report is supposed to have been published

After some further discussion, in which Mr. F. B. Wace also took part, the resolution was put to vote and carried unanimously.

The following resolution was then moved by Mr. V. M. Thakore, and adopted after some discussion:—

"4. This conference after due consideration of the recommendations contained in the Report issued under Section 55 of the Reserve Bank of India Act, resolves to express its view on the matters stated below:

4. (a) "This conference does not favour the organisation of Apex Land Mortgage Banks on joint stock basis.. In provinces where there are no Co-operative Apex Land Mortgage Banks, steps should be taken to form such Apex Banks on a co-operative basis on an adequate scale."

4. (b) "This conference does not agree with the view that the Provincial Banks do not command the confidence of the investing public, by their Boards being largely composed of borrowers. The constitution of Apex Banks is in accordance with sound principles of co-operation and they do command in abundance the confidence of the public."

At this stage, the conference rose for the day and reassembled again on the 4th July, 1937, to proceed with the remaining items on the agenda.

Rate of Interest

Mr. V. M. Thakore moved the following resolution:—

"4. (c) This conference does not agree with the view that the lending rates of co-operative societies and banks are low and should be raised. The aims of the banks and societies should be to make co-operative credit still cheaper, if possible, for high rates of interest are a serious handicap to agricultural industry. The conference is of opinion that the margin between the lending and borrowing rates is adequate."

The discussion on this resolution revealed the existence of a preponderance of opinion against the findings of the Reserve Bank.

The Hon'ble Mr. V. Ramadas Pantulu: This is a very important resolution. The borrowing rate of the Provincial Bank in Madras is 2 to 3 per cent. It lends at 4 per cent to the central banks; the societies borrow from them at 5 per cent, and to the ultimate borrower the charge is 6 or 6½ per cent. Whether one per cent of margin for each institution is sufficient or not to cover its working expenses and build up a safe reserve is a question for it to decide; but the experience of Madras shows that that margin is sufficient. In this respect Madras has given a lead to all other Provinces and States. In regard to land mortgage banks, the Madras Central Land Mortgage Bank now raises money at 3 per cent and lends to the primary banks at 4 per cent, which in their turn lend to their members at 5 per cent. It should be the aim of the Co-operative Movement to keep the rate of interest to the ultimate borrower as low as possible without involving the institutions in unnecessary risk.

Mr. T. A. Ramalingam Chettiar: The remarks made in the Report of the Reserve Bank of India on agricultural credit have created some trouble for us.

The Registrar of Co-operative Societies in Madras considered the question of the rates of interest, even before the Report of the Reserve Bank was published, and recommended that the land mortgage banks should make money as cheap as possible to agriculturists by lowering their rates of interest. After deep consideration we came to the conclusion that our expenditure can be met by keeping a margin of one per cent between our lending and borrowing rates. Similarly we discussed with the Provincial Co-operative Bank and ultimately a margin of one per cent was fixed between the lending and borrowing rates in primary societies. Unfortunately, a couple of months after we came to this settlement, the Report of the Reserve Bank was published, and it so happened that the Finance Department of the Government of Madras had a lot of more faith in the Reserve Bank and its pronouncements than in the leaders of the Co-operative Movement in the Presidency and their Registrar. This question therefore will shortly have again to be placed before the Board of the Madras Central Land Mortgage Bank.

I am not quarrelling with the Reserve Bank on this matter. After all, they look at things from a banker's point of view while we look at them from the co-operators' point of view. So far as a bank is concerned, it is certainly good to raise the rate of interest, as high as possible, to build up ample reserves and to pay the largest possible dividends to shareholders; but that is not the aim of co-operative banks; the co-operative banks cannot become commercial banks. The Co-operative Movement is only an alternative to the two extremes of capitalism and communism. If they agree with that view they cannot test their procedure by commercial standards.

The real point is whether we are going to deal with members as men or merely as objects on which we should exercise our commercial acumen. The difference between our standpoint as co-operators as different from businessmen is that we deal with men as men. We have to find out what the difficulties in the way of their production are and we must try to meet their special wants. Co-operation in the real sense deals with men and all their economic activities and social needs. Co-operation is an attitude of mind and an organisation to deal with the economic aspect of human society on a human basis. I know the Punjab is the only Province in India which has tried to deal with the agriculturist as a human entity. They have thought not only of providing cheap credit but also of dealing with the agriculturist as a man. People like Mr. Darling and Mr. Calvert have been dealing with that side of the question. We in Madras pride ourselves in being more advanced. We have supplied very cheap credit to agriculturists. But the question is whether this is all that the Co-operative Movement has to do. Merely making provision for cheap credit does not appeal to me at all. Cheap credit is not an unmixed blessing. Perhaps it has resulted in increasing the indebtedness. So far as we are concerned, the Co-operative Movement in Madras has brought down the rates of interest even in villages; but beyond that what is the real good the Movement has done to the people? Our aim, as co-operators, should be not only to provide cheap credit but also to follow it up by the organisation of production and distribution to the best advantage of the ryots and the provision of social and civic amenities, etc.

The Report of the Reserve Bank in favour of higher rates is quite correct from a banker's view point; but in the best interests of the Co-operative Movement we should see that the rates are the lowest, consistent with the safe working of the co-operative banking system.

The Hon'ble Mr. V. Ramadas Pantulu: The Madras Central Land Mortgage is fortunate in that in its initial stages its expenses were borne by the Government and that even at present it contributes only a share towards its working cost. It is the pride of co-operative societies that they lend money at the lowest possible rate and that is their justification also. As co-operators we must make a definite stand against all attempts to raise the rate of interest on advances.

Professor W. G. Urdhwarshe: I do not think we should entirely disagree with the advice given by the Reserve Bank. Though we are co-operators, we must also be good business men. In Indore we have found it impossible to lend to the ultimate borrower at anything less than 12 per cent.

The Hon'ble Mr. V. Ramadas Pantulu: Then there seems to be something radically wrong with your working expenses. If there is any need for a margin of 9½ per cent between the rates at which you first borrow and ultimately lend, the only thing left for us is to ask the rest of India not to copy your management.

K. B. Malik Noor Mohammad Khan: Agriculturists have to depend on co-operative credit. Co-operative institutions were brought into existence to make credit cheaper for the agriculturists and if to-day we say that it should be made dearer, we deny our very existence as co-operators. If the Reserve Bank is the real friend of the Co-operative Movement, it is their duty to help us to reduce the rate of interest further. While the average rate of interest in the Punjab is 6 per cent to the ultimate borrower, there are some societies which have built up sufficient reserves to enable them to lend at nominal rates. It is not the idea of co-operators to compete with money lenders to secure maximum rates. If their rates are slightly lower than those charged by the money lender, the agriculturist will go only to the money lender, who is nearer to him and whose terms of recovery may appear to be more favourable.

Prof. V. G. Kale: It may be possible for the Punjab and Madras, which receive Government help in the shape of contributions towards the cost of the staff to have very small margins between lending and borrowing rates; it may not be possible for other Provinces to work on such a small margin.

Mr. K. Bashyam: So far as this resolution is concerned, it disapproves the suggestion contained in the Report of the Reserve Bank that the margin between borrowing and lending rates should be raised. There can be no two opinions about the need to keep the lending rate at the lowest possible figure consistent with the safe working of the banks. The Reserve Bank's Report tends to create the wrong impression that co-operative banks are at present working in an unsound manner and that it will be unsafe to invest in them.

Mr. Jamshed N. R. Mehta: We charge the Reserve Bank of misunderstanding us. We like our friends may also be open to the same charge and have therefore to see that what we say is not capable of misconstruction. This is very essential. I would urge our President who is a veteran co-operator and banker to see that our resolutions are so framed as to be clearly understood. The position in all Provinces is not alike. Some are in a peculiarly favourable position as in Madras and the Punjab. But conditions differ from Province to Province. We can therefore only lay down a general principle, as it is our duty to see that we charge the least amount of interest consistent with safety. Ours should not be the ordinary commercial attitude of making huge profits or declaring large dividends; but it is our duty as the representatives of Provincial Banks to see that the margin is such that it covers all the working expenses and leaves a sufficient balance for possible bad debts.

In my Province, if you compare the recovery expense to the amount recovered, it will open your eyes. We are not here to think of any bank or any Province. We are here to consider what is suitable for all the banks as well as the members. We meet here as members of Provincial Banks for considering the lot of the agriculturists and we should make it very clear that we should have very restricted dividends; but we should take into consideration the working expenses, recovery expenses and possible bad debts before the lending rate is fixed. If we have got assets and we can reduce our lending rate, it should be our duty to do so. We should make it very clear in our resolution that all co-operative credit institutions should make efforts to reduce their lending rate of interest consistent with safety. But the resolution should be so worded as not to be misunderstood in any Province. I would urge with all the force I can command and with all earnestness that in passing any resolution, we should not penalise any weak co-operative credit institutions. In order that our meaning may not be misunderstood I suggest that the resolution be more clearly worded.

In the light of the discussion, the resolution was amended as follows and passed unanimously.

"This conference is of opinion that the view of the Reserve Bank that the margin between the borrowing and lending rates of co-operative banks and societies is low and should be raised is not correct as a general statement. The adequacy of the margin depends mainly upon the difference between the borrowing and lending rates, cost of management and requirements of reserves for bad debts. While conceding that these factors depend upon local conditions and circumstances, this conference places on record its considered opinion that the aim of co-operative banks and societies should be to make credit to the borrowing members as cheap as possible and the existing lending rates should not be raised except where local conditions make it absolutely necessary."

The following clauses of resolution No. 4 relating to Reserve Bank were then moved by Mr. V. M. Thakore and adopted by the Conference:—

"4. (d) This conference considers it undesirable to provide any representation to depositors, as such, on Boards of Provincial Banks, whether by nomination or other means."

Mr. V. L. Mehta asked whether there was any provision in the constitution of joint stock banks or co-operative societies anywhere in the world for the representation of depositors as such on the board. The reply was in the negative.

"4. (e) This conference while agreeing with the view that long term credit should be provided only through Land Mortgage Banks is not in favour of the recommendation that loans from central banks and societies should be strictly confined to cultivation finance only."

Other necessary forms of short and intermediate credit required by members should also be found in order to prevent them from resorting to money-lenders; provided, however, that the deposits and borrowings of the banks should be so regulated as to permit such loans being granted from those sources.

"4. (f) This conference while recognising the necessity of bringing down the level of debts of members where there is no reasonable prospect of recovery in full even if long extensions are given, does not consider it desirable that any hard and fast rules should be laid down for all banks and in all areas. With the rise in prices and other favourable conditions, the position may change as it has done already in certain areas and it must be left to the banks and societies to deal with the problem according to local conditions."

"4 (g) This conference, while agreeing with the proposal that a statutory fixed or agricultural charge upon produce should be created, does not favour any special provision apart from ordinary penal law for sending to prison of members who dispose of their produce without repaying the societies' dues."

"4. (h) This conference recognises that multiple purpose societies have proved beneficial in certain areas and possess some advantages where they can be successfully set up and while it is not prepared to recommend them for general adoption is in favour of such societies being formed wherever conditions permit."

"4. (i) This conference is unable to agree with the view that central banks operating over small areas are preferable to larger banks or that large district banks must be split up into small banks."

"4. (j) This conference, while it recognises that a pure type of central banking union, composed entirely of primary societies and with no individual shareholders, has much to commend in it, from a co-operative point of view, is of opinion that such unions are not capable of being developed and efficiently worked in many areas. They were tried and abandoned in some areas. The matter must be left to local co-operative enterprise according to local conditions."

Mr. V. M. Thakore moved the following two resolutions and they were adopted by the Conference without discussion:—

"5. This Conference agrees with the view that the practice of making debentures of land mortgage banks redeemable at any time is unsound and

that a period should be fixed for the redemption of those debentures; a fund into which collections of principal are pooled should be formed for redeeming debentures and provision should also be made for retiring them by purchase in open market whenever possible."

"6. *This Conference requests the Central Board of the Reserve Bank of India to invest in and lend on the security of debentures issued by the Land Mortgage Banks where the principal and interest thereof have been guaranteed by the Central or Provincial Governments."*

Mr. V. M. Thakore then moved :—

"7. (a) *This Conference, while it emphasises the need of strengthening and expanding the co-operative movement so as to serve the banking needs of agriculture and the small industries of the country, feels that in the present conditions the Reserve Bank of India can regulate the credit system successfully only if it is able to bring within its purview indigenous bankers in various parts of India."*

"*This Conference is of opinion that the difficulties, if any, in the way of bringing the indigenous bankers within the purview of the Bank are not insurmountable and requests the Central Board of the Bank to make every endeavour to do so."*

"7. (b) *This Conference favours the free and compulsory licensing and registration of all money lenders, requiring them to maintain regular and standardised accounts and fixing the maximum rates of interest allowable on agricultural loans."*

Sir M. G. Deshpande: I am deadly against this Conference favouring compulsory licensing. When money-lenders will have to take license, their business will be stopped.

Pandit K. P. Pande: We are concerned with the Co-operative Movement and we should not go beyond that. The question of indigenous bankers and money-lenders does not come within our purview.

The Hon'ble Mr. V. Ramadas Pantulu: We should take notice of all agencies financing agriculturists. Indigenous bankers are uncontrolled. Our interest is not only to control the activities of the money-lenders but to induce indigenous bankers to regulate their banking business. These both therefore come under the purview of the Co-operative Movement. We should therefore suggest control of both of them. We, as co-operators, are very intimately concerned with money-lenders and in putting their rates of interest on a satisfactory basis.

Pandit K. P. Pande: The point is that if I pay Rs. 100 or Rs. 200 to a relation of mine I should be called a money-lender. Then there are cases in which we advance money for the sake of marriage, etc. All this comes under the category of money-lending. I would like to know whether you will like to become such a money-lender in case you have to take out a license for the work. In the case of small money-lenders also you want that accounts should be kept. An ordinary man who has got a small income from money-lending will in that case have to stop his business.

Khan Saheb Khan Ghulam Hassan Khan: The main objection to this resolution appears to be that everybody will not be in a position to lend without taking out a license, for which he will have to pay a heavy fee. I think there should be a special class of money-lenders and everybody should not take to money-lending. They should be required to maintain regular books of accounts. In the Punjab money-lenders are required to keep standardised accounts in a system with the register supplied by Government and they have to send to the borrowers six-monthly accounts. It is essential that all such should be compelled to keep regular accounts and periodically send copies to their debtors.

Professor V. G. Kale: The conference is not in any way concerned with the indigenous bankers.

The Hon'ble Mr. V. Ramadas Pantulu: Anything that is connected with rural credit is our concern. As co-operators it is our duty to see that all rural credit activities are well regulated. If you realise that as against a total of Rs. 200 crores which the joint stock banks advanced for industry, trade and commerce, indigenous bankers advanced Rs. 1,200 crores, you would appreciate the necessity for bringing the indigenous bankers into the organised banking system of the country.

Mr. K. Bashyam: I do not understand why indigenous bankers should be controlled by the Reserve Bank. The indigenous bankers should not be placed under the control of the Reserve Bank unless the latter can help them.

The Hon'ble Mr. V. Ramadas Pantulu: That is the idea. The Reserve Bank of India should first agree to provide facilities to the indigenous bankers on certain conditions and then control their operations.

After further discussion on that part of the resolution referring to the licensing of money-lenders and the fixing of a maximum rate of interest, the whole resolution was adopted.*

Rural Reconstruction

Khan Mohammad Bashir Ahmed Khan then moved:

"8. *This Conference considers that the Co-operative Movement should be used for extending the rural reconstruction movement to the fullest possible extent compatible with its principles."*

Mr. F. B. Wace: This is a very important question. Neither the Co-operative Movement nor rural reconstruction can succeed, unless there is a genuine and strong desire on the part of the non-official workers. If there is a genuine conviction about the need for intensive rural reconstruction, then there is no organisation better suited to achieve that end than the Co-operative Movement. I feel strongly that it is up to the co-operative world to exploit—I use this word very guardedly and in its best sense—and make the fullest use of the scope offered by the rural reconstruction programme to achieve the fundamental objects of Co-operation. There is no need for a widespread inculcation of mere abstract ideas. What is wanted is that we should take hold of a concrete programme within our capacity and work it out in a systematic manner. The criticism is that better living societies have not even touched the fringe of the problem but at the same time there is a genuine feeling among agriculturists to help themselves. In the Punjab, we have made good progress in the consolidation of holdings and established permanence and spontaneity of the co-operative organisation and thereby gained widespread confidence of the public. It is due to this, I definitely believe, that the Movement can play a very useful role in rural reconstruction.

* After the session of the Conference was over the Reserve Bank published a scheme for financing indigenous bankers.

The following rider was then added to the resolution and the resolution was adopted:—

"The Standing Committee of the All-India Co-operative Institutes' Association will prepare a scheme and circulate it among members and also take steps to see that programmes are carried out."

Khan Mohammad Bashir Ahmed Khan then moved the following two resolutions, and they were carried unanimously:—

"9. Societies for members of depressed classes who are employed in Municipalities and in trades like skins and hides be encouraged and strengthened."

"10. This Conference requests the co-operative institutions to popularise the Movement among women and enlist them as members in large numbers in all types of societies. The Conference requests the Government to employ lady organisers."

Khan Mohammad Bashir Ahmed Khan next moved:

"11. This Conference is of opinion that in each Province and State there should be an Advisory Co-operative Council consisting of the representatives of the Provincial Co-operative Banks and the Central Co-operative Institutes to advise and assist the Registrar and the Minister in charge of Co-operation on all important legislative and administrative measures relating to the Co-operative Movement."

Prof. V. G. Kale: It appears to me that the Institutes in various Provinces and States are digging their own graves while supporting this resolution. We have always hoped that time will come when the Co-operative Institutes will become the sole responsible mouthpiece of the Co-operative Movement in the Provinces. Unfortunately our position has become weaker and weaker year after year. Institutes are not being consulted. They are being deprived of one function after another. Is it not our aim that the non-official organisation should be able to guide the whole of the Co-operative Movement? If so, we are asking the Government to appoint a council on which the Institute will be only one of the members. So far as training and education are concerned the Government has not taken the Institutes into confidence. This attitude of the Government against the Institutes shows that we are nobody. The Institutes alone should appoint members of this council. I do not think we shall be well-advised in passing this resolution. The Institutes should be allowed to discharge all those functions for which they are intended. Whenever any administrative or legislative scheme is under consideration, the Institutes should be consulted by Government.

Mr. K. Bashyam: This resolution is proposed with a view to remedy the position. The Government is bound to consult us in all matters relating to Co-operation if the recommendation contained in the resolution is accepted.

Mr. V. L. Mehta: The demand will not be satisfied by a small Board of three. There will be a demand for a larger body representative of all branches of the Movement. In that event, the Provincial Institute will have one representative on a Board composed of seven or eight members.

After much discussion it was suggested that in order to meet the situation the resolution might be modified as follows:—

"11 (a) This Conference is of opinion that in each Province and State there should be a Co-operative Advisory Council formed by the local Provincial Co-operative Institute consisting of the representatives of the Provincial Co-operative Bank and the Central Land Mortgage Bank."

"(b) Where the constitution of the Provincial Co-operative Institutes does not provide for better and sufficient representation of the Provincial Co-operative Banks and Provincial Land Mortgage Banks, it should be so modified as to provide for such representation."

The resolution was, however, dropped after further discussion.

Khan Mohammad Bashir Ahmed Khan then moved the following resolutions and they were passed unanimously:—

"12. The Governments of the Provinces and States are requested to give liberal and substantial financial help to the Provincial Co-operative Institutes out of the Provincial or State revenues."

"13. This Conference is of opinion that co-operative societies holding shares in the Reserve Bank of India should be permitted to nominate by a duly authenticated resolution of the committee any member of the society as a representative to attend and vote at general body meetings of the Reserve Bank, and requests the Government to take necessary action in the matter."

"14. This Conference is of opinion that it is essential that the officer selected for the post of the Registrar should first have undergone special training and have shown by experience his fitness for the work. He should be allowed to visit other provinces of India as well as Europe to study the Co-operative Movement there. There should be an officer under training to succeed the Registrar."

"15. This Conference requests the Governments to make statutory provision for notice in writing of not less than thirty days being given to a co-operative society before any suit is filed against it."

"16 This Conference is of opinion that the recommendation of the Mysore Committee prohibiting grant of loans to non-member depositors is unsound. The banks must have discretion in granting such loans."

"17. This Conference resolves that the publication of the "Indian Co-operative Review" be continued, and that it be published under the joint auspices of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association. The Conference requests the Hon'ble Mr. V. Ramadas Pantulu to continue to be the Editor of the 'Review'."

The Hon'ble Mr. V. Ramadas Pantulu: I am always at your disposal. From this resolution, I understand that you want me to continue as Editor of the *Indian Co-operative Review* till the end of the year 1939. All the delegates, however, present here must try to increase the number of subscribers. At present, we have only 350 subscribers; and unless we have 500, it will not be possible to continue the publication without assistance from the Indian Provincial Co-operative Banks' Association. I therefore request all the delegates present here to help in increasing the number of subscribers to 500 very soon.

"18. This Conference appoints the Hon'ble Mr. V. Ramadas Pantulu (ex-officio as member of the Central Committee of the International Co-operative Alliance) and Prof. K. C. Ramakrishnan and Rai Ratan A. G. Sherlekar, as delegates to the Fifteenth International Co-operative Congress to be held at Paris on 6th, 7th, 8th and 9th September 1937."

Accounts

"19. The audited accounts of the All-India Co-operative Institutes' Association, including those of the Indian Co-operative Review, upto 15th June, 1937 were passed."

Election of Office-Bearers of the Institutes' Association

20. The following office-bearers of the All-India Co-operative Institutes' Association were elected for 1937-39:—

President: The Hon'ble Mr. V. Ramadas Pantulu.

Vice-Presidents: Diwan Bahadur K. V. Brahma and Mr. S. K. Lahiri.

Secretary and Treasurer: Khan Mohammad Bashir Ahmed Khan.

Joint Secretary: Prof. W. G. Urdhwarshe.

Next Conference

Prof. W. G. Urdhwarshe: On behalf of the Board of Directors of our Provincial Bank and Institute, I extend to you an invitation to hold the next Conference in Indore.

The Hon'ble Mr. V. Ramadas Pantulu: We provisionally accept all the invitations. So far our practice has been to hold one Conference in a British Province and another in an Indian State. We should follow this rule as far as possible, and try to hold the next Conference in a British territory.

Mr. Jamshed N. R. Mehta: I invite the next Conference to be held in Karachi.

"21. After some discussion, it was decided that the next Conference of the Provincial Banks' and Institutes' Association be held either at Indore or at Karachi."

The Hon'ble Mr. V. Ramadas Pantulu: It is now my pleasant duty to tender our thanks to the Reception Committee for the splendid arrangements they have made and for treating us sumptuously. We have enjoyed our stay at Bangalore exceedingly well. Thanks of the Associations are due also to the Registrars of Madras, The Punjab, Mysore, Cochin, Coorg, etc., for participating in the Conference and also to the representatives of the Reserve Bank of India. The representative of the Reserve Bank of India and the delegates had perhaps a troubled time, as one was espousing the cause of Banking and the other of Co-operation. I am sure that these discussions between us have left no personal sting. Mr. Ambegaokar will remember that we were fighting for the Co-operative banks and he for the Reserve Bank. It was not a fight between us. The fight between Capitalism represented by the Reserve Bank and Co-operation represented by the co-operative bodies will continue with unabated vigour; but that should not embitter our personal relations. On the other hand such discussions should bring us closer together as friends. I always appreciate those who are frank and free in their expression of views and I, therefore, sincerely thank Mr. Ambegaokar for the way in which he has put his case. I also thank all the visitors who have attended this Conference and contributed to its success.

Mr. T. Austin, Registrar, C. S., Madras: As a "mere" Registrar I wish to say how pleased the officials are to have been able to attend this Conference. The more officials and non-officials come in touch, the better it would be for the great Movement, the interests of which we all have at heart.

Mr. S. Venkatakrishnaiya: It gives me very great pleasure to have met so many co-operators from all parts of India. We have learnt a great deal from them. The discussions have been very interesting to us and we have come into contact with so many co-operators. We have tried to make all possible arrangements for the comfort of you all; but still I hope that if there be any shortcomings, you will kindly be a little blind to our defects. We have, as you must have noticed, made no distinction between Registrars, Provincial Banks and Institutes.

K. B. Malik Noor Mohammad Khan: I propose a vote of thanks to the two Presidents of the Conference and the Reception Committee of this place which has made so nice arrangements for us. I offer sincere thanks to the office-bearers of our Conference and also to the office-bearers of the Reception Committee and more so to the Karachi and Indore co-operators for inviting us.

The Conference then terminated.

RESOLUTIONS PASSED AT THE CONFERENCE

1. This Conference resolves to request the Government of India so to amend the Indian Income-tax Act as to exempt from income-tax and super-tax the incomes derived by co-operative societies from (a) investment of their own reserve funds in Government Securities; (b) investments in Government Securities for purposes of fluid resource to be maintained on a prescribed scale, under statutory obligation, in force in each province.

2. This Conference recommends to the Government of India to amend the Reserve Bank of India Act so as to secure to Provincial Banks and Co-operative Societies in Indian States the same rights and privileges as are available to such banks and societies in British India, under the Act.

3. (a) This Conference places on record its feelings of disappointment at the preliminary report issued by the Reserve Bank of India under Section 55 of the Act and requests the Central Board of the Bank to give effect to the provisions of Section 17 of the Act, so as to provide through the Provincial Co-operative Banks agricultural finance on the security of co-operative paper of the standard and eligibility laid down by the Reserve Bank.

(b) This Conference further requests the Reserve Bank of India to provide Provincial Co-operative Banks short credit at special concession rates for purposes of developing sale and supply societies (marketing societies) on the security of promissory notes bearing the signature of Provincial Banks supported by documents of title to goods.

4. This conference after due consideration of the recommendations contained in the Report issued under Section 55 of the Reserve Bank of India Act, resolves to express its view on the matters stated below:

4. (a) This conference does not favour the organisation of Apex Land Mortgage Banks on joint stock basis. In provinces where there are no Co-operative Apex

Land Mortgage Banks, steps should be taken to form such Apex Banks on a co-operative basis on an adequate scale.

4. (b) This conference does not agree with the view that the Provincial Banks do not command the confidence of the investing public, by their Boards being largely composed of borrowers. The constitution of Apex Banks is in accordance with sound principles of co-operation and they do command in abundance the confidence of the public.

4. (c) This conference is of opinion that the view of the Reserve Bank that the margin between the lending rates of co-operative banks and societies is low and should be raised is not correct as a general statement. The adequacy of the margin depends mainly upon the difference between the borrowing and lending rates, cost of management and requirements of reserves for bad debts. While conceding that these factors depend upon local conditions and circumstances, this conference places on record its considered opinion that the aim of the co-operative banks and societies should be to make credit to the borrowing members as cheap as possible and the existing lending rates should not be raised except where local conditions make it absolutely necessary.

4. (d) This conference considers it undesirable to provide any representation to depositors, as such, on Boards of Provincial Banks, whether by nomination or other means.

4. (e) This conference while agreeing with the view that long term credit should be provided only through Land Mortgage Banks is not in favour of the recommendation that loans from central banks and societies should be strictly confined to cultivation finance only.

Other necessary forms of short and intermediate credit required by members should also be found in order to prevent them from resorting to money-lenders; provided, however, that the deposits and borrowings of the banks should be so regulated as to permit such loans being granted from those sources.

4. (f) This conference while recognising the necessity of bringing down the level of debts of members where there is no reasonable prospect of recovery in full even if long extensions are given, does not consider it desirable that any hard and fast rules should be laid down for all banks and in all areas. With the rise in prices and other favourable conditions, the position may change as it has done already in certain areas and it must be left to the banks and societies to deal with the problem according to local conditions.

4. (g) This conference, while agreeing with the proposal that a statutory fixed or agricultural charge upon produce should be created, does not favour any special provision apart from ordinary penal law for sending to prison of members who dispose of their produce without repaying the societies' dues.

4. (h) This conference recognises that multiple purpose societies have proved beneficial in certain areas and possess some advantages where they can be successfully set up and while it is not prepared to recommend them for general adoption is in favour of such societies being formed wherever conditions permit.

4. (i) This conference is unable to agree with the view that central banks operating over small areas are preferable to larger banks or that large district banks, must be split up into small banks.

4. (j) This conference, while it recognises that a pure type of central banking union composed entirely of primary societies and with no individual shareholders has much to commend in it, from a co-operative point of view, is of opinion that such unions are not capable of being developed and efficiently worked in many areas. They were tried and abandoned in some areas. The matter must be left to local co-operative enterprise according to local conditions.

5. This Conference agrees with the view that the practice of making debentures of land mortgage banks redeemable at any time is unsound and that a period should be fixed for the redemption of those debentures; a fund into which collections of principal are pooled should be formed for redeeming debentures and provision should also be made for retiring them by purchase in open market whenever possible.

6. This Conference requests the Central Board of the Reserve Bank of India to invest in and lend on the security of debentures issued by the Land Mortgage Banks where the principal and interest thereof have been guaranteed by the Central or Provincial Governments.

7. (a) This Conference, while it emphasises the need of strengthening and expanding the co-operative movement so as to serve the banking needs of agriculture and the small industries of the country, feels that in the present conditions the Reserve Bank of India can regulate the credit system successfully only if it is able to bring within its purview indigenous bankers in various parts of India.

This Conference is of opinion that the difficulties, if any, in the way of bringing the indigenous bankers within the purview of the Bank are not insurmountable and requests the Central Board of the Bank to make every endeavour to do so.

7. (b) This Conference favours the free and compulsory licensing and registration of all money-lenders, requiring them to maintain regular and standardised accounts and fixing the maximum rates of interest allowable on agricultural loans.

8. This Conference considers that the Co-operative Movement should be used for extending the rural reconstruction movement to the fullest possible extent compatible with its principles.

The Standing Committee of the All-India Co-operative Institutes' Association will prepare a scheme and circulate it among members and also take steps to see that programmes are carried out.

9. Societies for members of depressed classes who are employed in Municipalities and in trades like skins and hides be encouraged and strengthened.

10. This Conference requests the co-operative institutions to popularise the Movement among women and enlist them as members in large numbers in all types of societies. The Conference requests the Government to employ lady organisers.

11. The Governments of the Provinces and States are requested to give liberal and substantial financial help to the Provincial Co-operative Institutes out of the Provincial or State revenues.

12. This Conference is of opinion that co-operative societies holding shares in the Reserve Bank of India should be permitted to nominate by a duly authenticated resolution of the committee any member of the society as a representative to attend and vote at general body meetings of the Reserve Bank and requests the Government to take necessary action in the matter.

13. This Conference is of opinion that it is essential that the officer selected for the post of the Registrar should first have undergone special training and have shown by experience his fitness for the work. He should be allowed to visit other provinces of India as well as Europe to study the Co-operative Movement there. There should be an officer under training to succeed the Registrar.

14. This Conference requests the Governments to make statutory provision for notice in writing of not less than thirty days being given to a co-operative society before any suit is filed against it.

15. This Conference is of opinion that the recommendation of the Mysore Committee prohibiting grant of loans to non-member depositors is unsound. The banks must have discretion in granting such loans.

16. This Conference resolves that the publication of the "Indian Co-operative Review" be continued, and that it be published under the joint auspices of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association. The Conference requests the Hon'ble Mr. V. Ramadas Pantulu to continue to be the Editor of the 'Review.'

17. This Conference appoints the Hon'ble Mr. V. Ramadas Pantulu (*ex-officio* as member of the Central Committee of the International Co-operative Alliance) and Prof. K. C. Ramakrishnan and Rai Ratan A. G. Sherlekar, as delegates to the Fifteenth International Co-operative Congress to be held at Paris on 6th, 7th, 8th and 9th September 1937.

18. The audited accounts of the All-India Co-operative Institutes' Association, including those of the Indian Co-operative Review, upto 15th June 1937, were passed.

19. The following office-bearers of the All-India Co-operative Institutes' Association were elected for 1937-39 :—

President: The Hon'ble Mr. V. Ramadas Pantulu.
Vice-Presidents: Diwan Bahadur K. V. Brahma and Mr. S. K. Lahiri.
Secretary and Treasurer: Khan Mohammad Bashir Ahmed Khan.
Joint Secretary: Prof. W. G. Urdhwarshe.

20. It was decided that the next Conference of the Provincial Banks' and Institutes' Associations be held either at Indore or at Karachi.

THE NINTH BERAR CO-OPERATIVE CONFERENCE

Khamgaon, 11th July, 1937.

Extracts from the Welcome Address of Dewan Bahadur K. V. Brahma, C. I. E., M. B. E., President, Berar Co-operative Institute.

It has become fashionable of late, for some to compare our efforts at conciliation with the efforts of the Debt Conciliation Boards and to decry us and the movement on that ground. In my opinion, there can be no comparison between the two. Even a little reflection would show that there are limits, beyond which we cannot go. We have both creditors and debtors to deal with; our liabilities to our creditors, viz., the depositors, cannot be conciliated unless we choose to go into nothingness. The Debt Conciliation Boards have not this

handicap. But let me ask in all seriousness those, who raise this issue, as to what it is that we stand for. Is it for going on borrowing and then resort to agencies for reduction of debts? I claim that our aim is to make our members credit-worthy, to teach them to borrow as little as possible so that they may be credit-worthy at all times and would be disposed to pay all that they have borrowed even at the cost of leaving nothing on their hands. While Co-operation aims at making men credit-worthy and solvent conciliation of debts proclaims their insolvency and deprives them of credit. I, therefore, appeal that we should not be judged by wrong standards and while I am one with all to say that we must secure the largest relief that is within our power, I agree with the remark recently made in the Departmental Report, viz., "A new factor that vividly came to notice during the year was the working of a large number of Debt Conciliation Boards, the establishment of which was everywhere a signal for withholding of payment by the debtors".

Are we not now justified in having a Conference of the urban and rural folks to take stock together and devise measures and bring about a mentality which would prevent this tendency of not paying, spreading and taking deeper root? I appeal to my friends from the villages that they should not stultify themselves by this temptation of rushing to Debt-Conciliation Boards and having their credit smashed for ever. Our friends the villagers will have realized by now that in addition to the writing off of bad debts, we have been able to secure to our members, a reduction in the rate of interest on loans, which is unthinkable with the ordinary *sahukars*. Our rates now range between 4 and 9% and it is our endeavour to see them further reduced. May I in all humility ask which ordinary debtor in a village is able to get money at even 9% in these days?

We are all agreed that there are many amongst the members of Co-operative Societies, who can be saved from the catastrophy of losing their lands. We are anxious that nothing should be done which will result in our members losing their lands. Unlike ordinary creditors we cannot be accused of "land-hunger". We belong to Co-operative bodies and whatever we may do or not do would be to the debit or the credit of Co-operation. If lands are lost to the members, they are not acquired for the individual members of the Bank. It is a terrible irony of fate that we are asked on the one side to maintain our credit at any cost and at the same time not to touch the members of primary societies on the other. As I have said already, we are more anxious than anybody else to save the members and we can only do so if we have somebody to back us up in our laudable undertakings. There are only two agencies which I think can come to our help viz., the Provincial Bank and the Government. The problem of problems with us, therefore, at the present moment is how to provide for cash-money to meet the calls of depositors in case there is a demand from them. Fortunately there is no rush any where as depositors continue to repose implicit faith in the movement—as it can be demonstrated to any one that the movement as a whole is solvent and that it possesses assets sufficient not only for meeting its liabilities but a good deal more. But mere possession of assets in these days does not enable one to meet his cash-liabilities. The assets for this must be sufficiently liquid. In our case, it is unfortunately not so. We, therefore, need accommodation and I take this opportunity of publicly appealing to the Provincial Bank and to the Government to come to our assistance. I assure them that in lending money to the movement they are not undertaking any