THE INDIAN CO-OPERATIVE REVIEW

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EDITORIAL NOTES

OURSELVES

With the current issue the *Indian Co-operative Review* enters the fifth year of its life. There has been no lack of appreciation of the quality and quantity of matter we have been privileged to publish in this organ of the All-India Co-operative Associations. Its utility to students and teachers of co-operation, both in India and abroad, has been recognised and good use is being made of its contents in standard works on the subject. We have had ample support from Registrars of Co-operative Societies in the Provinces and States of India. We owe a deep debt of gratitude to the contributors, who though not all as prompt as we would wish them to be, have taken no end of pains to respond to our particular requirements quarter after quarter. Practically all of them are rendering this honorary service as a labour of love in the midst of their multifarious duties. Editorial services are not paid for at all, and clerical services are poorly remunerated. This accounts for the low cost of publication of a journal of this kind compared with the estimates once prepared.

We are, however, pained at the paucity of support among individual co-operators and institutions, co-operative and educational, from whom we expected very much more support. It is perhaps due to the lack of reading habit among work-a-day co-operators, and an unduly narrow view of their functions taken by the institutions, which could easily afford to subscribe to this all-India Review in addition to local co-operative journals. We once again make an earnest appeal to all those interested in co-operation in any manner to begin and continue to support this venture and make it self-supporting in the course of the current year. Suggestions on the improvement of this *Review* will be very welcome from all readers.

DEBT RELIEF AND RURAL CREDIT

The response to our invitation for contributions on Debt Relief Legislation and its effect on rural credit in the various parts of India has not been quite adequate in spite of long waiting. Most of those who have been pleased to contribute are highly critical, we should be pardoned for saying some are hypercritical, of the Acts and their working. We have ourselves no doubt, *pace* Sir M. G. Deshpande and similar critics who have condemned all relief measures, that the Governments of Provinces and States have been actuated by the best of motives in enacting the measures for the benefit of the notoriously indebted peasantry in a period of exceptional distress. They have indeed begun too late, and some of the Governments are still contemplating, while the agriculturists are going down deeper into the mire. Every civilised Government in the world has taken action much earlier and generally on more drastic lines. We concede, however, that the situation has been brought about in western countries by somewhat different conditions. Debts were contracted mostly for productive purposes, for better equipment on the farm, for transformation of the system of cultivation and for the acquisition of small holdings, though speculation played its part in some of these ventures. Debts have been contracted in our country more for purposes of consumption and to a smaller extent for current cultivation. There is, however, this in common between us and the West, that the amount and terms of loans were based on pre-depression values. With the unprecedented crash in prices, and the continuance of conditions of slump, longer in India than in the rest of the world, no civilized Government could sit still, singing the old song of sanctity of contracts signed by an ignorant and impecunious peasantry.

We should recognise, however, that we cannot escape the period of trial and error. We are not blind to the defects that have been unmistakably revealed in the working of the Acts. The Madras Agriculturists' Relief Act is the most drastic of all measures enacted or contemplated in India as it provides not only for reduction of interest but for the extinction of it and even of capital in certain circumstances. The capacity of the borrower to repay has been treated as irrelevant to the problem of relief, and therefore no upper limit has been prescribed for an agriculturist borrower to get the benefit of the Act, as some other Provincial Governments have done or are contemplating. It does not distinguish between secured and unsecured debts in laying down the legal maximum rate of interest, a mistake not committed by any other Province. We hope that the Government will, while amending the Act, think of a decent upper limit (not the fabulous one of Rs. 50,000 fixed in the Central Provinces) as that will take away much of the sting of criticism. We trust the Government will exercise the power to alter the rates in accordance with conditions prevailing in the money market, as promised by the Premier, lest evasion should become the order of the day. Judged by accounts received from every quarter on the working of the Act,

there is not a shred of doubt that rural credit has shrunk considerably and, even more, distorted in diverse ways. It is not merely superflous credit that is cut out, but also necessary credit. We cannot estimate the extent of improvident borrowing; but to starve the agriculturist in regard to productive credit is disastrous to our rural economy. The Government have received reports on the contraction of credit, which they have not chosen to publish. Nor have the public any means of finding out how far relief has been obtained in deserving cases.

In this connection, we would plead that, instead of a sporadic enquiry after an acute crisis, a systematic and continuous study of agricultural indebtedness and allied problems be taken up by the Economic Associations or Research Institutes in the country, as is said to be done by the Institute for the Study of Economic Fluctuations in Germany.

The law must be amended so as to make it easy for debtors to initiate proceedings in a court of law or Debt Conciliation Board and the latter must be vested with the power to summon creditors and submit the accounts and prescribe heavier penalties for refusal to accept the award of the Board, though it could not then be called conciliation. The only way to minimise the vagaries of private moneylending is to increase the facilities for an organised co-operative supply of credit to agriculturists. All the world over, especially in agricultural tracts, it is co-operation that has reduced, if not suppressed, private moneylending. Already co-operative credit societies and financing banks, whether brought under or exempted from the operation of relief measures, have been playing an important role in scaling down debts due from members and reducing the rate of interest and helping the clearance of prior debts by means of long term loans. Further expansion of the Movement, while more urgently needed than ever because of the fact of restricted credit, must proceed on altered lines to suit the changing environment. This forms the subject of the Enquiry Committee in Madras, on which we shall have more to say in the next issue.

THE INCOME-TAX ACT IN THE CENTRAL LEGISLATURE

In the last issue of our *Review*, while commenting on the manner of handling the Insurance Bill and the Motor Vehicles Bill in the Central Legislature, we expressed our surprise at the ignorance betrayed, by the framers of the Bills and the non-official members of the Legislative Assembly, of the constitution of co-operative societies, their working and the possible repercussions of those measures on various types of societies. We shall in this issue deal, as promised, with the Income-tax (Amendment) Bill, wherein the position of co-operative societies was even worse than in the other two Bills. There is no mention of co-operative institutions at all in the Income-tax Act. These institutions constitute by no means a negligible factor in our organised banking system. There are 80,000 primary credit societies, 500 central or secondary societies and about 8 Provincial Co-operative Banks in British India alone working with a capital of over Rs. 50 crores, even excluding the loans given and investments made by one society to another. Under the Indian Income-tax Act of 1922 they were treated as "associations of individuals" and under the amended Act now passed, they are dealt with as "associations of persons". This class of assessees is required to pay by way of super-tax much higher sums than joint stock companies and banks on the same assessed income or profits. We drew attention to the fact that the Madras Provincial Co-operative Bank, for instance, paid in the year 1935-36 and in two succeeding years by way of supertax a sum of Rs. 62,825 in excess of what the Bank should have paid as supertax if it were a joint stock bank. We had also pointed out several other anomalies in the matter of taxing so-called profits of co-operative banks. We could not, however, suggest any ready-made and definite rates of taxes to be embodied in the Bill straight-away. We therefore suggested that (i) co-operative societies shall be defined in the Bill and enumerated as a separate class of assessees by themselves, (ii) the business profits of co-operative societies should be explicitly defined so as to include income from deposits which are required by the rules and regulations under which we work, and (iii) in Parts I and II of Schedule 2 of the Indian Income-tax Act, the rate of tax applicable to co-operative societies should be specified under a separate clause, i.e., income-tax on a graduated scale and supertax at a flat rate. We suggested that in order to give effect to proposal No. (iii) rules may be made under the Act in regard to the rates of taxation. The Hon'ble the Finance Member in dealing with our suggestions and amendments in the Council of State said he could not accept them at that stage, but gave us an assurance that he would have the matter examined and that if action was required as a result of that examination, he would take it. Let us quote the Finance Member's words:

> "If the Honourable Member (Mr. V. Ramadas Pantulu) allows me, I would like to make one comprehensive reply to the whole of his amendments about co-operative societies. The first three of them are only definitions and the operative amendment is the one to clause 6, which proposes to give the executive a rule-making power for the taxation of co-operative societies. Now in the present Bill there are various provisions which have been inserted in order to curb the rule-making power of the executive. That was objected to in various connections both in the Select Committee and in the other House. For example, the rules for the taxation of insurance companies have now been made statutory and not executive. In the same way, the power to tax or exempt from taxation by section 60, sub-section (1) has also been removed. I think it would be a retrograde step if we at this stage inserted in the Bill provisions enabling the executive to tax by rules. At the same time I must say that I was on the face of it impressed with the case which the Honourable Member made yesterday, and it is a case which requires investigation, and I would like to suggest to him that, in return for a promise that the whole question of the taxation of co-operative societies for income-tax shall be investigated and an assurance that, if we find that if any remedial action is required we shall take it somehow, on that basis the Honourable Member might be prepared not to press his amendments at this stage. It is quite clear that the Honourable Member himself has no specific rule of taxation to suggest and he merely proposes to insert "rule making powers", leaving it to the executive to provide the basis of taxation hereafter. Now that, I say, is wrong in principle. At the same time, in so far as there is a case, I give him the assurance that we will do our best to meet it and I would ask him therefore to withdraw his amendments and not to press them at this stage."

It will thus be seen that while something could be done to improve the provisions of the Insurance Bill to safeguard the interests of the co-operative insurance societies, nothing tangible could be done in the Motor Vehicles Bill and the Income-tax Bill to secure the legitimate rights of the co-operative societies, except obtaining assurances from the spokesmen of the Government in both cases, that the matter would be looked into and action such as might be found necessary would be taken. It is a matter for regret that the Legislative Assembly (Central) cannot claim to have even one co-operator among its 144 members, whose services may be availed of by co-operators to secure for the co-operative societies in this country a satisfactory deal in central legislation. It is for co-operators now to consider how best to safeguard their interests in future. We hope and trust that the position of co-operative societies under the Motor Vehicles Act and the Income-tax Act would not be left where it is now and necessary action will be taken to see that the assurances given by the spokesmen of the Government of India in respect of both these Acts are duly implemented as early as possible.

THE GOVERNMENT AND THE LAND MORTGAGE BANKS IN MADRAS

The land mortgage banks in Madras, of which there are 104 now, have come into greater prominence than ever in connection with the Agriculturists' Relief Act passed in 1938. They are the primary agency to which the public and the Government of Madras look for finding funds to pay off the scaled down debts and recovering them in instalments, The Government have in the last year been pleased not only to enhance the maximum amount for which they stand guarantee to debenture-holders but have readily agreed to lend to the Central Land Mortgage Bank sums needed for its business every month, as a temporary accommodation up to the limit of the mortgages on which loans are advanced but are not yet covered by the debentures issued. This enables the Bank to float its debentures at the most favourable opportunity in the market. The Government have also sanctioned the issue of encumbrance certificates free of fees. A reduction in the audit fees will be much appreciated by primary banks. The Government are subsidising banks by the loan of the services of Sub-Deputy Registrars free of charge on condition of the banks restricting the dividend to shareholders to five per cent and carrying the balance of profits to the reserve fund. For all these and other concessions, Mr. T. A. Ramalingam Chettiar, the President of the Central Land Mortgage Bank, thanked the Government, on behalf of co-operators, in his welcome address at the Ninth Land Mortgage Banks' Conference, the proceedings of which are published elsewhere in this issue.

The Central Land Mortgage Bank has agreed to constitute a sinking fund, called the Debenture Redemption Fund, for each series of debentures taken up. It has also agreed to restrict the dividend to shareholders, the most important of them being the primary banks, to one per cent above the rate of interest on debentures. But Mr. Ramalingam Chettiar felt bound to enter a caveat at the condition now imposed by the Government that there should be a margin of 2½ per cent between the rate of interest on the debentures and the rate of interest charged to the ultimate borrower. He put forth the genuine co-operative point of view that the banks should aim more at service than profits, and was confident that 2 per cent above the borrowing rate was enough to provide for all the requirements including the building up of reserves, especially as the transactions were growing. The banks however felt obliged to raise the rate from 5 to 5½ per cent to satisfy the Government. The rate was bound to go up with the higher rate that might be necessary to offer for debentures in the conditions of the money market. He made a final appeal on behalf of the Board of Management to the Government to reconsider their attitude with regard to the rate.

The Premier, the Hon'ble Mr. C. Rajagopalachariar, replied to some of the points raised, in his opening address at the Conference. He expressed his full faith in the co-operative movement, with which he had been connected from its very inception. He was proud of the record of Madras, particularly in the field of land mortgage credit and paid a handsome tribute to Mr. Ramalingam Chettiar and his colleagues. He did not feel happy over the loan of Sub-Deputy Registrars, " appointed under a

different arrangement which was still on an unstable equilibrium." He asked, " why should taxpayers maintain these officers instead of the borrowers themselves ? " This is surely the ideal aimed at by all co-operators to whom self-help is no new doctrine. Help, however, is asked for only in the period of infancy and is freely given by almost all Governments of the world. The Premier was even more emphatic on the need for a 2½ per cent margin and said that the Governmnt could not now lower it and that the " laws of good business management " should be followed by banks. Is it easy, he asked, for every one to borrow from the land mortgage banks or at such low rates elsewhere ? There is a good deal of force in this point of view, though we would like to see the popular Government give a little more free play for co-operative democracy.

The Premier was not pleased to leave the matter at that, but raised more fundamental issues. He launched on an extraordinary defence of the middlemen or moneylender who had " a peculiar genius and temperament and early training " in business with whom there should be no unfair competition. In his view " co-operative societies were merely replacing the careful, early trained, though hungry, middlemen by an institution which had no soul, no heart and was in charge of persons drawing fairly high salaries, but without the capacity of middlemen." We are afraid that the Premier is not quite in touch with the present-day co-operative staff or management, at any rate of the financing banks, when he had a dig at " a gentleman who had failed to get on somewhere else or had been pensioned off, an old person full of dignity and the feeling that he was rendering a public service, sat at the counter and had to look up at some book or invoice at every turn." We can only say that besides being a fantastic picture, this is hardly in keeping with the profound faith in co-operation which he expressed in the beginning of his address and in the discussions on the Agriculturists' Relief Act, nor indeed with the policy of systematic encouragement of the movement by the Ministry, which he so ably leads. No wonder Mr. Ramalingam Chettiar, while thanking him for all his good wishes and real help, was provoked to remark that " the Prime Minister had argued with great subtlety the case of the capitalist. If his argument was to be adopted, they might as well wipe out the co-operative movement."

PROVINCIAL CO-OPERATIVE CONFERENCES

We publish in this issue the proceedings of three different Provincial Co-operative Conferences, namely, those of the United Provinces, the Tamil Nadu and the Andhra Desa. The question of giving a new orientation to the Co-operative Movement and reconstructing the village societies and secondary organisations on a sounder basis engaged the attention of all the three conferences. The speech of Hon'ble Dr. Kailasnath Katju, who opened the U. P. Conference, is well worth a perusal. He has given a comprehensive scheme of village reconstruction through the agency of co-operative societies. In the words of Dr. Katju, "the problem of problems is to assist the villager in the economic sphere for the development of his agriculture and his cottage industries. We want co-operative effort in production, in marketing and in finance and it seems to me that it would be unwise policy to disintegrate this whole, neither to take up one part by itself nor to take all in a disjointed manner. This problem must be tackled as a whole and by one organisation with many sided activities." There is now a widespread, almost universal, recognition of the need to evolve and implement schemes to give an entirely new colour to village organisation to co-ordinate the activities of the remodelled co-operative societies with those of reconstituted statutory village panchayats, both broad-based on the ideals and traditions of Indian rural life. Such a new orientation will create in the villages a live form of village administration covering the entire field of social, economic, industrial and political life of the village. The institutions of the people thus reconstituted will be more truly representative of genuine village opinion and will be more largely responsible to healthy popular influence. We are glad to find that the Madras Committee on Co-operation have accepted a scheme of reorganisation of the Co-operative Movement virtually on these lines as it appears from the report of proceedings of the Committee in the Press.

Dr. Katju emphasised the need for formation of a better living society for each village. Such a society, he said, would be primarily concerned with topics of general interest and general concern and provide a valuable means for promoting peace and harmony in the village community by lessening faction and creating a common meeting ground. We are of opinion that when village socities are reorganised as multipurpose societies on the lines suggested by Dr. Katju, they will themselves be proper media for promoting not only better farming and better business but also better living. We feel that there is no need to form separate better living societies in our schemes of reorganisation of co-operative societies on a broader and village wide basis, both in regard to membership and functions.

One of the topics that came up for critical examination at these conferences was the question whether 'unlimited liability' was conducive to the future progress of the movement on the new lines suggested above. Dewan Bahadur K. V. Brahma, who presided over the U. P. Conference, gave a definite lead in favour of changing the unlimited liability to limited liability of some kind. He said, "Our experience of working during the last twenty-five years, and especially after the effect of

economic depression which is persisting since the last eight or nine years, shows that the unlimited liability principle, which is our guide in forming credit societies in villages, is unsuited to Indian conditions and that the same should be replaced by some other principle." He further says, that experience tells him that it is very difficult, if not impossible, to induce solvent residents in the village and those who are free from debt to join village societies. He put a pertinent question to the co-operators assembled in these words: "If we are residing in a village would we stake our estate for another? If not, what is the justification of asking others to do what we would not do ourselves?"

Dr. P. Gurumurthi, in his Welcome Address at the Andhra Co-operative Conference, strongly contended that in order to reconstruct the Movement on an extensive and intensive scale so as to cover all the villages with societies and to induce every resident of a village to join the society, the unlimited liability principle should be definitely abandoned. The Conference accepted the view unanimously by a suitably worded resolution. The Tamil Nadu Conference, however, passed a resolution in favour of continuance of unlimited liability in the village societies. But we are unable to say how far this resolution reflects the considered opinion of the majority of co-operators in the Tamil Nadu. Judging from the answers received to the questionnaire issued by the Madras Committee on Co-operation, which is now sitting, opinion in Tamil Nadu on this question seems to be fairly well-divided. There are some institutions and individual co-operators who are definitely in favour of replacing unlimited liability, while there are some others who have expressed the opposite view. The Committee on Co-operation, as it appears from the reports published in the Press, decided by a majority in favour of modifying the present co-operative law, which makes it obligatory to constitute rural societies on unlimited liability basis, except where the Government by general or special order otherwise directs. The Committee suggested that the rule should be limited liability and unlimited liability the exception, and such exception must be based on local co-operative opinion.

We are entirely in agreement with the view taken by the Committee. In this connection, we must remember that the legal characteristics of unlimited liability itself have undergone a radical change since the inauguration of the Co-operative Credit Movement under the India Act of 1904. At one time, unlimited liability was enforceable by creditors against a member of a working society, but the Maclagan Committee pointed out that "it was merely intended to be ultimate contributory liability by which the ultimate deficit due by the society to the creditors should be secured by a series of levies *per capita* on members, direct proceedings by any creditor against individuals being forbidden." But the Committee was not quite clear about the stage at which such liability could be enforced, that is to say, whether it could be enforced before the liquidation of the society. It was Mr. Calvert who made it clear that it was a contributory liability which could not be enforced so long a Society was a corporate body. A Full Bench Decision of the Patna High Court of 1931, the Bombay Co-operative Societies Act, 1925 and the Madras Co-operative Societies Act, 1932 have now settled the position in favour of the view taken by Mr. Calvert. Reports from various provinces show how unlimited liability enforced by means of contribution orders issued by liquidators against non-borrowers and non-defaulters had the effect of making solvent members withdraw from the societies or transfer properties in order to evade the effects of the liability. It is impossible to believe that men with property are not deterred from joining societies by the enforcement of unlimited liability in this manner.

We feel that the question of the form of liability "is not a matter of principle but of expediency," as Mr. C. R. Cahill says in his well known report. Those who swear by Raiffeisen and Schulze Delitzsch must remember that while unlimited liability was an article of faith with Raiffeisen, Schulze Delitzsch valued it as an aid to attracting deposits and putting members on their guard. They should further remember that neither of them when they started their societies, had any choice in determining the character of the liability, for the law of Germany had not then accorded the privilege of limited liability. After the law in Germany was changed and limited liability was permitted, the followers of Schulze Delitzsch went over to limited liability. Where unlimited liability was adhered to, its feasibility still rested there on two factors, which are both absent in India, namely, the local deposits and working funds of the rural societies which came from the members and other residents of the village and the more or less even status of the farmers that composed the society and among whom the credit percolated.

CO-OPERATIVE INSURANCE

BY

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The co-operative organisation of insurance has received much less publicity than other sides of the movement perhaps because it does not take visible form in shops, warehouses and packing stations. Nevertheless, insurance is a service which can effectively be carried out by co-operative societies and which is often badly needed by just those sections of the population which are readiest to co-operate for other purposes. The high costs and injustices of so-called "industrial" insurance are well known. When run by private interests such insurance is apt to result in a disproportionate expenditure on the wages or commissions of canvassers and agents, in the practice of selling policies to people who have no real prospect of continuing their payments (with the consequent large proportion of lapsed policies) and in comparatively low returns for the premiums paid. On the other hand, there are branches of agricultural insurance which private business will not touch at all owing to the risks involved and the limited profits that can be earned. Finally, there is in many countries an increasing number of state insurances, many of which can only operate to full advantage on a basis of voluntary organisation.

In one sense the oldest type of co-operative organisation may be said to have been concerned with insurance, since the Friendly Society which preceded the co-operative society in Great Britain aimed at providing sickness and death benefits in return for small weekly contributions. Modern co-operative insurance is a separate growth usually linked with the consumers' or producers' co-operative movements, according to the character of its membership. It covers a wide variety of risks both of a personal and of a business character—life, fire, burglary, employers' liability, old age and sickness both for the insured and his employees, death of livestock, windstorm and hail.[1]

Some societies for personal insurance (mainly life, accident, sickness and fire) are in the strictest sense consumers' societies, since they are founded and managed exclusively by the insured, who provide all the capital and membership. They exist among industrial workers and the less well-paid professional classes. Some particularly successful socie-

1. For a full study of the subject see *Co-operative Insurance*, by N. Barou, P. S. King & Son. 1936.

ties of this type have been set up in Bulgaria mainly by civil servants and school teachers, and their operations have extended from the provision of a simple cash insurance to the building for their members of magnificent sea-side convalescent and holiday homes, as well as sanatoria and curative establishment at the numerous Bulgarian spas.

More frequently co-operative insurance of the salaried or industrial population has been a secondary development of the usual type of consumers' movement. Sometimes a group of co-operative societies combine to finance and manage a special society which will provide insurance for their members. Sometimes such a society is simply established as a subsidiary concern by the co-operative wholesale society. In neither of these cases has the insured person any direct control over the society. An outstanding instance is the Co-operative Insurance Society of Great Britain, which is jointly managed by the English and Scottish Co-operative Wholesale Societies. This provides ordinary life insurance for the individual members of co-operative societies, the so-called "industrial" insurance, which is life insurance for very small amounts, domestic fire insurance and fire and fidelity insurance for the co-operative societies in membership with the wholesales. It also provides for a form of collective life insurance by which every member of a co-operative society becomes *ipso facto* entitled to a small life insurance, generally equal to his or her purchases from the society during a given period preceding death. Distinct from the Co-operative Insurance Society is the Health Insurance Department of the English C. W. S., which ranks as an "approved society" and functions solely within the scope of the National Health Insurance Act. It is nominally under the direct control of its individual members, but in practice direction is largely a matter for C.W.S. experience.

The insurance operations of the Co-operative Wholesale Society have been particularly successful, not only in linking together the various needs of the individual but in consolidating the very considerable funds necessary for insurance and trading enterprise, and thus strengthening both sides of the movement. At the same time, the very proper refusal of the Co-operative Insurance Society to invest its funds in industrial enterprises in competition with consumers' distributive stores or wholesale production, has made it difficult to place its large funds in investments where they will earn as much as the invested funds of private insurance companies. The actual operations of the society are carried out through agents calling at frequent intervals at members' houses, much in the same way as those of private companies, but the abuses of forcing policies on reluctant or ignorant people, of lapsed policies and extravagant overheads and profits have been successfully avoided.

In some countries a co-operative insurance scheme of this type is ›rked in close collaboration with the trade unions or the trade unions . their own responsibility establish a co-operative society to provide ›nsions and death benefits for their members.

The tendency of agricultural insurance is to be professional rather .an personal. Wherever farming is a family industry and particularly here there is a peasant proprietorship or at least reasonable security of ›nure, the death or incapacity of the head of the household is not the verwhelming disaster that it may be under conditions of industrial nployment, where the family group is looser and its maintenance may epend on a single pair of hands. In peasant economy the same family roup will probably continue under all circumstances to be supported y the same patch of land; only the personality of its leading member ill change. Consequently it is insurance of irreplaceable property, ithout which the farm may cease to support those who cultivate it, ather than insurance of the perhaps too easily replaceable life, that is irst sought in agricultural communities.

It is, however, just this type of insurance which the ordinary commercial companies are least ready to provide. The risks are considerable and the costs great as long as the ordinary commercial methods are pursued. In particular each individual insurance is very small, the difficulty of ordinary supervision is almost insuperable and the risk of fraud consequently great. When, however, the insurance is provided not by a great urban company operating through paid agents but by a small local society of which the officials are volunteers and all the members well-known to each other, both these difficulties disappear. Under these circumstances, far greater care can be exercised in the selection of risks. It is possible to proceed, as the French regulations put it, by "pitilessly rejecting all persons of doubtful morality, intriguers, those inclined to quarrels and lawsuits, given to drunkenness, involved in debt, likely to profit by a fire, insuring themselves through fear of some personal enmity, or exercising insufficient care."

But it is not only that the initial selection can be more carefully made. The subsequent supervision is far easier when the insured are all neighbours, all conscious of at least some elementary duty to one another, all ready at least to see that one of their number does not damage the common interests. And, by an agreeable paradox, as the security is increased, the cost is lowered. In France again, in case of a fire, the society must be notified within forty-eight hours, and the damage is estimated by two volunteer valuers, chosen by the society, not necessarily from among its members, but preferably from among those who were present at the fire and helped to put it out. Here again great stress is laid on the moral character of those selected. In the case of live-stock insurance, where the valuation of stock and the assessment of loss present peculiar difficulties, the general method of control is that every three months a group of qualified volunteer members (not necessarily the committee) should inspect the livestock insured in each village. The visitation usually takes place on a Sunday morning, the valuers inspecting the cattle in the pasture and the horses assembled in the village. The premium to be charged and the compensation (not exceeding 80 per cent. of the total value) is fixed accordingly.

Insurance against fire is most widespread and as the risks are known and generalised, it is fairly easy to reach a sound actuarial basis. The premium may vary from 1 per cent of the value of stone-built dwellings, to as much as 16 per cent for ricks and standing corn. The local societies reinsure with a regional society, the regional societies with one or more national societies, or in some cases with large private companies of good reputation.

Livestock insurance is not so easy or so widespread. In some countries informal local groups are numerous and are generally conducted in a very primitive manner. Sometimes no premiums are paid, the livestock of members is simply valued and when a death takes place the loss is assessed and the members are levied for the amount. This system works well enough so long as there is no heavy or exceptional mortality from flood or epidemic. When such a catastrophe occurs, the society generally dissolves. The more developed type of society follows the lines of those covering fire risks and there is an elaborate system of re-insurance, or in some countries, a national society spreading its risks over a wide area.

The third great agricultural risk after fire and disease is weather. In Northern countries like Denmark and Canada, windstorm may be the principal danger, and special societies exist to insure against it. In Central and Southern Europe, hail, which falls in spring and summer, when blossom is setting and crops are ripening, is the more formidable problem. Voluntary insurance, though attempted, is peculiarly difficult, since for reasons which are not fully understood, hail tends to fall year after year in the same small pockets of land, which consequently bear a risk far heavier than that of the surrounding country. The owners of such land are perfectly familiar with the risk and ready enough to insure. Their neighbours a few miles away are not. Under these circumstances the cost of insuring field crops is very high, that of vines almost prohibitive. On the whole, and in spite of considerable local results, the general opinion seems to be that no substantial progress can be made in hail insurance unless it is made compulsory, in which case a very small general premium would suffice to safeguard areas of special danger.

In many European countries a further class of insurance exists which is becoming of increasing importance to the agriculturist. The liability of the employer to compensate the worker for injuries sustained in his service has for many years applied alike to the agricultural and industrial employer in Great Britain and other countries. It is usual to insure against this risk and the insurance may be co-operative or commercial. In France the " approved society " handling the workers' health insurance takes on a new shape in agriculture. In the first place it includes a form of contributory old age pension; in the second the co-operative insurance society plays an essential part in the scheme; in the third, these societies are formed with an equal representation of employers and employed. Their joint committees, on which both parties are equally represented, run particularly well in those districts of France where farms are small; most labourers hope in time to become farmers, and class distinctions are consequently fluid. These societies also provide for voluntary insurance of themselves and their families by independent small farmers, and this practice is growing, although such insurances are still principally coming from those with large families or poor health or both, a socially desirable but actuarially disconcerting phase which it is hoped will not be permanent. A final form of co-operative social insurance is perhaps hardly an insurance, since the element of risk can scarcely be said to enter in, but is a fully co-operative method of pooling the cost of family allowances amongst the agricultural employers from whom these payments are due. It benefits the employers, since a farmer whose labourers happen to be men with large families no longer has to bear a disproportionate addition to his wages bill, and it benefits the labourer, since without some such pooling scheme the man with many children might find it hard to get employment at all.

Another class to whom co-operative insurance has proved of value is that of fishermen. The risks are here, by the nature of the occupation, very considerable, but it has been found possible in different countries to insure both the lives of fishermen and fishing vessels. Fishing gear, especially nets, is subject to so high a wastage, and its loss is so difficult to check that it has proved practically uninsurable.

Co-operative insurance of one type or another is widespread in the world to-day. It occurs in some 35 countries and has taken shape in 150 national or at least large-scale organisations, of which the first a livestock society, was founded in Denmark as long ago as 1812. Of these 100 are agricultural. This movement has taken its rise from pressing necessity and the unsatisfactory character of the service offered by private companies. Co-operative insurance has adequately fulfilled the economic task for which it was created. But it has done more. As Dr. Barou points out in the work to which reference has already been made, "Apart from its material and educational value, co-operative insurance is of the greatest moral significance. The difficulties of insurance lie in the considerable part played in it by the 'moral hazard'. Co-operative insurance goes far to extinguish the moral hazard by means of co-operative organisation and education. Each member lives and works under the eyes of his fellow members; he knows that if his negligence brings about a loss—by fire, epidemic, accident—the indemnification for this loss will be taken out of his *own* and out of *their* pockets. Under such circumstances co-operative insurance, especially for the rural population, develops in its members a high sense of duty and responsibility and consideration for the interests and needs of their fellow members and neighbours. Because of this, co-operative insurance, probably more than any other form of co-operation, raises the moral standard of its membership."

This is a handsome tribute and if it is discounted as the special pleading of a supporter it may be read along-side the unwilling admission of a Belgian author[2] writing from the point of view of the private insurance company, "Mutual insurance societies are administered by the stockbreeders themselves and the insured accepts their decisions without cavil. It is otherwise with companies which do indeed charge higher premiums but which the insured seem too inclined to treat as milch cows." The co-operative insurance society, in other words, is not engaged in a tug-of-war with its insured members, each side trying to exploit the other, but is the machinery by which their capital costs can be more evenly distributed in time and a series of grave alarms and anxieties removed from their personal and business lives.

2. G. Taminiau, *l'Assurance Contre la Mortalite Chevaline et Bovine en Belgique.*

DIFFICULTIES AND DANGERS OF INTEGRATED SOCIETIES*

BY

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Every Economic Project should be judged on its own merits.— If all co-operative action is centred in one organization, it is relatively easy to persuade the general board to undertake new ventures or new types of co-operation at the whim of anyone because finances can be provided by a mere appropriation from the self-supporting activities already undertaken.

Suppose for example that a given society borrows money from banking institutions with which to finance the credit needs of its members, accepts savings deposits from its members, and markets the cotton produced by its members. In such a society money is secured from three sources: (1) Loans to members based upon unlimited liability of the individuals in the group, or upon mortgages on the land, crops, or other property of members, (2) loans based on the collateral value of the cotton or other commodity received from members, and (3) savings of members. If a co-operative enthusiast suggests erecting a building for members' meetings, social fraternalization and housing a co-operative store, there is little opposition to the program because no one has to raise any money or make any immediate personal sacrifice in order to approve transfer of the cash on hand in the co-operatives. At this stage plenty of money is available, the members are enthusiastic about the benefits derived from co-operation, they see themselves making enormous savings in their personal expenses for groceries and other household necessities, and they see in imagination a fine looking structure for their co-operative activities which shall be a credit to the community and the spirit of those associated together in the common enterprise. Education of the community in plant-breeding or patriotism, development of weaving, spinning, and numerous other home

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industries are likely to follow in similar manner because the money borrowed for other purposes or deposited by members as savings is available by mere appropriation.

On the other hand, if separate societies are organized for (a) savings and borrowing, (b) cotton marketing, (c) co-operative store and (d) social activities, and if the officers and directors of the different societies are not identical, each project must be considered on its merits and financed on that basis. Co-operators are less likely to build an elaborate meeting house for the use of the community or themselves if they have to raise the money by individual assessment instead of borrowing on the credit achieved by pledging cotton of a part of the members or pledging the unlimited liability of others. If the stock and equipment for a co-operative store must be raised by assessment for share capital among those interested in developing a co-operative store, such a project will not be undertaken unless the charter members of such an enterprise have been sufficiently educated in the advantages and limitations of such an enterprise so that they feel the store will definitely justify itself. Older co-operatives or a community improvement society may serve as sponsors of new ventures; but if financing them is left to those interested, unsound projects will be much less likely to be entered upon.

Those favouring integrated societies may feel that the case with which new forms of co-operation may be started is advantageous. In fact it is a weakness; for farmers and villagers untrained and inexperienced in business are likely to developing new ventures much faster than their abilities enable them to manage such enterprises.

Objectives of a Co-operative should be clearly visualized.—Those inexperienced in business, as farmers and villagers are likely to be, are likely to spend money unwisely in maintaining the semblance of an elaborate business organization instead of keeping in mind exclusively the purposes for which a co-operative is established. Hundreds of co-operatives exist in various parts of China whose single function is the borrowing of money during one or two months and repayment of that money by some subsequent date. Though such a function requires only a few accounting books and the use of some member's home or a public meeting place at rare intervals, inspection of such societies indicates in most cases that the officers are solemnly meeting for the purpose of eating, drinking, and talking over the business of the association and other matters for great periods of time,—all at the expense of the association.

It is highly desirable that a community spirit shall be developed, that the farmers and villagers shall come together for discussion of their

utual problems, and that the social work of the community shall go n. When one group of men come together at a considerable expense o do something elaborately that is actually simple, however, at the cost f other members, the organization is not functioning efficiently as a o-operative. The community social functions should be supported by he community as a whole or by those who receive the benefit, not by hose whose primary interest is some other economic activity such as orrowing money or marketing products.

Combination of several activities in one society tends to fill the fficials with an undue sense of importance and to cause them to incur ll sorts of extravagant expenses that would be avoided if the objectives f each co-operative were simple and kept clearly in mind at all times.

This sort of thing is often justified by co-operative organizers as "educational." Actually it is the wrong kind of education. People learn to co-operate by co-operating—not by listening to lectures on the subject nor by discussing it at great length over wine cups. If simple forms of co-operation are actually started that the members can manage, the education gained is practical.

Speculative ventures should be segregated.—Men who have had very little experience in large scale business enterprises or in practical co-operative work in other countries are prone to expect too much from co-operative organizations. Co-operation is looked upon as a panacea that will cure all ills in society. In this belief elaborate co-operative projects are undertaken to engage in collective farming, form co-operative communities entirely independent of commercial middlemen or dealers of any type, attempt to obtain control of the entire produce of a community and hold for higher prices, and similar activities. The practical difficulties which those men face arise from undue simplification of the problem. The problems of farming or of the market are complex and cannot be solved merely by farming collectively. Problems of price are not settled by such simple expedients as taking in all the produce at harvest and holding until later on in the year. University graduates in subjects other than economics or business seem prone to fall into this error of undue simplification of the problem as easily as farmers or villagers.

If visionary projects were organized and financed on their merits, very little difficulty would arise because financial institutions would not give them the necessary support; for the effort to explain the advantages of visionary schemes against their obvious limitations would tend to bring out the fallacies involved.

Visionary schemes now do a great deal of damage to the co-operative movement because they are financed through borrowing upon the security of sound enterprises. If a group of farmers and philanthropists wish to establish a co-operative farm, and if the plan is divorced from the regular co-operative society of the community, little damage is done when the experiment fails; but if money has been borrowed from a co-operative credit society or co-operative marketing society and loaned to the farming group, the savings of members or the amounts due for cotton may be lost in the debacle resulting. The danger and difficulty is very much greater in the complex "integrated" society,—where the funds can be easily diverted from one use to another within the same society by a mere resolution of the Board of Directors or the members' meeting.

Co-operative Holding versus Co-operative Marketing.—Storing of grain and other staple products and holding for a higher price is a favourite project of inexperienced co-operative enthusiasts.

The price of any product at harvest is naturally less than in later months on the average because it costs money to buy a product at harvest and carry until a later period. Storage charges, insurance, interest on capital invested, deterioration, spoilage, shrinkage in weight due to the loss of moisture and other causes, and various other costs must be incurred. Consequently men will not buy a product at harvest unless they believe the price to be sufficiently lower than it will be later so that they can pay all of these charges and make a profit commensurate with the risk involved including price fluctuation.

Men inexperienced or untrained in marketing fail to allow adequately for these costs and risks in their computations and are likely consequently to overestimate the advantages gained by seasonal holding of a product. Dealers and speculators engaged in handling a given product are thoroughly conversant with the facts. They tend to buy as much produce as possible if they feel the margin of profit is likely to be more than commensurate with the risk involved and they refrain from buying if the difference between harvest price and later prices is in their opinion less than usual. Their influence, therefore, tends to make the difference between the two prices about equal to the cost of the service and a reasonable profit in the average year.

Enthusiasts sometimes reply that this may be a true picture of the situation in countries of highly organized marketing systems but that it is not true in China. If so, an unduly wide margin between harvest price and later prices can arise only from lack of competition or from incompetence of local dealers. In either case, so far as the great staple products with a national or international market are concerned, the solution seems to lie in co-operative marketing rather than in co-operative holding,—that is, in finding means to carry the product to a large competitive market where the forces of competent and free competition can operate rather than in holding the product at a local point in the hope that a speculative profit may be made from the difference between harvest and late prices at the expense of local dealers who are assumed to be monopolistic or incompetent.

Moreover, if local dealers do receive a high differential because of their monopolistic position in a given local market at harvest, what is the use in holding the grain until later months at the same places for later sale to these same dealers? Will not their monopolistic position give these dealers the same differential later? The solution must be transportation to a free market—not storage.

It is possible that a case may be made for holding staple products in certain portions of China far removed from large markets when the product produced is consumed within the local area and where dealers in the product have learned to expect an undue margin for their services in carrying the product seasonally. If it is possible to make a speculative profit by holding seasonally, those who co-operatively enter into such a project should do so with full knowledge of the speculative possibilities involved; and the whole marketing or credit co-operative membership should not be forced to absorb the loss resulting from an unprofitable speculative venture. Such a holding project should be undertaken by a separate co-operative organization or by a separate pool in which the members thoroughly understand the potential losses involved. If the co-operative or the pool is profitable, those who engage in it profit accordingly if the organization is separate; whereas if the venture is disastrously unprofitable, members who are not inclined to speculate will not have to bear the cost of the venture if the speculative holding transaction is separately organized.

Summarizing, all co-operative ventures that include a strong speculative element, that have not been tried thoroughly in other places and proved practical, that are new or radical, or that are designed to improve the whole status of the society on the panacea plan,—all such enterprises should be organized and financed separately from the ordinary marketing, supply, or credit society. The "integrated" or complex society is in especial danger from this type of venture because it is easy to finance such ventures from the common fund derived from the combined credit, private resources, and products of members. If a mistake is made in any of these ventures—and a mistake is almost certain to be made by men inexperienced in such matters—the whole co-operative movement is carried down to ruin in the whole area in which such a co-operative operates. The social loss involved in such a case is not only the destruction of co-operative spirit in the locality involved; for a considerable loss of capital also takes place that is borne principally by the most enlightened and most social-minded members of the community. The personal tragedy is very great when one of these radical bubbles bursts if the speculative venture is a part of an integrated society. For when the losses are finally settled, the assets of the society that are available are seized to pay lenders; the savings in the thrift accounts of members are confiscated, the balances due to members for products shipped to the association are lost, and the members may find themselves individually liable for large claims against the association held by those who have loaned money to it—all because of faulty organization.

Combined Producer-Consumer Co-operatives.—A fascinating objective of many co-operative leaders, especially those with limited experience in operation of co-operative enterprises, is the formation of combined producer-consumer co-operatives which shall handle all of the steps between the producer and the consumer without the use of other middlemen at all, the co-operative organization being jointly controlled by producers and consumers.

A good example is the "Milk Central" of Sweden, a federation of co-operative milk marketing associations which has entered into an agreement with the Stockholm Consumers' Co-operative Society by which the latter takes all its supplies from the Milk Central. The Milk Central controls about two-thirds of the Stockholm supply of milk, and the Consumers' Society handles about 20 percent of the milk sold by the Milk Central. By agreement the Consumers' Society refrains from opening further competitive shops. The provision for refraining from opening additional competitive shops on the part of either a consumers' or a producers' organization seems to be found necessary in European countries where strong producers' co-operatives and consumers' co-operatives handling the same product exist in the same area, in order to avoid unnecessary complications between the two agencies. The tendency is for producers' organizations to carry their marketing clear through to the consumer and for the consumers' organizations to carry their purchasing organization clear back to the producer. In some cases the consumers co-operatives actually operate certain types of plantations, as is the case with the British co-operative wholesale societies.

Another example of producer-consumer co-operative arrangement exists in the milk distribution in Minneapolis and St. Paul in the United States. The Franklin Co-operative Creamery, a joint worker and consumer co-operative, buys all of its milk from the Farmers' Co-operative Milk Producers' Association for that area.

Various other examples of this type of organization may be given in other parts of the world. A study of these examples brings out certain governing principles: (1) co-operative handling of a large volume of production or operating over considerable areas are never jointly controlled by producers and consumers in their details of operation. The producers control their organization exclusively up to the point where the product passes to the consumers' organization; thereafter control is exclusively by the consumers' organization for the entire distributive process. The producers' and the consumers' co-operatives come together in an agreement or in a third joint organization which the producers' and the consumers' co-operative groups jointly control. (2) Small organizations such as co-operative tailoring shops may successfully bring together both producers and consumers, but these do not generally develop on a large scale.

It may seem strange to the uninitiated that combined producer-consumer co-operatives are not more common than they are and that they are of only these two types. There are good reasons for these facts however, as will appear subsequently.

Opposed Interests of Producers and Consumers.—First it should be recognized that the interests of the producer and of the consumer of any given product or class of products are not the same (as is generally supposed) but instead are fundamentally opposed. The producer wants as high a price as possible for his product, to produce only those articles which he can produce most effectively in accordance with his plant and equipment, and to handle only the varieties of goods which he himself produces; whereas the consumer wants as low prices as possible for the product, a wide range of selection, and a wide range of articles handled, some of which may have to be obtained from other sources.

If the same co-operative organization has both types of members with these opposed interests, either one group or the other will obtain the ascendancy and the price consequently will be placed too high or too low and the goods handled or the method of doing business will be unsatisfactory to one group. The other group is then dissatisfied, or a stalemate is reached in which nothing can be done to improve conditions and in which neither group is satisfied.

On the other hand if the producers are thoroughly organized as co-operative producers with their own independent organization, if the consumers are also independently organized as consumers the two co-operative organizations can negotiate with each other on a basis of relative equality to the satisfaction of both parties; for if either side is dissatisfied it can withdraw from a given agreement and enter into such relations as it desires with a private or co-operative organization controlled by it. The producers' co-operative can sell its product to private distributors for example or it can open its own co-operative shop which will sell direct to unorganized consumers and carry any profits from the shop back to the producer. In like manner the consumers' organization is always free to purchase directly from farmers who are not members of the co-operative if the consumers' organization becomes dissatisfied with the agreement with the producers' co-operative or with the overhead joint federation.

This freedom of either a producers' or a consumers' co-operative to enter into alternative arrangements whenever either is dissatisfied enables both organizations to successfully work together on a basis of mutual compromise. In the co-operative field as in every other, it is generally found that any party (whether producer or consumer or some other agency) that obtains an undue amount of power in negotiation is likely to abuse that power, frequently perhaps without realizing that it is doing so. This combination of mutually independent producers' organizations and consumers' organizations in a joint agreement avoids this difficulty. Wherever attempts have been made by law to force producers and consumers to work in the same organization, it has been found that one party or the other invariably gains the ascendency with consequent injustice and dissatisfaction to the other.

Producers' Supplies are not Consumers' Demands.—Inexperienced co-operators frequently have a tendency to speak in glittering generalities of joint producer-consumer co-operatives producing and utilising each other's products. It is not generally realized that the commodities demanded by the consumers are not the same commodities that are produced by the producers nor does demand coincide with supply. Even in rural China where conditions are relatively simple, the consumer demands such articles as salt, kerosene, matches, tobacco, and other products which may not be produced in that community, whereas the farmers are likely to produce rice, or wheat, or some other specific commodity. While some of the products which are produced in the local community can be distributed co-operatively directly to consumers, it is generally found that the consumers who are members of the co-operative group cannot take but a small proportion of the crops produced by the co-operative producers of the same area, whereas the co-operative producers are able to supply only a very limited portion of the types of products required by the consumers. A joint organization of both producers and consumers is consequently likely to be unsatisfactory to both groups because it either fails to supply the products the consumers want, or it fails to provide a sufficient outlet for the products of the producers.

If urban groups with a still larger variety of wants are included in the system, the percentage of the products demanded by the consumers'

roups which can be supplied from neighbouring producers becomes till less. If the farmers have their own co-operative marketing association that can find outlets wherever they may exist, it may easily egotiate to supply the consumers' organization at the current wholesale rice; and in like manner the consumers' co-operative can purchase its equirements as cheaply as possible wherever it may, buying by preference the things which the producers' co-operative produces from that roducers' co-operative, whenever the price of the latter is no higher han the same commodities can be obtained for from other suppliers.

Supply and Demand at different periods.—Another difficulty in nost producer-consumer arrangements lies in the fact that the crop or roduct is produced within a limited season while it is consumed over a onsiderably longer period. Rice and wheat for example are harvested luring one or two months, whereas the consumer needs to have them over a period of a year. If the commodity is stored for a long period of time, who is to pay the costs of this storage, the interest on the money borrowed on the commodity, shrinkage, risk of loss, and deterioration due to rats or other vermin, fungus growth, and insect pests? Theoretically it might be possible to divide these costs in some way between the producers and consumers, but in practice this is found to be very difficult because individual consumers wish only a limited quantity of the product and wish it distributed throughout the year in small amounts for each person and do not wish to pay for it (and do not have the money in fact) until they are ready to consume it. Producers on the other hand need the money at harvest time, they produce in relatively large quantities for each producer, and they would not wish to take many risks merely in order to sell to co-operative consumers when they might sell the product to private organizations, wholesalers or retail shops, immediately for almost as large a price as they would receive from the consumers.

The producers' organizations cannot afford to carry the grain or other commodity produced for a long period of time unless the consumers pay enough for the commodity to compensate for the costs of carrying the commodity and the risks involved. The consumers on the other hand are interested in lower prices, not in higher prices. This difficulty in itself prevents many joint producer-consumer organizations.

A few commodities are both produced and consumed throughout the year, such as fresh milk. Here lies the reason why a number of joint producer-consumer arrangements have been established for the marketing of milk. The relative evenness of both production and consumption of fresh milk permits establishments of jointly controlled agencies; but even here the producers and the consumers need to be independently organized co-operatively as previously described. Joint producer-consumer co-operatives in most products have to meet all of the other difficulties previously mentioned and in addition this one of how to carry products from the time of harvest till the time of consumption.

Special Cases where interests of opposed classes may be harmonized.—A few special cases exist where it may be possible to bring the producers and the consumers into the same organization, such as in tailoring or garment making, where the producers' co-operative facilitates the entrance of consumer members into the organization in order to furnish a steady market for the product of the co-operative and perhaps also to supply a portion of the capital. In such a case the co-operative is likely to be operated in practice primarily for the benefit of the producer members, and only such concessions are made to consumers as is necessary to secure their whole-hearted support and patronage of the organization. Very few cases of this type of co-operation have ever been tried and this method can only be used where the advantage of a steady market and elimination of selling and selling costs enables the consumers either (1) to save a material proportion of the cost they would ordinarily pay, or (2) to obtain a better or more satisfactory product at the same price.

In China there is probably an unusual opportunity for producers and consumers of specific products that are bought in relatively large amounts at one time (such as garments, handicraft work) to come together in joint organizations because by so doing certain adulterations, deceits, and other abuses of private producers may be avoided with the result that a consumer may be willing to pay more for the product of the co-operative society than he ordinarily would be willing to pay because of his assurance of higher quality. In such case the consumer obtains the benefit of this higher quality and the producer gets the full benefit of the assurance which a co-operative form of organization provides.

Conclusions on Combined Producer-Consumer Co-operatives.—Experience seems to indicate that joint producer-consumer control of the same co-operative is practicable only in the case of certain handicrafts which the producer ordinarily buys in fairly expensive quantities at a time and in which workmanship and assurance of high quality is important. Even then such mixed co-operatives can be organized and maintained only with difficulty. Large scale joint organization containing both producers and consumers are found by the test of experience to be unworkable because of the conflict of interest within the co-operative between producer and consumer members. The same objectives can be obtained on a workable basis by organizing the producers into their own co-operative and the consumers into theirs, and arranging for negotiation between the two independent agencies for the transfer of such articles as it is mutually advantageous to buy and sell.

In view of the practical difficulties involved, Chinese co-operative leaders should not waste energy and funds attempting to develop joint organizations at this time (except where handicraft organizations make it feasible) ; but they should devote their attention to developing strong co-operative organizations of producers on the one hand and consumers on the other. When these are formed, co-operative arrangements can be easily and practically established between the two types of co-operatives.

CO-OPERATION AND AGRICULTURAL IMPROVEMENT IN BOMBAY

By

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Introduction.—"Co-operative Movement, as a living organism," says Mr. Rothfeld, " must shape itself largely according to the material with which it has to deal." Thus Co-operation, though it has almost the same ideal to express, must assume some-what varying forms according to the national character and the economic circumstances which are the material for its self-expression. Co-operation is primarily a method of doing business, and as such it changes with the form of material with which it has to deal. Even though the scope of co-operation is the entire field of economic exchange, the practical limit to the operation of the principles of co-operation is fixed from day-to-day by the intellectual and social attainments of the people who make use of it.

Side by side with supply of resources to agriculturists in cash through the medium of a society, as early as 1909 attempts were made in this province to organise societies doing business in grain. It was realised that the necessity for supply of grain to farmers was equally urgent. It is a matter of every day experience that an agriculturist is generous or careless at harvest time, precisely when the sowcar is neither generous nor careless. Unfortunately as grain lends itself so readily to wastage which no book-keeping can get over, as it can with cash, these small societies could not make headway and consequently their progress was both slow and halting.

With the passing of the Act of 1912 and the publication *Co-operation in Agriculture* by H. W. Wolff, it became possible to increase the activities of societies in new fields. In 1913 the storage of famine fund of grain was attempted. The organisation of dairies was undertaken. The directions, however, in which some real progress was made were seed-storage, manure-purchase, sale of agricultural necessaries and sale of jaggery. Owing, however, to the all pervading illiteracy in this country the societies for purchase of materials and disposal of produce presented more initial difficulties and required more capable men to run them. These societies, besides, require adequate funds and impose discipline on their members. Members must possess sufficient loyalty to the institution and bind themselves to exclusive dealings with it. In this province a beginning in the matter of supply of agricultural requi-

sites like implements, seeds and manure etc. was made through well-established agricultural credit societies. In areas, for instance, like Dharwar, Broach and Satara, where the agricultural credit societies had built up their business, it became possible to enlarge the scope of their activities. In addition to supply of credit, these societies undertook supply of improved seed, manure and implements.

Manure, Machinery, Implements and Seed Societies.—Soon after, separate societies for supply of manure, seeds and implements were organised. The progress of these societies was slow. It became soon evident that the organisation of agricultural non-credit business required a wider area. Small societies either for supply of manure, seed or implements with an area of one village afforded little chance of real success and showed no signs of increase. The total number of machinery and implement societies in this Province as at the end of the Co-operative year 1937 was 24, the total membership was 982 and sales to the extent of Rs. 3,896 were effected during the year. These societies earned profits to the extent of Rs. 2,983 and a commission of Rs. 519 was earned. Similarly, during the same year, the total number of manure societies was 15 having a membership of 748. These societies sold different manures such as oil-cakes, fish, bone-meal etc. of the aggregate value of Rs. 1,92,526.

Supply by Sale Societies.—This valuable work of supply of agricultural requisites was also undertaken by sale societies and the branches of the Bombay Provincial Co-operative Bank. Sale societies in particular have taken the lead in this question, and most of them are still doing very valuable work in this matter.

Divisional Boards of Agriculture and Co-operation.—The Bombay Government Press Note issued in 1921 regarding the constitution of six Divisional Boards for six parts of the Province with a view to bring about the co-ordination of the Agriculture and Co-operative Departments hastened propaganda work of the Agriculture Department through co-operative societies and their Unions. This established for the first time, at any rate officially, the fact that the co-operative societies are the best vehicles for the spread of agricultural improvements to the masses in the area. This close co-ordination of the two Departments was very helpful to the progress of non-credit co-operation. These Divisional Boards were in turn to be responsible to the Director of Agriculture and the Registrar of Co-operative Societies sitting together in a Joint Board for the Province. Each Board was to consist of two officials and four non-officials, two of whom represent the co-operative movement and two the representatives of agriculturists. The Divisional Boards have control over grants for loans and discretionary agricultural grants given either to the Director of Agriculture or the Registrar of Co-operative Societies. These, besides, were to work through Taluka Development Committees obtaining a subvention and trained fieldman from the Government.

Taluka Development Associations.—The Taluka Development Associations were constituted under a Resolution of the Government of Bombay in 1922 and they are bodies registered under the Co-operative Societies Act. This may be regarded as one of the most important measures in the history of the movement in the Province. These Associations took over the work formerly done in the Talukas by Agricultural Associations, Co-operative Development Committees and similar bodies. Membership of an Association was kept open to co-operative societies and individuals who were willing to pay a small subscription. The executive and the administrative body of the Association is its Managing Committee consisting normally of seven or more members, which is elected by the General Meeting of the Association.

The main object of the Association is the demonstration of improved implements, improved seed and manure. It is not expected to undertake any large purchase and hiring out of implements or the extensive financing of the purchase and distribution of seed and manure, the intention being that they should merely advance development to such a stage as would facilitate formation of special societies for these purposes. The importance of these Development Associations and their usefulness could be seen from the following remarks in the letter of the Joint Board under No. S-146 dated the 13th September 1935: "It is desirable to increase the number of Taluka Development Associations until there is one in each Taluka. These Taluka Development Associations are the only real agricultural nucleii and their multiplication and development gives us a framework for agricultural propaganda and for the canalization of agricultural information." These Associations have a comparatively larger area and thus offer greater scope for skilled management. They open depots at important centres in the taluka. The propaganda work done side by side with actual demonstration of improved seed and manures on the fields of agriculturists in the area has been found to be very successful. They have almost everywhere yielded beneficial results and led to the agricultural development. These Associations, besides, hold Agricultural Shows wherein stalls of improved seed and implements and charts beautifully illustrating the results of improved seed and manures are kept. These shows generally are arranged on the days of festivity in the villages when a congregation of villagers is easily available. Some

of these Associations have purchased premium bulls and given them to agriculturists to popularize the breeding of better type of cattle. These Associations thus provide a suitable machinery for the promotion of rural uplift. The total number of such Associations as on 30th June 1937 was 103 with a membership of 36,603 individuals and 635 societies. Experience, however, shows that what is needed now is a still further co-ordination between these Associations and credit societies. This need for closer co-ordination has led to the evolution of the credit societies with wider objects.

Agricultural requisites Supply Societies.—The old machinery and implements, seed, and manure societies have also undergone an evolution. These societies are now remodelled with a view to give sufficient scope for better management. These societies now undertake supply of all requisites required by agriculturists who are members of such societies. In this connection the Agricultural Societies in Ahmednagar District deserve special mention. The old Shevgaon Implement society is now re-modelled as 'The Shevgaon Newasa Agricultural Requisites Supply and Sale Society.' The constitution of the society is simple. It is of course an institution built on share capital with its liability limited to the unpaid value of shares. Individuals and societies are both allowed to become members. The area of operation is fairly wide as it comprises two talukas. Business is not confined merely to the supply of seed or supply of implements. It is to undertake supply of all agricultural requirements. The by-laws provide for opening of depots and appointment of local sub-committees for business. The most important step in advance taken by the society is the recognition of two classes of membership. The society provides for a nominal membership on payment of Re. 1 to its customers. This class of members cannot participate in the working of the society, but the by-laws are applicable to them also. The society is making steady progress. Another very good society in the same District is the Pathardi Mahal Implement Society. The following statistics indicate the progress achieved by the two societies:—

Particulars.	Shevgaon Newasa Agrl. Requisites Supply & Sale society.	Pathardi Mahal Implement Society.
Date of Registration	11—9—1924	6—3—1926
Number of members.— Individuals 80, Societies 15	95	Individuals 94
Ploughs owned	362	230
Depots	5	—
Persons who took advantage of the ploughs	1,500	—
Villages do. do.	150	—
Amount of rent received	Rs. 3,417	Rs. 2,657
Last rate of Dividend	6¼ p.c.	7½ p.c.
Share capital	„ 4,885	„ 2,160
Reserve Fund	„ 6,427	„ 5,783
Other Funds	„ 3,240	„ 1,380

Mention may here be made of the scheme for the organization of the sugarcane growers which is subsidized by the Government of India out of the Sugar Excise Fund. Under the scheme, 25 societies have been registered which at present supply improved varieties of cane-seeds to the growers. The scheme is still in its experimental stage and aims at securing better prices to the cultivators of sugar-cane through the organisation of the Sale Societies.

Crop protection and Fencing Societies.—It is a matter of common experience that ravages done by thieves, stray cattle, wild pigs and other animals to the crops are very great. The utility of societies to protect the agriculturists from such loss is considerable. These societies are mostly concentrated in Khandesh and Dharwar Districts in Karnatak. The number of Crop Protection societies as on 30th June 1937 was 20 with a membership of 5,943 and a total area of 94,771 acres within their schemes of protection. Fencing societies are akin to crop protection societies as their primary object is protection of crops from the ravages of wild pigs by means of wirefencing. The number of such societies is 15 with a membership of 1,522. The area protected by fence is 27,343 acres and the length of the fence is 80,794 yards.

Future Development.—It was for very good reasons that the Co-operative Movement in India started with simple credit societies. The material benefit that these societies conferred on their members are very considerable. They also impart practical education to their members in business management and co-operative effort. Opinion has,

however, crystallised round the fact that these societies have not yielded results proportionate to the efforts made, and that time has now come to broaden the basis of the primary unit. It is acknowledged that the business of the primary credit societies should be so enlarged as to enable them to cater to as many needs of their members as possible. This opinion is held by the Agricultural Credit Department of the Reserve Bank of India, and endorsed in the Joint Report submitted to the Government of Bombay by the Registrar and Mr. V. L. Mehta. The Government of Bombay also have accepted this recommendation and ordered that it should be implemented in an experimental way. The main objects of an agricultural credit society are to educate its members in the value and use of money and to dispense controlled credit to them. It was, however, found difficult to achieve these objects when credit was divorced from supply and sale.

Multi-Purpose Societies.—Multi-purpose societies are societies, which side by side with supply of credit to their members also undertake supply of requisites and sale of produce. The objects of multi-purpose societies are, therefore, kept wide so as to include supply and sale. They aim at providing short-term finance required by members for their normal cultivation needs. They are also intended to provide, to a limited extent, intermediate-term finance required by members. These societies would also make advances against their members' agricultural produce. The most important feature, however, is that in addition to the provision of credit the society aims at supplying such agricultural requisites to members as seed, manures, feeding stuffs etc., and also domestic and other requisites to members and at organising arrangements for sale of their produce. These societies are regarded as a further stage in the evolution of the agricultural credit societies. These societies, besides, are helpmates of ordinary credit societies wherever possible. The bylaws, therefore, provide that members of agricultural credit societies working in the area of operation of a multi-purpose society can take advantage of the service of the latter.

Joint-Farming Societies.—Another further step is the formation of Joint-Farming Societies. There is a consensus of opinion now that the formation of co-operative joint farming societies would go a long way not only in increasing the profits of agriculture but would also be helpful in reducing industrial unemployment. In Europe, and especially in Italy, these societies achieved remarkable success in these spheres and greatly eliminated the profiteering middlemen. The potentialities of joint-farming societies are very great and the Government of Bombay have expressed their willingness to give preference to joint-farming societies while disposing of available substantial blocks of waste-land suitable for cultivation. The main objects of these societies are:—

(1) To purchase or take on lease land for cultivation and allied purpose.

(2) To arrange for the joint purchase of requirements of members and joint processing and sale of farm produce.

(3) To arrange for expert advice and spread of agricultural education amongst members.

(4) And in short, to undertake all other activities calculated to promote the development of agriculture and self-help, thrift and co-operation among its members.

Conclusion.—The broadening of the basis of the primary unit and the formation of joint farming societies especially in areas where intensive development of co-operation has taken firm root, would, it is hoped, go a long way towards fulfilling the real objects of agricultural co-operation. The co-operative society would try to meet as many needs of its members as possible and thus be a living force in the agricultural economy of the country.

The Development Associations with their wider objects and their wider areas have undoubtedly been doing useful work in their spheres of propaganda and demonstration. The business of purchase and supply of agricultural requisites done by these institutions is only preliminary to the formation of separate bodies for that definite purpose. Thus side by side with these Development Associations, which are very valuable in preparing the ground for realising the benefits of improvements in the matter of seed, manure and implements, these two new forms would, it is expected, serve to bring about agricultural development and with it the general prosperity of the teeming millions in this country.

AGRARIAN LEGISLATION IN THE PUNJAB

BY

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" Princes and Lords may flourish or may fade ;
A word can mar them as a word hath made ;
But a bold peasantry, their country's pride ;
When once destroyed can never be supplied ".

—GOLDSMITH.

Introduction.—The Punjab Legislative Assembly has passed certain agrarian laws in its Summer Session held at Simla in June, and July, 1938 and in its Winter Session held at Lahore in November, 1938 and January, 1939.

The underlying central idea of all these bills is to improve the economic condition of the agriculturists. These bills are commonly known as " The Punjab Agrarian Bills." The agriculturists of the Province have hailed these bills as " The Golden Bills," and some of the non-agriculturists have styled them as " The Black Bills."

These enactments are as follows : — (1) The Punjab Registration of Money-lenders Act, 1938 (Punjab Act III of 1938) ; (2) The Punjab Restitution of Mortgaged Lands Act, 1938 (Punjab Act IV of 1938) ; (3) The Punjab Alienation of Land (Second Amendment Bill), (Bill No. 9 of 1938); (4) The Punjab Alienation of Land (Third Amendment) Act, 1938. (Punjab Act V of 1938); (5) The Punjab Alienation of Land (Fourth Amendment) Bill (Bill No. 24 of 1938). A dispassionate critical examination of the main provisions of each enactment separately will help in understanding the true significance of this new and important legislation.

I will first take up " The Punjab Registration of Money-lenders' Act," as it is of general interest. In respect of its agricultural indebtedness, the Punjab occupies a position of distinction—of course, not enviable—among the Indian Provinces. Owing to the agricultural prosperity of the Punjab, its countryside has provided for the money-lender a peculiarly tempting and profitable field of activity in the past 60 or 70 years. It has been calculated that, with a population of less than one-tenth of the total population of British India, the Punjab—practically speaking, the peasantry of this Province—supports about one-fifth of the total number of money-lenders and their dependents. Capital has flowed more readily into the village money-lender's trade than into any other trade or industry and, generally speaking, a combination of covetousness and ultra-shrewdness on the part of the lender and ignorance and improvidence on the part of the borrower has helped the rapid growth of agricultural indebtedness. The present estimates of the total agricultural debt in the Province vary from Rs. 100 crores to Rs. 200 crores and even a conservative estimate represents a higher figure per head of the population and per acre of agricultural land than in any other Province.

Attempts have often been made to control and regularise the business of money-lending in this Province by legislation, and "The Punjab Registration of Money-lenders' Act" is an important step in this direction.

THE PUNJAB REGISTRATION OF MONEY-LENDERS ACT

Received the assent of His Excellency the Governor on the 31st August, 1938.

Definitions.—In order to give a clear idea of the act, it appears necessary to quote the definition of some important terms used in this enactment.

Interest.—'Interest' includes the return to be made over and above what was actually lent, whether the same is charged or sought to be recovered specifically by way of interest or otherwise.

Loan.—'Loan' means an advance, whether secured or unsecured, of money or in kind, at interest and shall include any transaction which the court finds to be in substance a loan, but it shall not include—

(i) an advance in kind made by a landlord to his tenant for the purposes of husbandry ; provided the market value of the return does not exceed the market value of the advance as estimated at the time of the advance ;

(ii) a deposit of money or other property in a Government Post Office Bank, or any other Bank, or with a company, or with a co-operative society or with any employer as security from his employees ;

(iii) a loan to, or by, or a deposit with any society or association registered under the Societies Registration Act, 1860, or under any other enactment ;

(iv) a loan advanced by or to the Central or any Provincial Government or by or to any local body under the authority of the Central or any Provincial Government ;

(v) a loan advanced by a Bank, a co-operative society or a company whose

accounts are subject to audit by a certificated auditor under the Indian Companies Act, 1913 ;

(vi) a loan advanced by a trader to a trader, in the regular course of business, in accordance with trade usage ;

(vii) an advance made on the basis of a negotiable instrument as defined in the Negotiable Instruments Act, 1881, other than a promissory note.

It is apparent from the above that advances, even though yielding interest, made by one trader to another in the regular course of business and in accordance with trade usage and advances by or to the Central or Provincial Government or a local body or a bank, co-operative society, public company or registered society are excluded from the provisions of this Act. So are advances made by a landlord to his tenant for purposes of husbandry, provided they do not carry interest.

Money-lender.—'Money lender' means a person, or a firm carrying on the business of advancing loans as defined in this Act, and shall include the legal representatives and the successors-in-interest whether by inheritance, assignment or otherwise, of such person or firm; provided that nothing in this definition shall apply to—

(a) a person who is the legal representative or is by inheritance the successor-in-interest of the estate of a deceased money-lender together with all his rights and liabilities ; provided that such person only—

(i) winds up the estate of such money-lender ;

(ii) realises outstanding loans ;

(iii) does not renew any existing loan, nor advances any fresh loan ;

(b) a bona fide assignment by a money-lender of a single loan to any one other than the wife or husband of such assignor, as the case may be, or any person, who is descended from a common grandfather of the assignor.

If a money-lender dies leaving outstanding loans due to him, it is not necessary for his son or legal heir to obtain a license merely for the purpose of realising those loans, if he does not wish to set himself up as a professional money-lender.

Trader.—'Trader' means a person who in the regular course of business, buys and sells goods or other property, whether movable or immoveable, and shall include—

A wholesale or a retail merchant, a commission agent, a broker, a manufacturer, a contractor and a factory owner, but shall not include a person who sells only his own agricultural produce or cattle, or buys agricultural produce or cattle for his own use.

Suits and applications.—The Act provides that if any money-lender wants to institute a suit for the recovery of a loan or to apply for the execution of a decree relating to a loan, he must be registered and licensed. If he is not registered and licensed, his suit or application will be dismissed. Therefore it is clear that the central provision of this Act is that, except in certain special circumstances, a money-lender, whether belonging to a statutory agricultural or a non-agricultural class, who is not registered as a money-lender and does not hold a valid license, will receive no help from the law courts in recovering a loan bearing interest. If he cannot prove that he is a registered money lender and holds a license, his suit for the recovery of a loan or his application for the execution of a decree shall be dismissed.

It may be noted that both the conditions—registration and licensing—are necessary in order to successfully institute a suit. Registration in itself is not enough. The holding of a valid license, in addition to registration, is also essential. An obvious effect of this main provision will be that the so-called "casual" money-lender who does money-lending as an occasional or subsidiary business, will either have to obtain a regular license or cease the trade.

Registration of money-lenders.—If any person wants to carry on the business of money-lending as a regular profession, it is necessary for him to apply for registration of his name to the collector of the district. It is obligatory on the Collector to register his name on payment of a fee of Rs. 5. The Collector has no authority to refuse to register the name.

Licensing of Money-lenders.—Every money-lender may apply to the Collector for a licence. The Collector must grant the license. The license will be for a definite period, generally one year, and in a particular form and on certain specified conditions. License fee will also be charged, the amount of which will be prescribed by the Government. The license will be renewable. If a money-lender who has fulfilled these conditions only avoids committing certain offences, he will continue to receive from the law courts the same assistance as at present in recovering his loan. The new Act will not affect his business in any way.

This is a point which should be carefully noted by the money-lenders as well as the general public. It is only when a money-lender commits certain acts or is guilty of certain omissions after the commencement of this Act that a penalty is to be imposed on him, the penalty being the cancellation of his license.

Reasons for cancelling the License.—Section 6 of the Act specifies the grounds for the cancellation of a license. It is very important and may be quoted here:

"A licence may be cancelled by the Collector and shall not be renewed for such period as may be specified by him, if after the commencement of this Act, a money-lender commits an act or is guilty of an omission with reference to which he

(i) has been held by a Court to have contravened the provisions of section 3 of the Punjab Regulation of Accounts Act, in more than two suits;

(ii) has had his suit dismissed, in whole or in part, under section 37 of the Punjab Relief of Indebtedness Act;

(iii) has had his suit dismissed with a finding that he has made dishonestly or fraudulently, a material alteration in any document relating to a loan;

(iv) has had his suit dismissed with a finding that it is fraudulent;

(v) has been found by a Court to have charged higher rates of interest than those prescribed under section 5 of the Punjab Relief of Indebtedness Act in more than one suit;

(vi) has been found guilty by a Court of forgery or cheating in respect of a money transaction:

Provided that the Collector shall not cancel a licence until the prescribed period of appeal, revision or review, as the case may be, has expired; or in case of appeal, revision or review the appeal, revision or review has been finally decided."

According to this Section there are six grounds for which the licence may be cancelled. (1) The first is that the money-lender may have been guilty of the act of commission or omission under the provisions of Section 3 of the Punjab Regulation of Accounts Act, in more than two suits. Section 3 provides that it is necessary for a creditor to

(a) regularly record and maintain an account of each debtor separately, of all transactions relating to any loan advanced to that debtor in the manner prescribed by the Government;

(b) furnish each debtor every six months on 30th June and 31st December within two months from these dates, a statement of account of any balance or amount that may be outstanding against such debtor. This statement should show the principal and interest separately.

It is not obligatory on the person to whom the statement of account is sent to acknowledge or deny its correctness and his failure to protest shall not, by itself be deemed to be an omission of correctness of the account.

Two important points may be mentioned here. Before the license can be called under clause (i), the money-lender must be held guilty by a competent Court after regular trial. The guilt must have been proved in more than two suits. This means that the license cannot be cancelled even though the money-lender may have committed the guilt for less than three times. It is essential that to take action against him, he must have been found guilty in more than two suits.

(2) The second reason for the cancellation of the license of a money lender is that his suit must have been dismissed, in whole or in

part, under section 37 of the Punjab Relief of Indebtedness Act. Section 37 states that

"where, in a suit for the recovery of a loan, the Court is satisfied that entry relating to the loan has been made in any document showing the amount of the sum advanced to be in excess of that actually advanced plus legitimate expenses incurred, the Court may, at its discretion, disallow the whole or any part of the sum claimed by the plaintiff."

The provision is meant to check the serious danger of a tendency on the part of the creditors to enter in their account books evidencing loans larger amounts than those actually advanced.

If a court finds that a money-lender has committed the highly reprehensible offence of fictitiously showing in respect of any suit in any document the sum of loan to be higher than he actually advanced, it may cancel the license.

(3) The third reason for the cancellation of the license arises when the money-lender is held guilty in a suit of material alteration in any document relating to a loan with a dishonest or a fraudulent purpose.

(4) The fourth reason is the dismissal of the suit with a finding that it is fraudulent.

(5) The fifth ground is the charging of higher rates of interest than those prescribed under section 5 of the Punjab Relief of Indebtedness Act in more than one suit. Section 5 fixes the amount of interest which may be charged on loans. According to it "the Court shall deem interest to be excessive, if on secured loans it exceeds 12 per cent per annum simple interest, or 9 per cent per annum compound interest with annual rests, and if on unsecured loans it exceeds 18¾ per cent per annum simple interest or 14 per cent per annum compound interest with annual rests."

(6) The last is when the money lender is found guilty of forgery or cheating in respect of a money transaction. The license may be cancelled in such a case.

When a finding such as is mentioned above is given by a law-court against a money-lender, a collector may, on his own initiative or on the application of an interested party, take proceedings to cancel his license. Notice in prescribed form of such proceedings must be given to the money-lender before an order can be passed for the cancellation of his license.

The money-lender will, however, in all cases continue to carry on his business and his license will not be cancelled until the prescribed period

of appeal, review or revision has expired. This provision amply safeguards the legitimate interests of the money-lenders and gives them full opportunity to take advantage of the facilities provided by the law.

It will be observed that the license can only be cancelled, if a money-lender persistently defaults in furnishing statements of accounts to his clients or is found by a court of law to be guilty of certain grave offences. It will be noticed that in the case of certain offences no liability will be incurred by the money-lender for a first default, and in some cases even for a second lapse. Moreover, no penalty can be imposed unless there is a definite judicial pronouncement to the effect that one or more of the offences enumerated above have been committed. It has not been left to the Collector to judge whether a money-lender has or has not been guilty of those sins which render his license liable to cancellation. The findings of the law-courts are needed before the Collector can take action.

The Act has no retrospective effect. It does not punish a money-lender retrospectively for past sins of commission and omission, but only for prospective ones and, in the case of certain sins, not until they have been repeated at least twice or in certain cases, thrice.

Effect of Cancellation of License.—When the license of a money-lender is cancelled, his name will be struck off the register maintained at the office of the Collector for the registration of money lenders. The net effect of the cancellation of a money-lender's license will be that if, during the period for which it has been cancelled, he files a suit for the recovery of a loan or applies for the execution of a decree, the suit or the application shall be dismissed. Any suit or application that may be pending in a court on the date of the cancellation of the license will, however, not be effected.

It is conceivable that the money-lender may actually lose nothing at all through the cancellation of his license. He may only have to wait until the period of cancellation has expired, when he can obtain a fresh license and file suits for the recovery of outstanding loans or apply for the execution of outstanding decrees. The cancellation of his license may thus only mean some delay in his programme of litigation.

It is, however, also conceivable that some or all of his outstanding loans may become time-barred during the period for which he has been "non-suited," that is, rendered incapable of suing successfully owing to the cancellation of his license.

The Act has a safeguard against this contingency. It provides that a money-lender whose license has been cancelled may apply to the Commissioner to grant him a special certificate. The Commissioner may grant to the money-lender such a certificate specifying the loans in respect of which a suit may be instituted by him or the decrees in respect of which an application for execution may be presented. Thus the certified loans will not be affected by the cancellation of the money-lender's license.

Re-granting of License.—After the expiry of the term of the cancellation of license, the money-lender may again apply to the Collector for the registration of his name and for the grant of a license. The Collector is bound to accede to his request and to register his name and grant the license. He cannot reject the application of the money-lender, but can impose conditions prescribed by the Government for the license.

Appeal.—An appeal from the Order of the Collector cancelling the license of a money-lender lies to the Commissioner within 30 days from the date of the order appealed against. The Collector and the Commissioner can review their own orders within 30 days from the date of the order.

Exemption.—The Government has the authority under this Act to exempt any person or class of persons from the operation of this Act or from any of its provisions.

Effect.—The object of this Act is to control and regularise the business of money-lending. The main provisions of the Act relate to the compulsory registration and licensing of all money-lenders. There is nothing novel or harsh in this measure. Similar legislation is in force in other civilised countries and in some provinces and states in India also. There does not appear to be any justification for the money-lenders to object to get themselves registered, or to take out a license when similar formalities are prescribed in case of several other professions and vocations. The Act simply seeks to regularise the business of money-lending and should be welcomed by honest money-lenders. If it has the effect of weeding out the dishonest money-lenders no one need shed tears over it. It is these black sheep who have sullied the good name and reputation of the profession. The atmosphere of suspicion, mistrust and hostility created by the unscrupulous manipulations and malpractices resorted to by the dishonest money-lender, must be cleared in the interest both of the profession and the province. "I am confident," remarked the Premier, "that once the black sheep are eliminated, the money-lenders as a class will regain their former position and prestige, and again command the esteem of their follow citizens as an important factor in the rural economy of the province and as respected and useful members of the village society."

THE PUNJAB RESTITUTION OF MORTGAGED LANDS ACT, 1938

Received the assent of His Excellency the Governor on the 1st September, 1938.

Object.—The Act provides for the restitution of lands on which a mortgage subsists, which was effected prior to 8th June, 1901. According to the Statement of Objects and Reasons

"a number of mortgages of land made by members of agricultural tribes before the 8th June, 1901, i.e., the date on which the Punjab Alienation of Land Act, 1900, came into force, are still in existence, in spite of the fact that the mortgage money has been realised many times over from the profits of the land. The Bill is intended to make provision for the termination of such mortgages, on payment of reasonable compensation, where necessary and for the restitution of the possession of the land mortgaged."

Land.—The definition of 'land' under this Act is extensive and important. According to section 3, 'Land' means land which is not occupied as the site of any building in a town or village and is occupied or let for agricultural purposes or for purposes subservient to agriculture or for pasture, and includes:—

(a) the sites of buildings and other structures on such land;

(b) a share in the profits of an estate or holding;

(c) any dues or any fixed percentage of the land revenue payable by an inferior land-owner to a superior land-owner;

(d) a right to receive rent;

(e) any right to water enjoyed by the owner or occupier of land as such;

(f) any right of occupancy; and

(g) all trees standing on such land.

Petition for Restitution.—A mortgagor to whose land this Act applies may at any time present a petition to the collector praying for the restitution of the land mortgaged. If the Collector is satisfied that the mortgagee has enjoyed benefits equal to twice the amount of the principal sum originally advanced under the mortgage he shall order the extinguishing of the mortgage and put the mortgagor in possession of the land.

Compensation.—If, however, the mortgagee has not derived benefit equal to twice the amount advanced he will be paid compensation at the rate not exceeding the following scale:—

(i) thirty times the land revenue assessed if the mortgagee has been in possession for a period exceeding thirty years but not exceeding forty years;

(ii) fifteen times the land revenue if the possession exceeds forty years but not fifty years ;

(iii) five times the land revenue in case of possession for period exceeding fifty years ;

When this compensation is paid, the mortgagor will be given back the possession of his land.

Appeal.—An appeal lies from the order of the Collector to the Commissioner within 60 days, and from the Commissioner to the Financial Commissioner within 90 days from the date of the order.

Jurisdiction of Civil Courts barred.—The jurisdiction of Civil Courts has been barred under this Act and they are not authorised to entertain any claim, to endorse any right under a mortgage declared extinguished under this Act, or to the question of validity of any proceedings under this Act.

Baseless Objections.—This Act has been described by its opponents as an expropriatory measure, a class measure and a measure to benefit the rich agriculturists. But a careful study of its provisions clearly shows that all these objections are baseless. That it cannot reasonably be termed as an expropriatory measure is obvious from the fact that the object of the Act is to restore land to the real owner, not take it away from him. The restitution, moreover, is subject to the important condition that the mortgagee should receive adequate compensation before the mortgaged land is restored to its real owner. Further, the compensation provided in the Act is substantial. The mortgagee must either have received benefits to the extent of at least twice the original sum at charge, or failing this, must be paid a sum varying from 5 to 30 times the land revenue, according to the period for which the land has been in possession of the mortgagee, before it can be restored to the owner.

The objection that this Act is a class measure has no legs to stand upon. The result of the Government inquiries has brought to light that roughly as many agriculturists lose by the Act as the non-agriculturists. It has been ascertained that the total number of mortgages executed before 1901 and still subsisting i.e., mortgages which come within the purview of the Act, is for the whole of the Province 166,864. The number of mortgagors is 306,738. The number of mortgagees who will be affected by this Act is 319,355. Of these 147,735 or 46.3 per cent are agriculturists and the remaining 53.7 per cent are non-agriculturists.

The Bill Benefits all Agriculturists.—Another objection has repeatedly been raised that this Act is meant to benefit only the rich agriculturists. This objection requires no elaborate arguments to refute it. It will suffice to quote just a few figures in this connection. The Punjab is predominantly a province of small peasant proprietors. There are about 36 lakhs of land owners in the Punjab. Of these there are only 13, who pay more than Rs. 10,000 in land revenue; 775 pay Rs. 1,000 or more each and 1,825 pay between Rs. 500 and Rs. 1,000. Thus the total number of land-owners who pay more than Rs. 500 in land revenue is only 2,613 or one in every 1,400. The income of an agriculturist who pays Rs. 1,000 land revenue, after deducting this amount, is no more than Rs. 3,000 per annum. And if we divide it by 5, which according to the last census is the average size of a family in the Punjab, the income per head would amount to only Rs. 600 per annum or Rs. 50 per mensem. On the same basis, the income of an agriculturist who pays Rs. 500 in land revenue, when spread over the family, is no more than Rs. 25 per month per head. Can a person whose average income is Rs. 25 a month be reasonably described as a rich man. But if for the sake of argument it may be accepted that those who pay Rs. 500 as land revenue are rich men, even then the contention that this measure is meant to benefit only the more affluent agriculturists holds no water. As already stated, the number of such agriculturists is only 2613 in a total of 36 lakhs land owners. These facts make it abundantly clear that this objection has no substance whatever and is meant merely to mislead the ignorant mass.

In the words of the Premier "*the raison d'être* of this Act is that it seeks to restore land to those people who are landless, who are dying of hunger, who have got no other means of livelihood. This Act seeks to restore to them their own property from which other people have benefited, not for one decade but for several decades. There is not likely to be single instance of a mortgage where less than 800 per cent interest in addition to the capital has been earned by the mortgagees. There would be a large majority of cases where 800 per cent must have been earned by the mortgagees."

This measure is expected to provide facilities for 306,738 mortgagors to redeem 756,131 acres of mortgaged lands.

THE PUNJAB ALIENATION OF LAND ACT, 1900

The Punjab Alienation of Land Act came into force from the 8th June, 1901.

A brief description of the origin, history and salient features of this Act will serve as a useful background for a complete realisation of the aims and objects of the new amendments made to it.

The Punjab is essentially an agricultural country one half of which is owned and tilled by peasant land-owners. There are a few large proprietors in most districts but in the whole province the number who pay more than Rs. 500 land revenue is only 2,613. The majority of owner's holdings in the plains are less than ten acres, in the hills they are mostly under three acres. The bulk of the population of the Punjab consists of land-owners and their dependents, and their prosperity and contentment must always be the chief solicitude of Government The one serious economic danger to the land-holders in the Punjab was the transfer of their land by sale and mortgage to those whose outlook on life prevent them from cultivating it with their own hand. The Hon'ble Mr. Rivaz, while introducing the Punjab Alienation of Land Bill, said that "the enquiries made by Mr. Thorburn in 1895, showed that in one out of the four circles, with which he dealt, the amount of the cultivated area which had been purchased or was held in usufructuary mortgage by money-lenders was as much as 28 per cent, while in another circle it was 20 per cent. These facts speak for themselves."

Objects.—According to the statement of Objects and Reasons of the Punjab Alienation of Land Bill, the aim of this measure was to place restriction on the transfer of agricultural land in the Punjab with a view to checking its alienation from the agricultural to the non-agricultural classes.

In the words of Lord Curzon the object of the Land Alienation Act is "to give relief to the despondent, debt-ridden, expropriated and impoverished land-holding classes of the Province."

Scope of the Act.—The general policy of the Land Alienation Act is to forbid temporary alienations of land of members of an agricultural tribe to persons not being members of the same tribe or a tribe in the same grasp, by way of farm or usufructuary mortgage for a period of more than 20 years. The Act applies to the rights of occupancy tenants, as well as to those of land-owners. It classifies alienation as "permanent" and "temporary." The former includes sales, exchanges, gifts and latter mortgages and leases.

Usufructuary and collateral mortgages.—The mortgages are broadly divided into usufructuary and collateral mortgages. In the former the mortgagee takes possession of the mortgaged land (for a fixed period not exceeding 20 years) enjoying the rents and paying the land revenue, the difference between the rent and the revenue being regarded as equivalent to the interest on the mortgage debt. In a collateral mortgage, the mortgagor retains possession of the land so long as he pays interest and instalments of principal according to the mortgage-deed. If he makes default, the mortgagee can claim to be put in possession.

Restrictions on sales.—There are no restrictions on the purchase of land but only on its sale. The sale by a member of an agricultural tribe to anyone not belonging to such a tribe in the same district requires the sanction of the Deputy Commissioner. In the Punjab the peasant of to-day regards the Land Alienation Act as the Magna Charta of his freedom. "The main object of the Act," remarks Mr. Darling in his *Punjab Peasant,* "was to prevent the small peasant proprietor, being expropriated by the village money-lender, in whose hands he was then as wax; and on the whole it has succeeded so well that he regards it as the charter of his rights."

Spirit of the Act.—The real object of the Land Alienation Act was not only to see that the agricultural classes or proprietory classes were not expropriated out of their land and livelihood, but there was something bigger and further in their views when the Act was mooted and eventually passed. If those classes, who have got no other livelihood except their land, are exploited and if they are expropriated of their land, time might come when those people, who are full of energy and martial spirit, would not only be a danger to the peace of the province, but a real menace to those very classes who tried to exploit them. That reason holds good to-day. Therefore it is absolutely necessary that the Government should see that the Act, in its spirit and letter, is not flouted by dishonest and fraudulent people.

THE PUNJAB ALIENATION OF LAND (FIRST AMENDMENT) ACT.

The first amendment to the Punjab Alienation of Land Act, after the introduction of Provincial Autonomy, was passed in April, 1938. This prohibits agricultural land being put to destructive use by a mortgagee or lessee without the consent of the owner, so that the value of the land for purposes of agriculture may not be destroyed or permanently injured. It also removes ambiguity regarding the period for which temporary alienation of land belonging to a statutory agriculturist judgment debtor can be ordered by a civil court. For this purpose it provides that, when there are more orders than one from a court directing the temporary alienation of land of an agriculturist, the total period of alienation under these orders shall not exceed a maximum period of 20 years.

Land Barons not Swallowing small Proprietors.—It is persistently alleged in certain quarters that, as a result of the working of the Punjab Alienation of Land Act, big landlords are buying up small landholders. It is, however, easy to see that the allegation, despite its persistency, has no foundation in fact.

It was in 1927 that the Government asked the Board of Economic Inquiry, Punjab, to collect data relevant to this question. The Board examined sales of land by members of notified agricultural tribes to one another during a period of five years (1922-23 to 1926-27). The inquiry elicited a mass of facts and figures, which were published in 1931. It was found that in the five years under review members of notified agricultural tribes had sold to one another some 841,317 acres of land in all. The inquiry showed that small peasants (who retained 100 acres of land or less after the sales) sold to the big land-lords (paying Rs. 500 or more as land revenue) a negligible quantity of land. Such sales covered only 19,405, acres, that is 2·3 per cent of the total amount of land which changed hands among members of agricultural tribes during the period under review.

In other words, of the total amount of land purchased by members of agricultural tribes from one another, only 2·3 per cent was purchased by the " monster fishes " from the " smaller fry." The remaining 97·7 per cent represented purchases either by one big landlord from another or by the small landholders from the big as well as from one another. The inquiry further demonstrated that if all those paying Rs. 100 or more as land revenue were to be considered as big landlords, the purchases made by all of them from the small landholders would still amount to no more than 6·9 per cent of the total area sold during the period under review. The remaining 93·1 per cent of the total was purchased mainly by people who paid less than Rs. 100 as land revenue from members of their own class or from big landlords.

Again, the Punjab Government asked the Board to conduct another and more detailed inquiry into sales of land in three districts—**Jhang, Muzaffargarh and Dera Ghazi Khan.** The second inquiry related to the period of three years 1931-32 to 1933-34. A big landlord was defined as one who owned before sale or purchase 300 acres or more. It was ascertained that 85 per cent of total area sold by the agriculturists to one another representated sales by small landholders to other small landholders. Another 6 per cent of the same total was sold by big landlords to the big landlords. Only the remaining 9 were sold by big landlords to small landlords, or vice versa. A further analysis of the last mentioned transactions showed that small landholders had sold to the big ones 2,151 acres, but had purchased from them only 1,043 acres. The Board, therefore, came to the conclusion that " so far as figures for this period go, there seems to be little foundation in fact for the suggestion that large land-owners, belonging to the notified agricultural tribes, are buying out the smaller owners of such tribes to any appreciable degree; indeed, the figures seem to imply that the majority of transactions are between owners of the same class, i.e. small owners sell to small owners and large to large."

THE PUNJAB ALIENATION OF LAND (SECOND AMENDMENT) BILL, BENAMI TRANSACTIONS.

Objects.—According to the Statement of Objects and Reasons, the main purpose of this legislation is " to prevent fraudulant transactions and to secure that a benami transfer intended to evade the provision of the Punjab Alienation of Land Act can be reversed in all cases."

The new Section 13-A (1) reads as follows:—

> " 13-A (1). When a sale, exchange, gift, will, mortgage, lease or form purports to be made either before or after the commencement of the Punjab Alienation of Land (Second Amendment) Act, 1938 by a member of an agricultural tribe to a member of the same agricultural tribe or of a tribe in the same group, but the effect of the transaction is to pass the beneficial interest to a person who is not a member of the same tribe or of a tribe in the same group, the transaction shall be void for all purposes, and the alienor shall be entitled to possession of the land so alienated, not withstanding the fact that he may have himself intended to evade the provisions of this Act.
>
> *Explanation*:—Any alienation made in consequence of a transaction rendered void by this sub-section shall also be deemed void for all purposes."

According to the Alienation Act, an agriculturist cannot alienate his land to a non-agriculturist. But an agriculturist may be prepared to accommodate a non-agriculturist by purchasing the land himself and passing on its benefits to the non-agriculturist. This is in violation of the provisions of that Act. This clause is meant to prevent this mischief. The underlying idea of this law is to nullify certain sales and mortgages of land which were effected in contravention of the intention of the Punjab Alienation of Land Act of 1900. In the words of the Premier " this measure is intended to make the dishonest people honest and to save the millions of poor and distressed peasants who till now have been crying in wilderness."

It is believed on the basis of official enquiries, that in most cases the land acquired by a non-agriculturist through the agency of an agriculturist dummy has not been subject to subsequent transfers. The reasons for this are not far to seek. The non-agriculturist, in most cases a money-lender, has prized his acquisition so much that he has been loth to part with it. Agricultural land might never come in his way again. He might not be able to find another trustworthy dummy of benamidar. For these or other reasons he did not care to pass the land to others.

Amount of Benami transactions not known.—It is not known how much land has been transferred under Benami transactions. According to the enquiries which have been made by the Government in some selected areas, it was found that in one tahsil alone benami mortgages and sales for about Rs. 13 lakhs had taken place. On the basis of enquiry in this tahsil and other areas it is calculated that benami transactions which have taken place so far in the Punjab involve a sum of several crores and that the number of such transactions runs to thousands, possibly tens of thousands. The Government employed Benami Tahsildars to find out these transactions. They have during four months, unearthed not less than 6,699 cases. It was mentioned in the Select Committee by the Chairman that according to his information the benami transactions in one tahsil alone amounted to nearly Rs. 13 lakhs.

Deputy Commissioner given power to eject unauthorized persons.—As all benami transfers of land have been declared to be void for all purposes and the alienor is authorised to take possession of the land so alienated, the Deputy Commissioner has been given power to eject any person in occupation of the land under such transfer and place the alienor in possession. This he can do either of his own motion or on the application of the alienor. But before taking action, he has to satisfy himself after making such enquiries as may be prescribed from the parties concerned, and recording evidence that the alienation is void. If he is satisfied that the transaction is void he has no option but to eject the unauthorized person from the land and give its possession to the alienor. He has to record in writing his reasons in the ejectment order.

Compensation.—It has been provided that in certain specified cases compensation may be paid to the person ejected from the land. Where a person, who is to be ejected, is a bonafide transferee for consideration before the 20th June, 1938 and is in occupation of such land, the Deputy Commissioner may pay him compensation for improvements effected by him while in occupation. But no compensation can be paid to the original transferee. The amount of compensation shall be determined by the Deputy Commissioner on such principles as may be prescribed; but this amount cannot in any case exceed in value the consideration for the original transaction. The alienor shall have to deposit this amount for payment to the persons so ejected, in such manner as may be prescribed.

It is evident that compensation is to be paid only in cases in which the land having first been transferred to a Benamidar has been subsequently transferred by him to some other bona-fide purchaser. The provision follows the principle that the Benamidar and the moneylender standing behind him, who know the real nature of the transaction, are entitled to no compensation what-so-ever, but that subsequent purchasers of the land who have purchased it in good faith without knowing the nature of the first transfer and have made improvements in it, are entitled to compensation for the improvements. In the case of land which having first been transferred to a Benamidar has subsequently

passed through the hands of one purchaser after another, the last man in possession will alone be entitled to benefit from the provision regarding compensation, each of the intermediaries having already compensated himself by selling the land to the next man. No compensation will, however, be allowed in cases in which the last transfer takes place after 20th June, 1938.

Deputy Commissioners to decide questions of Tribe.—One object of this law is that certain defects which had arisen as to the interference of the civil courts in the decision regarding the castes of the people who were affected by the Alienation Act may be removed. It was considered that this matter was to be decided by the Deputy Commissioner in his capacity as revenue officer and the Financial Commissioner also considered that it was only the Deputy Commissioner who had to decide this question. But it so happened that in certain cases people went to the civil courts and the civil courts decided that they were not bound by the decision of the Deputy Commissioner in this matter. These matters were taken up to the High Court in review and revision and the decision of the Judges of the High Court was that the civil courts had the right to decide this question on their own motion. As there was a conflict of opinion in this matter, the Government had to consider whether it was right to allow the civil courts to decide this question or whether to finally set at rest doubts that had been raised by the judgment of the High Court and finally fix the Deputy Commissioner as the authority who was to decide this question. As a result this provision has been made in the bill.

Jurisdiction of Civil Courts.—If a question or doubt should arise as to whether a person is or is not a member of a notified agricultural tribe within the meaning of the Alienation Act, who will decide it? Hitherto the civil courts have exercised the right of finally deciding such a question. It is not uncommon that the decisions of civil courts in the matter of a grant of declaration of status to an individual in any particular tribe are inconsistent with the findings of the Deputy Commissioner, thus creating embarrassing situations. It is now proposed in the present Bill that it will be within the exclusive jurisdiction of the Deputy Commissioner to decide such questions subject to the appellate authority of the Commissioner and the Financial Commissioner. The Deputy Commissioner, however, cannot reopen the decision of civil courts in a suit instituted before June 15, 1938.

As stated by the Director of Information Bureau "Thousands—perhaps tens of thousands—of peasant families in the Punjab, which alienated their lands in favour of Benamidars during the past 37 years will be able to get them back in certain cases after paying some compensation and in others without paying it."

THE PUNJAB ALIENATION OF LAND (THIRD AMENDMENT) ACT.

This Act received the assent of His Excellency the Governor on 13th September, 1938.

As previously stated, according to the Punjab Alienation of Land Act 1900, the land of an agriculturist cannot be purchased by a non-agriculturist except under special exceptional circumstances. The present Act imposes a restriction on money-lenders belonging to agricultural tribes. It lays down that, when an agriculturist has advanced a loan to another agriculturist, the debtor shall not alienate his land in favour of the creditor until the debt has been repaid and three years have elapsed after the repayment. It places the agriculturist money-lenders for the purposes of the Punjab Alienation of Land Act in the same position as non-agriculturist money-lenders and checks them from permanently alienating the land of the agricultural debtors.

There is a further restriction which stops *benami* transactions. This restriction provides that if it is ascertained that an alienation of land has been made by a debtor to a person other than his creditor the effect of which is to pass the beneficial interest to such creditor in evasion of the provisions of this measure, such alienation shall be void.

The scope of the provision is further extended by including in the terms "creditor" and "debtor" their husbands or wives, as the case may be, and all persons (including their husbands and wives) who are descended from the grand-father of such creditor or debtor. This enactment is considered necessary in order to prevent the agriculturist money-lenders from taking undue advantage of the Alienation of Land Act or depriving his debtor of his agricultural land.

In other words, the agriculturist who does money-lending now ceases to enjoy the special privilege of being a member of an agricultural tribe for purposes of acquiring the lands of his agriculturist debtor until the debt has been repaid and for a subsequent period of three years.

THE PUNJAB ALIENATION OF LAND (FOURTH AMENDMENT) BILL

This Bill seeks to remove certain technical flaws in the Third Amendment to the Act. It delegates the power for the ejectment of the alienee to the Collector and provides an appeal against the order of the Collector to the Commissioner within 30 days from the date of the order appealed against.

These measures should be welcomed by the non-agricultural classes in their own wider interest as they will help in avoiding that clash which may be much more dangerous to the interests of money-lending classes who have got wealth. Simple beneficent measures of this kind are much better than allowing the poor and hungry agriculturists to cause bloodshed and be a source of constant danger to the money-lending classes.

This agrarian legislation affords genuine relief to the poor and downtrodden agriculturists of the province and will conduce to their prosperity and happiness.

THE PUNJAB AGRICULTURAL PRODUCE MARKETS BILL

The Punjab Agricultural Produce Markets Bill was passed by the Assembly towards the end of January, 1939. This measure is intended to protect the growers of agricultural commodities, who bring their produce for sale in the markets, from various malpractices on the part shopkeepers and brokers. As it is a very important measure of far reaching consequences, and has great potentialities for the development of marketing activities on co-operative lines, it is proposed to discuss it in a separate article later on.

THE WORKING OF DEBT RELIEF LEGISLATION IN THE UNITED PROVINCES

By

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Legislation for debt relief has been the first step in economic planning in agriculture after the world-wide economic depression. Agriculture in India is a national industry and when those engaged in it were threatened with ruin, a remedy had to be promptly found and adopted. The prices of agricultural produce fell heavily since 1929. The total agricultural indebtedness in India was calculated at Rs. 900 crores by the Central Banking Committee in 1930, but in view of the heavy fall in agricultural prices since then, the size of the burden is now probably twice as large.[1] The cultivators were hit very hard, their assets seriously declined while the weight of their obligations in rent, revenue and interest increased considerably. Once in debt, the high rates of interest kept the agriculturists perpetually in chains. Usury and compound interest completed their ruin. No wonder Governments throughout the country had to seek hasty remedies for a desperate situation and, in every province, we had a crop of debt relief legislation—all running more or less on parallel lines.

Debt Legislation in the U. P.—The debt legislation in the United Provinces, so far, consisted of five main civil debt relief Acts. They can be classified under two broad heads, *viz.* :—

(A) Those which were temporary, *e.g.* :—
- (*i*) The Encumbered Estates Act,
- (*ii*) The Regulation of Sales Act, and
- (*iii*) The Temporary Regulation of Execution Act.

(B) Those which are permanent, *e.g.* :—
- (*i*) The Usurious Loans Amendment Act, and
- (*ii*) The Agriculturists' Relief Act.

It would be manifestly impossible to state here, in detail, the specific provisions of each of the laws mentioned above. Briefly speaking, the main objects of debt legislation were to reduce the interest on decreed

1. Reserve Bank Report, Agricultural Credit Department, 1936, p. 8.

and undecreed loans, to grant easy instalments, to save debtors from the dishonest methods of fraudulent creditors, to scale down the principal and interest of existing debts to a level which the debtors could hope to pay, to allow liquidation of the liabilities of landholders, to give them the benefit of the pre-slump values of landed properties, to limit usufructuary mortgages and to make all legal processes easy and inexpensive. In addition to all these, the U. P. Government have just (April 1939) introduced two new bills—one to control money-lending and the other to provide for debt relief of agriculturists and workmen. These bills have yet to be passed into law. The first bill provides for the registration and licensing of all professional money-lenders (except Scheduled Banks and Co-operative Societies). Their licenses are liable to cancellation on the ground of fraud and for other breaches of the provisions of this law. Only duly licensed money-lenders will have the right of suit for the recovery of debts. The second bill applies to all loans incurred before January 1, 1938. Under the bill, a creditor will be compelled to sue within one year and, on default, the debt will be deemed to have been discharged. The debt will be reduced by application of low rates of interest (5 percent simple in case of secured and 8 percent simple on unsecured debts). The bill also provides for the law of *Damdupat.*

The Effects of Debt Legislation.—In analysing the effects of debt legislation, it is necessary to make one thing clear. We have no desire to question the necessity of such legislation. Indeed, the supreme necessity of some adequate relief was conceded in all quarters and it is practically admitted by everybody. At the same time, as economists, it is our duty to analyse its effects dispassionately without taking sides in the question.

The first and foremost effect is that it has considerably dried up the most important source of credit at present available to the agriculturists. The cultivators are now suffering from a serious lack of credit. Devoid of other assets, what can the cultivators do if they find that their credit has considerably evaporated as a result of the recent debt legislation? It is a pure question of supply and demand. Economic laws laugh at legislatures and they cannot be cheated of their natural sequence. Two plus two will always make four. They will not make five inspite of any law or statute passed by any Government. The Debt Legislations have restricted credit considerably without providing any alternative which could fill the vacuum. Simultaneously with debt legislation, a policy of extreme caution was pursued towards fresh organisation of co-operative societies with the result that the gap between the supply of credit and the demand for it lengthened and the real cost of credit increased. The Debt Conciliation Boards have, to a very great extent, rendered the position of the money-lenders extremely difficult. The new legislation that is even now being planned will probably eliminate the money-lenders as a class. And yet the money-lender discharges a very important function in the rural economy of the country. Even after 35 years of co-operative credit in the country, the money-lender is an indispensable factor in our rural finance. No part of India can yet wholly do without him. If he has his sins, he has his virtues as well. We need not reiterate what the Banking Committee or the Agricultural Commission have said about him. He is the only agency which can provide the bulk of the finance needed by the agriculturists. In the U.P. out of the total rural finance needed 33·4 p.c. is supplied by the professional money-lenders while co-operative societies supply only 5·3 p.c. and Government (Takavi) supplies only 2 p.c.[2] The balance is supplied by the agricultural money-lenders themselves. As the money-lenders now restrict their loans, the agriculturists will find themselves in a desperate position. You can wipe off their debts or drastically reduce them. You can force down their rates of interest. You can laugh at the sanctity of their contracts and even make a bonfire of their documents. You can deny them the benefits of law courts and put them in quarantine as economic lepers, whom it is undesirable either to touch or to tolerate. But no law, no government and no authority can force them to lend if they do not want to do it.

The Position in the United Provinces.—Even before debt legislation was *actually* passed and in anticipation of it, there was a serious restriction in the volume of rural credit in the U.P. The Board of Revenue in the United Provinces in their annual report for 1933-34 pointed out that there had been a definite contraction of rural credit due to the not unnatural hesitation of money-lenders in making fresh advances to Zemindars and tenants already indebted on the uncertain security of landed property in view of the impending debt legislation and the stoppage of sales in execution of civil court decrees.

In 1934-35 the Debt Relief Acts and the rules made thereunder came into force, but it was virtually towards the end of 1935 that the complete debt relief machinery was put into operation. The Regulation of Sales Act entailed a revaluation of lands sought to be sold in execution of decrees on the basis of the pre-slump profits. The Board in their report for 1934-35 again referred to the restriction of rural credit during the year. The decline in the revenue from General Stamps, the falling off in the receipts of the Registration Department, the insistent public demand for the rapid organisation of new co-operative societies and land-mortgage banks—all these corroborated the restriction in rural credit

2. U.P. Banking Committee, p. 105.

s a result of debt legislation. The relief given in respect of the burden f agricultural debt was certainly considerable. By its debt legislation, he Government made the people feel that the " Government was not ll police and land revenue " but it was something better and more than ll that. But, at the same time, the restriction of agricultural credit also ould not be denied.

In 1935-36, the Temporary Regulation of Execution Act and the Regulation of Sales Act were extended while the period for filing applications under the Encumbered Estates Act was also extended in some cases. In the case of the Usurious Loans Act, it is difficult to collect figures to illustrate its specific effects, but it is undeniable that it has afforded considerable relief—both direct and indirect—to debtors of all classes. Its provisions have often been applied to claims even before the plaints were filed with a consequent reduction of litigation. Relief under this Act has often been given in *ex parte* cases also, and it has clearly checked usury. There were about 15,500 applications under this Act pending disposal in 1936-37. Of all the debt relief acts, the greatest use has been made of the Agriculturists' Relief Act. There were 41,314 cases for disposal in 1936-37 involving debts of Rs. 2·23 crores. The average amount of debt per case was Rs. 537. The vast majority of cases (25,024 in 1936-37) were for the grant of instalments or for the reduction of interest on decrees. Suits for account and applications for redemption of mortgages were few ; applications for deposit of part payment in court were still fewer and those for the ejectment of mortgagees were almost negligible. The reduction of interest on decrees and the grant of instalments have, without doubt, given great relief to rural debtors. The instalments have been granted, but it is now necessary to watch how far the instalments are actually paid in time.

Little use was made of the Temporary Regulation of Execution Act which was designed for petty agriculturists. There were only 1396 cases in 1936-37 involving a sum of Rs. 4·28 lakhs. The average amount of debt per case was Rs. 305 only. The Act was not popular as it involved the immediate payment of one-fourth the decretal amount by the debtors. The Regulation of Sales Act—which was an ancillary measure to the Agriculturists Relief Act and the Encumbered Estates Act—was extensively used. There were about 33,000 cases in 1935-36 and 20,543 cases in 1936-37 involving a sum of Rs. 8·17 and Rs. 4·47 crores respectively. The average amount of debt per case worked out at Rs. 2180 in 1936-37. This Act has saved a large number of debtors from the loss of much of their property and it gave considerable relief in the individual cases of decreed debts to which it applied. The Act has proved particularly beneficial to small proprietors and it has saved them from the loss that would have been caused by the fall in the market value of the property.

At the same time, it has restricted the free transfer of land. It has restrained the free circulation of property—which is against public policy—and it has prevented such lands from passing into the hands of those who could make better use of it. To that extent, it has caused agricultural deterioration and loss of agricultural efficiency. Due to its comparatively simple and expeditious procedure it was regarded with less resentment by the creditors than the other debt relief measures.

Under the Encumbered Estates Act there were over 22,000 applications in 1935-36 and 34,000 applications in 1936-37 involving admitted debts of Rs. 16 crores and Rs. 25·5 crores respectively. The average debt per application was Rs. 7,500. Reviewing the effects of all these debts relief measures, the Board of Revenue in their report for 1935-36 pointed out that the contraction of rural credit had not been made good, in contrast to the increasing expansion of the capital invested in commercial enterprise. The Debt Acts have, no doubt, achieved their primary object of relieving the debtors, but their remote effects are far more serious as there has been a real contraction of rural credit. The creditors are now extremely reluctant to lend further sums on the security of land, credit has been rudely shaken and money-lenders have lost faith in the sanctity of contracts or even of court decrees. They are now deeply apprehensive that any day the Legislature might wash out their debts completely.

Has the money-lender any alternative ?—It is sometimes argued that these money-lenders are bound to continue to lend as before because they must invest their money somewhere. They cannot keep it idle and as the agriculturists constitute their biggest clientele they cannot afford to wash out their transactions altogether. This view of the problem is hardly consistent with the realities of the situation. The money which they had so long been investing in agricultural finance brought them a certain income. But the drastic way in which their loans (principal and interest) are being wiped off or reduced, and the methods of forcible conciliation to which they have been compelled to yield have left no illusions for them now. They know exactly where they stand. They will no longer find it profitable or possible to continue their business. There is nothing to prevent them from diverting their capital to alternative means of investment. The process will take time—it may take a full generation. But the trends—no mistake—have already begun and as years pass, the effects of such trends will be clearly felt. People forget the realities of the situation. Firstly, the new constitution has empowered all the Provincial Governments to borrow money in the open market on their own account and already most of them have made use of this new facility. A generation ago, it was only the Government of India which borrowed. To-day, almost every Provincial Government has started borrowing large sums in the money market. Secondly, the growth of democracy has considerably expanded the orbit of government. Every Provincial Government is now attempting to expand its activities along so many lines that public expenditure is increasing enormously day by day. Governments have to meet it by increased taxation on the one hand and increased borrowing on the other. Already, the limits of taxation are being reached rapidly in almost every province and after that limit is reached, Governments will be compelled to borrow much more than they used to do before. Most Governments are now pursuing an active policy of industrial and hydro-electric power development for which they will have to come again and again into the money market. Thirdly, a first class European war is now only a question of time. If and when it comes Governments will be forced to borrow enormous sums in the money-market. That will be just the opportunity for the money-lenders who will then flood their resources on the money-market. They will invest their money in government paper which will provide them with a safe and easy income which will not be subject to forcible conciliation and drastic reduction. There will be no bad debts, no litigation, no conciliation, no expenses of account keeping and no establishment charges. All these will amply compensate them for the low rate of interest in government paper. Fourthly, India herself is on the way to a rapid industrial development and money-lenders who may not be tempted by the low yield of government paper will find ample opportunities in industrial investment for the employment of their idle capital. Lastly, a large part of their capital may be turned into consumption capital and while it might appreciably raise the standard of living of a limited class of people, give increased employment and create increased demand for various kinds of commodities. But it would, at the same time, reduce the total quantum of capital in the country, which may not be entirely in the best interest of the people.

Discriminatory Legislation.—The Debt Relief Acts are definitely class legislation.—discriminating particularly against one class in the community viz: the monied class. Not only have they seriously threatened the sanctity of contracts, they have also shaken to the foundations the whole fabric of rural credit and finance in the country. This type of legislation against property rights is new in India but it will create a dangerous precedent which will have serious consequences for the country in the future. The suspension of decrees and executions, the scaling down of debts, the reduction of rates of interest, the forcible conciliation of claims granted now will create extremely difficult claims for the future. What is more serious, these claims will be pressed not merely from the agricultural classes, but also from other classes in the country as well.

Demoralisation.—The lines on which debt relief has been or is being planned in the different parts of India are not only destroying the credit of the agriculturist but they are also demoralising them considerably. Grand-motherly legislation of this type generally fails to achieve its object in the long run and it brings about a crop of new problems and new difficulties which are sometimes worse than the problem originally sought to be cured. The debtor is now taught to look up to the State to rescue him out of an impossible situation. We do not deny that his position had become desperate through causes over which he had little control and that some relief was eminently needed for him. But, at the same time, it cannot be denied that compulsory reduction of debt and interest leaves far-reaching and demoralising effects on the debtors which is bad for them in the long run. The real position has to be faced. Even after conciliation, when a large part of the debt is scaled down, most of the debtors are unable to pay, and the creditor is forced to wait for repayment by instalments over a long series of years. The debtors' ability to repay must be increased. His ignorance and illiteracy have to be removed. His purchasing power must be augmented. His rent or revenue demands have to be moderated. His marketing facilities are to be improved. His finance must be cheapened through an adequate development of co-operative societies. Possibilities of finding a supplementary income for him through cottage industries have to be expanded. His unproductive habits and social expenditure have to be curtailed. His scattered and uneconomic holdings must be consolidated and the chances of further sub-division have to be prevented. His farming has to be improved and his habits of litigation, gambling and drinking must be changed. There must be a rapid development of co-operative societies and land-mortgage banks, which will provide cheap and competitive finance. Unless these well-planned ameliorative measures are adopted simultaneously with the forcible reduction of debts, it will not carry the agriculturists far enough. We can free him from his load of debt by forcible conciliation to-day but—in the absence of a real change of habit and heart, in the absence of other remedial measures he will come back again to-morrow with the halter of debt round his neck. The relief we give him to-day would be temporary and short-lived. His everlasting habit and character will remain and they will bring him back into his old groove and his old position sooner or later. What are we to do then? Conciliate again?

Nature of Conciliation.—The term "conciliation" is a misnomer. The procedure is generally so compulsory on the creditor that it really becomes forcible conciliation. Forcible conciliation—like armed peace—is really a contradiction in terms. It would have been far better if other ways of improving the economic position of the agriculturist had been adopted. Debts have been forcibly wiped out without any regard to the sanctity of contracts. Rates of interest have been fixed without any regard to the risks involved or the security offered in each case or the size of the loan granted. Small loans involve greater trouble and expense in collection and book-keeping than large loans. In some cases of debt conciliation, the genuine creditors have badly suffered because of the fictitious creditors entered in the list. These bogus creditors are in the confidence of the debtors. They do not really receive any payment but they only give bogus receipts. This operates very unfairly against the bonafide creditors. No wonder, credit contracts and capital recedes into safe covers. Mr. Strickland has described conciliation as surgery. The case might call for surgery but let us be sure—before the surgeon's knife is plunged—that the diagnosis is correct, that the surgeon is competent and that the patient is in a fit condition to stand it. As Mr. Strickland[3] points out—"creditors will not give credit in future unless they are assured of repayment. Even a single surgical operation causes a shock to the system and there is much evidence to show that conciliation has impaired the credit of the agriculturist...... conciliation is not a sovereign remedy for all persons; some are past helping."

Debt conciliation has further meant the forcible and compulsory reduction of the creditor's assets without any provision for paying off his adjusted claims—as scaled down—at once. He has to wait even then—it may extend to 20 years—for instalments. This is not only unfair! It is equally unwise. The sacrifices are all on his side. There are no reciprocal benefits to come in his way at all. It would be foolish to imagine that the problem of rural indebtedness has been or can be solved by the Debt Relief legislation. It has not been solved and never will be by such one-sided legislation. A mere reduction in the rate of interest or a forcible scaling down of the debt will not solve the problem of agricultural indebtedness in the long run. Economic laws cannot be cheated. Usury laughs at laws and even after the Debt Acts have been passed, there are indications that creditors in some places are evading the law by entering larger amounts in the pro-note or bond than what is actually lent. The 25 to 30 p.c. of the amount of which they deduct in advance is kept as compensation in case of doubtful security or bad debts or compulsory conciliation. As the Board of Revenue in U.P. point out[4] it is difficult to see how such a practice can be prevented. The practice is illegal under the Agriculturists Relief Act also, but the prohibition appears to have been ineffective. Further, conciliation has

3. C. F. Strickland—The Relief of Agricultural Debt, p. 15-16.
4. Vide U.P. Gazette, Jan. 28, 1939, Part VIII, p. 57.

sanctioned dangerous expectations. It will slowly bring about dangerous repercussions in the end. "Popular clamour for a specious remedy"—as Strickland points out[5]—drowned all protests but the reaction will come. It may take time but—make no mistake—it will come. When it comes, it will create a dangerous situation. As Sir Malcolm Darling pointed out in his Presidential Address at the 21st U.P. Co-operative Conference[6] held at Lucknow in January 1937—"these debt relief measures may be justified by the urgency of the crisis through which we are passing but they leave untouched the fundamental question—How is the improvident Indian cultivator—once cleared of debt—to be prevented from getting into debt again?"

Further, a large part of the agricultural finance is provided by the agriculturists themselves. In the U.P. 53·6 p.c.[7] of the total finance is provided by landlords and tenants themselves. Thus, roughly, to the extent of over 50 p.c. the agricultural industry auto-finances itself. The debt legislation—so far as it affects the agriculturist creditor—is not an unmixed gain, because every injury done to him will diffuse and spread itself over a large circle of agriculturists all over the country. A large amount of heat generated by debt legislation was due to the misconception that the creditors who finance the agriculturists are a class by themselves—independent of and apart from the agriculturists. This may be true to a large extent but it is not wholly true. We cannot afford to ignore the realities of the position.

Effects on Development of Banking.—Debt legislation has brought in a large measure of State interference with the working of credit machinery in the country. Joint stock banks ought to be exempted from the operation of the debt acts—especially the Encumbered Estates Act. This Act is so extensive in its scope, that persons who were not really agriculturists but who happened to possess a small fraction of zemindari land have taken full advantage of it. A number of banks in different parts of the country are in very great difficulties, because a large part of their money is locked up on account of applications made under the Encumbered Estates Act. This has led to disastrous results for the growth of ordinary banking in the country. In some of the debt relief acts, the maximum rate of interest has been fixed at a figure which is lower than the rate at which joint stock banks lend on first mortgages. No distinction has been drawn between good and bad securities, on which ultimately the rate of interest should depend. There is no justification

5. Strickland—The Relief of Agricultural Debt, p. 21.
6. Report, 21st U.P. Co-operative Conference, 1937, p. 27.
7. Report U.P. Banking Committee, p. 105.

for classing recognised banks with ordinary creditors. Such banks should be exempted from the Debt Acts. The losses which these banks suffer will lead to still greater contraction of credit for the agriculturists themselves. No wonder, the Reserve Bank of India has recently issued a mild warning about the serious consequences of recent trends in debt legislation in the different provinces of India. The diversity of policy in different provinces is creating a lack of symmetry in the economic life of India as a whole. In the interest of economic unity of India, as a whole, it would be desirable for the provinces to follow one uniform policy in debt legislation. As the Reserve Bank points out—"In some provinces, the dealings of joint-stock banks with agriculturist debtors have been subjected to the same conditions as those of ordinary village money-lenders. A few have gone further and extended the measure to *all* the transactions of joint-stock banks. Nor has any distinction been made between scheduled banks and non-scheduled banks. The restrictions imposed differ from province to province. This is clearly unsatisfactory. The activities of scheduled banks and joint-stock banks should not be subjected to restrictions primarily devised for the ordinary money-lenders." "Such restrictions will have the effect of frightening them away from taking any part in agricultural finance—a field in which they already find it precarious to venture".[8] The Reserve Bank further points out—"many banks who have had dealings with agriculturists in the past are now anxious to call in their loans as soon as possible and restrict fresh business. Provisions like payment of debt by instalments, stay of execution of decrees, etc., have frozen part of the assets of some banks—specially in Bihar and the U.P.—and such banks are finding embarrassment in meeting their obligations. Such restrictions may seriously handicap the development of sound banking in the country .... It will have the inevitable effect of restricting rural credit. Joint-stock banks, subject to all-India legislation, should be encouraged to deal with agriculturists" and thereby fill the gap which will follow the control and restriction on money-lenders through debt legislation.

Effects on the Co-operative Movement.—The outstanding effect of the debt legislation on the Co-operative Movement is the call for fresh organisations. In U.P., the Co-operative Department has followed the recommendations of the Oakden Committee too literally. A policy of extreme caution has been followed and it has continued far too long. The Department discouraged the formation of new societies for a long time. The difficulties of the Co-operative Movement, the problem of heavy overdues, the heavy fall in agricultural prices, the problem of frozen asset—all brought about a policy of excessive caution and hesi-

8. Reserve Bank Circular to all Provincial Governments, 1939.

tation so far as new organisations are concerned. The last Conference of Registrars at Delhi gave the same ruling against fresh organisations on a large scale at the present time. This has seriously affected the growth and development of the movement in the province. Due to the economic depression and want of fresh organisations, the idle balances of the banks increased and their profits dwindled. Most of the banks were hit hard and they failed to distribute any dividend at all. Fresh organisation has now become very necessary, if the movement is to be rescued out of the stagnation and decay. The movement must now expand on the credit as well as on the non-credit sides. Consolidation has gone pretty far and it is time that steps should be taken to expand the movement. The formation of land-mortgage societies has now become a matter of vital importance to the agriculturists of the province. Without a bold and constructive plan of organising new credit societies and land-mortgage banks, how can one provide the agriculturists with finance which has ceased to flow freely from the age-long channels to which they were accustomed? The Provincial Committee and the General Body of the U.P. Co-operative Union have both repeatedly asked for fresh organisation and expansion on the credit as well as on the non-credit sides. The Department now frankly admits that "with the contraction of rural credit due to recent debt legislation, the scope for organisation of co-operative credit has considerably expanded. A new opportunity has presented itself for a big drive.... Debt legislation has contracted rural credit ...... and co-operation will have to step in to fill the void".[9] The 18th Session of the U.P. Co-operative Conference also resolved that in view of the debt legislation, which would lead to the contraction of credit, early steps should be taken to organise fresh credit and land-mortgage societies.

The goal is clear: the ground is ready. The necessity is great and time passes. The Co-operative Movement in the U.P. is lucky to have men at the helm who have never spared themselves—men who have both courage and vision. We are confident that with pilots like them, we will successfully weather the storm and bring our priceless cargo safe to port.

9. Annual Report on the Working of Co-operative Societies in U.P. 1936-37 pp. 2 and 17.

DEBT CONCILIATION IN CENTRAL PROVINCES & BERAR A CRITICAL VIEW

BY

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While dealing with this subject of Debt Conciliation in our Province, the first two questions that strike us foremost are (i) whether such an enactment of so drastic a character, which does away with the sanctity of legal contract, was absolutely necessary; (2) how far the object behind this legislation was actually achieved by this enactment. The answers to these two questions will undoubtedly cover the discussion of the whole working of the Debt Conciliation Act together with its effects on the agriculturists and indirectly on the Co-operative Movement.

The answer to the first question depends on the answer to yet another question: whether the burden of rural debt has assumed such an alarming proportion as to necessitate the Government to embark on a legislation which can be described as nothing short of revolution in the business circle. The latter question arises, because, in the objects and reasons of the bill to enact the above Act, the Government has stated that the main object behind this legislation is to free the agriculturists from the burden of debt with the consequent amelioration of their economic condition. Had this object of the powers of the Act been bonafide, no one would have any quarrel with this piece of legislation; for India, being mainly an agricultural country, whatever be in the interests of the agriculturists is in the interest of the whole nation; and the right of the Government to intervene by enacting the above legislation in the interests of the agriculturists cannot at all be denied. But one begins to question the bonafides of the powers of the Act, when one sees the text of the Bill with all its amendments and its actual working in the Province.

Here it will not be out of place to give in brief the history of this legislation. This Bill was passed into an Act in 1933 and accordingly the Debt Conciliation Boards were established in 1934. These Boards were established not simultaneously in all districts and taluqs, but piecemeal. But now they have covered the area of the whole of the Province except some 8 to 10 taluqs. If one reads the text of the Act together with all its amendments, one thing that irresistibly strikes the legal mind is the defective framing of the Act, mainly its wording which is capable of so much unlimited interpretation that there is hardly any issue of our High

Court's reported cases which does not contain any ruling on one section or other of this Act. In fact the case law has altogether changed the spirit of the Text law. However, this fact has been mentioned here to show that this Act has in no way brought about the saving of litigation; which in fact has increased contrary to the expectations of those responsible for the bringing in of this Act. Here a passing remark is necessary that the bulk of the rulings of the High Court has been in the interest of the creditors and that too for reasons legally coherent.

That this Debt Conciliation legislation aims at ameliorating the economic condition of the agriculturists has nowhere been correctly and unequivocally defined, with the result that non-agriculturists or semi-agriculturists have been benefited more than the pure agriculturists by this Act. An example will make this point clear. Under section 2, sub-section (f), the word 'debtor' has been defined as " a person who earns his livelihood mainly by agriculture and who is an occupancy or absolute occupancy tenant or raiyat or raiyat malik or malik magbuza or proprietor whose debt exceeds Rs. 150."

The above description of the word 'debtor' has given rise to a regular flood of applications from persons who in fact earn their livelihood by non-agricultural means like business, but who nevertheless pose themselves to be agriculturists because they happen to possess or manoeuvre to get one acre of land in the area where the Debt Conciliation Board is operating. This will be made abundantly clear by the fact that the maximum limit of the debt, whose settlement is within the jurisdiction of the Debt Conciliation Board, had been first fixed at Rs. 25,000 and then increased to Rs. 50,000 and last year it was for a brief period still raised to Rs. 1,00,000 for certain areas, but owing to the pressure from Congress High Command the figure was again reduced to the former level of Rs. 50,000. Similarly, the minimum limit for the application to be entertained by the Debt Conciliation Board has been fixed at Rs. 150 and in a few areas this limit has been reduced to Rs. 50. Now as regards these maximum limits can it not be reasonably asked whether a genuine agriculturist whose only means of subsistence is agriculture, can, by any stretch of imagination, be expected to be indebted to anything more than Rs. 3,000? If the maximum limit has, as can be seen from the Act itself, been fixed at Rs. 50,000—which was for some time raised to Rs. 1,00,000 —it clearly means that the Act wanted to give relief not so much to genuine agriculturists but to those whose means of living was not principally agriculture. Such debts as stand above the reasonable maximum of Rs. 3,000 cannot be supposed to constitute rural indebtedness. They are more urban than rural and the object of the legislation is frustrated.

It is rather surprising to note that no attempt has been made on the part of the Government to ascertain the debt owed by genuine agri-

culturists in the province. Had this been made, this debt would have been found to be quite an insignificant proportion to the figure of the total debt set out in the Government Report.

The genuine rural debt could not, in our view, reach such an alarming figure as to necessitate the Government to embark upon such a legislation. Even assuming that rural indebtedness had already assumed an alarming aspect, the reason is not far to seek. For the last 8 to 9 years, the Province has been witnessing continuous failure of crop every year; but land revenue being the main source of income of the Government and with the cost of expenditure remaining the same, the Government has been very slow in granting necessary suspension and remissions; nor did it hesitate to recover land revenue by coercive processes, with the result that the poor agriculturists had to resort to borrowing. Now this Debt Conciliation Act aims to penalise the poor money-lenders, who came to the help of the agriculturists in times of need. So, assuming that the rural indebtedness has assumed an alarming aspect, it is in fact the creation of the Government's policy of being inactive in giving necessary relief to the cultivators.

As for the necessity of the Debt Conciliation Act, it should be examined in the light of the other Acts enacted for giving relief to the indebted. In our Province, there have been so many Acts passed with innumerable amendments thereto that a regular book has been published on 'Debt Legislation'. The various Acts are (i) The C. P. & Berar Money lenders' Act (ii) The C. P. & Berar Usurious Loans Act (iii) The C. P. & Berar Reduction of Interest Act (iv) The Debtors' Protection Act (v) The C. P. Adjustment and Liquidation of Industrial Workers' Debt Act. Each of these above Acts has amendments more than one. All these Acts aim at giving relief to the indebted agriculturists in addition to what the Civil Procedure Code has given. The various kinds of relief offered by the above Acts may be summarised: (i) Facilities for repayments of the decretal amounts by small instalments (ii) Postponement of executions for periods specified by Government (iii) Disallowance of Double Interest (iv) Reduction of Interest (v) Re-opening of accounts by Debtors for the last 12 years (vi) Compulsory submission of accounts by creditors periodically to the debtor (vii) The principle of Damdupat made applicable.

The above Acts are within the domain of civil courts and they were being granted to every debtor on application by him. With these reliefs granted by civil courts it is impossible to conceive of any additional relief to be granted by the Debt Conciliation Act, except perhaps to bring about a complete ruin of the creditor class. Hence the conclusion irresistibly follows that the Debt Conciliation Act was neither necessary nor desirable for the two reasons that the volume of rural debt in the strict sense of the term did never assume an alarming aspect, and secondly there were acts which had already given considerable relief to the debtor class.

Now, coming to the merits of the Act, one who has witnessed the actual working of the Debt Conciliation Boards would never fail to see that the word 'compulsion' would be a better substitute for 'Conciliation.' For instead of amicable settlement, there is compulsory settlement of debts on the terms dictated by the debtors but enforced by the Chairman of the Debt Conciliation Board. The import of the word 'compulsion' may become clear on reading Section 15 of the Debt Conciliation Act, which empowers the Board to grant a debtor certificate, which, if produced in civil court when the creditor files a suit on failure of settlement of debt, the debtor is exempted from paying the cost of the suit to the creditor and the creditor has to wait for payment till the instalments of all the settled creditors (in some cases they are bogus) are paid, which means waiting for 20 years. Now this certificate under Section 15 is granted when the creditor refuses to agree to the reasonable demand of the debtor. It is curious to know that what is reasonable demand is to be decided by the Board, which in 99 per cent of the cases decided on the principle that whatever demand was made by the debtor was reasonable.

Again, the spirit of compulsion prevalent in the working of the Board can be seen from the fact that once the Board has come to know that the creditor is not likely to come to terms as offered by the debtor, he is harassed and humiliated in such a way that he has perforce to come to terms. There are so many penalty clauses in the Act that even a slight mistake in procedure on the part of the creditor means discharge of his debts. But the crowning absurdity of the Act is that there is no provision for any revision or appeal against the order of the Debt Conciliation Board. The Board has jurisdiction over cases involving an amount of Rs. 50,000 and the order of the Board, whose Chairman is an officer of the Provincial Service, is final. This is not only absurd but high handed and entirely prejudicial to the interest of the creditors, in fact against all principles of equity and fairplay.

In the cases of conciliated debts, payments are by way of instalments which extend from 20 to 30 years. In the Act it is stated that it can be recovered as arrears of land revenue. But the whole procedure is so cumbrous that it takes a very long time for the creditor to recover an instalment and over and above this, the expenses of the recovery many times exceed the amount of the instalment.

We may proceed to examine the effects of this Act on agriculturists and on the co-operative movement. If one looks at the surface of the whole matter, a cursory glance would show that the effects of this legislation have been salutory. But if we go a little deep into the matter and examine the question critically in all its aspects, it will not take long for us to be convinced of the baneful effects of this Act on agriculturists.

The agriculturists in our Province, as the agriculturists in other parts of India, have to resort to borrowing very often. In fact without borrowing agricultural operations are suspended. These borrowings are confined not only to cash but also extend to kind. This becomes all the more urgent in periods of failure of crops, when they cannot lay by anything for future. It is obvious that this borrowing takes place on the strength of credit. But the first and the foremost result of this Act is that the credit of the agriculturists has received a rude shock. Even in Government reports the admission is manifest that the establishment of the Debt Conciliation Board has resulted in the shrinkage of credit of the agriculturists and that they are finding it extremely difficult to secure loans for their agricultural operations. Instances are not lacking of cultivators having to give up cultivation for want of funds which they could not secure because of loss of credit.

On the side of creditors the picture is equally gloomy. The creditors as a class have entirely stopped money-lending for fear of being dragged to the Debt Conciliation Board. The usual procedure of the money-lenders is to accept deposits and do money-lending on their strength. Now when the debtors have applied to the Debt Conciliation Board, and in case their debts are conciliated, repayments of the conciliated amounts are made by small annual instalments extending over a period of 20 to 25 years, the instalments carrying no interest whatsoever. But to the depositor the money-lender has to repay, whenever demanded, the whole sum together with full interest agreed to. The result has been, as would naturally be expected that the Debt Conciliation Act has brought about the ruin of the moneylender as a class. It would not be an exaggeration to say that 75 per cent of the professional moneylenders have become extinct. Some few, who have been able to survive, have stopped moneylending and are finding other ways of investment. The Government report has stated that, though the agriculturists are finding it difficult to secure loans, still they have laid by considerable savings for the future. This statement in the Government report is nothing short of a travesty of truth and betrays colossal ignorance of actual facts of daily experience. So the result of the Act has been the ruin of agriculturists and moneylenders, more so of the agriculturists, who have had to give up cultivation.

Here it would not be out-of-place to add a little constructive criticism. In some places wherein the Debt Conciliation Boards were working, land mortgage banks were established, but the agriculturists debtors did not avail themselves of the long term credit facilities offered by the said banks. This is substantiated from the statement made in the review on the working of the Debt Conciliation Boards, 1937. In the review it is stated "Lately the Debt Conciliation Boards have been giving the maximum concession possible in respect of the number of instalments and exemption of the instalments from interest, thus leaving no incentive to the debtors, whose debts have been conciliated to apply for loans from land mortgage banks, which charge interest at 6½ per cent per annum, take mortgages of the property and insist on punctual payment. Had the debts been conciliated with interest at a reasonable rate of interest, the debtors might have taken advantage of the facilities granted by the land mortgage banks, and the creditors, on their part, would have appreciated conciliation of debts made with interest. Creditors have a great grievance against conciliation, inasmuch as the debts have been reduced considerably, long terms have been granted for the repayment thereof and even the reduced amounts have to be recovered by them without interest.

While dealing with the conciliation of debts due by members of co-operative societies, the Debt Conciliation Boards have been somewhat partial. The Boards have, practically in all cases, granted either full amounts of the original loans or a little less than the original loans, and awarded interest ranging from 3 to 10 per cent. The debt due by members of societies had become frozen and the Central Banks were at a loss to know as to how to recover their debts outstanding against the societies. The Debt Conciliation Boards have saved them the trouble of taking coercive measures against the members of co-operative societies. The Central Banks too, on their part, were thinking of conciliating the debts which were frozen. In the meanwhile the Boards came in and there was so to say an automatic conciliation. To sum up, the conciliation of debts due to co-operative societies has been a blessing in disguise to some Central Banks, which have practically lost nothing. There are one or two banks, whose debts have been reduced by about 20 per cent but this cannot be put down as a heavy loss to them. For if they had attempted to conciliate their debts themselves, they too would have done the same.

DEBT CONCILIATION AND CO-OPERATIVE CREDIT IN BENGAL

BY

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The total amount of agricultural debt of Bengal as estimated by the Bengal Banking Enquiry Committee in 1930 was Rs. 100 crores. At present as measured in commodities, and as observed by the Agricultural Department of the Reserve Bank of India in their Report submitted to the Government of India in 1937, it must be almost twice as large as a result of the fall of prices since 1929. The Index numbers of the wholesale prices in Calcutta show that the general downward tendency still continues with occasional rise in particular years, though the fall in the recent years has not been so abrupt as it was from 1929 to 1932.

[Basis, 1929—100.]

Year	Index Number	Year	Index Number
1926	105·0	1932	64·5
1927	105·0	1933	61·7
1928	102·8	1934	63·1
1929	100·0	1935	64·5
1930	82·3	1936	64·5
1931	68·1	1937	60·9*

The actual burden of debt calculated on the basis of the index numbers of wholesale prices of commodities would work out to Rs. 160 crores, assuming that there has been no further indebtedness in the meanwhile which is improbable, and to liquidate even a part of this amount the cultivator has either to ask for further credit, which would hardly be available in a period of falling prices or to get rid of his small holding or to go in for insolvency proceedings. In Bengal unfortunately there is no law restricting the alienation of land from agriculturists to non-agriculturists, with the result that land has been passing hands from the agriculturists to money-lenders in liquidation of debts.

Again the payment of interest alone on this amount on a flat rate of 40 per cent would be above Rs. 65 crores which is five times the

* Indian Finance Year Book, 1938, page 205. The index number for 1937 as shown there is 72·3 but the annual average based on monthly figures works out to 60·9. I have, therefore, substituted 72·3 by 60·9 which appears to be the correct figure.

annual revenue of the Government of Bengal. It may be stated in this connection that a flat rate of 40 per cent is not at all excessive, if we consider the rates of interest charged by the money-lenders in the various districts of this province. The figures quoted by the Bengal Provincial Banking Enquiry Committee show a variety of rates and a wide range of fluctuations. Some of the sample cases of usurious rates prevalent in the various districts are given below:

District	Money-lender's usurious rates per cent per annum.
Burdwan	24 to 175
Murshidabad	18 to 120
Dacca	12 to 129
Mymensing	24 to 225
Chittagong	15 to 75

(The Bengal Provincial Banking Enquiry Committee's Report page 198).

The drain of Rs. 65 crores is a very big drain, and even if a slice of it could be saved it might go a long way to improve the condition of the cultivator himself, his standard of farming and possibly help to bring to fruition certain public utility schemes which have been under the consideration of every province since the inauguration of Provincial Autonomy. All talk about Compulsory Free Primary Education is useless until the cultivator is free from the burden of this crushing debt. The various provincial Governments are further busy with schemes for industrial planning, balancing the budgets by cutting down salaries and revision of scales. A balanced budget which is brought about by lopping off the purchasing power of the people means an unbalanced economic life and must have its corresponding re-action on credit and prices and thus the ruination will be complete, the purchasing power of the agriculturists having already been cut down by nearly one half. Some of these ideas of balancing the budgets are actuated by the philosophic ideals of Mr. Gandhi, but inspite of Mr. Gandhi and his philosophic ideals the economic tendencies would have their way. Any scheme for Industrial planning by a Provincial Government must have its natural limitations on account of full control over fiscal policy by the Central Government, the various trade agreements, the safeguards regarding 'discriminatory' legislation, and value of the rupee being a dependent variable.

The only problem, therefore, which the Provincial Governments ought to take up and take up with some promise of success is the problem of the cultivator and his debt. And when the indebtedness

has grown beyond any reasonable capacity of the cultivator to re-pay, the only way out of the impasse is to reduce the debt either in respect of capital amount or the rate of interest or both. "Even if such reduction is voluntary, Government action will be required because the number of creditors who are likely to accept a voluntary reduction in their debts without some direct or indirect *quid pro quo* being offered by Government would be negligible." In a scheme of Debt Conciliation the tangible benefit of the money-lender lies in saving the cost of litigation and avoiding its risk and bother, with the added certainty of recovering an equitable amount of his overdues.

The Government of Central Provinces was the first to concert measures in this direction in 1932 and since then the various provincial Governments have followed suit by setting up Debt-Conciliation Boards for scaling down debts.

In Bengal before formal legislation was adopted a tentative experiment of debt conciliation on the basis of mutual agreement between the debtors and the creditors was tried at Chandpur as a semi-official project and found to work well. "The voluntary boards set up there before the Act came into force settled within about a year and a half claims amounting to over eleven lakhs and reduced them amicably to less than five lakhs (of which the creditors received on settlement about three lakhs in cash or kind)."—Extract from a press note issued by the Government of Bengal—1937-38-11200 E.

The Bengal Agricultural Debtors Act was passed in 1935, the Agricultural Debtors' Rules were drawn up in 1936 and the Conciliation Boards started work about the beginning of 1937. The object of the Bengal Agricultural Debtors Act as stated in the Preamble is to provide for the relief of agricultural debtors and to amend the law governing the relations between agricultural debtors and their creditors and the local government is for this purpose authorised to establish by notification one or more Debt Settlement Boards for any local area specified in the notification. An agricultural* debtor can apply to the Board within his area for the adjudication of his debts, giving a short history of each debt, the amounts he owes to his respective creditors, the rates of interest, with the names and addresses of his creditors. A creditor can also similarly apply giving the name of his debtor, the amount due to him, and the names of the other creditors known to him. The fee

* "Agriculture" for the purpose of this Act includes horticulture and dairy farming and the use of land for any purpose of husbandry inclusive of the keeping or breeding of live stock, poultry or bees and the growing of fruits, vegetables and the like.

for making an application is only twelve annas, the fee for an award is two per cent on the amount of the total debt which will be covered by the award—half of it to be paid by the debtor and half by the creditors in proportion to the amounts payable to each under the award. These charges, as it will appear, are very nominal as compared with the ordinary stamp duties on civil suits and this is a definite *quid pro quo* offered to the moneylender, that he saves a lot of money which he would have otherwise spent on litigation.

After the application and necessary documents are filed, the Board proceeds to determine the claim of each creditor. This determination is not necessary in respect of debts:—

(a) regarding the existence and amount of which there is no dispute.

(b) regarding which there is a Civil Court decree.

The Board then proceeds to ascertain the debtor's surplus income which is available for the repayment of his debts. It first ascertains his annual income from land and from other supplementary sources such as business, service etc. and then subtracts therefrom the sum representing his necessary living expenses for the maintenance, clothing and education of his family and for such obligatory charges as cultivation and the landlord's rent. After determining the surplus income the Board tries to bring about an amicable settlement with all the creditors in terms of this 'surplus,' as far as annual increments are concerned. "On the one hand the full amount of the surplus is to be devoted for as many years as may be fair and reasonable to repayment of debts; on the other, the total amount payable annually to all the creditors must not exceed the estimated annual surplus income of the debtor." The maximum period over which the payments can be spread is twenty years.

If the Board finds, however, that the debtor has no surplus income or land from which his debts can be paid off or the Board fails to bring about an amicable settlement with all or any of the creditors, it shall submit a report to that effect to the Sub-Divisional Officer as to the action to be taken under Rule (78). Rule (78) lays down the following two conditions; firstly, if the debtor has no surplus income, then he should be declared an insolvent and secondly, that if any creditor has unreasonably refused a fair offer made by a debtor then action should be taken under (b) of sub-section (I) of Section 19 or under Section 21. Both of these sections confer separately on the Board powers to issue certificates to the debtor, (a) in respect of his total debts, (b) in respect of his particular debts if in their opinion the offer made by the debtor is a fair offer which ought to have been accepted by the creditor. The Board, however, can only issue a certificate in case of total debts, if 40 per cent of the creditors agree to the offer made by the debtor.

The Bengal Agricultural Debtors Act, as all other such Acts in India, is based on the Central Provinces Act of 1932. In certain points the Bengal Act indicates a departure from the legislation provided for in this respect in other provinces and the chief points of difference are:

(a) There is no pecuniary jurisdiction limiting the powers of the Debt Settlement Boards to try cases.

(b) The Chairmen of the Boards need not be retired Judicial Officers as has been provided for in some of the other provinces.

(c) The Co-operative Credit Societies are not exempted from the operation of these Boards, as has been done in some of the other provinces.

I should confine myself in this paper to the effects of Debt Conciliation on Co-operative Credit and shall, therefore, deal in detail with the third aspect of the question.

Though the Co-operative Credit Societies are not wholly exempted from the Act still they have got certain special privileges as compared with an ordinary debtor.

Section 31 of the Bengal Agricultural Debtors Act lays down that no settlement under this Act of the debts of a member of a Co-operative Society, registered under the Co-operative Societies Act of 1912, who owes any amount to such society shall be valid without the previous approval in writing of a prescribed authority. And such prescribed authority under the rules shall be either—

(a) the Registrar of a Co-operative Society,

or

(b) subject to such restriction as the Registrar may direct by general or special order, a Deputy Registrar or Assistant Registrar of Co-operative Societies.

The progress of the Co-operative Credit Societies, inspite of the special privileges conferred by the Act, has to a great extent been retarded by the above legislation. The chief merit and basis of success of co-operative credit is its fluidity. The Act of 1904, as amended by the Act of 1912, had this feature of the co-operative credit in view when it granted exemption from stamp duties in a civil suit to a co-operative society, priority in execution of decrees as compared with the decrees of a money-lender and treated the society as a legal entity for realising its dues. The Royal Commission on Indian Agriculture, while referring to the legal facilities provided to the Co-operative Societies, recommended that when money was remitted from one place to another on co-operative account the money order commission should be reduced to a nominal charge. The cardinal principle underlying the various legislative and administrative facilities proposed or adopted had been a speedy recovery of dues and a fluidity of resources. If the dues of a co-operative society get locked up, then the society fails in its object to render any further help to its members.

Overdues had always been a serious menace to the success of the co-operative movement and the Debt Settlement Boards in Bengal, though doing useful work in other directions, have adversely affected this aspect of co-operative credit. Any member owning debt to a co-operative society or to any another creditor can file an application before a Debt Settlement Board and suspend paying his instalments until the award is made by the Board and approved by the Registrar. This often takes more than a year and in the meanwhile the total amount relating to such applications remains locked up. This, therefore, is a very convenient weapon in the hands of debtors to withhold their payments to the co-operative credit societies and add to the deadweight of overdues. In the case of those awards which are approved, the payment remains suspended for the period the award is not made, and then it is invariably extended over a period much longer than what was provided for in the original agreement between the borrower and the primary society. In the case of those awards which are not approved, the total amount remains locked up for the period of enquiry and final disposal. The third class of petitions are those which remains pending for an unreasonably long period due to the wilful delay caused by the debtors, by one excuse or the other.

The annexed table shows the total number of petitions filed by the borrower members of the primary co-operative societies before Debt Settlement Boards since their inception in Chittagong-Noakhali Division, the number of cases approved by the Registrar, the number of cases pending before the Registrar, the number of cases rejected and the number of cases still pending before the Debt Settlement Boards, with the amounts involved in each case.

The total amount of credit thus locked up is a little less than Rs. 6 lakhs and the total amount of loans due by the members to the primary societies in this area upto 1937 was Rs. 25,59,922 out of which

Rs. 19,16,992 was overdue. The figures of loans and overdues have been worked out from the Annual Report on the working of Co-operative Societies in the Presidency of Bengal for the year ending 1937 (pages 43 and 44) and relate to those sub-divisions and towns which are included in the statement appended.

It will appear that the amount locked up, due to the operation of the Debt Settlement Boards, is roughly one fifth of the amount of loans due by the members of the primary societies and if we add to it the amount of over-dues of Rs. 19 lakhs, then there is a complete dead lock and a cent per cent contraction of credit. The contraction of credit due to the legislation regarding conciliation alone is 20 per cent. One wonders how under these conditions it might be possible for the primary societies to extend further help to members or even to return the deposits on maturity. In fact the signs of contraction of credit are already visible and the Government of Bengal in their resolution No. 2513 C.S., dated, the 14th November, 1938, observed as follows:—

"Although the Central Banks decided to restrict their investments in village societies to advancing short term loans for agricultural and productive purposes only, much headway could not be made; difficulties in making effective arrangements for realisation of the heavy existing overdues rendered the Banks unable to return deposits as they matured or to formulate any constructive scheme on business principles for future work."

The Co-operative Credit Department and the Debt Conciliation Boards ought to have been working as useful adjuncts to each other; but instead they have been working at cross purposes leading to a dead lock. It is time that the Government formulated a scheme whereby the land mortgage banks and the primary societies should be utilized for advancing long term credit to the agriculturist, if his creditworthiness is established after the conciliation proceedings, and save him entirely from the yoke of the money-lender and then realize their own dues as a public demand.

The inauguration of provincial autonomy has created a nervous enthusiasm amongst the legislators and the people. They consider that provincial autonomy is a magic wand by which every sand can be turned into gold. There is, therefore, a mad rush for legislative measures in each province without much appeal to their economic implications.

Statement showing the position of cases of members of Co-operative Societies filed with the Debt Settlement Board in Chittagong-Noakhali Division.

Societies.	Cases filed before Debt Settlement Boards.		Cases submitted to the Assistant Registrar of Co-operative Societies by the Debt Settlement Boards.						Cases pending with Debt Settlement Boards.		
	No. of petitions.	Amount involved.	No. of cases approved.	Amount involved.	No. of cases returned not approved.	Amount involved.	No. of cases pending.	Amount involved.	No. of cases	Amount involved.	
Societies under—		Rs.		Rs.		Rs.		Rs.		Rs.	
Chittagong Central Bank.	200	80,342—0—0	-	—	6	1,294—0—0	7	1,110—0—0	186	77,919—0—0	One case rejected by Debt Settlement Board.
Cox's Bazar.	1	278—0—0	-	—	-	—	-	—	1	278—0—0	
	201	80,620—0—0	-	—	6	1,294—0—0	7	1,110—0—0	187	78,197—0—0	
Noakhali.	607	1,86,664—0—0	3	1,018—0—0	-	—	-	—	604	1,85,646—0—0	
Feni.	718	1,29,197—0—0	-	—	-	—	-	—	718	1,29,197—0—0	
Lakshmipur.	399	97,757—1—9	6	734-15—6	4	711-14—3	-	—	389	96,310—4—0	
Raipura.	139	27,852-14—9	2	245—0—0	-	—	2	314—1—0	127	25,879-11—3	
Hatiya.	4	1,982—0—0	-	—	-	—	-	—	4	1,982—0—0	
Sandwip.	150	50,167—0—0	-	—	-	—	-	—	150	50,167—0—0	
	2,017	4,93,520—0—6	11	1,997-15—6	4	711-14—3	2	314—1—0	1192	4,89,181-15—3	
Grand total.	2,218	5,74,140—0—6	11	1,997-15—6	10	2,005-14—3	9	1,424—1—0	2179	5,67,378-15—3	

N.B.—The above figures were obtained from the Office of the Co-operative Societies, Chittagong, with the permission of Khan Bahadur Ali Azam, Assistant Registrar of Co-operative Societies.

DEBT LEGISLATION AND CO-OPERATIVE CREDIT IN BENGAL

By

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The interconnection between the co-operative movement and debt legislation specially in an agricultural country like India is apparent even to a casual observer. Co-operation in this country has been characterised by unilinear growth, specially along lines of agricultural credit; and Bengal is no exception to this general rule. The latest report on the working of Co-operative Societies in this province reveals that the total number of agricultural credit societies was 19,928 for the year ending 30th June 1937, the corresponding figure for non-agricultural credit societies being 555 (Total number of all classes of agricultural societies was 21,112; and that of non-agricultural societies was 2828). Debt legislation thus has an important bearing on the co-operative movement both directly and indirectly, inasmuch as there are Acts directly affecting co-operative societies and there are also Acts which affect the co-operative societies in an indirect manner by affecting the credit-worthiness of the debtors and the credit-structure as a whole.

The Credit Structure.—Before proceeding to deal with different Acts and how they have affected the Co-operative Movement, it is necessary to keep before our mind's eye a picture of the credit structure of the province. It is an accepted fact that co-operative credit societies have not yet developed in sufficiently large numbers and people have to depend on other agencies as well. The Bengal Banking Enquiry Committee pointed out that there are five agencies for providing agricultural credit viz. (1) Zemindars and other rent-receivers (2) Money-lenders (3) Loan offices (4) Government (5) Co-operative Societies and Land Mortgage Banks. Of these different agencies, landlords and government put up a poor show and "the total amount advanced has up to this time been very insignificant." Loan offices rendered effective service before the depression and the total amount of loans advanced by these companies amounted to Rs. 57,608,799 in 1928-29. The majority of these societies however went into liquidation during the depression as they did not maintain a sufficiently large amount of fluid resources and locked up all their capital in long-term investments, specially in land. Co-operative credit societies are however growing in number and their working capital now amounts to Rs. 11,05,53,965 (Agricultural

Societies—Rs. 5,94,18,087 and non-agricultural societies, Rs. 5,11,35,878) as against Rs. 10,28,15,547 in 1935 and their total loans to individuals (leaving out loans to societies for avoiding double computation and taking figures only of column 4, Statements B and C of the Report) amounted to Rs. 3,25,07,447 in 1937 as compared with Rs. 2,88,25,905 in 1935.[1] The biggest agency, however, is the money-lender, who in spite of all his evil practices continues to be a dangerous necessity and so long as the co-operative societies are not able to supply all necessary credit, the agriculturists and non-agriculturists have this agency of moneylenders to fall back upon in times of emergency.

Debt Legislation and its effects.—Our main problem here would obviously be to examine the effect of debt-laws on the agriculturists and non-agriculturists of the province, as well as their effect on two most important credit agencies viz. the co-operative societies and moneylenders. Debt legislation on a provincial basis began in Bengal as late as 1933. The Usurious Loans Act of 1918 did of course provide for the reopening of transactions and secured relief to the debtor where interest was deemed excessive. But this Act, in the words of the Royal Commission on Agriculture was 'practically a dead letter in every province.' The Bengal Moneylenders Act, 1933, tried to introduce greater control over the moneylenders. Its provisions fall into three broad groups:—(1) An attempt was made (Sec. 3) to define precisely the term 'excessive' and 'substantially unfair'—terms left deliciously vague in the Usurious Loans Act of 1918,—and it was laid down that in cases of

1. It is interesting to note in this connection that this growth is no sure Index of the progress of the movement. The following table shows how the co-operative societies are deteriorating in quality:—

Percentage of "A & B", of "D & E" class societies to total agricultural societies.

Year.	Percentage of A & B Class.	Percentage of D & E Class.
1925-26	10·7	14·0
1926-27	9·4	14·4
1927-28	8·8	15·9
1928-29	7·5	16·6
1929-30	7·1	17·9
1930-31	5·1	20·1
1931-32	3·0	23·0
1932-33	2·3	21·1
1933-34	2·85	22·4
1934-35	2·3	23·5

I am grateful to Dr. J. P. Niyogi, Minto Professor of Economics, for very kindly allowing me to use this table from his Minto Lectures.

moneylending transacted after the commencement of the Usurious Loans Act a rate exceeding 15 per cent per annum in the case of secured loans and 25 per cent per annum in the case of unsecured loans would, unless the contrary was proved, be deemed excessive though this did not imply that lower rates would not be held excessive in any case. (2) It was laid down further that the creditor could not receive as interest a sum greater than the principal and this would apply to transactions made both before (Sec. 4) and after (Sec. 6) the commencement of this act (3) Lastly, it fixed the maximum rate of compound interest at not more than 10 per cent per annum.

It is interesting to note that though this Act was primarily meant for controlling Pathan money-lenders[2] it directly affected co-operative societies. It defined 'money-lender' as "any person who grants a loan of money" (Sec. 2); not excluding thereby co-operative societies from the ambit of its operation. It did not further distinguish between agricultural and non-agricultural debtors and applied to all persons receiving any loan of money (not in kind).

The Act however had a very limited application. In 1936 there was another Act meant exclusively for agricultural debtors thus automatically limiting the operation of the Money-lenders Act mainly to non-agricultural debtors. This Bengal Agricultural Debtors Act set up Debt Settlement Boards for dealing with agricultural debt.[3] Boards were empowered to reduce both the interest and the principal, and direct payment in instalments both as a result of an amicable settlement (Sec. 19-a) and, when this was not possible, by compelling the remaining creditors to agree if 40 per cent of debts were settled on the basis of a fair offer. It, however made a special provision regarding co-operative societies and laid down that:—

No settlement under this Act of the debts of a member of a co-operative society registered under the Co-operative Societies Act 1912, who owes any amount to such society, shall be valid without the previous approval in writing of a prescribed authority[4] (Sec. 31).

2. *Vide Calcutta Gazette*, Statement of Objects and Reasons.

3. Agricultural debt has been defined in Sec. 2, sub-sec. 8 of the Bengal Agricultural Debtors Act as that which "includes all liabilities of a debtor in cash or in kind secured or unsecured, whether payable under a decree or order of a Civil Court or otherwise and whether payable presently or in future, but does not include, among others, any debt due to any bank included in the Second Schedule to the Reserve Bank of India Act, 1934.

4. Rule 72 made it clear that the 'authority' may either be the Registrar himself or a Deputy Registrar, if directed by the Registrar by a general or a special order.

It was believed that if the Legislature voted for the exclusion of the section it was going to "put upon the Statute Book a measure which actually encourages and gives incitement to collusion of the worst kind" and it was further declared that the policy of the Government would not be "to subject the co-operative debtors to any unfair discrimination as regards either their co-operative debt or their debts outside the societies ......as regards the debts of members to outside creditors, Co-operative Department as a matter of policy intend to put no obstacle in the way of debtors securing the advantages of the Act *in so far as is consistent with the financial stability of the movement and the responsibility of the Department in its quasi-fiduciary capacity to the persons who have contributed the funds* from which this movement is financed."[5] But the inclusion of the section has, as we shall see presently, in no way been able to serve the purpose for which it was meant, and the financial stability of the movement has been vitally affected.

The Present Position.—The Money-lenders Act and the Bengal Agricultural Debtors Act have materially affected co-operative societies, not only directly in some cases but also indirectly by affecting the credit structure as a whole. For the sake of convenience we shall postpone the discussion of the indirect effect for the present and confine ourselves to direct effects only. The Moneylenders' Act, we have already pointed out had a very limited application and in practice it had not much effect on co-operative societies though the Select Committee apprehended that it would considerably affect loan-companies, credit societies and joint stock banks and the capital would "fly shy of agriculture and flow to Calcutta where the bill will not be operative."[6] The effects of the Bengal Agricultural Debtors Act, however, have been far more widespread and have materially affected the financial stability of co-operative societies. It was the intention of the framers of the bill that the co-operative societies could, if they so desired, claim preferential treatment through Sec. 31; but the general policy would be to waive this preferential so far as it was consistent with the financial stability of the movement. The first part of this statement is being zealously followed though the second part is being conveniently forgotten, and the result is that the co-operative societies are gradually heading towards a deadlock.

The societies have been affected at least in six different ways: (1) in cases where no approval is given by the prescribed authority and

5. Speech of Mr. A. E. Porter in the Legislative Council, *vide* Proceedings, Vol. 47, No. 2, p. 110-12 (16th Dec. 1935).

6. *Vide* Calcutta Gazette, 9th February, 1933.

debt to co-operative societies is not settled by Debt Settlement Boards, some delay in the realisation of dues is inevitable in this tortuous process of going through all the stages set out in the Act; this has been specially so because the permission is sought not before, but after the debt with other creditors has been settled. (2) In cases where the co-operative societies are not claiming such preferential treatment and approval is being given, their dues are being directly reduced by Debt Settlement Boards. (3) This reduction of the principal and interest by the Boards has vitally affected the co-operative societies and specially the Central Banks inasmuch as the interest paid on awards is never so high as the rate of interest paid by the Central Banks and other societies to creditors on deposits. This has placed societies in considerable difficulty as the borrowing rates of these societies are now higher than their lending rates. (4) The Bengal Agricultural Debtors Act has led to a contraction of credit in the country side. This contraction of credit has made it impossible for the members to pay off their dues to the co-operative society by borrowing from outside agencies and then borrow again from the co-operative societies in times of need. There can of course be no justification of this vicious circle continuing indefinitely and this policy of allowing the members to borrow from outside sources for paying off co-operative debt militates against the fundamental principles of co-operation; nonetheless, from a strictly financial point of view, any sudden drying up of outside credit may lead to the liquidation of a large number of societies. (5) This Act has created an atmosphere of non-payment, and in certain quarters the members of co-operative societies are in expectation of heavy remissions due to organised propaganda. It is not possible in these circumstances for co-operative societies to realise their dues. (6) The Act has led to the worst of collusion in practice, and its object has been defeated inasmuch as it is not benefiting those for whom it is meant. Bonafide agriculturists generally hesitate to take advantage of the Act as they are afraid of losing the sympathy of their creditor and it is the members of the Managing Committee that generally take the largest portion of debt from the societies and are applying to Boards for delaying, if not for evading, payment.

The position of the land mortgage banks needs some comment in this connection. The recent report on the Working of Co-operative Societies tells us that "the working of Debt Settlement Boards retarded their business-progress to a certain extent, because prospective applicants were waiting to see how these Boards could reduce their old debts before they took steps to borrow in order to liquidate them." The Act has adversely affected the activities of Land Mortgage Banks by placing obstacles in the way of their rapid realisation of debt. Further, the experimental Land Mortgage Banks in Bengal have been mainly seeking to realise co-operative dues in instalments and have been therefore superseded in their utility by the reduction of the principal by the Debt Conciliation Procedure.[7]

But the consequences have been of greater importance to other credit agencies rather than to the co-operative societies. It was claimed by the Minister-in-charge the other day that there has been no significant contraction of credit in the country-side because of the operation of Debt Settlement Boards. But we find authoritative view to the contrary. The Reserve Bank of India stated in the Statutory Report of the Agricultural Credit Department that in areas where such legislation was in force moneylenders had discontinued lending except to old and trusted clients or their own tenants and have restricted their loans to a minimum (p. 10) ; and it was also generally believed that as a result of various pieces of debt legislation, the moneylender had curtailed his business to such an extent that he does not find full use for all his own funds. (p. 40). This conclusion bears testimony to the soundness of the criticism levelled against the Act in the Legislative Assembly by speaker after speaker representing various shades of opinion,[8] as well

7. The Government Resolution on the latest Report on the Working of Co-operative Societies is thus constrained to observe on this point as follows:—

"The working of Debt Settlement Boards retarded their business progress to a certain extent, because prospective applicants were waiting to see how these Boards could reduce their old debts before they took steps to borrow in order to liquidate them. Measures have since been adopted to co-ordinate the working of Debt Settlement Boards with that of Land Mortgage Banks by establishing special Debt Settlement Boards for the purpose in places where Land Mortgage Banks have been established. Another contributory cause operating to retard the progress of the Banks was the fact that in many cases would-be applicants could not persuade all their co-sharers to join in making the application."

8. *Vide* speeches by Mr. Satyapriya Banerji (Congress), Dr. Nalinaksha Sanyal (Congress), Mr. Abu Hossain Sarkar (Krishak-Proja), Mr. Abdul Waheb Khan (Coalition), Mr. Jogendranath Mandal (Scheduled Caste), Mr. W. C. Wordsworth (European) on 15th March, 1938. It is also interesting to note in this connection the remarks made by Khan Shahib Ashraff Hossain, Chairman of the Reception Committee in the Dacca Division, Co-operative Conference—"In the face of the Bengal Agricultural Debtors Act hanging over our head like a sword of Democles, no Central Banks can issue fresh loans on a large scale even when they will be in a better position to function properly"—*vide, Bengal Co-operative Journal*, Vol. XXIV, No. 1.

as in several judgments of the Calcutta High Court[9] as also in the numerous resolutions passed in peasant rallies.[10]

The unwisdom of passing regulative acts unaccompanied by any positive measure is being repeated every year with the result that while the old basis of credit is shattered, no new basis of credit is being developed and the peasants are left to their own fate. There cannot be any justification whatsoever of the failure on the part of the Government to tackle the situation boldly; and this attempt at curtailing money-lending business—without taking upon themselves the responsibility of supplying credit needs of the country and also conveniently shutting their eyes to all corruptions alleged to have crept into the co-operative structure—is, to say the least, short-sighted.

A Retrograde Step.—While the Bengal Money-lenders Act affected all moneylenders advancing loans of money as well as co-operative societies, the Bengal Agricultural Debtors Act has shaken the credit relations between *agricultural* debtors and moneylenders as well as *agricultural* credit societies to some extent. As the former did not have a very extensive application, non-agricultural credit transactions were not so seriously disturbed as *agricultural* ones. But the authorities in their indecent zeal for regulating moneylending have recently introduced a bill for widening the scope of the Money-Lenders Act. This Bill as modified by the Select Committee is applicable to agriculturists as well as non-agriculturists; it fixes the maximum rate of interest at 10 per cent per annum in the case of unsecured loans and 8 p.c. per annum in the case of secured loans—rates which are substantially lower than the rates generally charged by co-operative societies; it further empowers the courts to direct payment of debt in instalments not exceeding ten years in some cases and twenty years in other cases. But the most original features of this bill lies in its placing co-operative societies and money-lenders in the same category! For the bill, as presented originally, defined 'loan' as an advance whether of money or in kind and included any transaction which is in substance a loan, but did not include among other things:

9. Costello A.C.J., remarked in *Manindra Mohun* vs. *Bepin Behari* "it is possible even under the general law for a dishonest debtor, even if he be a judgement debtor, to evade his just obligations and to avoid discharging the debt which he undoubtedly owes. But now a further weapon has been placed in the hands of the dishonest debtors in the shape of the intervention of the Debt Settlement Boards" 41, C.W.N. 1370.

10. *Vide Debt Legislation in Bengal*, p. 21.

(a) a loan advanced by a bank, co-operative society insurance company, life assurance company or provident insurance society.

(b) a loan advanced to be used by the borrower for the purposes of any business or concern relating to trade, commerce, industry, mining, insurance banking or entertainment or to the occupation of wharfinger, warehouseman or contractor or any other venture of a mercantile nature whether as proprietor or agent or guarantor.

Curiously enough these clauses have been left out by the Select Committee,[11] thus placing money-lenders, co-operative societies, joint stock banks and insurance societies on the same footing. This not only betrays ignorance of the fundamental principles of co-operation on the part of the authorities responsible for the change but also amounts to a virtual order for the liquidation of good co-operative societies advancing credit instead of bad ones; it further implies a wholesale demolition of our credit structure by victimising not only the individual money-lender but also all other recognised agencies of credit. In fact it is not possible to criticise this policy too strongly. On the one hand we not only find that existing credit agencies are utterly insufficient but also on the other we see that these agencies are fast deteriorating; the moneylender has been forced by the logic of the Acts to steadily withdraw from the business; the co-operative societies instead of taking their place are themselves going down because of bad management; and finally these Acts are victimising even those few Societies which are still solvent in the interests of the ill-managed societies. The picture seems to be dark indeed; and remarks such as those made by the Agricultural Commission viz., the greatest hope for the salvation of rural masses from their crushing burden rests in the growth and spread of a healthy and well-organised co-operative movement seem to be a far-cry in these days of political confusion and piecemeal legislation.

It is understood that recently a proposal has been made to repay depositors of societies out of 'doles' distributed by the Provincial Bank on a short-term basis, the additional sum being raised by means of debentures. In so far as it is a recognition of the serious mistake of a policy of depriving the creditors of co-operative societies of their dues it is welcome; but already the confidence of depositors is irreparably lost. Debt legislation in Bengal, perfunctory and piecemeal as it has been, has encouraged a psychological *milieu* in which non-payment of debts and pleading of incapacity has become a virtue, in many cases of necessity but in several of policy, backed by concerted and organised attempts at virtual repudiation of liabilities.

11. *Calcutta Gazette*, March 2, 1939.

THE MADRAS AGRICULTURISTS' RELIEF ACT AND LAND MORTGAGE BANKS

BY

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The Madras Agriculturists' Relief Act received the assent of the Governor-General on 11th March 1938 and came into force on 22nd March 1938. In passing this measure the Government of Madras took a bold step to lessen the burden of indebtedness on agriculturists. The chief object of the measure is to rehabilitate agriculture which is the basic industry of the province by giving relief to indebted agriculturists. The object is attained by (1) scaling down of existing debts and (2) reducing the rate of interest on their future debts and (3) writing off the arrears of rent dues to zamindars.

The benefit of scaling down of existing debt is open only to agriculturists, as defined in the Act. Every person who has a saleable interest in any agricultural land, not situated within a municipality, and who has not paid income-tax in the two financial years ending March 1938, or has not been assessed to profession-tax on a half-yearly income of more than three hundred rupees is an agriculturist within the meaning of the Act. Big land-holders who pay an annual *peishkush* of five hundred rupees are not entitled to the benefit of the Act. Big ryotwari pattadars would however derive benefit irrespective of the extent of land held and the revenue paid to Government. Usufructuary mortgages where no rate of interest is specified, debts due to government and debts due to co-operative societies or to any public company where the rate of interest stipulated is not more than 9 per cent are not affected by the Act and will have to be paid in full.

Debts are classified into two categories: (*a*) those which were incurred before 1st October 1932 and (*b*) those that were incurred on or after that date. In the case of debts incurred prior to October 1932 all interest outstanding on 1st October 1937 is wiped out and only the principal or such portion of it as may not have been paid will be due from the agriculturist-debtor. If the repayments already made (both on account of principal and interest) amount to twice the principal lent, the entire debt is wiped out. In the case of debts incurred on or after 1st October 1932 relief is given only in respect of interest. Interest at 5 per cent is allowed on the principal borrowed and interest calculated at this rate will have to be deducted from interest paid already and the balance still found due together with the principal outstanding will have to be paid.

Other provisions of the Act include writing off arrears of rent due to a landlord up to the end of Fasli 1345 on condition that the rent due on account of later faslis is paid before September 1938. Decrees which remained unsatisfied till the date from which the Act came into force can be reopened and scaled down as per provisions of this Act. Sales of immovable property of agriculturists held after 1st October 1937 may be set aside on application from the debtor.

The rate of interest chargeable to an agriculturist after the commencement of this Act shall not exceed 6¼ per cent simple interest per annum.

A perusal of the provisions of the Act clearly shows that the Government are anxious to do as much as possible to lighten the burden of the agriculturist's indebtedness.

Land mortgage banks in the province are at present advancing long-term loans mostly for the repayment of prior debts. Several difficulties have been felt in disbursing loans as scaled down by the Agriculturists' Relief Act. Agriculturists generally do not keep a correct record of their loan transactions with full details. It is therefore not possible for them to arrive at the correct amount required to clear their debts. Creditors are not willing to produce documents, or give copies thereof when called upon to do so. On account of this attitude it has been found that in many cases the loan applied for and sanctioned on a somewhat rough estimate of the amount needed for clearance of the members' debts has been found in the end to be either more than adequate leaving a surplus, or inadequate to clear the debts completely. In the latter case it has become necessary to receive an application for the balance found due and sanction the amount required. Till the additional sum is sanctioned the original amount cannot be disbursed as documents are not surrendered till the full amount payable thereon is paid to the creditor. In the interests of both the creditor and the debtor it is necessary that there should be a provision in the Act empowering land mortgage banks to obtain certified copies of documents evidencing a debt on payment of a small fee.

In a number of cases creditors have refused to take payment of the amount as scaled down under the Act under one pretext or another. Generally, the amount is not accepted on the ground that the amount as calculated by the land mortgage bank and the borrower is far less than the amount due to him as per his calculation. There is no provision in the Act enabling an agriculturist-debtor to apply to a court and have

his debt scaled down as per the Act. As the debtor cannot have his debt settled till the creditor chooses to go to court the debtor is forced either to pay the amount demanded by the creditor or leave the debt outstanding. Land mortgage banks as public institutions naturally refuse to pay anything more than what is actually due under the Act as per their calculation. Creditors refuse to take payment of the amount offered by the land mortgage banks. Large amounts remitted by the Central Land Mortgage Bank to primary land mortgage banks for disbursement to creditors had to lie in suspense account for long periods causing loss of interest to the parties awaiting the consent of the creditors to take payment. There has been considerable delay in completing the transactions on account of this attitude of the creditors. In numerous cases it has happened that when a land mortgage bank issues a notice to the creditor to receive payment of a particular sum which is the amount due as per their calculation, and surrender the document evidencing the debt, either a mortgage deed or a pronote, the creditors have replied that the amount due to them is much larger than what is offered, but that they are prepared to receive the money offered and pass receipt therefor, reserving to themselves the right to proceed in a court of law to recover the balance. The bank could not disburse loans in such cases. Under the by-laws, land mortgage banks can advance moneys only on the security of first mortgages and issue debentures with a floating charge on these assets. If the debt sought to be cleared by disbursement of the loan is a mortgage debt, the amount could not be disbursed, as in the event of a court deciding at a later date that the amount paid on account of the mortgage has not completely cleared the debt, the bank's security will rank as a second mortgage. The security being only a second charge may not be adequate. Even if found adequate, it is against the provisions of the by-laws of land mortgage banks to advance any money on second mortgage.

In order to safeguard their security land mortgage banks observe the rule of clearing secured debts of the borrower in the first instance and pronote debts thereafter. So even if one mortgage creditor refuses to take payment as scaled down under the Act, land mortgage banks are not able to help their member-borrowers. In cases where the debts of the agriculturists to be cleared are all pronote debts and where the creditors are not willing to take the amount due as scaled down under the Act, land mortgage banks have not been able to be of any help to their members. As a general rule the banks require that the documents in respect of which payments have been made should be surrendered to them. They also insist that the borrower should clear all his outside liabilities.

Neither of these conditions will be satisfied where the creditor agrees to pass a receipt for the amount paid, reserving to himself the right to recover the balance.

Under the general Law it is open to a debtor to deposit the amount due on a mortgage in a court of law and apply for cancellation of the debt. Members of land mortgage banks could not take advantage of this provision of law, on account of two difficulties apart from the cost involved. There is considerable delay in disposing of applications of this nature in courts. They take anything like six months to one year or even more to dispose of these applications, and land mortgage banks as business institutions cannot afford to keep open their transactions for such a long time till the courts decide the fate of applications. Even if they are willing to pay the amount and await the decision of the courts, there is the fear of the amount deposited not being found adequate to clear the mortgage debt.

In the case of pronote debts even this procedure is not open to debtors. Absence of provision of an easily accessible and speedy machinery to scale down debts and compel and enforce payments has led to serious abuses which vitiate the very object of the Act.

Recently, the Government have constituted under the Debt Conciliation Act, 94 Debt Conciliation Boards. Under Section 14 of the Madras Debt Conciliation Act, a Debt Conciliation Board can effect a settlement between creditor and debtor only if creditors to whom more than 50 per cent of the debts are due are agreeable to the settlement. If a creditor to whom more than 50 per cent of the debts are owed refuses to agree to a settlement, the Board is powerless to enforce its settlement to compel the creditor to accept the amount as scaled down by the Agriculturists' Relief Act. For speedy disposal of loan applications by land mortgage banks it is necessary that the Debt Conciliation Boards should be empowered by suitable amendments to the Debt Conciliation Act and the Agriculturists' Relief Act to have the debts of an agriculturist scaled down as per the latter Act on the application of the debtor or a land mortgage bank of which he is a member, and to make it binding on the creditor to accept the decision of the Debt Conciliation Board and receive payment. Until and unless this is done the agriculturists will not be able to receive the benefit that the Act is intended to confer.

At the present moment an agriculturist-debtor faced with an adamant creditor who refuses to take payment of the amount due legally and who prefers to wait without going to court has only two alternatives. Either he should wait and allow the debt to accumulate till it grows too heavy for him to be able to redeem or he should agree to pay an amount which is more than what is legally due.

The question now arises whether the object the Government had in mind in passing this Act, *viz.*, the rehabilitation of agriculture, will be achieved if the administrative difficulties cited above are removed by amending legislation. The rate of interest on future loans to agriculturists is limited to a maximum of 6¼ per cent without reference to secured or unsecured debts. The Government themselves are charging 6¼ per cent on the loans granted under the Agriculturists' Loans Act. Land Mortgage Banks have raised their lending rate to 6 percent. When governmental and institutional credit is on a par with the maximum rate of interest permitted under the law, it is no wonder that the money-lender should device ways and means of evading the provisions of the law and reimbursing the loss sustained on account of the Act. It is freely said that as a result of the Act private credit has almost completely dried up in rural parts. All the villages are not served by co-operative societies ; and even where they exist, many in their present moribund position are not able to meet all the credit requirements of their members. The agriculturists are therefore forced to borrow executing documents for much larger sums than what are actually advanced to cover the loss of interest. In the absence of a Moneylenders' Act prescribing the maintenance of accounts in a certain form and proper audit of accounts these abuses will go unchecked and the agriculturist will soon find himself in the same morass that he was in before the Act was passed.

The Madras Agriculturists' Relief Act, though very drastic so far as India is concerned, is not entirely novel. After the advent of the world economic depression several countries in Europe and America have passed drastic legislation to mitigate the weight of indebtedness of the agriculturists. Some of the countries even resorted to reduction of the capital amount of the debt. But in all such countries where legislation was undertaken, institutions to enable repayment of the reduced debt and to cater to the seasonal and day-to-day credit needs of the agriculturists were first set up, the States taking a leading, if not an exclusive, part in providing the necessary finance. Agriculture like any other industry requires credit. But agriculture is not organised and is not therefore in a position to borrow at a low rate of interest as other industries do. Long-term capital invested in agriculture brings in even lower yield than short term capital. It is, therefore, necessary that the rate of interest on long term loans should be lower than on short term loans. Still on the advice of the Reserve Bank of India, the Government of Madras insisted on the Central Land Mortgage Bank raising its rate of interest to its present level of 6 per cent.

In order to achieve their object of rehabilitating agriculture the Government should do their best to increase the return to the agriculturist from his land. The farmer should be enabled to get the best price for his produce by means of a marketing organisation. The facilities that the agriculturist of this province has for marketing the two staple products of the province, *viz.*, paddy and groundnuts, are next to nothing. Another way of increasing the farmer's income is by reduction of fixed interest charge. His long term debt should bear the lowest possible rate of interest. This is only possible if the State diverts the savings of the people invested in postal savings accounts and a good portion of the funds of life insurance companies for purposes of long term loans to agriculturists. The suggestions about diverting savings deposits for long term loans and investment of a fixed portion of funds of life insurance companies for agricultural purposes are by no means novel. In some of the European countries savings deposits are used for this purpose. In some of the States of U. S. A. life insurance companies doing business in the States are compelled by law to invest at least a fixed portion of their funds in loans to farmers. Until the present deficit economy of the agriculturist is changed into a surplus economy the Government's intention of rehabilitating agriculture in this province can never be achieved.

DEBT RELIEF LAW AND CO-OPERATIVE CREDIT IN MADRAS*

BY

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I. THE AGRICULTURISTS' RELIEF ACT AND ITS WORKING

The Madras Agriculturists' Relief Act of 1938 is the most drastic piece of legislation that has been so far enacted in India for the relief of agricultural indebtedness. Indeed few foreign countries have gone to such lengths. The Act provides for the compulsory scaling down of the debts of agriculturists, while conciliation is the method commonly adopted elsewhere. Not merely the reduction of the rate of interest, but also the reduction and even the extinction of the capital amount of the debt itself—not provided for in any country that we know[1]—have been rendered possible by virtue of a new interpretation of the old law of *Damdupat,* which was not in vogue in most parts of the Presidency. All arrears of interest on debts incurred before 1932 are wiped off and the debts incurred after 1932 are to be charged only 5 per cent interest up to October 1937. When payments made already by way of interest or principal exceed twice the principal, the debt is deemed to have been discharged; if they are less than twice only the balance has to be paid to get a discharge. This is different from the common interpretation of *damdupat* that the interest decreed by a court is not to exceed the principal. "The Madras form is the more effective" Mr. C. F. Strickland says, "but it involves the court in long researches into old accounts, for which judicial officers may not always have time" especially when one account covers many items.[2] Most debtors do not keep any record and they can without difficulty be persuaded to create fresh pronotes compounding principal and interest at the old rate and without any reference to original documents.

On the assumption that every landholder is an active participant in agriculture, relief is not denied to any agriculturist borrower, however big he may be, unless he is a permanently settled estate holder

* *Paper read at the Indian Economic Conference, December, 1938—Revised.*

1. Report on Systems of Agricultural Credit and Insurance to the League of Nations by L. Tardy, pp. 30, 31; and International Review of Agriculture, Jan. 1937, pp. 1-16. E.

2. The Relief of Agricultural Debt, p. 23.

paying a peishkush of more than Rs. 500 or a janmi paying more than Rs. 500 as land revenue. The status of the creditor is not taken into account, unless one is a woman owning less than Rs. 3,000 worth of property (exclusive of her living house and jewellery). The Act makes no provision for any machinery with full legal powers and adequate financial resources to satisfy the claims of creditors even after scaling down debts according to the Act. Nearly a hundred Debt Conciliation Boards have been recently set up, one for each taluk generally, to take advantage of the machinery provided by the Debt Conciliation Act (1936) for scaling down debts according to the Agricultural Relief Act. But it is doubtful whether these Conciliation Boards can do anything more than persuade creditors to accept their award. It is still open to creditors, to whom more than fifty per cent of the amounts are due in the case of any debtor, to withhold their consent and thwart any agreement effected by the Board with the rest. The Debt Conciliation Boards have not been invested with the powers of Courts to enforce their awards. Creditors are reported to be cantankerous and refuse to come to a settlement, which means a loss to them, even when land mortgage banks offer to pay cash down, in discharge of the debts of their members scaled down according to the Relief Act.[3]

According to a recent press communique issued by the Government of Madras with bare figures of the extent of relief afforded to indebted agriculturists under the Act by all Civil Courts in the Presidency, during the period of one year ending with February 1939, there were 96,899 applications for scaling down of debts, of which 80,404 were disposed of. Claims to the extent of Rs. 2.43 crores were scaled down to Rs. 1.30 crores. 22,538 of these cases involving decrees of Rs. 1.68 crores were applications made by judgment debtors under section 19 of the Act for the amendment of decrees passed by Courts already, which have been scaled down to Rs. 88 lakhs, and there were 31,376 applications for the stay of execution proceedings. It is not clear how far debtors have been able to initiate proceedings and get their debts scaled down after the Act. The Government had no information as to the number of cases in which the debtor had paid the scaled down debts or those in which the properties of debtors were brought to sale for the realisation of scaled down debts. We get no idea of the relief afforded to numerous small debtors, though newspapers report occasionally cases of spectacular scaling down of debts of bigger borrowers. Nor do we know how much of the Rs. 50 lakhs, budgeted for last year, was disbursed by Special Revenue Officers as loans to clear off the prior debts scaled down, in areas not covered by land mortgage banks.

3. T. A. Ramalingam Chettiar's Address at the Ninth Land Mortgage Banks' Conference, pp. 5, 6.

II. REPERCUSSIONS OF THE ACT ON RURAL CREDIT

The Act has, from all acounts we have had, resulted in the restriction of rural credit and, what is worse, led to all sorts of evasions defeating the beneficent intentions of the law. The Minister for Agriculture stated in the Legislative Council (December 13, 1938) that "the Government have received reports which showed different conditions in different districts. There have been complaints about difficulty in getting private moneylenders to lend money to agriculturists as well as that evasions are being resorted to in respect of entries in documents about rate of interest." The Minister for Revenue stated that the arrears of land revenue, excluding remissions and suspensions, showed a slight increase (16 per cent) over the previous fasli.

The Madras Provincial Co-operative Union issued a questionnaire to a number of co-operative banks in the presidency on the effects of the Act on rural credit in general and co-operative credit in particular, the answers to which have been published in the *Madras Journal of Co-operation* in December 1938.[4] An analysis of the answers shows the following trends: Agriculturists, as well as professional moneylenders, do not lend as freely as before, even to solvent agriculturists. In spite of the assurance given by the Premier that the benefits of the Bill would cease with the status of the debtors as on 1st October 1937 and that it was not intended that debts would be scaled down in this manner, there was a vague fear of further legislation on moneylending and of reduction of rates of interest with retrospective effect. It is a case of "once bitten twice shy." As Strickland says, "even a single surgical operation causes a shock to the system and there is much evidence to show that conciliation (we should add, even more compulsory scaling down) an inevitable process at the moment, has impaired the credit of the agriculturist. Credit has no doubt been excessive in the past and some contraction is beneficial. The process, however, should not be unduly prolonged; a good surgeon works quickly, and leaves the patient thereafter to return to normal life."[5]

There was for some time a hope entertained by money-lenders, on account of conflicting decisions in different courts in the Presidency and an appeal in the High Court that the Agriculturists Relief Act would be declared *ultra vires*. This hope was in vain as the High Court has now decided in favour of the Government. There was a tendency for money to flow into joint stock banks; but the failure of the Travancore National Bank and other banks arrested this tendency. Pur-

4. pp. 323-337.
5. The Relief of Agricultural Debt, pp. 15, 16.

chase of land was an old habit and land values rose for some time; but even this has been checked by fear of tenancy legislation. There was a steady flow of deposits into co-operative banks, urban, central and provincial, even from rural areas.

Loans on the mortgage of land can be had at 6¼ per cent. The rates had indeed gone down even earlier, so that this class of investors were not so hard hit except with regard to old debts which might be affected by the application of the rule of *Damdupat*. Money is increasingly lent on mortgage with possession and interest is secured in kind, as usufructuary mortgages are exempted from the operation of the Act. There is again a preference for loans on the pledge of gold. A higher rate of interest varying from nine to eighteen per cent is exacted, in fact deducted in advance from the principal. If the jewel pledged is not redeemed within a definite period or a fresh deed is not executed the jewel is liable to be auctioned.

It is on unsecured loans that the most ingenious devices have been adopted to frustrate the aims of law. Loans are given on pronotes for one to three years and the interest orally agreed upon is deducted in advance from the principal. In dry areas it has become the practice to advance Rs. 64 and take a pronote for Rs. 100 with the legal maximum rate of 6¼ per cent entered on it. There is no use overlooking the risks and expenses involved in many of these transactions for which some liberal margin should be allowed. The Madras Act is unique in that, apart from prescribing the lowest rate of maximum interest, it does not distinguish between secured and unsecured debts. Every other Province in India, with any debt relief measure, has distinguished between the two and prescribed higher rates for unsecured debts.[6] The Government of Madras have retained the power to alter the rates of interest and we hope they will do so in accordance with the conditions in the money-market, rather with the "free market" open to the different classes of debtors. Strickland observes: "It is unlikely that peasants can borrow at this rate (6¼ per cent) except from the co-operative societies or from the Treasury. The law allows the Government to notify a higher rate and this will probably prove to be unavoidable if evasion is not to be universal."[7] It is perhaps not so well known to readers that in many agricultural states in the United States of America the legal maximum rate for small lenders ranges from 30 to 60 per cent a year! The fact is that the rate has often to cover high overhead charges and risk of loss. Pure interest forms only an insignificant part of the legal rate.[8]

Some of the other devices employed to evade the law are the following. In some of the municipal areas, where agriculture is pursued in the outskirts—many of our towns are in fact congeries of villages—if the debtor is an agriculturist he is induced to pay the necessary municipal tax to free the loan from the restraints imposed in behalf of the agriculturists. Pro-notes are endorsed to the credit of near women relatives who are given a certain amount of protection by the Act. Many poor borrowers have, in spite of their knowledge of the provisions of the Act, not availed themselves of the benefits offered because of their desire to stand well with their creditors and not lose the little credit they have been commanding. "All debt legislation" to quote again Strickland, "is vulnerable in this respect, that so long as creditor and debtor deal directly with one another, no debtor can be prevented from submitting to heavier terms than a court would enforce."[9]

Usury is by no means confined to India, though it is much more widespread here than in western countries. It was rampant in Western Europe before the spread of co-operative credit. Until very recently it was prevalent in the South and Eastern European States, which have now taken the lead in debt legislation. After an analysis of the situation in several countries, an eminent writer in the *International Review of Agriculture, January* 1937 observes: "Debt legislation, though increasingly resorted to, is entirely sporadic and does not usually possess that organic character, which in all legislation is indispensable to ensure that it shall be logical and equitable. It consists of temporary and partial expedients, which endeavour to regulate in the same way very different cases and give the impression that the remedy is worse than the disease. It is essential to go to the root of the evil, *i.e.*, to the insufficiently remunerative level of prices and improve the methods of

6.

		Secured.	Unsecured.
Assam	..	12½	18¼
Bengal	..	15	25
Bihar	..	9	12
Bombay	..	9	12
C. P.	..	7	10
Punjab	..	12	18
U. P.	..	2½ to 5½	5 to 10½ (Varying with amt. lent.)

7. The Relief of Agricultural Debt, p. 21.
8. Co-operative Banking by N. Barou, p. 12.
9. The Relief of Agricultural Debt, p. 11.

distribution and transport"[10] (and we may add production). The Swiss Peasants' Secretariat arrived at the conclusion that a five per cent rise of prices would do more for small holders than 25 per cent reduction of interest rates. In Yugoslavia the Minister for Agriculture averred that "the total remission of debt would not be in the interest of the farmers themselves. What is essential is to raise prices of agricultural products which would enable them to pay the debts and to live a less hard life. If the debts were remitted it would destroy the little credit the peasants still possessed." In Roumania, a country with large rural debt, it was recognised that "with a better organisation of production, agriculturist would have been able to dispense with the intervention of the State thus avoiding exceptional legislation."[11]

But in India raising of prices does not lie within the province of the Provincial Government, while something may be done to improve production, transport and marketing. The Government of Madras have often reiterated their desire to implement the Agriculturists' Relief Act with positive measures for reconstruction of agriculture in all possible ways. We are here concerned only with their efforts to promote co-operative credit socities to fill the void created by the Act.

III. CO-OPERATIVE CREDIT IN THE SCHEME

Co-operative societies have been placed in a privileged position by the Agriculturists' Relief Act and debts due to them cannot be compulsorily scaled down. They found their best champion in the Premier who argued that it would be "unfair and suicidal" to excuse agriculturists from paying their debts to societies, that co-operators were, on principle, only borrowing from among members, *i.e.*, from brother agriculturists, and it would not be right to treat them as an outside body. Other arguments could also be advanced in favour of special treatment. Co-operative credit societies are not profit-making institutions; the accounts are generally well kept and audited, the Government controls and guides the societies through the Department of Co-operation. The Registrar had already advised them to reduce their lending rates and abolish penal interest. Many societies, especially in semi-urban areas, have been systematically paying interest due to financing banks, often from out of their collections of instalments of principal as well as interest from regular members while some others might be defaulting in respect of both. The application of some of the provisions of the Act would only lead to the liquidation of some of the financially sound societies. A co-operative society is as much a borrower as a lender; it has

10. G. Costanzo, p. 13, E.
11. *Ibid.*, pp. 14, 15.

to deal with depositors as well as borrowers. As Mr. K. V. Brahma said, "the depositors cannot be conciliated unless we choose to go into nothingness."[12]

There is, however, something to be said for the treatment of co-operative societies like other creditors. It would not create more bad blood between societies and moneylenders. It would provide an opportunity for writing off the bad debts of societies which had made reckless advance in the boom period and even after depression set in. From the point of view of the debtor too it would be better to deal with his whole debt. The Debt Conciliation Scheme of the Central Provinces, copied by Madras in 1936, included co-operative socities too but only if the Registrar thought that particular societies could stand the strain. The Madras Act has not placed this unpleasant task on the shoulders of the Registrar but the Government expect the Central Banks and credit societies to act up to the spirit of the Act and give relief to members to the extent permitted by their resources.

On the advice of the Registrar many banks have reduced their lending rates to credit societies to about five per cent and to loan and sale societies to as low as 3½ per cent. The Madras Provincial Co-operative Bank is willing to offer funds to the tune of Rs. 5 crores at 3½ per cent to Central Banks; many of the latter attract deposits at 3 to 3½ per cent and lend to societies at 4 to 5 per cent so that now the ultimate borrower in the village gets loans at 6¼ per cent, the legal maximum rate, with the added facility of repayment in instalments. What is more pertinent, as regards old loans, penal rates have been practically cancelled. Members in weaker societies have been encouraged to clear off their dues by the application of the rule of *damdupat*, or by the remission of the amount due by 25 per cent. Credit and sale societies have issued more loans to members in 1937-38—by Rs. 15 lakhs and Rs. 36 lakhs respectively—than they did in the previous year, though the Act came into force only in the last three months of the co-operative year. In a spirit of breezy optimism the Government issued a communique in December 1938: "There is plenty of cheap money available for supplying to ryots for their current and seasonal demands. There can therefore be no cause for complaint that credit in any way has been curtailed." The Act has undoubtedly led to an increased demand for co-operative credit; but whether the demand is, or can be, easily met in the existing circumstances of the Movement is a matter for grave doubt.

12. The Indian Co-operative Review, 1937, p. 375.

The institution which helps most in the conversion of prior debts into long-term debts with facilities for repayment in instalments is the land mortgage bank, which is an indispensable complement to all schemes of debt relief. Madras has been more fortunate in her land mortgage banks, of which there are over a hundred now aiming to serve nearly a quarter of the villages in the Province, with the Central Land Mortgage Bank at the top to finance them by means of debentures. Started in a period of depression when land values and money rates had declined, and guided by a set of cautious and experienced co-operative leaders, the Central Bank by the careful management of its affairs inspired confidence in, and secured ample support from, the Government and the investing public. Though less than a decade old more than Rs. 2 crores of long term loans have been disbursed to borrowers in primary banks, who have been charged only 5 per cent. Repayments of instalments dues are far more satisfactory than in the Raiffeisen societies. More than five per cent of the loans were for sums below Rs. 2,000 each. These banks with the intervention of Special Officers for Loans were able to scale down the prior debts of members and pay them off, even before the passing of the Agriculturists' Relief Act, but not very appreciably. Since the passing of the Act, compulsory scaling down of debts of members has not been easy. Creditors are many of them disgruntled and the banks experience a great deal of difficulty in securing documents of title or statements for discharge of debts on the lines provided for in the Act. Some provision must be introduced either in the Act or in the Land Mortgage Bank Act giving them power to summon creditors or other persons to give statements or produce documents in their possession so as to expedite discharge of old debts. If land mortgage banks were for the time being to confine their attention to the clearance of oppressive prior debts, taking advantage of the Relief Act and to cater more to the smaller holders, whose debts may not exceed Rs. 2,000, perhaps Rs. 10 crores might be enough to discharge such debts after scaling down; and this is certainly not beyond the capacity of the Central Land Mortgage Bank. The bigger ryots with larger debts might be left to take care of themselves and it is really not difficult for them to borrow from private lenders on mortgage of land at 6¼ per cent or less, though they would not offer facilities for recovery in instalments. The scope for more productive employment of long term loans in agriculture may be explored soon after the liquidation of the prior debts.

The more difficult problem seems to be the reorganisation of short term credit societies. There are at present a little less than 12,000 societies for the whole presidency, seeming to serve a fourth of the number of villages, but many of them are moribund. Only 120 more societies have been registered in 1937-38 than in the previous year. Instructions have

een issued for the registration of more societies "after satisfying that here was any prospect of the societies working successfully." There has een a considerable increase in the number of members and in the numer and value of loans granted in 1937-38—Rs. 211 lakhs, which is, howver, 50 lakhs lower than in the pre-depression year. This is but a bagatelle compared with the credit needs of the ryots.

As regards the quality of societies, the latest administration report of the Registrar makes depressing reading. Of the 11,617 societies only 286 are said to be thoroughly good. 1,531 are not bad, though they have some mistakes and some defaulters. 1,564 are utterly bad and need to be liquidated at once. The condition of 8,232 societies in the C. class is far from satisfactory and most of them are dormant. The Registrar finds after investigation that there are 1,200 societies whose realiasable assets far exceed the outside liabilities and can therefore be revived; while there are 1,800 societies in which the realisable assets are insufficient to discharge outside liabilities—a comment on the working of unlimited liability—and most of them will have to be wound up in the near future. The fact is that the rot set in even before the depression. With the development of land mortgage banks and loan and sale societies on the one hand and the enforcement of unlimited liability in a number of societies on the other hand, solvent members slipped away from the credit societies, which are now left with members who have exhausted their credit and are unable to repay.

IV. REORGANISATION OF SOCIETIES

If more than 50 per cent of the societies cannot be saved, not to speal of improvement, there must be something fundamentally wrong in th system or the administration of it in our country. The Agriculturists' Relief Act has no doubt created a stimulus for co-operative credit; but if it is not to be abused and the history of reckless expansion in the last decade should not repeat itself, the organisation of new societies must follow a new plan and wherever possible the old societies too could be reorganised with some adjustments. Hitherto attention has been paid, even in areas where the financial soundness of the credit structure—the central banks in particular—has not been questioned, to the tangible security the borrower had, rather than to his repaying capacity. This is the bane of the money-lending system and unlimited liability has fostered this attitude and lulled the financing banks into a false sense of security. It has not been easy to enforce unlimited liability especially after the Act of 1932, and where it is done it is the cause of further unpopularity especially with the more solvent members. It is perhaps too much of a strain in the conditions of our country. Would it not be wiser to adopt limited liability in the case of new societies at least ?

The Reserve Bank has been popularising the idea of one society for a group of villages within a radius of a few miles. There is a great deal to be said for this in view of the number of villages yet to be brought within the co-operative fold, the wider choice offered for the selection of the panchayat, the greater transactions, not only in credit but in supply, that it would bring and therefore the greater margin that would be available for engaging the services of paid staff. We do not believe, on the other hand, that a village credit society can engage itself in multifarious activities, some of them not economic and primarily the functions of local bodies with coercive powers.

Dual purpose—credit and supply of agricultural and domestic requirements, on indent to start with—would be a more feasible aim of societies, judged by western experience, though they can help as agents of sale societies with a wider jurisdiction. We cannot understand how when a society covers a group of villages, unlimited liability which implies mutual knowledge and power of control can be expected to work. Once a wider area than a village is chosen, limited liability automatically follows. Limited liability would have the advantage of bringing in all the ryots, including the substantial ones and the landless tenants, into the society. The former might not care for, and the latter might not get the credit that small-holding members get from the society but they are sure to swell the transactions of the society in respect of supply of requirements.

As for inspiring confidence in the minds of investors in financing banks, which unlimited liability is supposed to have done, the more straight way seems to us to insist, in the case of comparatively longer period of loans at least, on the system adopted now in Alamuru Bank of 'continuing mortgage' of a piece of land whose value should exceed by a certain proportion the borrowing capacity of the individual member. The system of lending on individual mortgage is quite old and common in some parts of our presidency. The 'continuing mortgage' will mean less expense and trouble and help the operation of a kind of overdraft.

It is not necessary, except in the case of comparatively long term loans of two to seven years, granted e.g., for the purchase of implements and livestock, to insist on mortgage security. Nor is it possible for the landless tenants to provide this security. Loans of small amounts and for current cultivation expenses can be given on personal security and on the surety of a fellow-member. Pledge of produce already harvested or to be harvested is a common form of security for loans in western countries. An 'agricultural lien' gives the society a preferential claim, validated by a special register kept by the local registrar.[13] It is not difficult to introduce this system in our Province except in the case of tenants, the first charge on whose crops would be the rent due to the landlord. Again, in western countries, agricultural insurance safeguarding the crops and livestock of farmers against losses by fire and hail or disease has gone a long way to increase the security of the pledges offered by borrowing members of societies. Insurance is becoming more and more an indispensable complement to agricultural credit in the case of small holders and tenants. "The instruments of foundation or regulations of agricultural credit institutions frequently provide for the compulsory insurance by borrowers of the movable or immovable property on which loans are secured."[14] Would it be too much to strive for the establishment of a system of agricultural insurance in this country, though the perils of drought and of epidemics are more formidable in certain tracts?

13. Report on Systems of Agricultural Credit and Insurance to the League of Nations by L. Tardy, p. 18.

It is easy to offer schemes and plans for the rehabilitation of our movement, to alter the constitution of societies and frame new methods of control. But the successful working of societies depends far more on the continued loyalty and the repaying capacity of the individual members which is at the lowest ebb today. Judging from the returns in agriculture and surplus available after consumption, quite a large proportion of agriculturists may not be credit-worthy at all. Other branches of co-operation may partly tackle the problem of low purchasing power and help raise their credit. But agrarian, industrial and social reforms of a more fundamental character are called for, which is outside the province of this paper to deal with.

Agriculturist money-lenders, as distinguished from the professional money-lenders, who play a subordinate role in this province would be an immediate obstacle to the successful working of credit societies even of the new type. Some of them are by no means greedy and only wish for a safe investment of their surplus cash but at rates of interest higher than those offered by banks, co-operative or joint stock. Many of them, however, have an eye on the lands of borrowers which they gradually get under mortgage and ultimately grab.[15] Some system of prevention of foreclosure of the land necessary for subsistence of the borrower may to some extent check this evil. But more important is the education that must be carried on by co-operative leaders to instil in the minds of at least the former class of agriculturist money-lenders the virtues of institutional credit which would help the promotion of thrift and safe investment as much as the loaning of funds to creditworthy cultivators. Money-lending has been in many agricultural tracts in the West almost entirely replaced

14. *Ibid.*, p. 23.
15. Report on Agricultural Indebtedness by W. R. S. Sathyanadhan, p. 17.

by co-operative credit in the course of the last fifty years. In the words of Nicholson, "what is really wanted is the advent of men of zeal, enthusiasm, devotion and perseverance who will take up the western ideas and methods and by personal labour solve the difficulties of the problem not on paper but in actual practice." He thought "the possibility of filling that role (the Raiffeisen of India) was within the power of hundreds of men in this Presidency!" More than a generation has passed since these words were penned, but we still wait for the advent of such leaders in our villages.

REVIEWS

BETTER VILLAGES. By F. L. Brayne, I.C.S., Commissioner for Rural Reconstruction, The Punjab (Oxford University Press, Rs. 2.).

Mr. Brayne created a sensation about a decade ago, when as a Deputy Commissioner in charge of the Gurgaon District he started, ably assisted by his wife, a vigorous campaign of village uplift. He became Socrates to the villager and his book *Socrates in an Indian Village,* gives us an idea of Mr. Brayne's then mentality and his approach to the problem. He was then full of enthusiasm and zeal and wanted by a fiat of the Government to change the order of things which had remained immobile for centuries. Lord Irwin who wrote a foreword to that book sounded a note of warning to the enthusiastic administrator by drawing his attention to the fact that "what an Englishman calls white a Chinaman would call black and that neither is obviously right or wrong."

Mr. Brayne went on improving his original draft, as it were, of the book by publishing *Village Uplift in India* and a revised edition of it called *Remaking of Village India;* and the present book under review is an improvement on all these drafts though essentially it is identical with the first in its aims.

After the experience that has been gained in uplift work, Mr. Brayne rightly lays emphasis on spontaneity as an essential condition of rural uplift work. The attempt to improve village life should be made by the villagers themselves, helped and guided it might be by outsiders. But there must be genuine desire to improve. The element of divine discontent if not actively present among the village folk has to be fostered and that alone would be the real source of inspiration for continued uplift work.

Another point in the book to which attention may be drawn, as contrasted with *Socrates in an Indian Village*, is the recognition by the author of sound elements in the old village life which have to be preserved and incorporated into any rural uplift work. He justly remarks "rural reconstruction is nothing more or less than the revival of old-fashioned virtues of hard work, thrift, self-control, self-respect, self-help, mutual help and mutual respect."

The author also lays equal emphasis upon the responsibility of the Government in setting an example in the villages which they manage under the Court of Wards. He also appeals to Government servants who settle in villages to be the leaders of the village in the matter of uplift work and expects the *patwari*, the village officer, to play his part.

We are very glad to note that the fundamental need for co-operation in all these matters on the part of the housewife, the *gharwali* (or the *grihani*, as we would put in Sanskrit) is emphasised upon. In the words of the author, "there can never be any real desire for improvement in the homes until the housewife knows what can and should be done to make the home and village happier and healthier."

The chapters that follow deal with practical suggestions worked out into great detail about implementing these fundamentals. Starting with the village, alignment of streets, construction of houses, the location of village ponds and manure pits, the author goes on to deal with the various problems connected with the farm and the cattle of the villager. We are glad to see that deserved emphasis is laid upon the danger of erosion and the need for conservation and augmentation of trees. The chapters on village organisation and co-operation deserve special mention. There is a tendency on the part of enthusiastic co-operators to bring all village uplift work under the auspices of the village co-operative society, which they want to convert into a multi-purpose society. As against this there are others whose opinions are entitled to equal respect, who hold that the old institution of the village panchayat ought to be entrusted with the supervision of the moral and spiritual side of village uplift, leaving to co-operative societies the economic aspect of village improvement. Mr. Brayne is for making use of both these institutions.

'Good wine needs no bush' is an old proverb, which like all proverbs contains only a half truth. The need for advertisement and publicity, especially in the present condition of Indian villages where the masses are still illiterate and where lines of improvement have to be suggested to them in an ocular and appealing manner, the need for publicity cannot be over-emphasised, and his chapter on this topic like other chapters is based upon his own experience.

The book takes into consideration the conditions obtaining in the villages of the Punjab and the suggestions for reconstruction apply more to the Punjab than to other provinces. Yet there is so much that is common between the Land of the Five Rivers and the rest of India that the book will be hailed as a real book of guidance by all those who are interested in the work of village uplift.

S. K. Y.

...ADRAS AGRICULTURISTS' RELIEF ACT—A STUDY. By B. V. Narayanaswami Naidu and P. Vaidyanathan (Annamalai University, 1939. 108 pp.)

This beautifully printed Bulletin of the Economics Department of the Annamalai University contains many things besides a study of the Agriculturists' Relief Act. Among the appendices are to be found the text and rules of this Act itself, and those of the related Debt Conciliation and Debtors' Protection Acts and the rules for the grant of loans under the amended Agriculturists' Loans Act; the press communique issued by the Government from time to time on the working of the Relief Act, the judgment of the Madras High Court holding that this Act is *intra vires* of the powers of the Provincial Legislature, the questionnaire and tabulated results of investigation of indebtedness in some villages in the South Arcot District, on which a number of inferences in the study have been based. Students of the subject will be thankful for this heavy documentation, but they will be even more grateful for a closer investigation and analysis of cases of debts actually scaled down under the Act.

The study proper deals first with the causes of indebtedness in India in general and in some villages in South Arcot in particular, where rates of interest are abnormally high and account for the growing volume of debt. A brief account is given of the steps taken in foreign countries and the rest of India to reduce the burden of agricultural debt. A noticeable feature is the mildness of the measure adopted towards creditors elsewhere: reduction in the rate of interest, conversion of short term debts into long term loans, and State aid or guarantee for the repayment of them in instalments. The authors support the principle of the Moratorium Bill, which was dropped. They object to the application of the law of *damdupat* to all old debts instead of to only usurious ones. If it was meant to scale down debts because of the slump in prices, a definite relation between the two should have been adopted, as in some European countries. They criticise the absence of an upper limit for ryotwari landholders, which was found in the Moratorium Bill. The exclusion of tenants and landless labourers from the benefits of the Act is regretted. Another major criticism is the lack of adequate facilities for the debtors to have their debts scaled down and to repay them in instalments. But no new definite suggestion is offered. Among the minor criticisms are the exception taken to the exemption of usufructuary mortgages, and absence of provision for the infirm and orphans. There is a plea for the saving of a subsistence holding from sale to creditors; and another for a schedule of prices for the sale of lands, which we fear is not practicable. The decision of the High Court is said to be 'keenly awaited,' while an appendix gives the text of the judgment!

There is a spirited defence of the exclusion of co-operative societies from the operation of the Act; but it is urged that the Registrar's advice to societies should be mandatory. This, we feel, will take away the grace from the policy of the Government. The most serious comment on the working of the Act is that it has restricted rural credit, at any rate in the villages investigated. It is alleged that a good number of agriculturists have left their lands fallow as they could not get credit. The collection of kist is said to have become difficult. There is an abnormal increase in the number of applications for taccavi loans, hitherto unpopular. Not only money-lenders but even co-operative credit societies were refusing aid. The only silver lining in the cloud is the increasing volume of loans granted by the loan and sale society.

The study ends with a profound faith in, and an earnest plea for the creation of, multipurpose societies. These are not so easy to work, and they will not achieve the millenium without a change in rural leadership and in the outlook and means of the peasantry.

K. C. R.

REPORT ON THE WORKING OF PROHIBITION IN THE SALEM DISTRICT. By C. Jagannathachari. (Annamalai University, 1939 pp. 101).

This is the work of a Research Scholar of the Annamalai University who toured the Salem District in the early stages of the working of Prohibition. He observed conditions for himself in five towns and fifteen villages, collected a number of family budgets and other data from officials and non-officials and has drawn up a very readable report. The greatest gains have been reaped by the women and children of ex-addicts, who were most of them wage-earners in rural and urban areas. Land owning classes contributed comparatively less to the drink revenue in the past, and therefore their gains are not so tangible or immediate. The bigger ryots have profited by the steadier habits of their labourers. We shall have to wait for a season or two more to see the full effects of Prohibition.

Weavers among whom were to be found the worst addicts have not improved very much on account of the slump in prices of cloths, lower wages and less employment. But middlemen or master-weavers rely more on the workers now. Toddy tappers suffer in spite of the encouragement offered by the Government for the tapping of sweet toddy and the making of jaggery.

How has the increased purchasing power of the ex-addicts been utilised? The answer is given that "an inconsiderable part of the amount gained has been sponged away by the moneylenders and kist collectors." A little has been left for the improvement of the standard of living of their families. More provisions and more clothing have been purchased. Moneylenders have recovered more of their dues than before, while there is a fall in the demand for loans.

Co-operative societies have not played yet a conspicuous part in promoting thrift, and popularising Hundi boxes. The standard was so low that any increased purchasing power would be swallowed up in raising it ever so small, that savings will take time to reach co-operative societies, unless a great deal more of propaganda is done.

THE RELIEF OF AGRICULTURAL DEBT. By C. F. Strickland (Oxford University Press, 1939, pp. 28, 9d.).

This is a very compact and instructive analysis, with sparkling comments, of the variety of measures taken by Provincial Governments and States in India for the relief of agricultural indebtedness in the last eight years. Students of the subject cannot wish for a more balanced and scientific treatment. The sponsors of the legislative measures themselves cannot look for a more sympathetic critic. We cannot do better than quote some of the wise observations of which this little pamphlet is full:—

"Conciliation is not a sovereign remedy for all persons. Inertia, suspicion and other causes have led many to refuse the offered help. Some are past helping. Nevertheless those whose debt is now of reasonable dimensions have a chance to make a new start and avoid new entanglements if they will."

"The test of conciliation will come when the first few annual instalments have been paid and the sense of alleviation has worn off."

"The limitation of interest is an ideal at which many Governments have grasped for many centuries. It is beautiful in appearance, but though not entirely useless, is much less useful than its advocates commonly suppose."

"Legislation to limit mortgages of agricultural land to 20 years (as in the Punjab) may be expected to achieve more than laws for regulation of accounts with no adequate penalty for breach or a legal limitation of interest rates which it is difficult to enforce."

"Long term loans can only be granted to men of sufficient character to ensure at least the *intention* to repay."

Readers of the pamphlet will be thankful to the Indian Village Welfare Association in England for the selection of such an experienced writer to give a convenient and interesting summary of a complex series of measures.

CONSOLIDATION OF AGRICULTURAL HOLDINGS. By C. F. Strickland (Oxford University Press, 1939, 20 pp. 6d.)

This is another pamphlet issued on behalf of the Indian Village Welfare Association by Mr. Strickland, who as Registrar of Co-operative Societies of the Punjab has himself played an important part in the organisation of societies for consolidation of holdings in that Province, which has to-day about a million acres consolidated. He points out the evils of fragmentation as distinguished from those of sub-division —even official papers, he says, show an imperfect distinction between the two—and after a brief reference to the manner in which European countries, with the same system of inheritance, dealt with the problem, he goes on to trace the progress of the attempts made in the Punjab. The earlier efforts were all on a voluntary basis and concessions were made to the people's suspicions. No official pressure is said to have been exercised; but now there is an increasing pressure from peasants on the allotted staff. Difficulties due to different kinds of soils and irrigation facilities are not insuperable, if the 'block' system of allotment is adopted. Each holding is given an access to a road, the space for which is made available by the removal of superflous boundaries. Improvements in cultivation, cattle, and general mode of life have been brought about. The Government's share of the cost is more than made good by the increased irrigation revenue, reduction of disputes and violent crime. The whole thing reads like a romance but it is all true.

The Central Provinces which began the experiment later has progressed farther—thanks to the semi-compulsory scheme, by which if half the right holders with two-thirds of the land agreed, the rest could be coerced. More than 1,100,000 acres have been repartitioned with the help of the special revenue agency. The author is inclined to doubt "whether under a system of legal compulsion the same impartiality and care can be found in every officer, high and low, as is automatically secured in a co-operative repartition."

We ourselves are not sure whether all the success in consolidation will be a permanent feature so long as the law of equal inheritance holds sway, unaccompanied by any restriction of births nor by other avenues of employment for the superfluous sons of agriculturists. If it is granted that a minimum economic holding consolidated should not be further split up, there is surely something to be said for a law which will deal with subdivision as well as fragmentation.

R.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

MADRAS

Extracts from the Report of the Registrar of Co-operative Societies, Rao Bahadur M. Giriappa, for the year ending 30th June 1938 :—

General Working.—While there was a very slight rise in the price of paddy, there was considerable fall in the prices of commercial crops. There was therefore no marked improvement, on the whole in the economic condition of the ryots. Accordingly, at my instance, all the concessions given by co-operative societies last year for affording relief to their members were continued during the year.

The passing of the Madras Agriculturists Relief Act, 1938, also contributed to the increased demand for the organization of new societies. This Act is bound to result in the expansion of the movement as the ryots would be looking in a larger measure than hithertofore to the credit societies for necessary finance. Accordingly Deputy Registrars were instructed to take up the work of expansion of the movement in their districts. 446 societies, both credit and non-credit, were registered during the year and I expect more will be registered during the current year. But they have, however, been told that they should register societies only after satisfying themselves that there was every prospect of the societies working successfully. That a cautious policy was followed during the year 1937-38 is evident from the fact that out of 934 applications for societies disposed of, only 446 were complied with by registration. The classification of the several societies registered during the year was as follows:—

Land mortgage banks	..	8
Agricultural credit societies other than land mortgage banks	..	201
Non-agricultural credit societies	..	32
Purchase and sale societies	..	95
Production and sale societies	..	33
Other types	..	77
Total	..	446

It may be observed that of the societies registered 205 were for non-credit purposes. This number included 18 better living societies, 15 thrift societies for women, 5 societies for the consolidation of holdings, three each for cattle breeding and for the production or sale of Khaddar and two for colonisation.

The registration of 235 societies was cancelled during the year as against 195 and 334 in 1936-37 and 1935-36 respectively. Cancellation was ordered only when all attempts to revive the society proved futile.

There was at the close of the year 13,138 societies as against 12,927 in the preceding year. Of these, the committees of 26 societies were under supersession under section 43 of the Act and 1,236 societies were under the management of agents appointed under by-law 62 of village credit societies, as against 36 and 1,340 societies respectively at the end of the previous year.

Loans.—The loans given by Central Banks to societies and individuals amounted to Rs. 142·25 lakhs and Rs. 13·39 lakhs as against Rs. 105·88 lakhs and Rs. 10·96 lakhs respectively in the previous year. The overdraft transactions with societies increased during the year from Rs. 74·64 lakhs to Rs. 110·70 lakhs while those with individuals fell from Rs. 4·62 lakhs to Rs. 4·38 lakhs. The remarkable progress during the year in the development of loan and sale societies has in a large measure contributed to the marked increase in the loan transactions of Central Banks. As stated in the last year's report, the Madras Provincial Co-operative Bank and the Central Banks are continuing to pay special attention to the development of these societies by advancing them loans at reduced rates of interest and by affording them other facilities for carrying on their business such as grant of subsidy to meet the cost of the staff, etc. The area under the controlled credit scheme has been extended and the loans issued under this scheme also have increased. With the extension of the scheme to several districts, I expect further expansion of business during the current year.

Overdues.—Except under arrear interest, there was a fall in the overdues both in Central Banks and in agricultural and non-agricultural societies. Though the fall was not remarkable, it is a matter for satisfaction that some reduction was effected. The sustained efforts of both the non-officials and the officials of the department are in no small measure responsible for this result.

The rise in the arrear interest is due partly to the fact that in the case of bad societies Central Banks have been crediting the collections towards principal first instead of interest as advised by me and partly also to the fact that the arrears are due from societies which are on the verge of liquidation.

Classification of Societies.—Though it is satisfactory that there was some increase in the number of societies both under A class and B class it is disappointing that there was an increase in D class societies also. During the year Central Banks and Deputy Registrars were requested to see that special measures of relief were given to members of D class societies by way of scaling down the debts so that after clearing their frozen debts they might obtain fresh loans for their current agricultural requirements. The need for rehabilitating these societies has now become greater with the coming into force of the Madras Agriculturists' Relief Act. Co-operative societies are therefore expected to play a more important and active part in the financing of agricultural operations than in the past. Before they take up this responsibility, societies should be revived and reconstituted to play their part well.

Resources.—The statement given below shows the resources of the various classes of societies on 30th June 1938:—

Types of societies	Total working capital. Rupees (In Lakhs.)
Madras Provincial Co-operative Bank	.. 204·88
Madras Central Land Mortgage Bank	.. 152·47
District Central Banks	.. 523·54
Agricultural Societies	.. 671·32
Non-agricultural societies	.. 453·44
Total	.. 2,005·65

The working capital of all societies rose from Rs. 1,851·93 lakhs to Rs. 2,005·65 lakhs. The total working capital employed in the movement exclusive of the investments of one society in another amounted to Rs. 1,199·48 lakhs, as against Rs. 1,114·91 lakhs in the previous year; and it is made up of as follows:—

	Rupees. (In Lakhs.)
Paid up share capital	.. 235·35
Deposits of individuals and institutions	.. 767·94
Reserve Funds	.. 173·17
Loans from Government	.. 23·02
Total	.. 1,199·48

The owned capital in the movement is Rs. 408·52 lakhs (i.e., 34·06 per cent of the net working capital).

Appointment of Agents under by-law 62.—There were 1,236 societies under the management of agents appointed under by-law 62 as against 1,340 societies at the end of the previous year. The assets to be collected in these societies as on the date of replacing the panchayat amounted to Rs. 60·93 lakhs under principal and Rs. 12·83 lakhs under interest. Before the close of the year the agents collected Rs. 21·17 lakhs under principal and Rs. 9·48 lakhs under interest.

The existence of a large number of societies under the management of agents is not altogether a satisfactory feature of the movement. It is true that agents are appointed only in cases where the alternative is the cancellation of registration and instances are not wanting where owing to their efforts societies have been saved from liquidation. The system has worked well in certain districts and has helped the Central Banks to realize their longstanding dues but in certain other districts it was not attended with much success.

It has to be remembered that the managers appointed under by-law 62 are mere collection agents with no powers either to lend or borrow on behalf of the societies except with the special sanction of the general body on each occasion. It is therefore desirable that in cases where the agents have either reduced the overdues substantially or pulled up the condition of the societies, that the normal constitution of the societies should be restored as early as possible. The period of such management should be restricted to the minimum necessary in each case.

DETAILED WORKING OF SOCIETIES

The Madras Provincial Co-operative Bank.—During the year, the bank redeemed the shares held by societies other than Central Banks and this accounts for the decrease in the number of society share-holders and the paid up share capital. There was a slight fall in the deposits held by individuals from Rs. 57·06 lakhs to Rs. 56·39 lakhs. The deposits of societies also fell from Rs. 78·76 lakhs to Rs. 61·91 lakhs. The deposits from joint stock and other institutions, local boards and municipalities and Government contractors, however, rose from Rs. 34·36 lakhs to Rs. 46·76 lakhs with the result that there was an increase of about Rs. 3 lakhs in the total borrowings of the bank. The investments of the bank in Government Promissory notes amounted to Rs. 126·47 lakhs as against Rs. 142·30 lakhs in the previous year.

Loans.—The bank issued loans to Central Banks to the extent of Rs. 32·79 lakhs during the year as against Rs. 9·23 lakhs in the previous year. The loans issued to Central Banks during the year went up to the figures which prevailed prior to 1931-32. The progress is in a large measure due to the encouragement of produce loans through sale societies.

Under loans to individuals there was a further fall during the year. The bank issued Rs. 5·77 lakhs only as against Rs. 7·80 lakhs in the previous year. A sum of Rs. 3·12 lakhs was outstanding at the end of the year.

The bank continued to finance the Vuyyuru Co-operative Industrial and Credit Society. The loan outstanding against this society at the end of the year amounted to Rs. 13·51 lakhs of which Rs. 3·44 lakhs were overdue.

During the year, the bank granted subsidies to Central Banks to the extent of Rs. 18,450 for development of sale societies as against Rs. 15,600 in the previous year. It is gratifying to note that the Provincial Bank is taking keen interest in the development of sale societies. The bank also made a contribution of Rs. 10,000 to the Provincial Co-operative Union for co-operative education and propaganda.

Net profits.—The bank earned a net profit of Rs. 2·93 lakhs as against Rs. 1·98 lakhs in the previous year.

The Madras Co-operative Central Land Mortgage Bank.—The Madras Co-operative Central Land Morgage Bank completed one more year of steady and satisfactory progress.

The money market continued to be easy throughout the year and the bank was able to float debentures at a low rate of interest. The debentures for Rs. 25,87,100 floated during the year bear 3 per cent interest per annum. During the year, debentures to the extent of Rs. 5,71,800 were redeemed. In June 1938 debentures to the value of Rs. 4,16,600 were drawn for redemption and they have been redeemed since the close of the year.

Till the beginning of the year the bank exercised its option once in every six months to draw lots to the extent of principal collections in each series and retired debentures from circulation. In order to remove the inconvenience caused to the debenture holders by frequent drawal of lots, the bank sent round a circular to its debenture holders with a view to ascertain from them whether they would like to have their debentures redeemed by taking new debentures, which are irredeemable for a period of ten years from the date of their issue and which carry interest at 3 per cent per annum. Many have given their consent and accordingly new debentures of Rs. 7,52,400 were issued to debenture holders during the year and completed since the close of the year. On account of this arrangement, the chances of compulsory redemption of debentures have been reduced. This together with the fact that debentures of the XXIV and subsequent series are irredeemable for a period of ten years must make the debentures more attractive and popular with the investing public. The bank made a beginning during the year to purchase its debentures in the open market and debentures for Rs. 14,000 were purchased during the year through brokers.

Government passed orders accepting the suggestion of the President of the Central Land Mortgage Bank that the bank will throughout the period of currency of each series of debentures make an annual equated payment to a debenture redemption fund at such a rate that the contribution accumulating at compound interest at the same rate of interest as that borne by the debentures will provide sufficient funds to pay off the debentures at maturity and that, if the amount to the credit

of the Debenture Redemption fund is invested and the net return in any year falls short of the rate of interest borne by the debentures, the short fall will be made good from the revenues of the bank in the same year. They also directed that a margin of at least 2½ per cent should be maintained between the rate of interest charged to ultimate borrowers and the rates of interest on debentures and that the rate of dividend paid by the bank to its share-holders should not exceed 1 per cent above its rate of interest on debentures. At a meeting of the Board of Directors of the Madras Co-operative Central Land Mortgage Bank held on 8th April 1938, it was resolved to accept the first two conditions laid down by Government and to recommend the question of limiting the rate of dividend to 1 per cent above the debenture rate to the general body. Accordingly the rates of interest on loans issud by the Central Land Mortgage Bank and by primary land mortgage banks to their members have been enhanced from 4 to 4½ and 5 to 5½ per cent respectively. Loans are now issued to the ultimate borrowers at 5½ per cent.

The Central Land Mortgage Bank approached Government during the year twice for an enhancement of their guarantee of the debentures of the bank as the transaction of the bank developed considerably. In April 1938, Government enhanced their guarantee from Rs. 125 lakhs to 150 lakhs. Again in September 1938, Government enhanced their guarantee by Rs. 50 lakhs more, the total guarantee under section 6 thus extending to Rs. 200 lakhs, exclusive of the debentures redeemed from time to time. During the year, Government permitted local bodies to invest their provident fund and railway-cess funds in the 20-year debentures of the bank up to one-half and one-third, respectively, of the amount to the credit of the fund without reference to Government.

Central Banks.—The number of Central Banks remained the same as in the previous year, viz., 31. The number of individual shareholders of the banks fell from 4,248 to 4,176 while the number of society shareholders rose from 11,244 to 11,288. Of the 11,288 societies affiliated to the banks, 199 were Central Societies, 9,811 were Agricultural Credit Societies, 946 were non-agricultural Credit Societies and the remaining 332 societies belonged to other types.

There was an appreciable increase in the total deposits and borrowings and also in the working capital. The increase is justified by a corresponding increase in the loan transactions of the banks. The total owned capital of the banks (share capital and reserve fund) amounted to 15·9 per cent of the total working capital on 30th June 1938 as against 16·6 per cent on 30th June 1937.

Financial position.—The following is a rough balance-sheet of the Central Banks as a whole as on the last day of the year:—

Assets.	Rs. (IN LAKHS.)	Liabilities.	Rs. (IN LAKHS.)
1. Cash on hand and in banks	20·49	1. Loans and deposits from—	
2. Investments	131·84	(a) Members and non-members :	
3. Loans due from—		Long term	117·24
(a) Individuals :		Short term	124·33
Long term	1·48	(b) Provincial and Central Banks :	
Short term	5·00	Long term	2·64
(b) Societies :		Short term	32·82
Long term	220·80	(c) Societies :	
Short term	139·43	Long term	109·87
4. Interest due	13·63	Short term	22·80
5. Other items	12·62	2. Share capital paid-up	49·79
		3. Interest due	5·24
		4. Cost of management due.	0·17
		5. Other items	5·67
		6. Reserve fund	33·49
		7. Other funds	30·58
		8. Difference between assets and liabilities	10·65
Total	545·29	Total	545·29

Exclusive of the paid-up share capital, the Reserve Fund and other funds owned by the banks, their outside liabilities amounted to Rs. 420·78 lakhs against which the banks held assets to the extent of Rs. 545·29 lakhs. The large margin between the assets and the outside liabilities must assure depositors that the financial position of the banks as a whole continues to be sound. The total short-term liabilities of the banks amounted to Rs. 179·95 lakhs and against these, the banks held short-term assets to the tune of Rs. 144·43 lakhs besides the cash on hand and in bank amounting to Rs. 20·49 lakhs and the investments of Rs. 131.84 lakhs.

The total divisible profits of all banks amounted to Rs. 3·15 lakhs as against Rs. 4·40 lakhs in the previous year. The majority of the banks have contributed to the fall in the profits. This fall in the profits in spite of an increase in the loan transaction is mainly due to a further reduction in the lending rates of Central Banks. The policy of making provision for bad and doubtful debts by retrenchment of profits was generally continued and a sum of Rs. 1·01 lakhs was added to this fund. The Bad Debt Reserve at the close of the year amounted to Rs. 19·69 lakhs as against Rs. 18·98 lakhs at the end of the previous year. It is gratifying to note that Central Banks have realized the importance of building up this reserve and have generally restricted their dividends. Last year, as many as 23 banks declared a dividend of not more than 5 per cent to their shareholders. In view of the fall in the profits of Central Banks and in consideration of the easy conditions of the money market, proposals have been submitted to Government for amendment of the rules to reduce the maximum rate of dividend payable by Central Banks to 5 per cent and they are under the consideration of Government.

Loans.—The loans disbursed to societies during the year amounted to Rs. 142·25 lakhs as against 105·88 lakhs in the previous year. The development of produce loans through sale societies accounts to a large extent for the increase in the loan transactions. The increase is also indicative of the fact that the credit facilities afforded by co-operative societies are being availed of by agriculturists to a greater extent than before. The repayments by societies during the year amounted to Rs. 113·91 lakhs. The amount of loans outstanding at the end of the year was Rs. 304·56 lakhs.

Out of Rs. 142·25 lakhs lent to societies during the year, a sum of Rs. 96·67 lakhs represented short-term loans. The ratio of short-term to long-term loans issued was 1 : 0·47 as against 1 : 0·82 in the previous year. 22 Central Banks as against 15 in the previous year issued more short-term than long-term loans. The ratio of short-term to long-term loans outstanding at the end of the year was 1 : 1·67 as against 1 : 2·4 in the previous year.

During the year, the Central Banks were exhorted to implement the provisions of the Agriculturists' Relief Act and thereby justify the exemption given to co-operative societies from the operation of the Act. With this end in view, the following suggestions were made for their consideration:—

(1) Reduction of the lending rate on new loans to societies to 5 per cent and in any case not to exceed 5½ per cent, and

(2) reduction of the lending rate on outstanding loans so as not to exceed 6 per cent.

The response from the Central Banks was generally satisfactory. Before the close of the year, as many as eleven Central Banks brought down the lending rate on new loans to 5 per cent and seven others to 5½ per cent. Five other banks reduced the lending rate to 5 per cent subject to certain conditions. On outstanding loans fourteen Central Banks reduced the rate to not more than 6 per cent. I hope that the other banks will also fall in line with the principle of the Act and bring down their lending rates before long. On loans to sale societies almost all banks charged a lower rate than to other societies. In nine banks, the rate was 3½ per cent or less.

Revival of Dormant Societies.—In the report for the previous year, special emphasis was laid on the revival and rehabilitation of dormant societies as a part of the programme of work of Central Banks. Statistics gathered have disclosed that there are about 1,800 societies in the Presidency in which the realizable assets are insufficient to discharge the outside liabilities. Some of these are probably incapable of improvement and may have to be liquidated at no distant date. Where the deficit is not large it must be possible to restore the society to a normal condition by the admission of new members, reconstitution of the Panchayat, grant of liberal concessions in collecting existing loans and the disbursement of fresh short-term loans strictly within the repaying capacity of the borrowers. Statistics have also revealed that there are about 1,200 societies in which the realizable assets far exceeded the outside liabilities. They include societies which are in a working condition and which have built up strong reserve funds and societies which have almost no outside liabilities and are dormant. In either case, there is considerable scope for development. It is the duty of the supervising and financing agencies to look into the affairs of these societies, find out the causes for their dormant condition and to revive them.

Supervision.—For purposes of supervision primary societies were grouped as follows:—

Affiliated to local supervising unions	,8078
Affiliated to Central Banks	1,651
Under the Fisheries department	49
Under the Special Police Officer for Kallars	225

There were 262 supervising unions at the beginning of the year. Eight of them were liquidated during the year and at the end of the year the number of unions was 254. The total amount spent on supervision was Rs. 3·41 lakhs while the total income from supervision fund, contributions by Central Banks and other miscellaneous items was Rs. 3·96 lakhs, including the balance available at the beginning of the year. Including the arrears of previous years Rs. 2·27 lakhs had to be collected in all districts from primary societies towards supervision fund. Of this Rs. 1·53 lakhs were collected and Rs. 0·74 lakh was left in arrears at the end of the year. With the dissolution of the District Federations, Central Banks have in almost all districts taken over the supervision of societies. The administrative sections of the Central Banks with the assistance of executive officers co-ordinate the activities of the unions and control their expenditure as also the staff engaged on supervision. The District Supervision Fund consisiting of the supervision fees collected from societies and the contribution made by the Central Bank in accordance with its by-laws is in most districts insufficient to meet the expenditure on supervision. The deficit is therefore made up by the Central Banks out of their general funds. The unions now work more or less as the agents of the financing banks than as separate bodies with independent powers. Still they occupy an important place in the scheme of supervision as there is no other agency which can supply the local knowledge and influence so necessary for the proper control of societies. The unions are expected to do the actual supervision under the control and guidance of Central Banks but it cannot be said that the unions have achieved much in this direction. Governing body members with enthusiasm, vision and integrity are required for the work but societies rarely supply the proper type of persons. In the Bombay Presidency the by-laws provide for the Central Bank and the District Board of Supervision (which corresponds to the now defunct District Federation of this Presidency) to nominate a person each to the committee of the supervising union. The question of introducing similar provisions in the by-laws of the supervising unions of this Presidency is engaging attention.

Agricultural societies of all types.—The total number of all types of agricultural societies at the end of the year was 11,184 as against 11,110 at the end of the previous year. Out of the total number, 101 were land mortgage banks, 10,520 ordinary credit societies, 135 purchase and sale societies, 45 production and sale societies and 383 other types of societies. 74 of these societies had not started work by the close of the year. The membership in all these societies rose from 575,817 to 608,363 including 2,078 society members. These societies advanced loans to their members to the extent of Rs. 211·94 lakhs against Rs. 162·90 lakhs in 1936-37 and Rs. 148·22 lakhs in 1935-36.

From the year 1929-30 there was a steady fall in the loan transactions of societies—from Rs. 260·80 lakhs they fell to Rs. 92·16 lakhs in 1933-34. From the year 1934-35 the transactions began to rise again and in 1937-38 they rose to Rs. 211·94

lakhs. The rise during 1937-38 was by Rs. 49·04 lakhs. If this rate of progress is maintained—and I see no reason why it should not—the level of 1929-30 which was the highest during recent years will be reached during the current year.

The loans due by members to societies were Rs. 150·43 lakhs under short-term and Rs. 367·12 lakhs under long-term. The long-term loans were 71 per cent of the total loans outstanding against members on 30th June 1938 as against 76 per cent at the end of the previous year. If the loans outstanding against members in land mortgage banks are excluded the percentage will be 60 as against 68 in the previous year. Though there was some reduction in the percentage of long-term loans it is necessary that further reduction should be made. To achieve this object instructions have been issued to District Officers that when they register new societies the maximum borrowing power should be fixed separately for long-term and short-term loans in the by-laws of the societies.

Primary land mortgage banks.—At the beginning of the year, there were 93 primary land mortgage banks. During the year, eight banks were registered making the total number of banks 101 on 30th June 1938.

12,816 villages are covered by existing land mortgage banks and loans have been issued in 3,440 villages. The total number and amount of loans issued by primary land mortgage banks up to 30th June 1938 were 10,079 and Rs. 175·83 lakhs, respectively. To supplement the work of land mortgage banks, Government were advancing loans till about January 1938 under the Agriculturists Loans Amendment Act, 1935, in ten districts generally in areas not served by land mortgage banks. The scheme was suspended pending the passing of the Madras Agriculturists Relief Bill into law. The amount of co-operative debts scaled down from 1st July 1937 up to the date of suspension of the scheme was Rs. 45,812 under principal and Rs. 6,081 under interest. The total loss incurred by societies on this account was Rs. 8,312. Land mortgage banks were advised to scale down the debts of their members. Reports received show that banks were able to influence creditors to write off loans due to them till the passing of the Agriculturists Relief Act to the extent of Rs. 1·08 lakhs as against Rs. 1·56 lakhs in the previous year. After the passing of the Agriculturists Relief Act, the amount scaled down and written off was Rs. 0·79 lakhs.

The main difficulty that stands in the way of quicker disposal of loan applications is in securing documents of title or statements for discharge of debts from creditors and other persons. There is no provision in the Madras Land Mortgage Banks Act to summon creditors or other persons to give statements or to produce documents in their possession. I shall shortly address Government for an amendment of the Act in regard to this matter.

Credit Societies (excluding primary land mortgage banks).—The number of agricultural credit societies rose from 10,502 to 10,520. Of these, 50 had not started work before the close of the year.

Membership and transactions.—The total number of members rose from 510,561 to 523,998. During the year the working capital of the societies rose from Rs. 430·24 lakhs to Rs. 437·13 lakhs and the loans issued during the year were Rs. 110·97 lakhs as against Rs. 96·17 lakhs in the previous year.

Profits.—The total divisible profits earned by some societies fell from Rs. 6·37 lakhs to Rs. 4·94 lakhs and the unrecouped loss of the remaining societies rose from Rs. 19·01 lakhs to Rs. 19·26 lakhs. Fifty per cent of the societies accounts for the loss, all the districts contributing.

Arrears.—Percentage of balance to demand for the last five years.

Year.	Principal. Demand. Rs. (IN LAKHS.)	Principal. Balance. Rs. (IN LAKHS.)	Principal. Percentage.	Interest. Demand. Rs. (IN LAKHS.)	Interest. Balance. Rs. (IN LAKHS.)	Interest. Percentage.
1933–34	356·24	251·89	70·71	123·30	83·73	67·91
1934–35	324·06	225·84	69·65	120·28	83·72	69·60
1935–36	300·58	205·30	68·30	101·80	68·41	67·20
1936–37	277·70	176·15	63·43	83·36	55·11	66·11
1937–38	257·80	163·42	63·39	71·69	49·09	68·48

Multi-purpose Societies.—In one of the bulletins issued recently by the Agricultural Credit Department of the Reserve Bank of India, the formation of multi-purpose societies has been recommended. Village societies have in the past confined themselves almost exclusively to the provision of credit to their members. While it is recognized that societies should strive for the all-round improvement of the ryots, the fear is whether a multiplicity of activities will not stand in the way of any of the objects being achieved fully. I am not in favour of marketing being done by these societies. It should be done by sale societies located at market centres. Piecemeal marketing would only depress the market. Moreover, marketing requires the services of an efficient and well-paid staff which these societies can ill-afford to employ. Non-official opinion is divided on the advisability of starting multi-purpose societies on any large scale.

The Alamuru Co-operative Rural Bank, Limited.—The society was registered on 1st February 1938 and started on work on 4th February 1938. It was opened by the Hon'ble Sri T. Prakasam, Revenue Minister, on 27th February 1938. The society is on limited liability basis with ten villages in its area of operations. Its object is to undertake all activities conducive to better-farming, better-business and better-living. During the year the society was engaged in credit activities only. It proposes to undertake non-credit activities also during the current year. Propaganda is carried on in the villages by organizing public lectures to agriculturists. The All-India Spinners' Association has opened a branch in this society to supply khaddar to its members. Cloth to the value of Rs. 200 was supplied to members during the year.

Multi-purpose objects in credit societies.—The Mallasamudram, Valasiyur and Mallur Co-operative Societies in Salem district have taken up such work as the promotion of thrift through hundi boxes, marketing of produce through village godowns, supply of good seed and agricultural implements, improvement of the breed of cattle and the maintenance of village reading rooms. The Mallasamudram society also conducted the annual ryots' conference and the annual ploughing competition while the Valasiyur and Mallur societies maintained a public well and a sports club, respectively. Maintenance of stud bulls, digging of wells and purchasing of radio sets are some of the other activities taken up by societies in Salem district.

The Pannimadai Co-operative Society in Coimbatore district interested itself in introducing improved methods of cultivation in selected fields by demonstrating labour saving and scientific appliances under the advice of the Agricultural Department. The Tirumarangampundi society tried to grow an improved variety of cholam on a demonstration plot of about 3½ acres. The Titte Co-operative Society in Tanjore district undertook joint purchase of the requirements of the members and joint cultivation of lands, and also selected a few families for introducing better living principles. The society obtained a loan of Rs. 755 from the Central Bank for the joint purchase transactions and took 33 acres of land on lease for joint cultivation.

A few societies in West Godavari, Cuddapah and Trichinopoly districts also introduced multi-purpose objects in their by-laws.

Loan and sale societies.—There were 118 societies at the end of the year as against 111 at the beginning of the year. They had a membership of 17,276 individuals and 1,660 societies and their paid-up share capital amounted to Rs. 1·84 lakhs. They advanced loans to members amounting to Rs. 62·12 lakhs as against Rs. 26·16 lakhs in 1936-37, the transactions in the sale societies thus showing a phenomenal increase. A sum of Rs. 40·09 lakhs was outstanding at the end of the year. The total value of stock on hand at the beginning of the year and that received during the year either on pledge or for sale was Rs. 107·59 lakhs, of which stock to the value of Rs. 32·76 lakhs was released without sale and produce to the value of Rs. 24·72 lakhs was sold. 57 societies worked at a net profit of Rs. 47,267 while the loss in other societies was only Rs. 9,875.

During 1937-38, 13 sale societies were sanctioned Government loans amounting to Rs. 1,32,276 and a free grant of Rs. 43,144 for the construction of godowns. Government have so far sanctioned loans to 20 sale societies for the construction of godowns and the applications of two sale societies are under consideration.

The free grant of 25 per cent of the estimated cost of the godowns put up by sale societies is met out of the Government of India grant for rural reconstruction. Government were pleased to extend the concession to select credit societies which intend putting up godowns-cum-village-hall and reading room. Five credit societies in Chingleput district and eight societies in Salem district have availed themselves of this concession. The free grant sanctioned to these societies amount to Rs. 7,100. These societies are well established societies and are in a position to meet the balance of 75 per cent of the cost of the godowns from their general funds. The godowns that will be put up in Salem district will serve as auxiliary to those constructed by the sale societies in the taluk headquarters, the idea being to cover the entire district with godowns at important taluk centres with auxiliaries in the villages. The main godowns will be centres for sale while the auxiliaries will provide facilities for storage of produce. The success of the new scheme is watched with interest.

In the last annual report reference was made to the interesting experiment undertaken by the Madura Sale Society for the disposal of nightsoil and rubbish. I regret to report that the society did not secure the contract after 31st March 1938. The municipal council wanted Rs. 35,000 for the contract, while the society offered Rs. 30,000. The contract was put up for auction and an outsider knocked it down for Rs. 35,000 though the society's bid went up to Rs. 34,900. The question of securing the contract for the sale society in future is engaging my attention as well as of Government.

A detailed account of controlled credit system introduced in this Presidency was given in the annual report for 1936-37. Since there is a lare margin of profit in the case of commercial crops, such as groundnut and cotton, these crops may be handled successfully. There is, however, no objection to take up food crops as well. Statistics about the area under groundnut and cotton cultivation were obtained from the Industries Department and furnished to Deputy Registrars. A good deal of propaganda is still necessary for the further extension of the scheme. I am glad to report that the scheme has been introduced in fourteen districts and efforts are being made to introduce it in other districts as well. In most of the districts cultivation of commercial crops has been financed under the scheme. The area brought under cultivation of cotton and groundnut was 15,584 acres, of which 5,580 acres were in Coimbatore, 3,592 acres in Salem, 2,195 acres in Tinnevelly, 1,495 acres in Tanjore, 896 acres in Madura, 640 acres in South Arcot, 497 acres in East Godavari, 191 acres in Vizagapatam, 128 acres in Trichinopoly and 100 acres in Malabar. The loans issued during the year were Rs. 1·96 lakhs. In many districts the scheme was introduced towards the close of the year and its results will be known during the current year.

Experience showed that sale societies required Government staff for their supervision or a subsidy to meet the establishment charges in their initial stages of working. Government have, therefore, sanctioned under certain conditions a sum of Rs. 26,500 for distribution as subsidy to 62 smaller sale societies and a staff of ten junior Inspectors for employment in the larger sale societies.

Marketing societies.—The main function of loan and sale societies is marketing the produce of members but the societies have not yet developed this business to any large extent. During the year the value of sales effected through these societies was only Rs. 24·72 lakhs while goods of the value of Rs. 32·76 lakhs were released without sale. These societies are paying more attention to the supply of credit than to marketing.

The Madras Provincial Marketing Society was started in 1936. In the last year's report mention was made of the financial and other assistance given to the society by Government and the Madras Provincial Co-operative Bank. These concessions, the society continued to enjoy during 1937-38 also. The value of the goods marketed and the net profit earned by the society were Rs. 93,224 and Rs. 2,317 as against Rs. 8,979 and Rs. 196 respectively in the previous year. Fruits and vegetables including potatoes were the chief articles sold—their value being Rs. 55,119. Other important commodities marketed were ghee, butter, hand-pounded and milled rice, tamarind, jaggery, eggs and honey. The goods were sold on consignment basis. During the year the society had three godowns in important marketing centres in Madras. The goods of 42 co-operative societies and of thirteen individuals were marketed. One factor which stands in the way of the greater progress of the Provincial Society is the irregular supply of commodities of uncertain quantity and quality by the mufassal societies. The result is that the Provincial Society is not in a position to guarantee the regular supply of articles to the consumers. By proper education and propaganda it is hoped that in due course societies will realize the ultimate advantages in strengthening the position of the Provincial Society by marketing their goods through it. The progress made by the society during 1937-38 was satisfactory.

Milk Supply Union.—There were four milk supply unions at the end of the year, including one registered as non-agricultural. These were at Madras, Coimbatore, Madura and Nellore.

The Madras Co-operative Milk Supply Union continued to do useful work. It had on its rolls 15 societies and 14 individuals with a total paid-up share capital

Rs. 18,628. It purchased during the year 531,872 measures of milk for Rs. 1,63,941 ıd sold 316,062 measures to the public and 192,446 measures to the State hositals in the city. The unsold milk was converted into milk products and sold for s. 14,179. The average daily purchase and sale of milk were 1,457 and 1,393 ıeasures as against 1,594 and 1,502 measures respectively in the previous ear. There was a reduction in the percentage of unsold milk purhased. The union had 44 depots in the city for the sale of milk. t earned a profit of Rs. 14,492 of which Rs. 10,930 were set apart toards the Pasteurisation and Building Fund and balance of Rs. 3,562 as declared as net profits. The question of purchasing a pasteurisation plant was ınder the consideration of the union during the past few years. With the loan btained from Government and the special fund created for the purpose the plant vas purchased during the year. With the installation of this plant it is hoped hat the progress in its business will be more rapid and that the usefulness of this nstitution will increase further as it will be in a position to supply pasteurised nilk to the public of Madras.

The Coimbatore Milk Supply Union started during the year had on its rolls our societies and 23 individuals. It purchased 129,461 measures of milk for Rs. 34,175 and sold 62,697 measures to the public and 28,249 measures to the Government hospital. The unsold milk was converted into milk products and sold for Rs. 4,827. In the initial stages the union lost heavily owing to the existence of a large stock of unsold milk. Steps taken later to reduce this surplus were effective and from March 1938, the union has been recouping its initial losses.

The Madura Milk Supply Union was started by the Hon'ble Sri. C. Rajagopalachariar, the Premier, on 26th June 1938, and the union at Nellore started work only after the close of the year. Steps have been taken to start unions at Ellore, Vizagapatam and Rajahmundry and it is hoped that before long, such institutions will be started in all big towns in the Presidency.

Fruit growers' societies.—There were nine societies of this type at the end of the year. The Kodur Fruit Growers' Society in Cuddapah was the most prominent of the societies which did useful work. This society which was started in April 1937 had on its rolls on 30th June 1938, 119 members with a paid-up share capital of Rs. 2,945. During the year it sold 9,637 baskets of oranges, 651 baskets of mangoes, 412 baskets of limes and 957 baskets of melons and sapotas and earned a commission of Rs. 1,405. The bulk of the fruits was sold through the Madras Provincial Marketing Society. The society earned a net profit of Rs. 820 for the year.

The Michaelpalayam society in Madura sold for Rs. 24,634 the fruit supplied by its 102 members and earned a profit of Rs. 1,630.

The Puthur society in Chittoor had a membership of 21 with a share capital of Rs. 69. It supplied the Madras Provincial Marketing Society with fruits of the value of Rs. 207. The North Malabar Fruit Growers' Society (formerly Kottayam Fruit Growers' Society) had a membership of eleven. Pine apples of the value of Rs. 74 were supplied by members. For want of marketing facilities much progress could not be made. The society proposes to undertake the canning of fruits for which there is much scope.

The Vuyyuru Industrial and Credit Society in Kistna had on its rolls 516 members with a paid-up share capital of Rs. 1·89 lakhs as against 514 and Rs. 1·62 lakhs in the previous year. The factory worked only for 53 days in the year as against 79 days last year. By limiting the crushing season economy was effected in manufacturing expenses. The quantities of sugarcane crushed and sugar manufactured were

29,128 tons and 2,307 tons respectively as against 30,923 and 2,472 tons respectively last year. During the year there was a slight rise in the price of sugar. The society realized Rs. 6,42,814 by the sale of sugar through the agency of Messrs. Volkart Brothers. The loans due to the Madras Provincial Co-operative Bank were reduced during the year from Rs. 15·97 lakhs to Rs. 13·51 lakhs. By the end of the year the loss of the society was reduced from Rs. 4·11 lakhs to Rs. 4·02 lakhs. An officer of the Agricultural Department continued to be the General Manager and Chief Agricultural Officer of the society. The area under cultivation has been increased and it is expected that during the year the society will obtain a supply of at least 75,000 tons of cane for crushing. It is hoped that before the close of the year a good portion of the loss sustained by the society in previous years will be recouped.

The two socieies at Etikoppaka and Thummapala in the Vizagapatam district had a total membership of 194 with a share capital of Rs. 1·41 lakhs, as in the previous year. Their losses increased from Rs. 1·36 lakhs to Rs. 1·53 lakhs. The working of these societies is far from satisfactory. During the year the management of the society at Thummapala was taken over by the Vizianagaram Central Bank which in turn appointed the Vizagapatam Sugar Refineries, Ltd., as their agents. There was no improvement even with this change in management. The society at Etikoppaka manufactured sugar of the value of Rs. 68,029. The instalments of loans to the Vizianagram Central Bank were all overdue. The excise duty and the low price of sugar were mainly responsible for the heavy losses in the societies.

Urban Credit societies.—There were 1,070 societies under this class at the end of the year with a membership of 275,424 as against 1,057 with a membership of 264,665 at the beginning of the year. During the year the total working capital of the societies rose from Rs. 371·36 lakhs to Rs. 393·14 lakhs. During the year these societies disbursed loans amounting to Rs. 274·82 lakhs of which Rs. 95·46 lakhs were on short-term. Most of the societies kept their obligations to the depositors and the financing banks, the percentage of overdues in the Presidency being 4·07 under long-term and 1·19 under short-term as against 5·32 and 1·62 respectively in the previous year. Out of a total demand of Rs. 195·28 lakhs under long-term and Rs. 108·16 lakhs under short-term loans outstanding against members, there was a balance of Rs. 45·34 lakhs and Rs. 17·44 lakhs under long-term and short-term respectively, the percentage of arrears working out to 23·22 and 16·13 as against 21·60 and 21·56 in the previous year. The percentage of overdues under arrear and current interest were 59·43 and 18·88 as against 61·52 and 19·62 respectively in the previous year.

The loss sustained by 214 societies was 1·02 lakhs; the remaining societies earned a net divisible profit of Rs. 7·84 lakhs.

Of the societies under this class, 312 were exclusively for employees of Government, Local Board and other institutions. I must here utter a note of warning These societies intended primarily to inculcate the habit of thrift among salaried persons have lamentably failed to achieve this object. On the other hand, by affording easy credit, they have kept them in a state of perpetual indebtedness. In many cases it is noticed that the amount of credit to members only increases from year to year but shows no tendency to decrease. It is high time that societies should discourage extravagance and encourage thrift. Where the promotion of thrift on a voluntary basis is not successful, societies may have to use some compulsion. For this purpose, the model by-laws of public servants' co-operative societies were amended during the year providing for a compulsory monthly deposit by every member, at a rate fixed in accordance with his salary, these deposits being non-withdrawable so long as membership continues. Deputy Registrars have been asked to see that all the societies for the staff of this department adopt these amended by-laws. There are heavy overdues in most of the employees' societies in spite of the fact that before loans are granted members are generally required to authorize their pay disbursing officers to deduct from their salaries the loan instalments due to the societies. Instances are not wanting where after receiving the loans the members withdraw the authorization given by them and leave the societies quite helpless in recovering the loans and the paying officers have no powers to effect recoveries without the consent of the employees concerned. The position has become worse with the recent amendment of the Civil Procedure Code raising the non-attachable portion of salaries from Rs. 20 to Rs. 100. Statistics available show that for the bulk of the overdues, the members drawing salaries below Rs. 100 are responsible. The question of devising means whereby societies will be enabled to enforce regular payments from members is under consideration.

Stores.—The 73 stores societies had a working capital of Rs. 8·23 lakhs. The value of the stock on hand at the beginning of the year and of the goods bought during the year amounted to Rs. 22·80 lakhs. They sold goods of the value of Rs. 21·60 lakhs and made a gross profit of Rs. 1·72 lakhs. The net profit earned by some societies was Rs. 54,958 while the loss incurred by the rest was Rs. 10,951 as against Rs. 48,160 and Rs. 12,531, respectively in the previous year.

The Triplicane Urban Co-operative Society continued to be the premier institution of this type. It had 26 branches with a total membership of 5,818. The paid-up share capital of the members was Rs. 81,312. The society sold articles of the value of Rs. 9·41 lakhs as against Rs. 8·82 lakhs in the previous year and earned a net profit of Rs. 18,630. The profit earned during 1936-37 was Rs. 17,524.

The Aravankadu Cordite Factory Stores, the Madras Government House Stores, the Pykara Power-house Stores, the Ootacamund Public Servants' Stores and the Government Quinine Factory and Cinchona Plantation Stores in the Nilgiris sold goods of the value of Rs. 2·23 lakhs and made a gross profit of Rs. 19,568. Four of the societies earned a net profit of Rs. 10,628 and one society incurred a loss of Rs. 16.

The Kodaikanal Stores, Madura City Stores and the Madura Minakshi Stores in the Madura district sold goods of the value of Rs. 2·98 lakhs and earned a net profit of Rs. 9,908. Some of the remaining stores which did appreciable work during the year were the Pudupalayam and Manjakuppam Stores in South Arcot, the Chingleput Stores, Pappinisseri Stores and the Standard Tile and Clay Works Stores in Malabar, Rameswaram Stores in Ramnad, Salem City Stores and Mettur Project Headworks Stores in Salem and the Mahaganapathi Stores in Tanjore.

A scheme has just been introduced in Madura district to assit the villagers in the Upper Palnis who have hitherto been the victims of merciless exploitation by a few traders. The Kodaikanal Co-operative Stores has undertaken the supply of provisions to the villages in the Upper Palni and it has purchased a lorry for the purpose. The idea is to link the supply of provisions on credit to the villagers and the marketing of produce raised by them. The Madura-Ramnad Central Bank has given its full support to the scheme. The garlic collected in the villages was sold in Madura through the Madura Sale Society and the members were satisfied with the result of the sale. As the scheme was launched only in the month of June much progress was not made during the year. The progress made since the close of the year is reported to be gratifying.

Weavers' societies.—There were 133 societies of this type at the close of the year as against 80 at the beginning. The working capital of these societies excluding the Provincial Society was Rs. 2·42 lakhs. The value of raw materials purchased by the societies was Rs. 2·00 lakhs Finished products of the value of Rs. 4·31 lakhs were sold to the public as against Rs. 1·60 lakhs last year. The net profits earned by some of the societies were Rs. 13,361, while the losses incurred by the rest were Rs. 12,266 as against Rs. 9,596 and Rs. 8,046 in the previous year. The Devanga Weavers' Society in Coimbatore alone contributed to a loss of Rs. 5,874.

The number of credit societies in which weavers contributed more than 60 per cent of the membership was 64 at the end of the year. They had a paid-up share capital of Rs. 38,697 and a working capital of Rs. 2·68 lakhs. The profit and loss made by these societies were Rs. 2,890 and Rs. 11,537 as against Rs. 4,375 and Rs. 8,811 respectively, in the previous year.

The Madras Handloom Weavers' Provincial Co-operative Society continued to make steady progress. The share capital of the society increased from Rs. 18,450 at the beginning of the year to Rs. 33,165 at the end of the year. During the year provision was made in the by-laws of the society for 'B' class shares of Rs. 5 each to enable poorer and middle-class persons also to take shares in the Provincial Society. The by-laws were amended for the admission of Central Banks and co-operative societies also as members.

The subvention of the Government of India for the year was Rs. 68,800 of which Rs. 56,119 was disbursed to the Provincial Society. The Provincial Society subsidized 78 societies to the extent of Rs. 17,833 during the year. The system of supplying yarn to primary weavers' societies on the guarantee of the Provincial Society was continued. At the end of the year, the guarantee given by the Provincial Society amounted to Rs. 42,980; societies purchased yarn to the value of Rs. 24,090 out of which Rs. 12,395 were paid by societies and Rs. 7,981 were paid by the Provincial Society leaving a balance of Rs. 3,714 due to the mills on 30th June 1938. The Provincial Society disbursed cash credit loans amounting to Rs. 47,633 during the year. A sum of Rs. 20,550 was due on 30th June 1937; out of the total amount of Rs. 68,183 due from all societies Rs. 5,269 were recovered leaving a balance of Rs. 62,914 due from societies. The Madura depot was closed but new depots were opened at Vellore, Tinnevelly, Coimbatore, the last two being run by the Melappalayam and Coimbatore Devanga Sicieties, the Provincial Society gives a subsidy not exceeding 50 per cent of the cost of running the depots subject to a maximum of Rs. 50. The value of goods sold in the Madras Emporium and the sales depots amounted to Rs. 71,158. Three more hand-sized machines were installed during the year.

Societies for Cottage Industries.—The Vizianagaram Khaddar Spinning and Weaving Society had a membership of 501 with a share capital of Rs. 2,618. It sold goods produced by members of the value of Rs. 3,076 and earned a profit of Rs. 137. The Andhra Khadi Central Sale Society in Guntur, sold khaddar of the value of Rs. 19,836 and made a net profit of Rs. 660. The society proposes to organise a net work of khadi spinners and weavers societies in the district.

The Tiruppanangadu Button Manufacturers' Society had 69 members with a share capital of Rs. 185. It purchased raw materials for Rs. 313 and sold manufactured goods for Rs. 1,075. The society was granted a subsidy of Rs. 108 under the State Aid to Industries Act. The Collector of North Arcot gave a donation of

Rs. 75 in appreciation of the good work done by the members. The Central Bank met out of its common good fund the cost of the instructor employed in the society. The Modaiyur Stone Image Workers' Society in North Arcot sold images of the value of Rs. 164 and earned a net profit of Rs. 29. The society received a donation of Rs. 50 from the Central Bank. The Arunthathiyars Leather Works Society in North Arcot purchased raw materials of the value of Rs. 859 and sold finished goods of the value of Rs. 1,473. The Andhra Ayurvedic Pharmacy in East Godavari with a membership of 56 sold medicines of the value of Rs. 1,923 and made a net profit of Rs. 321. The Kondapalli Toy Manufacturers' Society in Kistna sold articles manufactured by members of the value of Rs. 2,333 and earned a gross income of Rs. 477. The society, however, sustained a net loss of Rs. 163.

The South India Co-operative Insurance Society, Madras.—The year under report is the sixth year of the working of the society. The steady progress made in the previous years has been maintained and the work of the society during the year continued to be satisfactory. At the end of the year there were 6,647 members on the rolls composed of 6,612 individuals and 35 societies. The paid-up share capital of the individuals amounted to Rs. 8,549 and that of the society members to Rs. 37,050. Including nine proposals for Rs. 5,450 pending acceptance at the commencement of the year, 2,866 proposals for Rs. 24,99,175 were received: 2,792 proposals were accepted during the year for Rs. 24,25,125 and the number pending acceptance at the end of the year was eight for Rs. 10,750. The policies issued during the year were 2,276 for Rs. 19·75 lakhs as against 1,477 for Rs. 12·04 lakhs in the previous year. Sixteen claims for Rs. 14,000 were pending payment at the beginning of the year: 28 claims for Rs. 20,950 were intimated during the year excluding eight claims not admissible. Twenty-one claims for Rs. 15,047 were paid off, leaving at the close of the year 23 claims for Rs. 19,933 pending settlement. The total Life Assurance business in the books of the society as on 30th June 1938 amounted to Rs. 64·41 lakhs in respect of 7,630 policies as against Rs. 44·66 lakhs relating to 5,354 policies at the end of the previous year. The society collected premia to the extent of Rs. 2·26 lakhs as against 1·59 lakhs in the previous year. The Life Assurance Fund which was Rs. 1,83,988 at the beginning of the year rose to Rs. 2,83,955 at the end of the year. The statutory deposit with the Controller of Currency continued to be at about Rs. 2 lakhs. The institution continues to be strong.

The Postal and R.M.S. Benefit Fund, Madras.—There were 2,775 members on rolls with a paid-up share capital of Rs. 28,100 as against 2,455 members with a paid-up share capital of Rs. 29,407 in the previous year. The premia realized in the year amounted to Rs. 1·23 lakhs as against Rs. 1·18 lakhs in the previous year. During the year 514 lives were insured and 194 claims to the value of Rs. 63,869 were paid. The risk covered at the end of the year was Rs. 28·24 lakhs under 2,817 policies. Claims admitted or intimated but not paid at the end of the year amounted to Rs. 23,148. The total Life Insurance Fund at the end of the year was Rs. 5·00 lakhs as against Rs. 4·35 lakhs at the end of the previous year. The investments in Postal cash certificates, Government promissory notes, etc., amounted to Rs. 2·89 lakhs and the loans on mortgage of property were Rs. 1·97 lakhs. The reserve fund of the society amounted to Rs. 26,465.

Building Societies.—There were 127 building societies. The progress made by them is shown in the following statement :—

		1936-37	1937-38.
Number of members	..	4,207	4,462
		Rs. (In Lakhs.)	Rs. (In Lakhs.)
Paid-up share capital	..	9·09	8·47
Net profit or loss	..	+0·69	+0·53
		−0·09	−0·06
Loans outstanding to Government	..	15·33	17·97
Number of houses (completed)	..	1,906	2,071
		Rs. (In Lakhs.)	Rs. (In Lakhs.)
Estimated value	..	66·41	75·84
Number of houses under construction	..	109	138
		Rs. (In Lakhs.)	Rs. (In Lakhs.)
Estimated value	..	4·34	4·47

Rupees 11,310 under principal and Rs. 886 under interest were overdue in respect of Government loans as against Rs. 4,614 and Rs. 2,274 respectively in the previous year. The societies in Vizagapatam contributed to the bulk of the overdues. Loans to the extent of Rs. 29·31 lakhs were outstanding against members. Of this Rs. 1·57 lakhs under principal and Rs. 0·58 lakhs under interest were overdue at the close of the year as against Rs. 1·99 lakhs and Rs. 0·69 lakhs respectively at the end of the previous year.

Building societies are in general progressing well. With the enhancement of the borrowing power of members, referred to in the last year's report and the low rate of interest at which Government advance loans ($4\frac{1}{4}$ per cent from 1st April 1938) these institutions are becoming more and more popular. There is, however, need for more societies of this type.

Thrift societies.—There were 42 societies of this type (including those registered as credit societies) as against 19 at the beginning. Of these, twenty-two were exclusively for women. Five of the societies did not start work before the close of the year. The total paid-up share capital of all the societies was Rs. 7,130 as against Rs. 1,165 in the previous year. The savings of the members invested in the societies were as follows :—

		1936-37	1937-38.
		Rs.	Rs.
Recurring deposits	..	2,153	9,599
Savings deposits	..	2,102	3,174
Provident deposits	..	30,885	12,935
Fixed deposits	..	7,897	17,649
Other deposits	..	13,428	14,512
		56,465	57,869

These societies gave Rs. 25,271 by way of loans to members. Thrift societies, especially those for women, should seldom grant loans to members except for urgent domestic expenses and for the purchase of raw materials for cottage industries. Necessary instructions were issued during the year in this regard.

In the Salem district where Prohibition has been introduced a great impetus was given to the thrift movement during the year. The Salem District Urban Bank appointed a special thrift Inspector to promote thrift in the Salem town. One hundred and thirteen urban and rural societies joined the campaign and introduced hundi boxes under the Home-safe deposit by-laws. The total savings effected through these agencies were Rs. 9,859 by the end of the year and Rs. 17,091 by the end of August 1938. As a result of the extensive propaganda for thrift, there was a general increase in the recurring, savings and current deposits in societies. During the year the recurring deposits in societies rose from Rs. 50,707 to Rs. 58,383, savings deposits from Rs. 10,607 to Rs. 11,996 and current deposits from Rs. 2,18,222 to Rupees 2,57,309. Several rural societies celebrate the "thrift day" once in the beginning of every month when bhajanas, dialogues, rural sports, etc., are conducted. The hundi boxes are collected that day and the savings are credited to the members' accounts. It is reported that these monthly celebrations have a profound effect. Salem's example in the encouragement of thrift is worthy of emulation by other districts.

Better-living societies.—There were 50 societies of this type at the close of the year as against 32 at the end of the previous year. Of these four were under agricultural and the rest under non-agricultural. Some of these societies did useful work. One society in South Kanara effected retrenchment in expenditure on ceremonies to the extent of 50 per cent and the savings effected by members are estimated at Rs. 750. Another in the same district formed a committee to decide amicably the criminal and civil disputes arising among its members. In a society in Tinnevelly a member who exceeded the limit of expenditure fixed for a marriage was fined Rs. 6 and it was collected. Schools were conducted for the benefit of their members and their children by a society in Trichinopoly and another at Coimbatore. Another at Madura runs a small dispensary for the use of the public. The number of persons receiving first-aid treatment here is on the increase. It has a small library also and books are sent out to neighbouring villages in a library van. The society is also making attempts in the direction of reviving "folk-dancing." One other at Guntur for Devadasis attempted to reform bad customs prevailing among its members. It arranged for eleven marriages of which two were for widows. It controlled its members in the matter of expenditure on ceremonies. It also prevented members from taking part in nautch parties and adopting children of other castes. The Deputy Registrars and Assistant Registrars in charge of districts have been circularized to instruct select credit societies also to adopt better-living by-laws. The progress in this direction is watched with interest.

Scheduled classes societies.—At the end of the year there were 2,705 societies formed specially for Adi-Dravidas, Adi-Andhras, Fishermen, Kallars and other scheduled classes as against 2,714 last year.

At the end of the year Rs. 75,792 under the principal and Rs. 12,431 under interest were overdue to Government from the societies in charge of this department. The societies for Kallars in charge of special police officers were in arrears to Government to the extent of Rs. 2,959 out of Rs. 77,831 outstanding against them, The overdues in respect of loans granted by the Madras Christian Co-operative Central Bank and other Central Banks were Rs. 3,99,025 under principal and Rs. 38,905 under interest. The collection of the heavy overdues in these societies continued to be a difficult matter. Unemployment or irregular employment of the members has been the main reason for the overdues coupled with the fall in the price of agricultural produce. Steps taken to encourage cottage industries as a subsidiary occupation are proving successful in certain areas. In a society in Coimbatore sheep shearing on a co-operative basis has been introduced. Weaving is also taught to the children of the members. In another settlement society in the same district women have been encouraged to take up mat-weaving. In a third poultry farming has been introduced. The results so far achieved in these societies are encouraging. It is hoped that before long similar industries will be introduced in societies in other districts also.

The question of financing the scheduled classes societies has been presenting difficulty for some time past. The Madras Christian Co-operative Central Bank originally started for financing these societies was in recent years found unfit to do this work properly. Complaints were continually received of the inability of the bank to finance its affiliated societies quickly and sufficiently and it was felt that other arrangements should be made for financing these societies. District Central Banks were, therefore, consulted whether they were willing to affiliate to themselves the societies now affiliated to the Christian Central Bank and to finance them in future. While many of the banks were willing to take over the societies, either unconditionally or subject to conditions in regard to the continuance of departmental supervision and writing off of existing bad debts, several others were against the proposal. When the entire question of the future of the bank and of the finance of the scheduled classes societies was under the consideration of Government, action was precipitated by the discovery of an alleged defalcation of the funds of the bank by its manager. I trust that a satisfactory arrangement for the future financing of the scheduled classes societies will be decided upon soon.

Prohibition and rural uplift.—Prohibition was introduced in the Salem district during the year and to meet the altered economic condition of the ryots and for the rural reconstruction of the villages, several agencies have been employed. I am glad to report that the ameliorative work done through the agency of co-operative societies has been very satisfactory; the Collector of the district has testified that of all the agencies, co-operative societies played the greatest part. Societies have been organized to provide employment for the toddy tappers thrown out of employment as a result of Prohibition. On 30th of June 1938, there were in all 30 societies for the manufacture of jaggery from the sweet juice tapped from coconut and palmyra trees. After the close of the year six more societies were registered and by the end of August 1938, the value of sales went up to Rs. 10,316. Another line of development was in the direction of thrift. I have reported the special measures taken for encouraging thrift and the remarkable success which attended them. The Special Development Officer in consultation with other district officers and non-officials has prepared a scheme for Rural Reconstruction in 50 select villages in the district. The scheme provides for work being undertaken through co-operative societies. Rural uplift schools are being conducted. Though physical education and rural sports are the chief items in the programme in these schools, instruction in co-operation receives considerable attention. Some of the students trained have become active co-operative workers assisting in the distribution of hundi-boxes, in canvassing business for sale societies, etc. As a result of the work done in Salem, it is being more and more recognized that the co-operative movement is the best agency to give permanence to rural uplift work in the villages.

Debt Relief.—The Madras Agriculturists' Relief Act came into force during the year. Compulsory scaling down of debts payable by agriculturists at the commencement of the Act and the fixation of the maximum rate of interest which may be charged in future on loans to agriculturists are its chief features. Co-operative societies have, however, been exempt from the operation of this Act. Still, Central Banks and societies have not been slow to give relief to their members keeping in view the sipirit of the Relief Act. They have taken steps by reducing the rates of interest on loans and by scaling down of debts. Reports received show that during 1937-38 societies scaled down the debts of members and wrote off Rs. 1·49 lakhs both under principal and interest. In the last year's report it was mentioned that most of the societies had reduced their lending rate to 7½ per cent. During 1937-38 more societies did so and 1,260 societies reduced their rates still further by charging interest at rates ranging from 6 to 7 per cent. Special efforts are being made by Central Banks to see that credit is made available to the ryots as cheap as possible. One Central Bank waived the collection of supervision fund and met the entire cost of supervision from its own funds so as to enable the societies to lend to members at 6 per cent interest. It is hoped that during the current year more Central Banks will take similar steps consistent with their financial strength.

In addition to other measures of relief, Central Banks were requested last year to extend special concessions to members of 'D' class societies. They were requested to adopt one or more of the following principles to determine the extent of relief to be given:—

(1) That no member shall be asked to pay in all more than double the principal originally borrowed by him.

(2) That no member shall be asked to pay more than the principal plus interest calculated at 6¼ per cent from the date of the disbursement of the loan.

(3) Twenty-five per cent of the amount may be remitted.

(4) A further remission of principal at a fixed percentage of the loan may be offered to those who pay their loans either immediately or within three months. To those who cannot pay within three months a time of one year may be given to avail themselves of the concessions.

I feel that members of all classes of societies deserve as much relief as the members of 'D' class societies. I have therefore advised Central Banks to extend during the current year the concessions to members of all classes of societies. I trust that Central Banks will give effect to these measures of relief as expeditiously as possible.

Conclusion.—Before I conclude, I wish to make mention of the spirit of optimism prevailing in the movement at the present time. The movement has withstood fairly well the effects of the world-wide economic depression and slowly but steadily is returning to the conditions that prevailed in the pre-depression days. The number of societies is increasing and I hope, before long, all villages will be covered by co-operative societies to cater to the needs of the agriculturists. Land mortgage banks are making steady progress coupled with the scaling down of debts, in lightening the burden of prior indebtedness on the ryots. On the marketing side, sale societies, assisted by the Madras Provincial Marketing Society, are doing good work. Milk supply societies and unions which would benefit both the producers and consumers of milk alike are being started in and around the bigger towns in the Presidency. The handloom weaving industry is receiving special attention through the weavers' societies and the Madras Handloom Weavers' Society. A beginning has been made in the consolidation of uneconomic holdings and in improving the breed of cattle. In the larger towns, building societies are proving helpful to relieve the congestion and to work out extension schemes. Steps are being taken to provide labourers of large factories with decent dwelling houses. The encouragement of thrift and the development of cottage industries are receiving special attention through societies specially formed for the purpose, not only among men but also among women. Attempts are also being made to improve the economic and social conditions of persons through better-living societies.

Progress in a mass movement like co-operation is largely a question of man power. More than numbers, it is the quality that counts for success. While I acknowledge with gratefulness the services rendered to the movement by the vast body of non-official co-operators, I feel that if societies in the past have not achieved as much success as was anticipated by the pioneers of the movement, it is largely because the movement has not been able to attract a sufficiently large number of persons to work it on right lines in the Presidency. For the success of the movement it is necessary that we should have not merely enthusiasts to carry the message of co-operation forward but persons who have the necessary leisure, honesty of purpose and spirit of service. The movement should be able to pool the resources of the people both material and moral and in proportion as this is achieved, the success of the movement will be ensured and I have every hope that in the years to come this will be possible to be attained in an increasing measure.

BIHAR

Review of the Government of Bihar of the report on the working of Co-operative Societies in Bihar for the year 1936.

Mr. Y. A. Godbole, I.C.S., remained in charge of the Department throughout the year. The scheme for the reorganisation of the Department came into effect from the 1st April 1936, when Orissa became a separate province. The residual province of Bihar was divided into eight circles of Assistant Registrars.

The depression in the co-operative movement continued throughout the year. It was not possible for the movement to make any advance towards recovery. The expansion of the movement was practically at a standstill, and the percentage of bad and hopeless societies showed an increase from 14·7 and 3·2 to 16·9 and 3·7, respectively. The total number of working societies of all kinds including the Co-operative Federation and the Provincial Co-operative Bank showed a small increase from 6,764 to 6,899. The increase was due mainly to the organisation of some special types of societies, such as village welfare societies, better living societies and cane-growers' societies that were taken up during the year.

The working of the Provincial Co-operative Bank did not show any outstanding feature of development in its business. The recoveries from the central banks showed considerable deterioration during the year. The total collection of the principal of the Provincial Co-operative Bank went down from Rs. 3·18 lakhs to Rs. 1·82 lakhs and that of the interest from Rs. 1·82 lakhs to Rs. 0·94 lakhs, while the principal and interest overdues rose from Rs. 38·71 lakhs to Rs. 41·95 lakhs and

from Rs. 4·10 lakhs to Rs. 5·78 lakhs, respectively. The deposits by individuals in the Provincial Co-operative Bank also registered a fall of Rs. 1·15 lakhs. In the matter of fresh advances to central banks and societies, the bank continued to follow a very cautious policy and the total amount of loans given during the year fell from 6·89 lakhs in 1935 to Rs. 3·22 lakhs in 1936. It is in the interest of the movement in its present condition that a policy of caution in giving fresh advances should be followed. During the latter part of the year the central banks in Orissa, which are affiliated to the Bihar and Orissa Provincial Co-operative Bank, applied for the bifurcation of assets and liabilities of the Provincial Co-operative Bank as a separate Provincial Co-operative Bank in Orissa had been formed and registered after the separation of Orissa from Bihar. The principles on which the bifurcation will be made has since been settled in a conference of the representatives of both the Provincial Governments.

The number of central banks and unions was the same as in the previous year, viz., 53. The financial position of the banks was not satisfactory. The Provincial Co-operative Bank was not in a position to give any further loans to banks which were in heavy arrears. This gave rise to further difficulty. The banks wanted fresh capital to improve their condition, but this was not readily available on account of their financial position. The condition of the central banks and societies was naturally causing great anxiety, and Government have since taken up the question of a complete rehabilitation of the movement.

Repayment of loans by societies to central banks continued to show a steady and disquieting decline, the percentage of collection of the principal being 4·4 against 6·3 in the previous year and 6·1 in 1934. It is very unsatisfactory to observe that the collection was below 5 per cent in as many as 31 banks and it ranged between 5 and 10 per cent in 15 banks. The percentage of collection of interest showed the same decline. It was 18·4 in 1936 against 25·9 and 31·02 in 1935 and 1934 respectively. The deposit in central banks also fell from Rs. 93·68 lakhs in 1935 to Rs. 87·99 lakhs in 1936. These figures clearly indicate that the banks were in an embarassing position and, in consequence, they had to restrict new advance to societies, which fell from Rs. 4·46 lakhs in 1935 to Rs. 3·89 lakhs during the year under review. Neither could the central banks do much for agricultural improvement, sanitation, medical relief, etc.

The total actual receipts of the Bihar and Orissa Co-operative Federation during the year were Rs. 1,98,821 whereas the actual expenditure amounted to Rs. 1,94,654. The surplus of Rs. 4,167 helped in reducing the overdraft from the Provincial Bank which stood at Rs. 72,213 at the end of the year. The Federation suspended its activities connected with development and training from the beginning of the year and these activities have since been taken over by Government with the help of the Government of India grant. The levy of development and training contribution payable by the societies and banks has also ceased. The financial position of the Bihar and Orissa Co-operative Press continued to be very unsatisfactory, and the question of its abolition was under the consideration by the Federation.

The village welfare scheme, financed out of the Government of India grant, came into operation in November 1936 with a rural welfare officer and a village guide at each of the four selected centres, viz., (1) Manair in the Patna Division, (2) Silout in the Tirhut Division, (3) Mihijam in the Bhagalpur Division, and (4) Kuru in the Chota Nagpur Division. It is satisfactory to note that appreciable progress was made at these centres.

A new scheme for the organisation and operation of Cane-growers' Co-operative Societies was sanctioned by Government and came into force during the year. The cost of the scheme was met by the Government of India out of the Sugar Excise duty. Inspite of early difficulties in the organization of these societies for want of sympathy on the part of the mills and the purchasing agents, it is satisfactory to note that considerable progress was made and 101 societies were actually working during the year under review. These societies are now becoming very popular and there is an increasing demand for fresh organisation. The proposal for the expansion of the scheme is now under the consideration of the Provincial Government.

During the year under review orders for winding up 49 societies were passed as against 83 placed under liquidation in the previous year. The Registrar refers to the difficulty experienced in terminating the liquidation proceedings speedily and successfully for want of trained staff to carry out the work. This subject is under the consideration of Government along with the question of rehabilitation of the movement.

In conclusion, Government are pleased to note the names of the non-official and official workers whose services have been acknowledged by the Registrar. The Co-operative movement is passing through a critical time and co-operation from officials and non-officials is more necessary now than at any other stage in solving the various difficulties and problems with which it is faced. The thanks of Government are due to Mr. Godbole for the efficient administration of the Department during the year under review and to Mr. N. Baksi for his interesting report.

Extracts from the report of the Registrar of Co-operative Societies, N. Baksi, Esq., I.C.S.

Agricultural improvements.—The interest in promoting agricultural improvement was shown by some banks as usual but they were greatly handicapped by the paucity of funds. The kamdars worked under the Siwan Central Bank, the Barh Central Bank maintained an agricultural inspecting clerk, while the Bihar Bank employed an Agricultural Overseer. Financial difficulties compelled the Hajipur and the Gopalganj banks to discharge their kamdars.

The Rohika Central Union distributed seeds of winter vegetables and tried to popularise the cultivation of plantains in some societies. Good varieties of seeds and manures obtained through the Agricultural Department were distributed among the members of societies in the Purnea Circle. The Bihar Central Bank sold 703 maunds of gypsum to members and non-members. Some of the societies under the Bettiah Central Bank were supplied with Bihar ploughs and three tyned cultivators and some members of societies were given lessons in preparing green manuring and the use of pits for cow dung.

A commendable start has been made for popularising the use of improved implements, manure pits, compost heaps, cultivation of sugarcane of improved varieties according to improved methods among members of cane-growers' co-operative societies particularly in the area under Circle II, in North Bihar.

The process of making manures out of dry sugarcane leaves was demonstrated in several societies in Bettiah area. Some of the societies under the Bhabua Central Bank are reported to have purchased Rahat Pumps. Cultivation of Sugarcane, groundnuts, Darjeeling potatoes was pushed on with appreciable success in a number of societies under different banks in the Ranchi Circle. Potatoes and cauliflower were extensively cultivated in Bhagalpur. Three silver medals and certificates were awarded to the exhibits sent to the Bihar and Orissa Provincial Exhibition at Patna

by Dihuli, Majhaulia and Alisarai co-operative societies under the Muzaffarpur Central Bank for the best chillies, tobacco and maize. Sugarcane was grown in the lands purchased by the Narsinghpur Boghi co-operative society in Hajipur Co-operative Union area and the produce competed in the Provincial Exhibition held at Patna where a Silver Medal, with a certificate of merit, was awarded to the society.

The demonstration seed lac farms at Paloul, under the Khunti Central Co-operative Union grew lac for the first time and the yield was satisfactory. The Gumla Central Bank had taken lease of a Government tank for 5 years and fish fry worth Rs. 109 was put into the tank during the year.

Canegrowers' societies.—There were 5 canegrowers' societies in the Fatwa area last year and 16 more such societies were registered during the year.

A new scheme for the organisation and operation of cane-growers' co-operative societies was sanctioned by Government in February, 1936 and came into force during the year under report. The cost of this scheme is being met by the Government of India out of the Sugar Excise Duty. The main object of the scheme is to organise the marketing of sugarcane, on a co-operative basis, for the consumption of sugar mills. Two special officers were placed in charge of the work in North Bihar, which was divided into two circles. Circle no. 1, with its headquarters at Chapra, comprises the districts of Saran, Champaran and the Hajipur and the Sadr subdivisions of the district of Muzaffarpur while Circle no. 2, with its headquarters at Samastipur covers the districts of Darbhanga and Purnea in addition to those portions of Monghyr and Bhagalpur which lie to the north of the Ganges. Each of the two Special Officers in the North Bihar had a field staff consisting of 4 organisers and later on 13 supervisors were also sanctioned on a temporary basis. Only one organiser and a supervisor were sanctioned for work in South Bihar, the Assistant Registrar in charge of the Patna Circle being entrusted with the supervision of this work in addition to his own duties.

Considerable difficulties were, at first, experienced in the organisation of cane-growers' societies on account of the fact that both the mills and the purchasing agents were not sympathetic towards the organisation. It was mainly due to the personal efforts and persuasions of the two special officers and my predecessor that the sympathy of some of the factories could ultimately be won and the organisation pushed on with their co-operation.

Distribution of cane *challans* affords fruitful source of exploitation of the smaller growers by the middle-men. The growers also suffer various other kinds of difficulties and loss in connection with weighment, payment, etc. Co-operative organisation of growers aims at the elimination of the middle-men. While the scheme has not yet passed the experimental stage, it is gratifying to record that the cane of most of the societies was sold to the complete satisfaction of the mills. The following table shows the number of cane-growers' societies, with necessary details which worked during the year under report:—

	North Bihar. Circle No. 1.	North Bihar. Circle No. 2.
Number of cane-growers' co-operative societies ..	53	48
Number of members ..	777	896
Total amount of cane sold ..	32,054 mds	579,786½ mds.
Value of the cane sold ..	Rs. 7,588	Rs. 1,38,255

Canegrowers' societies under the new scheme are becoming very popular and there is an ever-increasing demand for fresh organisation, particularly in North Bihar. Owing to the inadequate staff, there has not been much progress of the work in South Bihar. In the case of a new scheme like this, it will be risky, if not dangerous, to allow unduly rapid expansion unless sufficient trained staff be forthcoming for necessary preliminary enquiries and for supervision.

Conclusion.—The year showed a further fall in the percentage of collection. Crops were generally not good and while some areas suffered from floods and untimely rains, others had to face droughts. Prices of agricultural produce, which had fallen to an abnormally low figure, showed no appreciable improvement during the year. Apart from the natural calamities and the low level of price of agricultural commodities, the election campaigns of the various political parties had commenced before the harvesting of the paddy crop and the members of primary societies, like their other brother cultivators, did not care to pay even what little they could afford. Several practical difficulties, legal and administrative, in the way of expediting award and liquidation proceedings also affected collection. The reorganisation of the department and the issue of financial circulars had not been in operation for a sufficiently long time. In connection with the relief contemplated in the financial circulars, a practical difficulty also arose owing to the inability of the Provincial Bank to give proportionate relief to Central banks in respect of the loans outstanding against such banks. The Directors of the Provincial Bank held the view that they were not in a position to grant such relief without affecting the financial stability of the Provincial Bank unless the loss caused by such concession be made good by Government subsidy.

The future.—The average member of a primary society has come to look at the co-operative organization as a purely *mahajani* business and in view of the accumulating arrears he, in his despair, feels that he can never repay his debts. The fact that the bank is also not in a position to hold out prospects of fresh financing has also taken away the hope from him that on repayment, in part at least, he may be able to secure fresh loans. Crushing indebtedness, coupled with the loss of hope for future credit, has taken away from him all the faith he had in the movement, and in corporate organization in general, which the co-operative society in the village typifies as far as the common villager is concerned. At present many of the banks are meeting their cost of management from borrowed capital which is disquieting and a comprehensive scheme of financial rehabilitation has to be enforced with the least possible delay for saving the movement from utter destruction. Something must be done to remove the prevailing feeling of despair, which is almost universal and to rekindle in the villager and in the workers, both honorary and departmental, a feeling of new hope, leading to new faith in co-operative organisation. In connection with the financial rehabilitation of the banks, the lending rates to members will have to be reduced to an economic level likely to enable the member to repay the annual *kist* in respect of principal and interest, year in and year out, under the existing economic conditions and on the basis of the difference between the lending and the borrowing rates banks of suitable size will have to be formed by the amalgamation and bifurcation of the existing banks or unions. More of business methods will have to be introduced in the working of the banks and in that connection, the question of the provincialisation of the bank staff and of the creation of a closed services for the supervising staff of the department may rightly have to be considered. At the beginning, the credit side absorbed all the interest but in recent years more and more importance is being given to the development of the non-credit side, the importance of which was urged by my predecessor in his last report. In connection with the development of the non-credit side, a comprehensive scheme for securing the close of co-operation of all the nation-building departments like Public Health, Veterinary, Agriculture, Industries, Irrigation and Education, should be worked out and I have no doubt that these departments will appreciate the facilities offered for field work by co-operative societies. It would be more economical and useful if instead of spending their energy on isolated demonstrations to individual villagers, the field staff of these departments work through the medium of co-operative societies in villages where they exist. Such an arrangement will not only save a good deal of time in collecting villagers and in benefiting a larger number of villagers at a time but would also enable the Co-operative Department and other departments to keep an authentic record of the work done by the field staff and to review the results from time to time. An interesting experiment of far-reaching consequence in the way of marketing agricultural produce is being carried on in the cane-growers' co-operative societies. With experience gained in the marketing of sugarcane and **gur**, it should be possible to extend the operations to the marketing of other agricultural produce. While the operation of the credit side of the movement, as set forth in this report, cannot but produce the unhappy impression that a large number of banks is in a state of voluntary liquidation, it may be pointed out that even in some of the worst banks, there is an appreciable number of good societies which have built sufficient reserves for their own business. This fact would justify the belief that there is nothing fundamentally wrong with the principle on which co-operative organisation is based. Societies in the same areas are good, bad or indifferent according to the human material available. The greatest attention will, therefore, have to be directed in future towards the selection of proper human materials and their proper training. If this view be correct, full enquiries, involving an economic survey of the village, will have to be made for deciding the eligibility of villagers to membership of co-operative societies before such a society is registered. Arrangements for a comprehensive training in all branches of co-operation for village punches and the bank staff, both honorary and paid, and the officers of the department will have to be made and for this purpose the Training Institute at Pusa will have to be materially strengthened.

TRAVANCORE

Review by the Government of Travancore of the report on the working of Co-operative Societies in Travancore for the year 1936-37.

The Co-operative Societies Bill was passed into law as Regulation V of 1112 and it came into force on the 8th Medam 1112.

The general progress of the movement.—The policy of rectification and consolidation of societies and of cautious advance adopted by the Department for the past few years was continued during the year under report also. Of the 27 societies registered during the year, 24 were non-credit societies. **The total number of societies fell** from 1766 in 1111 to 1747 in 1112. At the end of the year, 23 of the societies had not started work. It is reported that greater interest is now evinced by the co-operators to organise themselves along non-credit lines of co-operative action. Among the 24 non-credit societies newly registered during the year.

Expansion of share capital, working capital, reserve fund and deposits.—The working capital of the societies fell from Rs. 91,97,743 to Rs. 87,74,112. The average working capital per society was Rs. 5,225 as against Rs. 5,274 in the previous year. The total share capital in the movement decreased from 35,76,545 to Rs. 34,62,975, the decreased being Rs. 1,13,570. The average paid up share capital per society was 2,062 as against Rs. 2,050 and that per member was the same as in the previous year viz., Rs. 16. The total receipts and disbursements under deposits were Rs. 22,83,121 and Rs. 27,68,381 as against Rs. 21,87,717 and Rs. 20,37,799 respectively. The total turnover of all societies aggregated to Rs. 1,70,66,891 which showed an increase of Rs. 15,34,721. The average per member was Rs. 80 as against Rs. 70 in the previous year. The total reserve fund of all the societies, excluding the Central Bank, at the end of the year was Rs. 9,91,760.

Profit and loss.—The principle of arriving at profit on the basis of realised interest was strictly followed and a large number of societies therefore continued to work at a loss. The Central Bank, the Central Institute, the Central Weaving Society and the supervising unions excluded, there were 1696 societies working at the end of the year. There was a slight decrease in the total loss sustained by societies which amounted to Rs. 3,05,617 as against Rs. 3,44,986 in the previous year.

Loans.—As in the previous year, the loans granted for the discharge of prior debts form the bulk of the loans granted. Next come loans for trade, and loans for agricultural purposes rank third in order.

Demand, Collection and Balance.—The aggregate overdue have increased from Rs. 41,18,814, which on the whole betokens serious consequences to the stability of the movement. It is hoped that the Registrar, with the co-operation of the societies and unions, would do his best to improve the financial position of the co-operative institutions and to remedy the existing evils. The financial stability of the Societies and unions the extension of non-credit activities and prompt action in respect of badly managed institutions are matters to which special attention has to be paid in order to enable the Co-operative movement to be of real benefit to the people.

Extracts from the report of the Registrar of Co-operative Societies, Mr. M. Govinda Pillai.

Credit Societies.—Owing to the continuance of the economic depression and the diminished repaying capacity of the borrower, the credit side of the movement was seriously affected during the year under report as in last year. The collections in societies continued to be poor, though there was a slight decrease in the percentage of overdues except in regard to the Central Bank. The result was that much of the capital available had become frozen and the societies found it very difficult to get at fresh finance and extend any fresh monetary assistance even for legitimate purposes. The societies were more engrossed in the collection of the outstanding loans than in advancing financial assistance to the members even when they needed it badly.

The department exerted its utmost to improve the collections and one important device that was adopted for recovering the arrears due from the members was to insist on the agricultural societies the introduction of the system of 'Kettuthengu deposit' wherever facilities existed, by which each member handed over some of his cocoanut trees to the society which collected the produce and auctioned it for the best price and credited the sale proceeds to the account of the members. When there is no repayment of debt to be made by a member, the value realised by the sale of the cocoanut taken from his trees was credited as a deposit in his name. Habits of thrift were thus inculcated in him. By the collective sale of the produce, the members were able to get a price five to ten cent. higher than by individual sale. It is

my firm conviction that a wide expansion of the above system will be one of the effective means for rehabilitating the rural societies, more particularly in the costal taluks of the State. As the result of the intensive propaganda carried on by the department the system is growing more and more popular, and cocoanut collected by societies under this system were sold to the value of nearly one and a half lakhs of rupees in the year under report.

Collection of Arrears.—During the year under report the department spared no pains to push forward the collection of arrears both by persuasion and concession and by pressure and coercive steps. Waiver of penal interest on overdue instalments in all cases where parties paid the interest due from them was continued till the end of Vrischigom 1112. The collection of debts in kind and the adjustments of the sale proceeds of the produce taken from the members towards their dues was greatly encouraged, the most important instance of which being the 'Kettuthengu system.' As the result of careful scrutiny and investigation the department found that many awards obtained by societies years ago were kept without any steps being taken for their execution. The societies were persuaded to take prompt and satisfactory execution of such awards and to show no laxity or laziness in the matter. It is hoped that the power newly conferred on the department by the new Co-operative Societies Regulation to recover all sums due under a decision or award or order, by the attachment and sale of the property of the person against whom it has been passed will make execution proceedings more effective.

However closely and actively the department may try to effect improvements and help the societies in realising their heavy outstanding, the progress of the work depends essentially upon the honesty, integrity business capacity, influence and intelligence of the managing committees of the societies and it is up to them and the other co-operations to see that the management of their institutions does not get into the hands of lazy, selfish and self-seeking men with ideas of exploitation and desire for personal power and influence, but that they are run by persons of character who by discipline and self-sacrifice will work wholeheartedly for the rehabitation of the indebted cultivators.

Agricultural Department.—The officers of this department worked in close co-operation with those of the Agricultural Department. Special mention has to be made of the services rendered by the Agricultural Inspectors of Trivandrum and Vaikom. The Agricultural Inspector, Trivandrum, rendered great help in the organisation and working of Co-operative Dairy and Cattle Breeding Societies. In the taluk of Vaikom, the Agricultural Department opened a demonstration centre in the plot acquired by the Vadayar Nair Co-operative Society Ltd., and demonstrated to the villages the use of scientific manures, the cultivation of improved fodder, such as Guinea and Napier grass, and the value of employing improved agricultural implements. The members of the Eraviperoor Karshaka Co-operative Society engaged in the cultivation of sugarcane were helped very much by the agricultural department which, besides assisting in the opening of a farm and a manure depot, rendered substantial aid to the society to introduce the cultivation of Coimbatore sugarcane.

Forest Department.—The Vasumathy Karshaka Co-operative Society at Chitharal continued the cultivation of paddy over an area of 40 acres of land leased to the society from the Reserve Forest of Kulathupuzha.

Industries Department.—For the revival of cottage industries and for improving the working of societies composed of artisans, the hearty co-operation of the Industries

Department is very essential. That Department continued the grant to the weaving school conducted by the Trivandrum Hindu Vanitha Co-operative Society.

Public Works Department.—Three societies took up contract work from the P.W.D. and executed the same.

Fisheries Department.—The department continued to pay special attention to the progress of the Fishermen's Societies in the taluks of Vaikom, Shertallai and Parur. The Pavookara Catholic Co-operative Society continued to have the fishing lease from the Fisheries Department and 2 other societies conducted fish markets.

Weaving.—The Weavers Societies did not make any progress and sustained severe losses during the year.

The following statistics will show the position of the 9 societies now working:—

Membership	..	799
		Rs.
Share Capital	..	14,495
Working Capital	..	28,029
Reserve Fund	..	2,914
Profit	..	131
Loss	..	7,968

Land Colonisation.—The scheme of colonisation of agriculturists and the educated unemployed on a co-operative basis has not materialised yet and it was still under the consideration of Government when the year closed. The Chengara Sarvodaya Karshaka Co-operative Society registered for colonisation purposes did not begin work for want of suitable lands. The Alwaye Settlement Society continued to show some progress. The Vayakalathumuri Co-operative Society in Tirvandrum Taluk completed the construction of houses on a colony basis on the land acquired for them, and the members thereof who belonged to the backward communities occupied them during the year. There were schemes for establishing some other colonies also for the backward communities. With the separation of the Protector of the Backward Communities, who was working as an Assistant to the Registrar, from this department towards the close of the year, the question of colonisation of the backward communities ceased to engage its sustained attention.

Other special activities.—During the year nine societies conducted libraries and reading rooms and fourteen societies were managing grant-in-aid primary schools. Four societies conducted Vernacular and English Middle Schools and one society an Ayurveda School. The Vellala Society at Trivandrum maintained a library and a lodge with a suite of 5 rooms. The Kumarakom Lime-shell Collectors' Co-operative Society continued the work of the collection and sale of lime-shells from the backwaters.

The Central Co-operative Bank Ltd.—The Trivandrum Central Co-operative Bank is the premier financing apex bank corresponding to the Provincial Banks in British India and was the first Co-operative Society registered in the State. This Bank, unlike the sister institutions in British India, continued to finance societies as well as individuals. The Devadhar Committee has recommended the gradual elimination of individuals and the primary societies from the Banks, the membership being confined to the Taluk Banks and other financing institutions. Under the existing conditions of the movement in the State it may take a long time to attain his goal. The severe economic depression had materially affected the resources of the primary socie-

ties and Taluk Banks and the consequent difficulty in recovering the loans advanced to them by the Central Bank continued to affect its progress. The membership rose from 3665 to 3762 during the year under report (716 societies and 3046 individuals). Though there was a slight rise in the deposits received, the withdrawals were much heavier. While the Bank held Rs. 19·2 lakhs under the several items of deposits at th end of the previous year, they amounted to only Rs. 15·3 lakhs at the end of the year under report. The paid up share capital fell from Rs. 1,42,200 to Rs. 1,33,340. There has also been a decrease of Rs. 3,91,129 in the working capital of the Bank which was Rs. 17,71,790 as against Rs. 21,62,919 in the previous year.

The Bank advanced 416 loans during the year aggregating to Rs. 8,04,979, of which 374 loans for Rs. 2,25,789 were granted to individual members and 42 loans aggregating to Rs. 79,190 to societies. Of the amount issued to societies, 16 loans amounting to Rs. 46,800 were issued to Taluk Banks and Banking Unions against Rs. 1,14,780 in 1111 in 33 loans. The overdues increased from Rs. 5,21,158 to Rs. 6,17,050. The Reserve Fund of the Bank amounted to Rs. 60,379.

Most of the societies which have borrowed from the Bank have become defaulters and unless their financial position improves progress in the work of collection cannot but be slow. This should not however deter the Bank from taking coercive steps against individual defaulters and also against societies where regiorous action is called for.

Urban Banks.—The benefit which the Urban Banks confer on their clientele is increasingly recognised and they are gradually growing in popularity. One defect in their working is that no great care is taken whether the borrowers have taken loans from the other credit institutions also within the same urban area. The department has been advising these societies to avoid overlapping and to restrict the grant of loans in such cases, and committees of management have now begun to be vigilant in this matter.

The number of urban banks remained the same as in the previous year, *i.e.* 18. The progress made by the Trivandrum Urban Co-operative Bank Ltd., was striking and it tops the other sister institutions with a working capital of Rs. 2,05,150. The Thodupuzha Urban Bank Ltd., which used to come second hitherto has deteriorated.

The total membership of all these banks rose from 10,304 to 10,578. The working capital was Rs. 6,14,392 as against Rs. 5,70,514 in the previous year showing an increase of Rs. 43,878. All the banks together earned a net profit of Rs. 11,048, while 7 of them worked at a loss of Rs. 48,969.

Taluk Banks.—The Taluk Banks correspond to the Central Banks in British India. The legitimate sphere of action of these banks is to finance primary societies. But as in the case of the apex bank, in the Taluk Bank too individual members predominate. On the extent to which these institutions become the real intermediaries beween the apex financing bank and the primary societies, the success of co-operative credit depends. Most of the Taluk Banks have however fallen far below this ideal. They also lend money freely to the individual members of societies direct. The Taluk Banks have to devote their serious attention to the question of delimiting their lending activities to the constituent societies and of effecting necessary changes in their by-laws.

The number of Taluk Banks was 21. Three of these were Banking Unions which attended also to the function of supervising societies. Of these, only the Kottayam Banking Union was doing work some what satisfactorily. Among the Taluk Banks, the Nagercoil People's Co-operative Bank Ltd., headed the list with a working capital of Rs. 2,51,730. Next comes the Neyyattinkara Taluk Bank with a working Capital of Rs. 2,17,366. In respect of the loan transactions, the Kalkulam Taluk Bank did the largest volume of business. It issued 9 loans amounting to Rs. 15,375 to societies and 1299 loans amounting to Rs. 56,947 to individuals. Eight banks did not issue loans at all to societies. Only 5 banks refrained from issuing loans to individuals. No loans at all were issued by two banks. The major portion of the loans granted by the banks was given to individuals. This is a disquieting feature, because it meant in effect that the taluk banks were acting as rivals to local primary societies.

Distributive Societies.—There were 31 distributive societies working at the end of the year, of which 19 were pure distributive societies, and 12 School Stores Societies. The premier distributive society was the Trivandrum Distributive co-operative Society Ltd. It purchased articles to the value of Rs. 1,81,694 and sold for Rs. 1,93,109. This society had 13 branches working in different centres in the town of Trivandrum. The other distributive societies carried on work with varying degrees of success. The total value of purchases made by the other store societies, amounts to Rs. 54,780 and the sale to Rs. 56,520.

The School Stores Societies are becoming increasingly popular. During the year under report 8 fresh societies of the kind were registered. The Trivandrum Maharaja's College of Science Co-operative Stores Ltd., continued to make steady progress. During the year the society stocked goods to the value of Rs. 7,611 and sold for Rs. 9,436, earning a net profit of Rs. 915. It declared a bonus of nearly 1¼ annas in the Rupee on the purchases.

Some rural credit societies also did the business of purchase and sale. The Thrikadavur Co-operative Society Ltd., purchased articles for Rs. 18,184 and sold for Rs. 18,584. The purchase of the Parasala Brahmanajena Co-operative Society amounted to Rs. 5,820 during the year and sales to Rs. 6,273.

Dairy Farming and Cattle Breeding Societies.—This sphere of co-operative activity was started in the State only recently. There were at the end of the year 7 societies, of which 4 were for dairy industry and three for cattle breeding. Of these, only two dairy societies and one cattle breeding society have commenced regular work. The Thirumala Ksheeravyavasaya Mahila Co-operative Society is engaged in the collection, hygienic handling and distribution of milk to the town-dwellers in Trivandrum. During the year the society sold milk for Rs. 4,529, though there was keen competition from unscrupulous milk vendors.

Another society which has started work is the Neyyattinkara Gorasa Vyavasaya Co-operative Society Ltd. This society is organised among the professional Gowalas of Neyyattinkara Taluk. The objects of the society are to collect milk and milk products like, butter, curds etc., prepare them hygienically and sell them at reasonable prices by elminating middlemen. The society has begun with the sale of butter. On account of its slender resources it did not take up the collection and sale of curds. The usefulness of this society is being increasingly recognised by the inhabitants of the Trivandrum Town who had hitherto to purchase the requirements of butter from private dealers who sold stuff of doubtful purity in filthy and insanitary surroundings at varying prices.

The Trivandrum Cattle Breeding Society is the only institution of this type working in the State. The society takes charge of the cows from the members, stations them at the cattle shed at Chooliamala in Nedumangad Taluk near Trivandrum, grazes them there in the forest area, covers them with proper stud-bulls and returns them to the owners when they are about to calve. The object of this society is to

improve the breed of the local cattle. It is considering a proposal to take charge of buffaloes also so that their breed may be improved. The society took charge of 65 cows during the year under report.

Insurance and Benefit Funds.—The Travancore Co-operative Insurance Society is one of the four societies of the kind in the whole India, the other three being at Bombay, Calcutta and Madras. This society had to pass through several vicissitudes, but it has of late resumed normal activities. Government have been pleased to depute an Inspector to the society free of cost for 3 years. The total number of policies in force was 96 covering an assurance of Rs. 75,620. The society collected Rs. 1,271 under premia. No casualty occurred in the year necessitating the payment of any claim.

There were 3 benefit fund societies working for the benefit of the Education, the Excise and the Anchal Departmental Employees. The work of the Excise Employees' Benefit Fund continued to remain suspended on account of the prosecution case against its Ex-Secretary for defalcation which was still pending. The Travancore Teachers' Benefit Fund Ltd., revised its by-laws and resumed work under a new constitution with the Director of Public Instruction as the Permanent President of the society. This is the biggest society under this category with a membership of 4486 and a paid up share capital of Rs. 73,514.

Co-operative Poultry and Bee Keeping Societies.—There were 3 Poulty Societies of which the leading one was Marthandom Y.M.C.A. Poultry Society. This society encourages its members to rear better-breed of poultry in their houses. It also collects eggs, tests, grades and packs them carefully and sells them in outside markets. On an average each producer obtains 1 to 1½ Chs. (½ to ¾ of an anna) as the price of each egg of the best variety. The poultry business at Marthandom has become an integral part of the Rural Reconstruction work carried on there, and it has attracted many visitors from outside. The society collected during the year under report 1,24,390 eggs and sold the same for Rs. 7,483. It earned a net profit of Rs. 755.

Another important society which was started in the year is the Marthandom Bee Keepers' society. This society is engaged in the business of the collection of honey from the members, its scientific preparation and marketing. The society stocked honey to the value of nearly Rs. 750. Bee hives were also supplied to the members. This society was experiencing difficulty in the matter of finding out an advantageous market for honey.

Rural Reconstruction Society.—There were 4 societies on the rolls at the end of the year carrying on some of the activities of rural reconstruction, of which only two started work. The Ullannoor Rural Reconstruction Society Ltd., conducted under its auspices a school and carried on poultry farming and bee keeping, agricultural demonstration and weaving.

Some primary societies also interested themselves in rural uplift activities. Of these the most important society is the Neyyoor Co-operative Society Ltd., which worked for the uplift of the Veyyoor Village by adopting poulty farming, bee keeping, weaving and tailoring. It also attended to street-lighting and conducted a store.

Production and Sale Societies.—During the year three sale societies viz., (1) the Kalkulam Krayavikraya Co-operative Society Ltd., (2) The Travancore Marketing Co-operative Society Ltd., and (3) The Karikagom Ulpadaka Viniyojaka Co-operative Society Ltd., were registered, of which the Krayavikraya Co-operative Society at Thuckalai nominally started work. The Pallivasal Cardamom Producers' Co-operative Society intended for the scientific cultivation and advantageous marketing of cardamom enrolled 19 members and collected Rs. 6,930 which was utilised towards part payment of the value of land for initial planting and nursery expenses.

Women's Co-operative Societies.—The educated women have been evincing keen interest in the movement and several of them participated actively in the working of societies. There were 9 societies exclusively for women at the end of the previous year. During the year the Thanneermukkom Mahila Booshana Co-operative Society Ltd., was registered with the object of carrying on the business of soaking husks, twisting coir, etc. Thus there were 10 women's societies at the end of the year. Of these, the Chengannoor Women's society did not start work. Five societies conduct principally non-credit activities.

The Trivandrum Hindu Vanitha Co-operative Society Ltd., continued to carry on the triple activities of credit, ladies' store, and weaving. The weaving school trained 22 girls in weaving. The finished products of the school were sold through the medium of the ladies' store which stocked and sold goods to the value of Rs. 3,480. The society took up and executed the contract for the supply of bed sheets to the Medical Department during the year. A small grant of Rs. 12 per mensem was given to the weaving school by the Industries Department. Her Highness the Maha Rani Sethu Parvathi Bai continued to be the patron of this society.

Of the other women's societies, the Thirumala Mahila Society conducted dairying. The Vanchiyoor Women's Society encouraged thrift and the remaining two adopted credit business combined with production or purchase and sale.

Some societies carried on miscellaneous items of non-credit work. The Kumarakom Lime Shell Collectors' Co-operative Society was revived in the year and it continued the business of the collection and sale of lime shells from the backwaters. The society was faced with many difficulties. The Kottayam Banking Union bestowed special attention on the working of this society.

Conclusion.—Among the measures devised for the relief of agricultural indebtedness, one noteworthy event during the year under report was the passing of the Travancore Agriculturists' Relief Regulation III of 112 which set up a debt conciliation machinery. Though it is too early to estimate the success of the debt conciliation system which is placed on a voluntary basis, it is found to be of substantial help to a large body of agriculturists in the speedy settlement of their debts. Another outstanding legislative enactment that was passed during the year to check the deterioration in the working of the societies and to improve them was the new Co-operative Societies Regulation V of 1112. This is intended to help the Department in tiding over many practical difficulties and assisting the societies in the prompt realisation of their dues.

There is no reason to be pessimistic about the future of the movement and to think that it will fail to achieve its fundamental objectives. Though it may not have accomplished as much as was expected of it, its intrinsic soundness is irrefutable. Progress is assured if it is guided on right lines by honest men with genuine co-operative spirit who have love for their work and devotion to the movement.

COCHIN

Extracts from the Report of the Registrar of Co-operative Societies, Mr. K. Narayana Menon for the year 1936-37.

Societies.—The number of Societies at the beginning of the year was 255 of which 5 were cancelled as against 16 in the previous year. 17 Societies were newly

registered against 13 in 1111. The number of Societies at the end of the year was thus 267 consisting of

(a)	Central Bank	
(b)	Central Institute	1
(c)	Land Mortgage Bank	1
(d)	Central Poultry Association	1
(e)	Supervising Unions	8
(a)	Agricultural credit Societies	127
(b)	Agricultural non-credit Societies	1
(c)	Agricultural Marketing Societies	1
(a)	Non-agricultural credit Societies	49
(b)	Societies for Depressed Classes	46
	Consumers' Societies for purchase and sale	11
	Weavers' and Carpenters' Societies for production and sale.	5
(a)	Industrial Societies	9
(b)	Students' Stationery Societies	4
(c)	Poultry Societies (Primary)	2

Of the 275 villages in the State, only 191 were served by the movement.

The Central Bank.—Out of 150 Societies standing affiliated to the Central Bank at the end of the year, 91 were Agricultural credit Societies, 7 Supervising Unions and the rest Non-agricultural Societies. Deposits from Individuals amounted to Rs. 5,90,129 as against Rs. 5,19,058 in 1111 and the rate of interest varied from 1 to 5 per cent. The amount of loans issued to Societies came to Rs. 1,15,487 in 120 cases against Rs. 1,03,432 in 105 cases in the previous year.

The Cochin Co-operative Land Mortgage Bank.—Including 10 institutions there were 1,187 members at the end of the year. A sum of Rs. 2,48,856 was disturbed on loans during the year. Applications for Rs. 73,670-8-0 were rejected, and those to the value of Rs. 5,54,546-4-0 were pending enquiry at the close of the year. The total working capital of the Bank amounted to Rs. 5,55,664-6-4 and the total transactions to Rs. 35,56,480-4-7.

Agricultural Credit Societies.—There were 124 Societies on the rolls at the beginning of the year to which 5 were added by fresh registration. Two Societies were cancelled during the year leaving 127 Societies at the close. The following particulars show details regarding membership, working capital, loans, etc.

Particulars	
Number of members	9,345
Working capital	7,63,091
Deposits from members	1,21,028
Deposits from non-members	58,807
Loans from Central Bank	2,54,210
Number of loans issued.—	
Rs. 50 and below	2,504
Rs. 51 and below 100	705
Rs. 101 and Rs. 250	210
Above Rs. 250	85
Total	**3,504**

Loans on mortgage securities	..	61,056
Loans on personal securities	..	1,59,404
Loans granted.—		
For liquidation of debts, etc.	..	1,39,160
„ Agricultural purposes	..	36,832
„ Domestic and other purposes	..	44,468
Total	..	2,20,460
Loans outstanding at the beginning	..	4,80,761
Loans repaid	..	2,27,064
Balance outstanding	..	4,74,157
Overdues (44·5 per cent)	..	2,92,201
		(42·7 per cent)
Net profit	..	4,617
Expenditure on establishment	..	15,075
Reserve Fund	..	2,42,205

Non-agricultural credit Societies.—There were 93 Societies at the beginning of the year, of which 1 was cancelled and three were newly registered. The total number at the close of the year was 95. Particulars regarding the working of these Societies are given below:—

Particulars		
Membership	..	12,697
Working capital	..	9,89,891
Loans outstanding at the beginning	..	6,81,246
Loans issued	..	6,79,484
Loans repaid	..	6,35,102
Loans outstanding at the end of the year	..	7,25,628
Overdues at the end of the year	..	1,75,889
		(24·2%)
Net Profit	..	32,280
Reserve Fund	..	1,50,767

Purchase and Sale (Stores).—One Store Society was cancelled during the year, and the number at the close was 11. Particulars regarding the working of the Stores are given below.—

Particulars			
Membership	..	772	834
		Rs.	Rs.
Working capital	..	24,115	23,359
Total transactions	..	4,45,582	4,92,545
Net profit	..	283	50

Five of the Societies worked at a loss.

Co-operative Enquiry.—The Report on the enquiry conducted by Mr. Devadhar, was published during the year. Final orders on the recommendations contained therein, have not yet been passed by the Government. I hope however, that Government will expeditiously work out some of the recommendations of the report, as is being done in other States and Provinces so that Cochin may not lag behind in its socio-economic activities necessitated by the abnormal conditions of the times.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE NINTH LAND MORTGAGE BANKS' CONFERENCE, MADRAS,

11th February 1939

Extracts from the Address of Sri T. A. Ramalingam Chettiar, President, Madras Co-operative Central Land Mortgage Bank Ltd.

On behalf of the Board of Management of the Madras Co-operative Central Land Mortgage Bank I have very great pleasure to welcome you to the 9th Conference of the Land Mortgage Banks. We have passed through another year of quiet and busy work marking another milestone in our progress towards helping the ryots to relieve themselves of the accumulated burden of debts. The year was marked by a great effort made by the popular Government of Madras to relieve the ryot of his debts. This great effort was called for, both by the extraordinary circumstances starting from the phenomenal fall in the price of the agricultural produce and consequently of the lands on account of the economic depression started in 1928, but is still continuing, and by the condition of the ryot who, in following an occupation not remunerative even in ordinary times, has been going down, unable to meet his growing wants and the strain of the accumulated debts. It is a well known experience that a ryot who has to borrow finds he has only to go on accumulating his debts with the inevitable result of being forced to sell his holding and become a labourer, often without work. Let me express, on behalf of the agricultural population, our indebtedness to the Government for having passed the Agriculturists' Debt Relief Act. At the same time, it is my duty to inform the Government that their intention in passing the Act has not been and cannot be fulfilled without further legislation. I will refer to some of the difficulties felt later.

Steps to reduce delay.—I am very glad to be able to report once again that there have been no overdues to this bank from any of the primary banks and that the primary banks generally managed their affairs efficiently. It is a standing complaint that there is long delay in the sanctioning of applications for loans. We have been examining this question from time to time. Even though the evil is known, it is very difficult to find a remedy for it. Most of our ryots do not keep their old records. When they come and apply for loans, we have to ask them to produce satisfactory vouchers for discharge of old encumbrances and proper documents to prove title. The applicant goes about searching for records only after he applies for a loan. Very often original documents are missing and we have to be satisfied with certified copies of registered documents, and in case of transactions not evidenced by registered documents, with statements taken from persons likely to question the title or to claim under previous encumbrances. Most of the delay in sanctioning the loans is due to this. There are, no doubt, a few cases in which want of adequate staff either in the primary bank or for valuation purposes, causes delay. The number of Sub-Deputy Registrars sanctioned for valuation purposes is still not adequate. A Sub-Deputy Registrar can ordinarily look after three banks. When there is a large flow of applications or when the area to be covered is large, even three banks may be too much for a Sub-Deputy Registrar. Two banks in the province, viz., Amalapuram and Peelamedu had to employ special Sub-Deputy Registrars at their expense for a period of 3 months for the purpose of valuation to clear the large number of applications received by them. There is also a demand for more banks to be opened in the province so as to serve the areas not provided with banks now. I will appeal to the Government to be a little more generous in supplying the agency for this purpose. I will also take this opportunity of thanking the Government for the decision they came to, not to charge the primary banks for the present for the cost of the Sub-Deputy Registrars on the understanding that, after paying a dividend not exceeding 5 per cent to the share-holders, the primary banks should set apart the entire balance of their profits to the reserve fund. We have also arranged this year that the Sub-Deputy Registrars themselves, in cases where they are considered competent and experienced by the Registrar, may send the applications for loans up to Rs. 500 direct to the bank. This will reduce the delay in cases of loans up to Rs. 500 by two or three weeks.

Debenture Redemption Fund.—Many of the problems which were pending solution last year have since been settled. The bank has agreed to the constitution of a sinking fund, called the Debenture Redemption Fund, to which whether collections are made by the bank or not, and whatever the collections made by the bank may be, payment will be made every year of an amount which, with interest at the rate at which the debenture has been floated, will accumulate to 1|20th of the amount of the series to which the sinking fund relates. There will be a Sinking fund for each series separately. The investments in the sinking fund will be valued annually and any short-fall will be made good out of the profits of the year before they are utilised for other purposes. This is satisfactory so far as it goes.

Too high a margin.—But the Government has imposed two more conditions, namely, (1) that there should be a margin of 2½ per cent between the rate of interest at which the debentures are issued and the rate of interest charged to the ultimate borrower, and (2) that the dividend paid to the share-holders of the bank should not be more than one per cent above the rate at which the debentures are issued. While I have no objection to the latter condition, which will, to a certain extent cripple the resources of the banks who are the principal share-holders but who are also the sole beneficiaries of the benefit derived from the reduction in the rate of interest, I am of opinion that the first condition is neither necessary nor expedient. I have shown repeatedly to the Government and to you that is possible to manage and provide for all the requirements including the building up of satisfactory reserves by charging only 2 per cent above the borrowing rate. Now that our transactions are increasing rapidly, there is very much less justification for this condition than before. The constitution of the sinking fund on the lines above stated ensures a satisfactory margin for the expenses of the bank. The rate of interest charged to the villagers by the indigenous money-lenders has been also going down. Under these circumstances, it will be a great pity if we are to raise the rate of interest further. In response to the demand of the Government it was raised from 5 to 5½ per cent only recently. But we find that the conditions of the money market, especially in view of the higher rates of interest offered by the Provincial Governments and by institutions whose loans are guaranteed by the several Governments, require that we should increase the rate of interest offered for our debentures. If the condition imposed by the Government above mentioned stands, we will have to raise the rate of interest correspondingly to the borrowers. I presented this state of facts to Government. But they have not shown any intention to relax the condition. The Board of Management considered the situation at the last meeting and has decided to make a final appeal to the Government to reconsider the situation in spite of the likelihood of the charge being levelled against it that it is persistent and it is becoming a nuisance like the old beggar

renewing his solicitations even after he had a direct refusal. I once more appeal to the Premier to take into consideration all the factors involved before finally disposing of this matter and forcing the bank to still further increase the rate of interest.*

Thanks to the Government for concessions.—The Government were pleased to enhance the maximum amount of guarantee to Rs. 150 lakhs in April 1938 and to Rs. 200 lakhs in September 1938. They have also been pleased to sanction a scheme of temporary accommodation whereby they are lending to the bank according to its requirements every month sufficient to meet the needs of the bank up to the limit of the mortgages for which money is advanced, but not covered by the debentures issued. This arrangement has very greatly relieved the bank of its anxieties, as the applications received for debentures were not equal to the requirements of the bank. We are very happy to express to the Government our gratitude for this prompt and ready help. This will also enable us to float our debentures, as it is intended, at the most favourable opportunity in the market.

The Government have also passed orders giving some concessions in the fees to be charged for encumbrance certificates and in stamp fees and registration fees. The encumbrance certificate fee specially works a great hardship on the borrowers who, being indebted, require as much relief as can be given. The Government has passed orders making the issue of encumbrance certificates free for all loans upto Rs. 2,000. The primary banks are finding it difficult to pay the audit fees fixed which are heavy and require to be reduced. The Provincial Conference and the Provincial Union, after considering the requirements of finance, have passed resolutions suggesting scales of fee which have been endorsed by the Conference last year and which I will request the Government once again to accept. Even if there is a small deficit, I will appeal to the Government to bear it, as they will be affording by means of audit a security for the proper management of co-operative institutions intended for the agricultural population. Audit has to be treated as a security service which ought to be compulsory, but not too burdensome.

In the working of the banks, various difficulties have been met with. Some are of an administrative character, about which resolutions have been proposed by some of the banks. You will have to consider them and arrive at satisfactory conclusions which will safeguard the business management of the Central Bank and the Primary Banks, but at the same time will give as much relief to the ryot as possible. But there are other matters which require legislation.

Difficulties in Zamindari Areas.—Many of the zamindars have not issued pattas to the ryots. The procedure laid down for the demand of patta is cumbrous, and often leads to delay and vexation. In zamindari areas, we have found great diffi-

*Mr. Ramalingam Chettiar added that since he had prepared his written address, he had received a G.O. in which it was stated that the Government were not prepared to reconsider the position and that they would adhere to the order already passed that the margin between the borrowing and the lending rates should be 2½ per cent. The Government Order gave the impression that it was a censure. It was only on the advice of the Prime Minister that they had continued the old practice of getting money from co-operative institutions and District Boards. He was now censured for continuing the old practice. He did not know which part of the Government was censuring him; for it could not be the Premier or the Minister in charge.

culty in dealing with applications, as pattas are not forthcoming for a number of years. While the bank cannot accept title without production of a satisfactory patta, the ryot finds it difficult to produce it and has to forego relief that can be given by the Land Mortgage Banks. In case of default in the payment of rent, the holdings can be brought to sale by the zamindar. Under the present law, no notice need be sent to a mortgagee of the default or of a sale to be held. This makes the position of the bank risky. It is not always possible for the bank to be watching the notifications in the gazette about sales. Negligence and possibility of over-looking are human weaknesses to be taken note of. If notice is given to the bank of default in payment of rent, the bank can induce the ryot to pay or itself pay and later collect from him. It is, therefore, necessary that legislation should be undertaken to meet the two difficulties mentioned above. In view of the fact that the Estates Land Act is shortly to be revised, I request that these points may be kept in mind by the Government when the amending bill is prepared. I may also state in passing that at least one bank in the East Godavari District has represented that its members will not apply for pattas pending the new legislation. This will argue the necessity for speedy disposal of the matter.

Amendments to the Agriculturists' Relief Act.—In giving effect to the Agriculturists' Relief Act, several difficulties have been felt. There have been cases in almost every bank in which the creditors declined to take the amount arrived at on a calculation based on the provisions of the Debt Relief Act. As the debtor cannot have the amount of debt fixed unless and until the creditor files a suit for the amount due to him, the debtors have been forced either to pay more than what is due or leave the debt outstanding. Some procedure by way of application by the debtor either to the ordinary courts or to a debt conciliation board, where one exists, to fix the amount due, is necessary. For this purpose, the necessary amendments to both the Acts (Agriculturists' Relief Act and the Debt Conciliation Act) may be passed as early as possible. I may state that an appreciably large number of mortgagors are not able to complete the transactions on account of this difficulty and large sums have to be kept in suspense in primary banks and the debtors have to pay interest on them.

The creditors are not willing to produce their documents to enable the bank to calculate the amount due to them. In most cases, the prior documents, the liability under which is covered by later documents, are not produced. The creditors also refuse to take payments even after the amount due is calculated. In the case of mortgages, it is possible to deposit the amount in court. But even here, the bank cannot go and deposit the money and take the risk of the amount not being accepted by the mortgagee. There is considerable delay in the disposal of applications regarding deposits. The question of payment of interest in case the deposit is not accepted by the mortgagee will arise as well as the complications arising from first advancing the money and then taking it back in case the mortgagee declines. In the case of simple loans, it is not possible to make a deposit even on these terms. Suitable amendments have to be made to meet these difficulties.

In many cases the creditors are now taking pronotes or other securities for much larger amounts than they advance so as to secure higher rates of interest or to get a premium for advancing loans. In some cases they take sale deeds of properties, while what is intended by the parties is only mortgages. This device is resorted to, to get over the provisions relating to interest in the Agriculturists' Relief Act. An amendment to the Moneylenders Act, prescribing a form of accounts to be kept and a proper audit of accounts along with the licensing of money

lenders, which is demanded widely, and is in force in some of the provinces, will go a long way to meet these difficulties. I have referred at length to various difficulties we have met with and made suggestions and requests to the Government for action and help.

Need for Co-operative Training.—Many persons are devoting their time and energy for the satisfactory working of co-operative institutions in the province in the full belief that thereby they are rendering a service, which though not in the lime-light as in the political field, is productive of real and lasting benefit to their fellow beings. As our people live mostly in the villages, it is in villages that all the civic virtues and business principles have to be inculcated and worked. The Co-operative Movement is a great agency intended to give effect to the urge in the people to uplift themselves. Even though there have been failures, the Movement generally has contributed to the public service of a large number of unselfish workers. So far, the Movement has been devoting itself mainly to the supply of facile credit. But the realisation has come to the people that the ryot has to be dealt with as a whole and for any economic improvement in his position, his income from all sources has to be increased by the improvement of his agricultural methods, by enabling him to purchase cheap and sell dear and not allowing any portion of the fruits of his labour to go into the pockets of the middlemen, by utilising his spare time and the spare members of his family by giving them suitable subsidiary occupations and more than all by organising his economic life as a whole. Village leadership has to be developed and proper supervision and help, technical and otherwise, have to be provided. For this a band of properly trained men is a necessity. There are so many unemployed men seeking work. If only they can be utilised by giving them proper training and putting them in charge of a few villages each, on a remuneration which will not be high but sufficient to maintain them, a great deal can be done. Even the cost of these organisers and supervisors or village leaders, as they may be called, can be found by a readjustment of the expenditure incurred already by Government and non-official agency. I made a proposal in the Provincial Union that the cost incurred on the maintenance of Revenue Inspectors, Co-operative Supervisors and the Inspectors may be pooled and Supervisors may be appointed one for each group of six or seven villages who will look after the work done by these people at present, as well as look after the village panchayats and other village institutions to come into existence. It is for the Government and the people to consider how best we may meet the requirements of the situation.

Brother Co-operators, on your behalf as well as mine, I express our great indebtedness to the Hon'ble Mr. C. Rajagopalachariar for his coming here to-day and giving us encouragement and support by his presence. I will now request him to open the Conference.

Speech of the Hon'ble Sri C. Rajagopalachariar, Prime Minister, Government of Madras.

The Hon'ble Sri C. Rajagopalachariar then declared open the Conference. In doing so he said:

Proud record of Madras in Co-operation.—First of all he would like to congratulate them before going into controversial matters. Secondly, he would like to assure them that Government were ready to help them as far as they could keeping in view the rest of the commitments that they had made and would have to make. "Our heart is in your work. You must take that for granted. If you imagine that this Government believe in getting on without the help of the co-operative machinery in the country, without the help of credit and other co-operative institutions that have been working all these years, you must be mistaken. Believe me, therefore, when I say that the assurance of co-operation with the Government that the co-operators of this province have been giving and have again given through your President in this address, is one of the strong foundations on which our Government is laid. I believe that Madras can justly claim that it has worked the movement of Co-operation very satisfactorily, and I believe, much more satisfactorily than other provinces. That is my impression any way, and without meaning any offence to other provinces, I can claim that. I have been in touch with the movement in my individual and personal capacity these thirty-eight years, and my impression is that Madras is doing very well in Co-operation, thanks to the exceedingly able, honest and earnest persons in the movement. Their President has been giving practically all his energy and all his enthusiasm to this work these many years. (Cheers). There are also some others like him. And all these have built up this movement in Madras. As a member of the Government, I have great hopes of making the utmost use of this machinery in the work which we propose to carry on for the benefit of the people. Accepting this assurance, you may rest assured all that we can possibly do we shall do. If you find disappointments, you must try to find out the reasons for our attitude. Sometimes it may be a mistake, and sometimes it may be a decision based on good and sound considerations. But in either case, it will not be due to want of interest or indifference to your work."

Scaling down of debts.—Their President had pointed out some of the things the Government had been able to do to assist them in their work. He had pointed out that the Government had done the right thing in getting the sanction of the Legislature for scaling down debts. All of them were aware of the doubts raised at the time when the Government introduced the measure. It was not a non-controversial measure. It was not without attendant risks of all kinds. But they had been enabled to get it through and if it was not exactly in full working order now, it could be easily put into working order in course of time. This was essentially the first requisite. The burden of debts was so great that it was absolutely necessary that it should be decreased. Therefore it was not mere courtesy on his part that made Mr. Ramalingam Chettiar to refer to it nor was it self-adulation on his (Premier's) part that made him refer to it. The next step was to find ways and means to relieve the agriculturists of this burden that had been scaled down with the assistance of the Legislature. The difficulties in this matter had been referred to by Mr. Ramalingam Chettiar. He had pointed out that the title deeds were not in order. He had also pointed out how they had to take statements from various possible claimants, because of the Hindu Law.

Under Hindu law, titles to land took the most complicated forms that jurisprudence could conceive of. All kinds of difficulties and restrictions, the Premier said, were imposed on titles to land, and borrowing on land in the result became far from easy or cheap. Had the old law grown of itself, and there had been no lawyers, law courts, judges and law reports, but only pundits to explain matters according to progressive public opinion and the needs of the situation, Hindu law would have progressed. But the old Hindu law pundits were gone and new ones had taken their place and the law had become rigid. In addition to the evil of fragmentation of property which was related to increase of population and want of colonising facilities, they had an enormously complicated scheme of titles to land. Even a very willing land mortgage bank might be unable to lend money where the

title might be thought to be bad or doubtful. If individuals and institutions with experience and knowledge should one day boldly come forward and advocate a thorough reform of the law, explain that fragmentation had gone on so far that the additional evil of qualified, reserved and doubtful titles and privilege in land were all too cumbersome for the present times, that the man for the time being in possession of land should be the owner absolute of the land and that the personal law should be changed accordingly, then the credit of the people would go up, and things would get into a proper condition. It might have been all right in the old days when people lived in large families that the father should not be entitled to sell away the holding at his own will for anything he liked, and similar restrictions should be imposed on those who might be entitled in any degree to the property, for the protection of other members of the family. But property had got divided up and little bits of land were loaded with debt. If all of them should make up their mind that the law should be improved, it might not be very difficult to effect the change. But there was nothing that did not have a case, and it might be that any proposal to change the system or abolish one or other part of it would give rise to controversies. Plausible and even sound arguments might be advanced in the columns of newspapers that such proposals were revolutionary, wrong, unsuited to the genius of the people, most outlandish, hasty, unsound and so on. Perhaps there might be even justice in some of the arguments that might be advanced. But, unless they had the courage to simplify the law, credit would be in a very bad state in the country.

The difficulty of title was a real one in the matter of lending on land and this was one of the reasons why higher rates of interest were charged. The creditor wanted to protect himself against possible defects in title by a sort of insurance. But law reform such as he had referred to could not be brought about unless credit associations such as the Bank combined in releasing property from the trammels. The armour that was once necessary for protection was not necessary—indeed, it would be an encumbrance—to the soldier, in modern warfare; that was also the case with the legal system of titles in respect of landed property. Therefore it was that he pleaded that property should be released from all the factors which in the past might have constituted protection but to-day caused difficulties.

Sub-Deputy Registrars.—He would confess, that the Government gave land mortgage banks in certain cases the services of Sub-Deputy Registrars of Co-operation free only "very grudgingly." It was necessary that they should be grudging because the Government were not drawing any money from another and spending it on the province. They derived their resources from their own people and spent it on such services. They had to use the funds as people of Madras city now used Red Hills water—very carefully, conserving it for future use. The ideal condition would be that where an institution was run for the benefit of particular people, they alone should be taxed for its maintenance. But in the case of land mortgage banks, the tax-payer maintained the Sub-Deputy Registrars. Was this right? The men who borrowed, lent, shared the benefits of and participated in the transactions and even the public-spirited men who guided the organisation should feel at every turn that they maintained the institution and that it was for them to see how much should be paid to the officers, and make such adjustments as would make for effective and satisfactory working of the Bank, having reference to their own financial resources. That would be possible if the financial burden of the arrangement should rest on the institution concerned. That was the argument advanced on behalf of the Government, but Sub-Deputy Registrars had been appointed under a different arrangement which was "still on an unstable equilibrium." It was not, he thought, an arrangement which could continue for all time.

Margin between rate of borrowing and lending.—Continuing, the Premier said that Mr. Ramalingam Chettiar had referred to many other points but seemed bitter on the question of the margin between the rate of borrowing and lending by a Bank. It was true that a borrower could not pay more than at a certain rate. While limits should be fixed to the rate at which one could borrow, the laws of good business management also should be borne in mind. Mr. Ramalingam Chettiar no doubt admitted this, but claimed that he had looked into all relevant factors and that his conclusion should be taken as the correct one by the Government. On the other side, the Government's advisers insisted with equal pertinacity and assurance that the margin was necessary. The Premier said that he would not say that the one was right or the other wrong. He would only suggest that they might carry on and see how the arrangement worked. They should not imagine that he had taken care to see to it that the order was communicated just on the eve of the conference. It was just an accident, though "a strange and nice accident." But he would remind them that their President insisted on speedy disposal of the matter, one way or the other.

Problem of the Middleman.—With this personal explanation, the Premier continued, he would mention certain public aspects of the matter. That was in regard to the problem of the middleman. There was a general impression that all middlemen were bad and that was a cardinal axiom—he did not wish to exaggerate—with co-operators; all middlemen, therefore, they held, deserved to be eliminated. But the Premier would suggest another aspect of the matter for their consideration. The middleman had been there for a long time. Just like carpenters, weavers and others, middleman also formed a class and displayed certain special characteristics and aptitude for their profession. They had a peculiar genius and temperament, which was developed by early training for middlemanship. The weaver, carpenter or the other artisan might not be a successful middleman; for it required certain special qualities and training. Of course, it was but right that the middleman should be just and fair and not be one who exploited. Many middlemen had done that and had ruined the name of middlemanship itself. Co-operative societies were also trying to become middlemen. But a comparison of the methods, economy and functioning of the two institutions would show the advantages and defects of both. The middleman kept his shop which seemed more "a temporary affair" than anything else; but he had the price, make and quality of his articles at his fingers' ends. But what was the case with the co-operative storesman? A gentleman who had failed to get on somewhere else or had been pensioned off, an old person full of dignity and the feeling that he was rendering a public service, sat at the counter, having to look up some book or invoice at every turn. Those in charge of co-operative societies might think they were eliminating middlemen. But he was not sure about it. He thought they were only substituting middlemen. They might, for aught he knew, be merely replacing the careful early-trained, though hungry, middleman by an institution which had no soul, which had no heart, and which was in the charge of persons drawing fairly high salaries. (Laughter). What was described as robbery or exploitation in the case of the middleman became legitimate in the case of the society but the burden to the other party remained the same (renewed laughter). All these things they should remember in waging war against the middleman. He would therefore plead for a modified attitude towards the middleman-caste, using that word in the wider sense of a class of people.

The private money-lender.—Similarly, there was the money lender whom they had to think of. Some money lenders had so carried on their business that they had brought money-lending in India into very great disrepute. Things had come to such pass that anybody who abused money-lenders thought he was doing a service to the country thereby. But the money-lender had a definite function to perform and had a place in society. Any amount of co-operative credit or government lending or joint stock financing would not cover the entire field of credit requirements and private money-lending would still be in the field, and would still have to be there. There might be any number of well-organised hotels in the country; but would domestic cooking die out on that account? Private money-lending should not be abolished, but should be corrected, modified, improved and allowed to carry on in a proper manner and fulfil the large function that it alone could. If, therefore a particular rate of interest was insisted upon beyond which the private money-lender could not go, and if at the same time a co-operative institution or government institution lent at a far lower rate, there would be "a tussle, competition among borrowers to get loans, and all this will result in corruption." If they under-bid the fair money-lender, it would not be to the good of general economy. This view was put forward not in order that banks might become extortionate money-lenders. But it was for the general good that there should be no undue competition. It might be that some money-lenders evaded the maximum rate of interest fixed, but the Government hoped to enforce the law in this respect. They must under-cut usury; but they should not under-bid fair private lending far too much.

Mr. Ramalingam Chettiar contended that the margin should be 2¼ and 2½ per cent. But the Premier asked if this was a very important factor, when they viewed the problem as a whole. When in the market they could not borrow below a certain rate of interest, surely they could not lend below a certain rate of interest. That was almost a law of Nature. It might be that a Bank could work with a margin of 2¼ per cent and carry on. But he (the Premier) would remind them of the other considerations he had urged. It was not necessary to reduce the rate below the common credit rate in the village. It was not easy for everybody in the village to get credit from land mortgage banks. It was only a certain class of debtors who could successfully approach the banks or the Revenue Department and get loans. There were recommendations, influence and other factors which came into play. He was, the Premier, said, far too much of a realist and villager to ignore these factors. Only certain classes of debtors could get easy credit and the bulk of borrowers had to go to the private money-lender. They had to take all these into consideration in making their arrangents. It was possible that the President of the Bank might yet convince the Government that the margin fixed was not the right one and that it should be altered. This was conceivable and probable. But for the present there need be no quarrel over it.

In conclusion, the Premier said that the Land Mortgage Banks were doing very important and solid work under great difficulties. He hoped that all of them would carry on the work in the spirit in which alone they could achieve success in the midst of difficulties. They had an able and tireless President with vast experience. It was not every institution that got such guidance. Madras was lucky in having a number of able men so far as co-operation was concerned; and the Co-operative movement was lucky in Madras.

Mr. Ramalingam Chettiar, in thanking the Prime Minister, for opening the Conference, said that on the fundamental question of the rate of interest referred to by the Prime Minister, he, as a co-operator, could not agree. The Prime Minister had argued with great subtlety the case of the capitalist. If his argument was to be adopted, they might as well wipe out the co-operative movement.

The Prime Minister: Not at all.

Mr. Ramalinga Chettiar, continuing, said, that the ideal of the movement was to bring together the producer and the consumer. If Co-operative movement here confined itself to a large extent, to the sphere of credit, it was due to peculiar conditions. Their idea was to provide as cheap credit as possible to the ryots. They were trying to give agriculturists as much help as possible. He would, therefore, request the Prime Minister to consider the question once again. They were all grateful to him for having opened the Conference.

Resolutions passed at the Conference.

1. *Share Capital:*—Does the collection of 1/20 of the loan applied for as share capital cause hardship to members? Is it advisable to reduce the ratio of share capital to loan?

Resolution:—"Referred to the Co-operative Committee."

2. *Entrance and Transfer fees on B. Class Shares:*—In some banks, there is provision for collection of entrance and transfer fees for B. class shares. Can the collection of these fees on B. class shares be dispensed with?

Resoultion:—"The Primary banks may consider and reduce where possible."

3. *Loans*: (*a*) Is propaganda necessary to afford the benefits of Land Mortgage Banks to a large number of agriculturists? If so, which is the agency that should take up the work?

Resolution: "The Primary Banks and the Departmental officers may carry on the necessary propaganda."

(*b*) Can Land Mortgage Banks issue loans for purposes other than the discharge of prior debts? If so, under what conditions and safeguards?"

Resolution: "The Bank may more largely give loans for land improvement and issue a general circular on the subject."

(*c*) Loan applications of Rs. 500 and below scrutinised by Co-operative Sub-Registrars specially authorised by the Registrar are now sent to the Central Land Mortgage Bank direct. Can this arrangement be extended to loan applications of Rs. 2,000 and below?

Resolution: "To selected Sub-Deputy Registrars, the power of sending direct to the Bank up to a maximum of Rs. 2,000 may be given."

(*d*) Are the instalments in Land Mortgage Banks paid promptly? Can the penal rate of interest provided in the by-laws be deleted?

Resolution: "No change is necessary."

(*e*) What is the policy to be adopted in regard to the issue of loans in Inam villages on the security of (*a*) Melvaram rights, (*b*) Iruvaram rights and under what conditions and safeguards loans may be advanced?

Resolution: "No loans can be given in such cases."

4. *Distribution of profits*: Is it desirable to exclude B. class share-holders from participating in the profits of the bank—Dividend?

Resolution: "It is desirable."

5. *Fees for Registration*: (*a*) What is the practice in banks in regard to the payment of fees for registration of assignment deeds in favour of the Central Land Mortgage Bank? Is any additional fee for this purpose collected from members?

Resolution: "The whole question be examined. The borrowers should not be made to pay?"

(*b*) What is the effect of the latest orders of Government on the question of payment of half fees for registration of documents and for obtaining encumbrance certificates for loans exceeding Rs. 2,000?

Resolution: "It is working hardship on those who have to pay. Exemption should be given in all cases."

6. *Disbursement of Loans and Encumbrance Certificate* for a further period of 4 months from the date of execution of the mortgage bond.

Resolution: "It is desirable to obtain the encumbrance certificate for 4 months, but the disbursement of the loan need not be delayed."

7. *Annual Budgets of Primary Banks*: Approval by the Central Land Mortgage Bank or by the Deputy Registrars for Land Mortgage Banks.

Resolution: "The budgets need not be sent for sanction or approval."

8. *Issue of Pass Books* by primary land mortgage banks to their borrowers and annual confirmation slips. Amendment of by-law No. 30 of the model by-laws.

Resolution: "It is desirable to issue pass books and confirmation slips."

9. *Legislation.*

Resolution: "Legislation on the points mentioned in the President's address may be undertaken as well as on the following points as early as possible. Power to summon witnesses and documents be given to the C.s., Rs. of L.M. Bs. wherever necessary to obtain information relevant to enquiries before them.

10. *Production of Pattas in Zamindari Areas*: (*a*) As, in pursuance of circular 1138.39 dated 16-7-38 the Primary Banks are prohibited from issuing loans without the production of a separate patta in the name of the borrower and as the said prohibition is bringing to a stand still the work of the banks where the Zamindari villages predominated, this conference urges that the insistence on a separate Patta, as a *condition precedent* be dispensed with and loans may be issued to members as before if the following conditions are fulfilled:—

(1) zamindar's agreement to the bank undertaking to issue notice before the hypotheca is put up for sale.

(2) Mutation of the borrower's name in the village accounts.

(3) Joint patta including the name of the borrower.

(4) Production of the tax receipts in the name of the borrower.—*Cocanada, L.M.B.*

(*b*) Resolved that the production of Estate Pattas in respect of hypotheca in Zamindari villages be waived in cases where they are not forthcoming. In such cases a certificate from the village officer regarding the possession and enjoyment of the borrower as shown by the village records be accepted as substitute.—*Vadlamannadu L.M.B.*

Resolution: "Referred to the Executive Committee."

11. *Audit Fees*: "To request the Registrar of Co-operative Societies to exempt Primary Land Mortgage Banks, whose working capital is less than 100,000 from audit fees."

12. *Registration of Sub-Division of Fields*: Where an applicant is required to file field sketches for fields with measurements, certified by the village karnam or the joint pattadars when a portion of a field is offered as security, the Revenue Department may be addressed to speed up the subdivision and separate registry of the lands offered as security soon after a requisition from an applicant to that effect is received by the Department through the bank for such sub division and separate registry. (This sort of work is done when the special loans under the Agriculturists' Loans Act were granted by the special loans officer)."

13. "The Government may direct the village officers to grant sketches showing sub-division where all the owners agree."

14. *Maximum Limit of Land in Tea and Coffee Estates*: Raising the Maximum limit up to which loans may be granted on the security of Tea and Coffee Estates to 50 and 45 per cent from 35 and 30 per cent.

Resolution: "May be considered after gaining experience."

15. *Loans on Wet and Dry Lands*: To request the Central Land Mortgage Bank to grant loans at 50 per cent. of the value on the mortgage of well-aided dry lands as in the case of wet and garden lands.

Resolution: "Will be treated in the same way as other dry lands."

16. *Extension of period of loan from 20 to 30 years.*

Resolution: "May be extended to 25 years if the primary banks want it.

17. *Reduction of the rate of interest* from 4½ to 3 per cent on all the existing loans. It may be tried up to a limit of 5 lakhs."

Resolution: "Impossible."

18. *Reduction of Cost of Administration*: "As the loan application up to Rs. 2,000 are asked to be sent by the C.S. Rs., direct the remaining work of the D.R's may be done by the Dt. Deputy Registrars and the bank be relieved of the high cost incurred on the special Deputy Registrars."

19. *Speeding up Sanction of Loans*: "This Conference resolves that in order to speed up sanction of loans the number of Sub-Registrars for Land Mortgage Banks be increased so that scrutiny of the applications may be ensured better."

20. *Admission of Members and Loan Applications*: "In order to investigate immediately into loan applications it is hereby resolved that a committee consisting of three directors of primary banks, one of whom shall be the President or Secretary, may be authorised to admit the members and receive loan applications."

21. "That the Secretary of the Primary Land Mortgage Bank should in all cases where a loan has been sanctioned by the Central Land Mortgage Bank, be authorised to allot additional A Class shares to the past members (whose loans have been sanctioned) and any B Class share to the members of the family or representatives in interest of such members for the purpose of enabling the execution, without delay, of mortgage bonds."

22. *Building Funds*: To allow Primary Land Mortgage Banks to raise building funds. To grant funds for propaganda work in connection with the Land Mortgage Banks.

Resolution: "Each case will have to be considered on its merits."

23. *Provident Fund for Staff*: "That a system of provident fund be immediately started in every Primary Land Mortgage Bank for the benefit of its staff, subject to the approval of the Central Land Mortgage Bank, so as to ensure a uniform system in the Presidency."

24. *Revising Prices*: Revising the system of fixing the value of paddy to bring it in line with the present market rate, namely, not less than Rs. 15 per 96 Madras measures.

Resolution: "Referred to the Board to call for information and fix the rate."

25. *Avoidance of Frequent Transfers*: "This Conference recommends to the Government that ordinarily, co-operative Sub-Registrars of Land Mortgage Banks should be kept in one station for at least a period of three years as frequent transfers very often dislocate the work of the Primary Land Mortgage Banks under their charge."

26. *Form of Report by Sub-Registrars*: The following draft resolution was referred to the Executive Committee. "As the Sub-Registrar's report is almost on the same lines as of the Supervisor's report and as it is essential that a printed concise form should be prescribed for the Sub-Registrar's report to facilitate quick disposal of loan applications and to avoid repetition, it is resolved that the Central Land Mortgage Bank and the Registrar may prescribe a form."

27. "Resolved to address the Madras Co-operative Central Land Mortgage Bank, requesting them to permit entertainment and sanction of loan applications on the security of properties mentioned in A and B lists though the major portion of the properties may not be situated in the villages included in A list."

28. *Representation on Debt Conciliation Boards*: "Resolved to request the Government to give proper representation to the Primary Land Mortgage Banks, in the Debt Conciliation Boards."

29. *Crop Loan and Sale Societies*: "To request the Registrar of Co-operative Societies to organise a crop loan and sale society at the head quarters of every bank."

30. *Grant of Second Loan*: "Members should be advanced a second loan if they require it for a legitimate purpose. This may be advanced on property other than the hypotheca or on a portion of the hypotheca released from the first mortgage. The bank may be a little liberal. But it ought to close the loan in all cases in which a member borrows outside on the security of the property mortgaged to the Land Mortgage Bank."

31. "The Central Bank is requested to give due weight to the primary banks' recommendation and to the reasons stated therein in sanctioning loans whenever they differ from those of the Sub-Registrars."

32. "As in ascertaining applicant's title to the hypotheca from the encumbrance certificate obtained for a period of 24 years the bank as well as the applicant

being ignorant of the transactions in the interim period from block survey, experience considerable difficulty which may be obviated if the encumbrance certificate concession is extended as far back as the time of Block survey, it is resolved that the Registrar and the Central Land Mortgage Bank may agitate on this and get the concession accordingly in the interests of the poor ryots."

33. "To request the Government to deliver the security bonds in the case of Government loans under Land Improvement Act or under any other rule soon after the loan is completely discharged and not wait for one year under present rules and to return these bonds to the Land Mortgage Bank which paid the amount and not to the borrower on his application to the Tahsildar."

34. "To request the Imperial Bank and other joint stock banks that in case of pronotes or bonds discharged by the Primary Land Mortgage Bank on behalf of its clients, they should return the same to the bank and not to the clients.'

35. "To request the Government to give illustrations under the different conditions of debts mentioned under the two sections 8 and 9 of the Debt Relief Act to avoid wrong application of its principles under section 28(2c) of the Act."

XXII UNITED PROVINCES CO-OPERATIVE CONFERENCE, BIJNOR, 18TH AND 19TH FEBRUARY 1939.

Extracts from the Inaugural Address of the Hon'ble Dr. K. N. Katju, Minister of Development and Justice, United Provinces.

During the last few years the co-operative movement in the U. P. has made steady progress. I shall advert presently to our future programme of further expansion, but it may be of interest to take note of the progress achieved. The figures for the year 1936-37 are contained in the annual report on the working of co-operative societies already available in print. The following figures for the year ending 30th June, 1938 may interest you.

	No of Societies on 30th June 1937.	No of Societies on 30th June 1938.	No. of Members on 30th June 1937.	No. of Members on 30th June 1938.	Working Capital on 30th June 1937.	Working Capital on 30th June 1938.	Owned Capital on 30th June 1937.	Owned Capital on 30th June 1938.
					Rs.	Rs.	Rs.	Rs.
Central Societies credit ..	72	72	5,960 * 6,820† 12,780	5,886 * 7,526† 13,412	92,24,838	94,87,365	39,10,619	39,82,013
Central Societies non-credit ..	54	77	16,336* 1,378† 17,714	35,489 1,884 37,373	20,71,651	25,91,412	10,30,413	12,65,943
Primaries Agriculture ..	7,788	8,439	2,08,738	2,71,520	1,10,62,125	1,19,14,461	64,00,644	66,56,327
Primaries Non-Agriculture ..	474	547	52,170	59,949	54,05,633	62,99,720	26,16,516	30,34,070
Total ..	8,388	9,135	2,91,402	3,82,254	2,77,64,247	3,02,92,938	1,39,58,192	1,49,38,353

*Individual †Societies.

Though the number of central societies remains at 72 their working capital shows a further increase by Rs. 2.63 lakhs over last year's figure. The increase of 632 in membership is exclusively due to ordinary members, i.e., primary societies. Non-credit central societies record a further rise from 54 to 73, and the progress, being in full swing, will be further reflected in the figures for the next year. Working capital and membership have gone up by Rs. 5.20 lakhs and Rs. 1,96,591 respectively. The contribution of a little less than half in the shape of owned capital is gratifying. Agricultural primary societies have also done well and the organisation of cane supply societies has been maintained. Though the rise in the number of societies is only 651, the increases in membership and working capital are a distinct advance over the last year's figures. An effort has been made to induce all respectable residents of the village to become members of societies. The number of non-agricultural societies has gone up by 73; membership has increased by 8,000 and the working capital by nearly Rs. 9 lakhs. Apart from the total increase in the number of societies, the rise in membership and increase in capital show a satisfactory improvement. The average membership in a primary society is now 37 against 31 of the last year and 28 of the year previous. The owned capital is about 63 per cent. of the total amount invested in the movement which now amounts to a little less than Rs. 2½ crores.

I congratulate all of you interested in the co-operative movement who have by your devoted labours brought about this improvement in the year 1937-38. During the last eight months the Co-operative Department had worked with redoubled vigour. There has been expansion and development all-round, and I am sure that the year 1938-39 will record progress which will compare favourably with that in any preceding year. A very satisfactory feature of the development is the remarkable progress made in the formation and development of cane-growers' societies and ghee producing societies. Marketing of agricultural produce is one of the most difficult problems engaging the attention of Government, and co-operative marketing in any shape or form on sound lines is to be welcomed. I therefore attach the greatest value to the sound work which is being carried on under the aegis of ghee producing and also milk producing societies.

It is a matter for gratification that it has now been increasingly recognised that co-operative work need not and indeed should not, be limited to the field of credit but that it should endeavour to cover the whole economic and social life in the village. It is now admitted by all competent authorities that in the past concentrated effort was made to enable the cultivator to procure credit on reasonable terms. Those terms were certainly reasonable as compared with the conditions then prevailing in the rural areas, but they sound fairly excessive and harsh in these days when different notions prevail. But apart from that the result of concentrated attention only on one aspect of co-operation was to make a co-operative society for all practical purposes a society of borrowers. The thirty people in the village with some capital and credit of their own and with no immediate need to borrow studiously kept away from the society, and the further result was that as needy and necessitous men are not free men and certainly are not prudent men, they treated the society as a ready instrument to enable them to raise without much difficulty. The co-operative principles were not properly assimilated. Men became members without thoroughly understanding what the movement stood for and what liabilities they might be ultimately called upon to bear, and when later owing to agricultural depression and slump in prices and other unforeseen circumstances difficulties came the movement in many districts got into bad odour and almost seemed to crash. That a disaster was averted was due to the firm and prudent handling of the situation by Mr. Kharegat and his successor Mr. Vishnu Sahay is a matter of common knowledge. This was the inevitable result of concentration on credit.

When I began to study things for myself I early formed the opinion that wide and sound education of the villagers into the inmost meaning of co-operation was absolutely necessary before the establishment of any co-operative organisation, and particularly before the opening of a co-operative credit society was undertaken in any area. This public education is to be imparted by means of propaganda, lectures, publicity in newspapers and even door to door visits. Indeed in my opinion credit co-operative societies must follow, and not precede, other forms of co-operative organisation. The first effort of an organiser should be to impress upon the residents of a village the benefits which accrue from organised co-operative life. Co-operation is not a new conception to the Indian villager; it is a familiar idea to him in his social life in the form of his own caste organisations. What is needed is to broaden that conception so as to make it cover the whole village community in its economic and social sphere. It seems to me that the first work which should be aimed at by a co-operative organisation in a village is the work of rural re-construction and rural development. The need of it is great and urgent. The villager recognises it, because it is he who suffers day in and day out from the miserable conditions as to sanitation and hygiene, lack of medical aid, want of educational facilities, poor communications, lack of pure water supply and other necessities of a civilised life. For the removal of all these difficulties a co-operative organisation which includes in its fold the entire village community irrespective of caste and creed is the only possible efficient instrument. You are probably aware that in the scheme of rural development formulated by the U.P. Government the very foundation of the whole structure is a Better Living Society. People have asked me why I insist upon that almost as a condition precedent to all development work. There is no charm in the phrase 'Better Living Society;' and I am sometimes told that the village panchayat either nominated or even elected might prove equally efficacious and competent. In my opinion, the object which we should have in view is the organisation of the whole village community so that that community, small as it is, may take active and continous interest from week to week and month to month in all that promotes its economic and social welfare. You may call that organisation a Better Living Society or by any other name—it does not matter what you call it. A co-operative organisation teaches valuable lessons in self-help, in self-reliance and the most important of all, in co-operative endeavour of all for the benefit of the village as a whole. In some respects a co-operative organisation may indeed be said to be more amenable to popular influence and control than a local body which is periodically elected at regular intervals of several years and then is left to its own resources and its own devices. A system of election may be necessary and indispensable in urban areas where population is large, and representative institutions are the only method by which local self-government can function or be administered; but in small villages where population is limited to a few hundreds of people grouped together in a small number of families, it is quite feasible to create and develop an organisation by which the community as a whole should take active part in the management of its own local affairs. The officers of that organisation call them Panches or by whatever name you please—would be nothing but a working committee of a bigger body whose function should be to give effect to the decisions of the entire organisation. It seems to me that the contact between this working committee and the members of the whole village community organised on co-operative lines is far closer and far more real than the contact between the members of municipal and district boards and even members of smaller town areas and notified areas.

Co-operative organisation of the village community has its decisive advantages. Our village communities of the present day are disorganised and therefore torn by factions. It may be that most of these factions owe their origin to the rivalries of the proprietors and co-sharers in the village. Into the ambit of one or the other, each villager and cultivator is somehow or other drawn. But I am certain that the formation of a Better Living Society which will be primarily concerned with topics of general interest and general concern will provide a valuable means for promoting peace and harmony in the village community. It will lessen faction and by providing a common meeting ground will diminish causes of internal strife. My experience of the past year has convinced me that our villager, though he is illiterate and ignorant, possesses shrewd commonsense and is fully capable of understanding what is conducive to his advantage, if it is properly explained to him. He is poor and therefore shy and extremely suspicious of any movement which he thinks may be merely a device for taxing him further and making him part with money which will be carried out of the village and applied for other purposes. But I am convinced that if he were satisfied that the co-operative organisation is meant exclusively for his benefit and that any subscription which he is called upon to pay will be solely at the disposal of the village community to be applied for such purposes as they may themselves determine, supplemented as such local funds could be from time to time by grants and subsidies from Government, then the appeal for the formation of these co-operative organisations would meet with a ready response. I may, however, add in passing that these co-operative organisations find a ready soil for their growth in areas inhabited by cultivators of more or less equal degree. Co-operative organisation pre-supposes a prevailing sense of equality and a genuine democratic spirit. It may therefore be difficult to establish a co-operative organisation in villages which are over-ridden with the authority of one or several dominating proprietors who look upon the whole village community as being subservient to their control. In my official tours, generally speaking, I have found co-operative organisations flourishing most where the village belonged to a body of peasant proprietors or petty shareholders who were substantially a body of peasant proprietors or in villages where there was no resident Zamindar. It has indeed been said that many short-sighted zamindars are averse to the growth and development of the co-operative movement in their villages because they apprehend that that movement would, by fostering habits of self-reliance and self-respect, interfere with that authority and power which a zamindar ought to wield. But that is another story and I will not pursue this line of thought any further.

Coming to Better Living Societies again, as I said, I have no doubt that if the benefits of a co-operative organisation were properly explained to the people we shall be successful. Only last week in the Sitapur district I was delighted to find in a village that out of 49 families 48 families of all classes and communities had become members of a Better Living Society and had paid their subscription of four annas in cash and had elected a Panchayat of their own consisting of Brahmins, Thakurs, Muslims, artisans and members of the scheduled castes. I found a similar example in another village. In such co-operative organisation you will find that rich and thrifty people as well as the poor and needy all become members, and solidarity would grow and then the field would be prepared for the formation of real credit societies. The picture that I have before my mind and which I devoutly hope will be realised in the near future is a net-work of multi-purpose co-operative organisations spread all over the province, in every nook and corner of it, and taking charge of the villager almost from his cradle to the end of his life. The problem

of all problems is to assist the villager in the economic sphere by the development of his agriculture and his cottage industries. We want co-operative effort in production, in marketing and in finance, and it seems to me that it would be an unwise policy to disintegrate this whole and either to take up one part by itself or to take all in a disjointed manner. The problem must be tackled as a whole and by one organisation with many-sided activities. The multi-purpose society should include all the adults—if not all adults, at least all families in the village. It should have funds of its own and it should be liberally subsidised by Government on a definite well settled plan and this organisation should look after every activity in which the villager is vitally interested; it should look after improvement of agriculture by the supply of improved seeds and improved agricultural implements and better farming by the consolidation of holdings and co-operative farming. It will have either by itself or jointly with a neighbouring village a seed store of its own; it will have its credit side in which all members, and particularly those who do not need money, will see to it that the loans advanced are really applied for productive purposes, and what is even more important is that those who have money will invest their surplus cash as depositors. The society will take steps for the better marketing of its produce, for the manufacture of gur and sugar by improved methods and for the marketing of the dairy produce, and will also look after the betterment of its own suitable village industries, such as handspinning and hand-weaving, oil-pressing. Members will make adequate arrangements about improved cattle breeding and cattle welfare. Every village will have its own Panchayat Ghar, a substantial structure worthy of the village to whose construction every single able-bodied person in the village would have contributed something, whether in cash or in kind or labour, so that it may be really and truly in the best sense of the word an outward and living embodiment of corporate village life. In the Panchayat Ghar the members of the co-operative society would meet every month and their Panchayat every week for their deliberations. There would be a Kanya Pathasal for imparting instruction and dispelling ignorance among the womenfolk of the village without which no real improvement is possible. There will also be a night school for adults so long as that may be necessary. The Panchayat Ghar will be an emporium for the sale and barter of village products. There will be in the compound of the Panchayat Ghar a well and a Phulwari and an Akhara and a Gymnasium and also provision for distribution of medicine for common ailments. That is the vision which I love to contemplate, and then I visualise a union of such multi-purpose societies in a compact area comprising 25-30 villages, such unions culminating in a district federation of unions. Alongside this will be co-operative banks, district and central, to finance the primary co-operative organisations in the villages. And these co-operative unions and Federations would enable the humble cultivator to market his agricultural produce and finished products to the utmost advantage.

The more I study the problems of the countryside the more I am convinced that the true path to salvation and economic emancipation of the village lies through co-operation, and it seems to me that it would be worthy of consideration whether it would not be desirable in suitable cases even to compel membership of a co-operative organisation; for instance, where it is found that 75-80 per cent of the families have already become members of a co-operative organisation, it should not be made illegal for anybody to sell his agricultural produce or to borrow money unless and until he himself is a member of a village co-operative society. I recognise that this may sound a little drastic, but then some people have to be protected against themselves and a little compulsion on the individual may be justified in the interests of the community as a whole.

As I have said above, we must deal with our village as a whole, and I am glad to say that the soundness of that opinion is being increasingly recognised and we in the U.P. are steadily moving in that direction. For instance, the cane-growing societies in the eastern districts which have proved of such advantage to the cane-grower will take up the task of rural development on their own shoulders, and soon a scheme will be put into operation by which cane-growing societies will become in reality multi-purpose societies and will also take charge of rural reconstruction. Similarly, the scope of our ghee producing societies may be extended. These co-operative organisations of agriculturists living in a village can easily expand and work for the development of cottage industries which are really subsidiary to agriculture, such as hand-spinning and hand-weaving and oil pressing and Gur and Khandsari manufacture and production of dairy produce.

Over and above all, the present Rural Development Department is engaged in preparing the ground for co-operative work on a country-wide scale. As you know, about 300 villages more or less are included in every rural development zone in each district, and according to our plan, it is the function of officials and non-officials in charge of rural development work not only to ameliorate the conditions in the countryside in the matter of public health, sanitation and hygiene but also to spread the gospel of co-operation throughout the villages. I call this Department the Department of Public Enlightenment and Propaganda. We are all endeavouring by our campaign against illiteracy, by the provision of free libraries and reading rooms, by a liberal supply of newspapers, by the establishment of Better Living Societies and by construction of Panchayat Ghars, to instil in the mind of the villager the merits and beauty of co-operative organisation in the village. About 589 seed stores are now opened in the province to ensure the supply of pure seed and to effect agricultural improvements by better farming and by a more extensive use of improved agricultural implements. But the plan is that as soon as the ground is fully prepared the whole of these activities will be taken over by properly organised multi-purpose societies in each village or in a group of two or three small villages, and these societies will form a union to look after their own affairs, and in course of time—I imagine in the course of five years—will become fully self-supporting.

As you may be aware all the organisers of the Rural Development Department have been given a course of training in co-operation. But apart from that, steps are being taken to train a large number of young men for employment as supervisors, inspectors and auditors for co-operative work. Stress has been laid in the past on the necessity of trained staff, and I thoroughly admit that a trained staff is essential; but over and above trainer, each supervisers, if he is to prove successful in the discharge of his duties, must be imbued with real missionary zeal and love for his work. He will have to spend his life in the villages in the midst of a backward peasantry whom all of us are anxious to galvanise into life to make them fit to shoulder the responsibilities, by co-operative effort, for the economic well-being and social welfare of their village communities. A plan has been prepared by which suitably selected persons will be trained in large numbers every year, and we visualise that in the course of another five years there would be a net work of multi-purpose societies spread all over the province in about 30,000 villages. When that comes to pass, that will indeed be a day of proud achievement for those who may have taken part in bringing about that cherished result.

The U.P. Co-operative Union has in the past played an important part in the development of co-operative activities in the province. The Banks will be called upon to finance on an immense scale an ever-expanding number of co-operative societies of all kinds and descriptions, and their new responsibilities will tax all their resources. But I wished just at present to emphasise one particular point. The Supervisors at present function under the direct guidance and control of the Co-operative Union. In the future the responsibilities of the Union will be greatly enhanced and I have no doubt that in the discharge of those responsibilities the Union will bring not only devoted labour but a new angle of vision and a new method of approach. I have sometimes thought—I hope I am not doing any injustice to the Union—that in the past attention was naturally devoted to the solvency of the societies in order to ensure punctual payment of their debts due to co-operative banks. The Supervisor is an employee of the creditor and his primary duty was to see that society continued by prudent management of its affairs to be able to discharge their liabilities. His duties are heavy. He is to look after 30 societies more or less and to see that their accounts are well kept and their finances are properly managed. It may be that he had not sufficient time at his disposal, nor sometimes even an inclination to persuade the people to expand their co-operative activities in directions other than credit. I also recognise that the resources of the Union were limited and the staff at their disposal may not have been always adequate. But times have now changed and co-operation has come into its own. The problem will not be of money. Money, we hope we will get and for the asking. But the problem will be of men, and I trust that the U.P. Co-operative Union will exert its utmost to further the development of the co-operative movement on sound lines in every direction, and their Supervisors will be instructed not only to look after the finance of the primary societies but also to direct and guide their activities in other useful channels also. I do not mean at all to suggest that this work has totally been neglected in the past. On the contrary, the best rural development work that I have seen so far has been in several districts in villages under the auspices of co-operative societies. The results achieved were remarkable and commendable and the villages had a distinctive, cheerful appearance of their own.

I said just now that the problem of the future is to get men, not merely money. I do not by this refer to the staff alone. We require the ungrudging and unselfish services of a vast body of enlightened non-officials to take deep and abiding interest in the co-operative movement and in the management of co-operative institutions throughout the province. On reading through the proceedings of the past sessions of this conference I have been struck by the fact that while the movement has gripped the soul of many stalwarts who have remained in it through thick and thin, through gloom and sunshine, accession of new strength has not been very marked. Year after year veterans have attended the conference and have sought to guide the movement by their sound advice and rich experience. But one regretfully misses the presence of new recruits to the ranks. I shall not go into the reasons for this state of affairs. It may be that younger men of unbounded energy and self-effacing patriotism were attracted and engrossed in other directions. But with the change of conditions and with greater opportunities for moulding our destinies after our own heart's desire, I fervently hope that the call of co-operative work, which is indeed in other words constructive work—will find ready response in many a heart and many men and many women will devote their energy to this selfless work. But it is up to us who are already engaged in the work to make our needs known, our appeal heard and the nobility of our cause appreciated and fully known and understood. It is with this view that I plead for wide publicity and wide propaganda on behalf of co-operation. Government propose to do their bit to achieve this purpose. They have already appointed a Special Officer in the Co-operative Department to organise publicity on behalf of co-operation and for the exposition in popular language of co-operative principles.

The Co-operative doctrine has to be broadcast in the press and on the platform, in popular talks and by speeches and lectures. It is with the same end in view that I suggest to you that you should draw up a formal constitution for this conference. It is not only desirable that you should meet regularly once every 12 months, but it is also necessary that it should be largely extended and made more representative. I do not want it to be said that the conference is merely a general meeting of the U.P. Co-operative Union. Of course the members of the Union should be there; but I should also like the conference to be attended by other persons, interested in the movement, who have been nominated to it directly by the co-operative societies or their unions. I often think that when we deal with statistics we forget that we are dealing with a Province of 50 million inhabitants. The figures about members of our societies and of our working capital may sound impressive by themselves, but when we remember that we are dealing with a province having a population of five crores and that our currency is in silver and when we compare our position with countries of the west where the co-operative movement is flourishing, then we will at once realise how much leeway we have got to make up. It is with the desire of popularising the movement and of increasing public interest in it that I plead for a wider basis for this conference. The U.P. Co-operative Union may well remain as the executive of the conference, but it will be all to the good if we have every year thousands assembling as a deliberative body who hold the cause of co-operation dear and worthy.

The times are propitious for a well-planned advance of the co-operative movement. We have every hope that the new agrarian legislation now on the legislative anvil will create a sturdy and self-reliant peasantry in the province. Measures to relieve rural indebtedness on an extensive scale, which Government propose to introduce at a very early date, will, it is hoped, substantially relieve the cultivators from the heavy burden of debt and also arrears of rent under which they are now groaning. With the pasing of these measures, one of the difficulties which has faced co-operators in the past, viz., the crushing burden of debt will have disappeared and we will have opportunities of working under far more happy conditions. Our task will indeed be a noble one. To protect the improvident cultivator from himself and to prevent him from falling into debt from which he would have been reasonably freed after so great a travail; to bring light and happiness into many homes where at present darkness and misery reigns; to add to the wealth of the villager; to make his surroundings clean and healthy, to liberate him from the bonds of illiteracy and ignorance; to remove faction and disorganisation and instal in their place organisation, unity and communal harmony—in short, to create a worthy citizen of a free India.

Extracts from the Presidential Address of Dewan Bahadur K. V. Brahma, C.I.E., M.B.E.

Looking to the movement in your province as a whole one is struck by two important features. An effort is apparently on foot to balance that part of the movement which deals with agriculturists alone with the part which is non-agricultural. This effort at an equipoise is succeeding, and if pushed on with the same vigour as hitherto, your province can claim for itself what Dr. Toyoliko Kagawa (popularly known as the Gandhi of Japan) claims for Japan. At a recent meeting held at Jubbulpore the Doctor said that the marvellous progress Japan had shown in the last 60 years was due to the co-operative movement, Japan had learnt from Germany and to the education that was being imparted to every boy and girl there. He went on to observe that there was a net work of co-operative societies to safeguard the interests of producers, manufacturers, and agriculturists and labourers and with the aid of this mighty co-operative organisation his country had succeeded in exterminating the Communist agitation in Japan.

While India cannot boast of a mighty co-operative organisation, your province can, in my opinion, legitimately claim an advance in this direction. The increase in the membership and working capital of non-agricultural credit societies of limited liability, by 7389 and 9 lakhs respectively, is due largely to the formation of credit societies of salary-earners and if these can be induced to benefit themselves by thrift, self-help and mutual aid, the day for India's all-round prosperity would not be distant. It seems you have taken care to see that these societies manned as they are by intelligent and educated people should not fail; and precaution by way of an arrangement by which deductions towards payment of the society's dues are regularly made from the monthly pay sheets of members is not only prudent but wise. Taking all factors into consideration your province can justly claim that the movement in your province compares favourably with the movement in many provinces in India.

The working of the Central Banks sems to be satisfactory though in some instances defects and drawbacks which I notice in my own province are noticeable here, though on a smaller scale. The working of only a dozen banks out of 60 shows a loss. It is encouraging, however, that your efforts have been crowned with success and you have been able to reduce the number of deficit banks from 15 to 9, I mean banks where expenses and interest exceed the income. The condition of 6 banks is so rehabilitated that they could distribute dividends. The total deposit liability is in the neighbourhood of Rs. 53 lakhs, and I note that the rate of interest is generally 3 p.c. though in some banks it is reduced to 2 or 2½ p.c. I find that with the exception of 3 or 4 banks no difficulty is felt in meeting withdrawals of deposits and that a majority of banks hold fluid resources in excess of the prescribed scale. Your policy in accepting deposits with caution is no doubt correct.

I am of opinion that given the necessary man-power this is the time when a big drive can be made in the movement. Conditions in the money market are remarkably easy and people are finding it difficult to get money at reasonable rates. A sort of nervousness has crept in and the only movement which can be relied upon to restore the equilibrium in this disturbed condition is the co-operative movement. Efforts at this time in the country-side to organise societies would certainly succeed and one would get much better material to deal with now than at any previous time. A very gratifying feature is that recoveries in your province from the primary societies are 71 p.c. This is said to be due to partial rise of prices of commodities and a confidence generated in societies that repayments made would be followed by loans again when wanted. A word of caution is here necessary. I know of an instance in my province where a society paid regularly and borrowed regularly, and all this was done with money borrowed from an outside creditor. The society sucessfully hoodwinked the bank for a number of years, and we credited it as being one of the very good societies, little suspecting that we were being tricked. I have every reason to believe that this is not so with you as it appears that overdues have dropped by one and a half lakhs on the whole. This would not be the case without genuine repayments, as even the overdue interest has gone down by half a lakh. One novel feature which has contributed to such a high percentage is the system that is being tried by the Moradabad Bank of accepting payments in kind. It is said that this is done by offering members of societies a rate slightly better than that ruling in the market, that speculation is studiously avoided, that every effort is made to dispose of the stock as soon as the glut season draws to a close. I should like to be enlightened more on this point and before I leave this province I should very much like to take the opportunity for seeing things first hand. If Moradabad, Kanth and Kotadwar banks have succeeded in making profits and at the same time effecting greater recoveries this way, there is no reason why this example should not succeed elsewhere unles there is something special with grain which is not in common with cotton or other commodities that agriculturists produce.

Coming to the primary credit societies you are just at the threshold of land mortgage socities. We have made a greater progress in this repect in our part of the province where the land tenure is raiyatwari, and every agriculturist has a transferable right in his holding. You think you are hampered in the progress by the land tenures that exist in this province and by the absence of a central land mortgage bank and your idea is to get over the latter difficulty by entrusting land mortgage business as a branch to the apex bank you are about to establish. This is perhaps prompted by the idea of economy but from the experience we have in our province, I am inclined to think it would be better for you to start this business with an independent central bank. Considerations involved in the working of a land mortgage bank are so different from the ordinary short term business that our central banks do, that an independent institution is essential both from the point of view of despatch as well as from the point of view of supervison and recoveries. Examination of the questions of title, the settlement of the debts of the creditors of the borrower and a critical study of the financial position of the borrower all take time and if an institution already full with work in another direction is saddled with this work progress is slow, advances are delayed and the debtor is in other ways so hampered that he is inclined to prefer the ordinary creditor to the land mortgage bank.

The total number of your primary societies has now reached the respectable figure of 6427 with a membership of 1,42,000. The average membership per society is thus 22. I am told that an effort is being made to embrace within the fold a larger population of the village and that it is meeting with success. In the matter of expansion one has to bear in mind that if it is allowed to proceed beyond a point which would make efficient supervision difficult an undesirable result is bound to follow. On the question of the size of a society there are two opinions and both of them have logic and reason to support them. One view is that in an unlimited liability society the size should not be beyond 20 or 30, as mutual checks and supervision, the essential basis of unlimited liability, get attenuated. The other view is that if it is possible one should have the whole village enrolled in a society so that there is little room for fraud or for putting forward excuses for non-payment. Some years ago I met a big Government Officer from the Dutch East Indies, Java and Sumatra. He paid a flying visit to our province and after he had seen some of our societies I asked him to explain the way they were having societies in Java. He told me that in Dutch East Indies the rule was not to start a society in a village unless the village as a whole agreed to formation of a society in the village. He said in Java the village headman was always an exofficio member of the society and that it was a part of his business to see that villagers did pay their debts regularly. He advised me that we should follow their example and make co-operative movement a part of the village administration. We would then have according to him a real corporate activity and we would have an agent on the spot to see that what was promised was performed and that what was advanced was according to the real productive needs of the borrower. In the Punjab, particularly in Lyalpur district, I came across societies where the membership was over 100 and I was assured by the authorities there that the societies were working satisfactorily. In large societies like these not all are borrowers and funds for the needs of those who want money are obtained locally and

the creditors being on the spot recoveries are not allowed to lag behind. That working of primary societies here was satisfactory was apparent to me from the following figures. Of the 6,427 societies nearly a third distributed dividends, a fifth gave rebate to members and a fourth reduced their lending rates. An eloquent tribute to your efforts, I mean the efforts of the officials and non-officials working hand in hand in co-operation, is contained in the following words of the official report of your province for 1936-37:—

"That there is a lot of dead wood to be cut away cannot be denied. But things are not so bad as figures would suggest. Of the bad lot, there are indications that in a number sap has begun to run and fresh shoots will reappear. With the reduction of debts to reasonable dimensions and their conversion into long term loans on the one hand and with separate provision for crop requirements and encouragement of repayments in kind on the other, it is hoped that a large number would be pulled out of the rut in course of time."

With the 'Sahaya' of a 'Vishnu' or with a Vishnu Sahaya at the helm of affairs one cannot except otherwise and let me take this opportunity of publicly congratulating your Registrar and his non-official helpmates for their unceasing efforts in the cause of Co-operation. May they continue their labour for a while more, and I am sure the United Provinces will be holding the torch light to other provinces in India.

As for non-credit societies your great achievement is the Cane Supply societies. 192 societies of this type were added in one year. Profit earned by these societies was Rs. 80,693 apart from what was earned by central banks and credit societies by organising supplies direct. Efforts in this direction are confined not only to a profitable sale of cane, but extended to developing a better variety of cane and better farming in respect of cane cultivation. This is rendered possible by a substantial assistance from Government both in men and money. But what is to the credit of Government more than this is their willing help in the organisation of Milk and Ghee Societies. The number of Ghee Societies is said to be 153 with a membership of 3000. During the year these societies handled ghee worth a lakh of rupees and made a profit of about Rs. 18,500. Proposals for grading and testing the quality are on foot and if this materialises, United Provinces may have the credit of solving the problem of the supply of pure and unadulterated ghee, so essential to the Indian household. The United Provinces Government deserves our best thanks for their generous help in this respect to enable the agriculturists to add to their income and to improve their lot in more ways than one. Another gratifying part of your activity in the field of co-operation is the Women's Societies for thrift and better living. The scope for work among women is immense and if one succeeds in enlisting the sympathies of women in co-operation one can be sure of winning the hearts of men. For who is there in this hall or outside who would maintain that women are not able to persuade men?

It is recognised in this province as in others that credit alone does not go a long way to get men to prosperity. A man who is a better producer can alone benefit by credit. It is admitted on all hands that in India, men in villages are fate-ridden. They are accustomed to attribute both prosperity and adversity to fate and are unwilling to believe that they are or can be the architect of their own fortune. One cannot find fault with this. The climatic conditions in India are to a certain extent responsible for this. When in spite of best efforts a man fails, he naturaly inclines towards fatalism and mental inertia sets in. The work of co-operation lies in pulling out men from this lethargy and to induce the conviction that given the will, the way to prosperity is sure and certain. If co-operation is to take root in our soil we must first create the urge of leading a better life and to have a wider outlook on life. You are not unconscious of this fact and I find from the report of your Union that you have nearly 55 Better Living Societies and that your efforts at encouraging public health and hygiene have been crowned with success so much so that the death rate in at least one district is reduced from 22 to 12. Consolidation of holdings is also receiving due attention and I am sure you will succeed in this in spite of initial difficulties. Amongst the non-credit activities the organisation of an insurance society needs a mention. With insurance scheme, a Provident Fund Scheme which is another form of insurance is being tried and report has it that this latter form is getting more popular.

While progress so far achieved may give ground for satisfaction it cannot be denied that much ground still remains uncovered. With so large a province as the United Provinces covering an area of a lakh and six thousand square miles, with 435 towns and a lakh and four thousand villages and a population of about 48 millions and a density of population estimated at 426 per square mile, it cannot be denied that there is vast area still beyond the pale of co-operation. This leads me on to think of what comes in the way of rapid progress. A friend of mine who used to call me co-operative-mad said that Indian soil was not a congenial soil for any corporate action. I used to retort by saying that a joint Hindu family was a co-operative society with community of interest, common enjoyment and unlimited liability at least so far as the father is concerned. Our experience of working during the last 25 years, and specially after the effect of economic depression which is persisting since the last eight or nine years, shows that this unlimited liability principle which is our guide in forming credit societies in villages is unsuited to Indian conditions and that the same should be replaced by some other principle. The object of having a society formed on that basis is that every member would exercise a check and supervision over every other member before money is advanced and that the society as an organisation would under no circumstances suffer by any imprudent advance. In actual practice however a member seldom acts as a check on another and the members help each other in getting advances and the society becomes a combination of individuals for getting loans on easy terms. When the question of enforcing this liability arises, the inequity of setting out a man for another man's debt becomes apparent and all sorts of arguments and methods are used to avoid the calamity. Experts on co-operation tell us that we should always have as many good and solvent men as possible in the village as members. Last year advice was given to you that you should do your utmost to get into your credit societies those who are free from debt and that one at least of this stamp should be on the Managing Committee of the society. You must have tried to do so in organising your new societies on this advice. I do not know with what result. Experience in my province tells me that this is very difficult if not impossible. Let us put the question to ourselves. If we are residing in a village would we stake our estate for the sake of another? If not, what is the justification of asking others to do what we would not do ourselves. There are several other ways by which we can protect the society from the effect of imprudent advances. Let us try them and see how we get on. We might for instance lay down that in the event of liquidation the liability of one member for the debts of the society would be limited by the amount that the member owes to the society. In other words the member would have to pay his own debt and pay as much again towards the satisfaction of the debts of the society and if a member is not indebted to the society to pay to the society a sum of Rs. 100 or so. If we do this we shall be able to get many good persons to join the society. I am drawing your attention to this at this time as many provinces are overhauling the Co-operative Societies

Act (11 of 1912) and suitable provisions should be made in the new Act to enable this being done.

Another thing that strikes me in this connection is, are we right in forming what we call "Credit Societies"? What is a Credit Society? You may say it is a society where men can get money. But that is hardly the purpose. We want money not for money's sake but for doing something which we cannot do without money. Money is after all a means to an end and similarly credit is also a means to an end. We give money on credit to our villagers so that they may carry on their avocations better. In other words we make arangements for agriculturists to get money to enable them to carry on their cultivation better. Our societies then are really societies of agriculturists and then why not call them so. Please do not think I am wasting your time only over words. My object in changing the name is to emphasise the purpose of the society and through it the purpose of the loan. I can illustrate my point by taking the example of a non-credit society. Take the example of "a Housing Society" for instance, you then know at once that the primary object of the society is to provide members money to build houses. Your loans for advance would then be guided to secure the primary object and you won't allow the society to deviate from the main purpose. Similarly if you have an agricultural society you will every year see if what is advanced is for agriculture and that it is advanced to an agriculturist i.e. to a cultivator who needed money for cultivation. Finance under such conditions is at once clear, easy at first sight to judge if it is prudent, sure in the end because of its limited character and easy of detection if it is misapplied. This would serve another very important purpose. We would then be in a position to determine who are good agriculturists and who are not. We are told that co-operation is more than an economic movement. It touches things of the spirit and a co-operative society must therefore only be of men of character, men determined to be more credit-worthy by self-help and to be of use to others on the principle of mutual aid. But there is no thermometer yet discovered by which to measure or test this spirit. The only way by which it is apparent to others is the outward action of man. This continuous outwards action we call conduct. This is what Goldsmith means by the phrase "Handsome is that handsome does". If we have "Agricultural Societies", our aim would be to collect together good agriculturists, that is to say, people who are industrious, who labour in their fields and make Nature yield them their due reward. Dealings with such men would be reflected in their better farming and we would not have to contend with the double difficulty of recovering money from a person who has borrowed and who has learnt the tricks of trade to avoid payment.

What led me thinking as above was a strange experience I got one day in 1929 or 1930. I was seated in my bungalow at Amraoti discussing seriously with my friends problems besetting our societies. Cotton prices were just beginning to go down. Recoveries from societies were on a downward curve. A man stepped in and asked me if I would care to purchase a cart-load of fodder that he was carrying to sell. After the bargain was struck I asked him the village he was coming from. He gave me the name and I then asked if there was a credit society in his village. He answered in the affirmative. I then asked him if he was a member of the society. He said he was not and on my asking him why he was not, he replied with a jerk that he was not insolvent to join a society. I could not help laughing at this compliment though as President of an Institute I naturaly felt dejected. I tried to undersand from him as to why he thought a society was a society of insolvents, and in his own language he explained that he regarded a person an insolvent if he could not rely on himself, would not live within his means and only ran to an association where money was cheap. The picture may be overdrawn but I felt the colours were not wrong and whenever thereafter I got chances to visit a society I looked at its affairs from this angle and to my great surprise I found good agriculturists not in the society. The palm of good farming even in cases of petty holders was in the hand of persons who were not in the society. When there is a community of purpose, people club together and discuss the purpose and the means to achieve it but when they have not a purpose in common they do not meet and never think of how to meet the common need with the least expense possible. Our members do not club together for a common purpose because they have no purpose save that of getting a loan. There are exceptions to this in my province. Perhaps they are more in yours. But exceptions prove the rule and it is the rule that I want altered. The advice of the Reserve Bank to start societies hereafter on the multipurpose pattern is an advice more or less in the same strain. I would end this topic with what an expert from your own province has said, Mr. Mayadas, Joint Director of Agriculture, U.P., in an article he contributed to *The Indian Co-operative Review* :—

"Thus, for the Co-operative Movement in India to be a success its efforts must not be confined to doling out loans. Of far greater practical value is the organising of villages into active co-operative societies for the express purpose of consolidation of holdings, better agriculture, improvement of live stock, organised marketing and better living generally."

As said above I am not fighting for a name. I am out for a purpose. You may say I am an idealist when I say that if we have 'Agricultural Societies' I shall limit finances only to men who show that they maintain their lands in good order, who work 5 hours a day at least in their lands and who regard agriculture as their profession and the field their office. To such people I should strive to get money at 4 or 5 per cent if not at the bank rate. Such men are the mainstay of the nation. I would not care for others, for even the omnipotent God helps those who help themselves. The irony of fate in India is that: that is plethora of money at one end. Interest rates on deposits are as low as 2 p.c. and 1½ p.c. and yet the greatest industry in the nation, viz., agriculture, is starving for want of money. What channels can be established so that this money locked up at one end can flow to the other end? It is admitted on all hands that "Co-operation" is the only sure method. But even "Co-operation" does not feel confident enough to give out loans at bank rates. In my province the rate which is charged to a member of society is near about 9 and even less in some cases. In your province I heard the rate was in the neighbourhood of 12 to 15 in the majority of societies. I do not know if agriculture is so profitable in U.P. as to bear this heavy burden. I am afraid it is not and the higher the rate a man agrees to take your money upon, the greater are the chances of his not paying you back. If then as I say we regard our societies as 'Agricultural Societies' intent on carrying on agriculture in the best manner possible for them, we should have no difficulty in restricting finance for agriculture only to the needs of cultivation. With a little effort and with proper safeguards in the way of a charge on the crop we shall be able to help the bulk of the villagers at a cheap rate of interest not exceeding 6 p.c. and if we succeed in doing this we as co-operators would be earning the blessings of the countryside. With Debt Legislation rampant all round even good cultivators are finding it difficult to get cash on reasonable terms. Debt Legislation has in my province resulted in a curtailment of credit and I think it would be so in your province also. If you therefore catch time by forelock, you would be doing a great service to your people.

Before I conclude I should like to touch one or two topics of general importance. As provincial conferences of this kind are meant for a free exchange of ideas and thoughts. I should like to understand if the "Central Banks" system of finding finance for village societies is the correct method. Your province is now thinking of an apex bank and it is time you made up your mind one way or the other. If I mistake not, central banks came into existence in 1914, with a resolution from the Government of India on the subject. Foreign Experts on co-operation when they were called to India by the Central Banking Enquiry Committee remarked the system was largely responsible for overdues. They thought the sense of responsibility of paying the debts borrowed on due date is not generated in the minds of the members of the society as they do not raise the money themselves for their requirements. They get money ready made for them and as the creditor is not on the spot or near about to see how things are shaping members can and do delay payments. They therefore advised that primary societies should be asked to find money needed by local deposits. The question is not easy to answer, especially as we are not writing on a clean slate. But there can be no doubt that there is a lot of force in the arguments advanced. I do not know if a question like this can be thrashed out in the conference, so that an experiment can be made during the course of the year at a suitable place in the province. I am advocating this for consideration as it would increase the chances of a society to get money at a cheaper rate by avoiding an intermediary like a central bank.

A matter of vital importance in the working of primary credit societies is the audit of these societies, which term is defined by Section 17 of the Act to include an examination of over-dues, if any, and a valuation of the assets and liabilities of the society. The Section is imperative that the audit shall be once at least in every year. But I find that in the province as many as 1400 societies remained unaudited in the year 1937-38 and the audit of a number of central banks was made over to registered accountants. If Government is unable to meet its statutory obligation, should we be surprised if villagers do not respect their obligations? I do not doubt that this state of affairs would not be allowed to be continued longer and that the Department and your Union would devise ways and means to remedy this vital defect. But my point in raising this question is not to hold Government to its statutory obligation. It is to improve the working of the societies in general and the assessment of liabilities in particular. Audit as said above is to comprise examination of overdues and a valuation of assets and liabilities of the society. The former may perhaps be said to be done though according to my understanding of the plain wording of the section the examination is not to stop with merely noting that overdues are correctly shown. It is to proceed further and to stay if overdues are inevitable in the light of the circumstances of the year. The latter viz., the valuation of assets and liabilities in the case of a primary society means the capacity, ability and the solvency of the indebted member or his sureties to pay the debt. In making advances we are asked to bear the paying capacity of the borrower in mind. The same test must with greater force apply when the asset of the society, viz., the financial ability of the borrower to pay the debt is being audited. If this asset deteriorates on any account, a national distribution of loss on all the members must be made and each member must be made aware of the impending danger so that he may exercise vigilence and may force the indebted member to pay up or be sold out. This is very important from the point of view of the safety and financial stability of the society. Every member would then every year know how he stands in relation to the society and what burden he has to bear for the default of other members. A clear picture of the society would then be unveiled and it will all be to the good of the society, the bank to which it is affiliated and to the movement in general. This is not difficult to be done and would not take a long time. The auditor meets the society at audit time and with his knowledge of the locality and the members he would at once be able to estimate whether a loss is going to be caused to the society. A stitch in time—as the proverb goes—would save nine. I do not think a valuation of assets and liabilities is attempted in any province. But if it were done as the law wants it to be done, we shall save the movement from a great loss in the long run.

In U. P. I find you are a happy family of officials and non-officials working together for the betterment of the movement. We are also happy in this respect in our province and questions of control do not worry us as they do not seem to be worrying you. Your Union has the supervision and direction of the movement in its hands. It has a record of steady progress behind it and my request to my non-official fellow workers in the cause is to do nothing so as to impair its influence or its usefulness. The constitution of the Union provides for a majority of non-official members to manage its affairs under the presidentship of the Registrar. But it is not unnatural for the official world to think that it is they who do the major portion of the field work and they must have the leading strings in their hands. My humble appeal to them is to suppress such thoughts and realise the value of the work of non-officials. They have to work for their own profession and it is the labour of love that prompts them to go to the assistance of their country-men. There can be no denying that their words appeal to the people more. They carry the confidence of the public to a greater degree than the officers of the Government. In deciding policies and occasionally in determining what line to take in execution of policies fixed, their advice and support are indispensible. There is already a dearth of public spirited men in our land. As there is nothing spectacular in our movement we are not able to draw younger blood in the movement in sufficient quantity. Co-operative movement is essentially a movement of the people and if the movement is to spread rapidly, workers from the people must come forth in larger numbers than at present as it would not be possible for Government to foot the bill for an ever-expanding movement. Co-operation offers training in foresight and organisation and this is lacking in the majority of our villages and towns. The official should bear with the non-officials, should afford them the largest latitude in the management of affairs of banks consistent with efficiency and safety, and should encourage them to control and guide, for it is only in this way an army of non-official workers would be trained for the future. If on the contrary the official world is tempted to dictate and order, the bond of love and affection which holds all workers together would be smashed. It is well-known that there are no sanctions in the co-operative world save the sanction of goodwill and sacrifice and yet the movement is spreading and progressing. As I look round I am more confident of the future. When the people of the present majority party in the country begin to think in greater detail of rural reconstruction, they will realise that as co-operation is the best means for dealing with debt, it is also the best means for reconditioning the villages. We the officials and non-officials gathered together here have one aim in view, to move together, to think together and to know each other's mind.

THE SECOND TAMIL NADU CO-OPERATIVE CONFERENCE, MADURA, JANUARY 1939.

The following are extracts from the English version of the Welcome Address (in Tamil) of Mr. A. Ramachandran Pillai, President, Madura-Ramnad Central Co-operative Bank:

Short Term and Long Term Loans.—The criticisms offered in the Reserve Bank Report on the working of the co-operative movement and the remedies suggested for removing the defects are acceptable but with certain modifications. It is also a matter of common knowledge that the co-operative movement has only touched the fringe of the problem, not even providing 6 per cent. of the finance required for the purpose. The loans given already which have assumed the shape of long term credit should be liquidated. When all the farmer's difficulties are taken into considration, it is no disgrace that he cannot always pay his pronote debt when it becomes due. It is unnecessary to state the causes of debt, but we see that debt is allied to prosperity and poverty alike, and that while its existence is due to poverty, its volume is due to prosperity. The ordinary agriculturist in this country will have either singly or collectively a personal credit which will make it commercially justifiable to lend him money for his agriculture and other requirements. It is obvious that a special machinery is required for the purpose. The co-operative credit societies supply this machinery. But the problem is whether the loans in co-operative societies can be strictly limited to cultivation expenses including such other purposes as the maintenance of the farmer's family or the replacement of cattle or implements. I do not agree with the recommendations of the Reserve Bank in this respect. The societies should not confine themselves to one year loans only and in all deserving cases the intermediate loan requirements of members should be catered to upto six years. One year loans must be limited to loans required for purposes of raising crops and maintenance of the member's family. The hard and fast rule limiting the long term accommodation to one-fourth of the individual's capacity to borrow or the society's maximum borrowing power should be relaxed as the term of loan is determined by the repaying capacity of the borrower.

Problem of overdues.—Uneconomic holdings, the improvidence of nature, the over financing and failure to take prompt steps in case of defaults, have all contributed to the increasing overdues. The remedy lies either in the transference of such debts to the Land Mortgage Banks or in steps being taken to eradicate such debts by legislation. The smallness of the debt in some cases and the lack of debts by legislation. The smallness of the debt in some cases and the lack of proper securities for the Land Mortgage Bank to take up the liabilities in other cases, render the problem difficult. The application of the provisions of debt conciliation may probably scare away the investing public from the movement. But history is not without a parallel to find a solution through the Reserve Bank. Every Co-operative Bank in whose jurisdiction these agricultural societies are situated should launch upon the policy of voluntary surrender of some of its assets in the primary societies by foregoing a certain percentage of principal which should be written off against its Bad Debts Reserve and the Reserve Fund, and forego its arrear and future interest on all overdue loans for a period of one year or over to allow reasonable time for the borrowers of village societies to pay off their dues. To compensate the Central Bank on account of the loss incurred, over and above the Bad debts reserve and a portion of Reserve Fund thus written off, the Government should provide funds in certain proportions to enable the Central

Bank to recoup its resources within a reasonable time. To meet this contingency the Reserve Bank may place at the disposal of the Government, a fixed sum free of interest till such time as the Co-operative Central Banks will be able to repay their dues from out of their profits. The stipulation may reasonably be made that the borrowing Central Banks shall pay off their dues from out of their profits at 10 per cent. What is the obligation of the Reserve Bank to place funds free of interest in the hands of the Government? The entire profit made by the Reserve Bank is derived from the resources and support of the State. It is therefore necessary that the tax payer should be benefited to the fullest possible extent from the profits so derived. Even otherwise the share of the Government in its later profits can reasonably be set apart in advance for the relief of rural indebtedness. It can be said with some emphasis that there may not be many Central Banks in our Presidency which expect any loss on account of the conciliation thus effected

Controlled Credit.—The problem cannot however be solved by wiping off or reducing previous debts. Suitable and effective measures are necessary to prevent a relapse. Left to himself, the agriculturist will soon get heavily into debt again. So after eradiction of the overdue debts in co-operative societies, the Central Banks should follow a cautious policy to prevent over-financing and unpunctuality, confining themselves primarily to short term credit. Short term credit is required for the expenses of production including the cost of maintenance of the farmer and his family until the crops are sold out, for the marketing of produce and for holding up crops while in transit or awaiting sale. But credit given to members of agricultural credit societies should be controlled at every stage. A loan sanctioned should be disbursed in instalments as the need of members for the purpose for which the loan is granted arises and the loan given should be recovered out of the income obtained by the use of the loan. If a loan for cultivation expenses is sanctioned it should be disbursed in instalments as the cultivation process progresses and the member should execute an agreement to sell the produce through the sale society.

The financing commences with ploughing and the only document which could be obtained would be a lien on crops. But to protect against the dishonesty of the borrower the provision at present enunciated in sections 21 and 23 of the Act is not sufficient and a further penal provision is necessary, if he disposes of the produce without paying co-operative dues. Further, the farmer should not be considered a merchant or trader seeking protection under any law of bankruptcy. As co-operation is not philanthropy but business, the investments of the Central Banks should be assured and these provisions are a necessary corrective for the irresponsible borrowers whom the movement cannot detect at sight.

Sale Societies and Central Banks.—But in financing the sale societies the Central Bank's risk and responsibilities are not commensurate with the return either in the form of service rendered for the cause of co-operation and agriculture or by way of profits earned in the transaction. It is a matter of common knowledge that small ryots seldom get the benefit, but greater care is necessary to see that every benefit accrues to the producer only, by eliminating unnecessary middlemen. The policy of the Central Bank controlling the stock in sale societies causes a restriction to its business, and the independence of sale societies in this direction reduces the security for the investments of the Central Bank. In the interest of the development of transactions in sale societies the appointment of ware-house officers at the cost of the Government independent of either body is therefore necessary. The coordination of the activities of the loan and sale societies for the development of future market for agricultural produce will be a distant ambition as long as the present system of haphazard control over the stock by the Central Bank is continued. Besides, the development of business through the establishment of warehouse is the first step for the floating of agricultural bills and rediscounting business, necessary for the establishment of a bill market in India, which may help the regulation and expansion of the currency to keep pace with the agricultural requirements of the country.

The working of sale societies is after the model of the godown society, where produce is held over till better prices are available by giving facilities for storing and enabling the owner to get advances on the produce so stored till it is sold. Generally the societies confine themselves to loan work, undertaking no sale work at all and permitting release of produce on repayment of the advances made. This kind of business is very unsuitable for small agriculturists who have only small quantities to sell; and in many cases the cost of storage may come to more than the possible higher ultimate price. It is therefore necessary that sale societies shall not be given the option of releasing the produce and all produce brought to the society should be sold through the society itself.

The Tamil Nadu Co-operative Federation.—The most suitable agency for training village guides for rural service is obviously the Tamil Nadu Co-operative Federation. About five hundred co-operative societies in the Coimbatore District are regularly subscribing to the *Kooturavu* Journal which is the fortnightly Tamil organ of the Tamil Nadu Co-operative Federation. I commend this example to all the co-operative societies and unions in the Tamil Districts. The Tamil Nadu Federation should be stabilised in all directions and enabled to impart co-operative education both to those who are inside the movement and to those who are likely to join it. Our thanks are due to Sri. T. A. Ramalingam Chettiar, M.L.C., for his kindness in having agreed to hold this the Second Tamil Nadu Co-operative Conference at Madura now.

I wish to say a word about the future of the Madras Provincial Co-operative Union. Many local supervising unions in the Tamil Districts find it difficult to subscribe both to the Provincial Union and the Tamil Nadu Co-operative Federation. As our object is to stabilise our linguistic Federation the Provincial Union is just like the fifth wheel of a coach. It is for the delegates of the conference to decide whether representation of the supervising unions is necessary in both the institutions and whether or not the co-operative organisations in the Tamil Districts should confine their representation to the Tamil Nadu Co-operative Federation alone so that our Tamil Federation may have not only financial stability but be of vital help towards spreading the message of co-operation all over the Tamil Nadu.

The following is a summary of the Presidential Address of Sri. P. S. Kumaraswamy Raja, M.L.A., which he delivered in Tamil:—

The world-wide economic depression has affected the co-operative movement in India to some extent. But this does not sufficiently explain the changes that have taken place in the movement during the last decade. The defects in agriculture, industry, education and social life should be carefully analysed. Therefore it will not do to tackle merely the defects of the co-operative movement. For example, if a man is ugly, the mirror reflects the ugliness. Similarly, the economic depression has served the purpose of revealing our defects. Our attempt to remove only the defects of the co-operative movement would tantamount to removing the dust in the mirror. Thus, the need of the hour is to renovate our social life as a whole. It is in this light that I propose to survey the co-operative movement here.

To begin with, the members of the primary co-operative societies are innocent of the elementary principles of co-operation. The Union authorities and the officials of the Co-operative Department are not as efficient as they ought to be. The audit fees are excessive. One can thus go on enumerating these defects. No doubt, these defects should be removed; but they should not be magnified to the extent of ignoring the fundamental defects.

The first need is to strengthen the primary societies. The Reserve Bank authorities are in favour of starting multi-purpose societies. Opinions are divided on this subject. There is a similar difference of opinion with regard to limited and unlimited liability with reference to village societies. Much can be said in defence of these view-points, but the main thing is that a village society can be successfully worked only through the honesty of the members and the efficiency of the Panchayatdars. The proposal to appoint trained and paid men for conducting these institutions is worth a trial. The controlled credit system will be helpful for the much wanted co-ordination between the sale societies and the credit societies.

Some co-operators advocate elimination of the Supervising Unions and favour the system of the co-operative Central Banks having direct transactions with the primary societies. But the time has not come to resolve that all the Central Banks should be converted into branches of the Provincial Bank nor that Central Banks should be bifurcated into small Banking Unions. The existence of these organisations is due to their suitability to local conditions. For giving credit and marketing facilities small Banking Unions are suitable. It is to be hoped that the coming Committee on Co-operation would carefully investigate this problem and suggest suitable remedies. Their recommendations may remove the defects in the movement, but it is rash to think that those recommendations will be helpful in removing the fundamental defects in the social and economic life of our people.

It has now become a trite saying that the cultivator in India is born in debt, lives in debt and dies in debt. The Madras Agriculturists' Debt Relief Act has done some good to the agriculturists. It has been said that this is the first step in agrarian reform. It is to be hoped that the other measures would pass through the Legislatures, before long. The reform of the Land Revenue system and the implementing of the recommendations of the Estates Land Act Committee will be quite welcome to the agriculturists concerned. The fragmentation of holdings and similar defects militate against any profitable system of agriculture. All the same, it is necessary to give all facilities for the co-operative supply of agricultural requirements. Irrigation facilities and facilities for agricultural supply and marketing, should be improved in our country on the lines of the Credit Agricole of Egypt.

Along with industrial planning, the Madras Government is promoting measures of social reform through legislation. Women's education also should be promoted. We want an army of self-sacrificing workers to work in this field of social reform.

To put the whole thing in a nutshell, a comprehensive scheme of village reconstruction should be introduced throughout the Madras Presidency. It is expected that the Government would launch such a scheme at an early date. Such a scheme is sure to promote the co-operative movement. The Tamil Nadu Co-operative Federation is destined to play a very important part in working towards village reconstruction, with the help of more money and a large member of trained workers.

Resolutions passed at the Conference

1. It is resolved that the Tamil Nadu Co-operative Federation should be a self-contained organisation having as its members all the Central Banks, Unions, Urban Banks, Sale Societies, Stores and Land Mortgage Banks in the Tamil Districts. Intensive propaganda and extention work should be carried on by the Federation. The Madras Provincial Co-operative Union should only be a Federation of Federations. It is enough if the Provincial Union were to conduct the English journal, to mobilise public opinion in matters pertaining to the Province and to convene the provincial conference whenever necessary. All other activities can be carried on by the Language Federation. It is requested that the necessary modifications be made in the structure of the Provincial Union and of the Language Federations.

2. This conference resolves that unlimited liability should be maintained in village societies, in order to ensure the confidence of the public in Central Banks.

3. This conference is strongly of opinion that Supervising Unions should not be abolished as they are generally functioning well in the Tamil Districts, that each District should have a Central Bank and that the system of associating Union representatives with the Central Banks is conducive to the progress of the Central Banks in Tamil Nadu.

4. This conference is of opinion that Government Audit is necessary for the co-operative movement, but suitable men should be appointed with reference to the nature and work of the institution and the audit must be concurrent. Not exceeding forty societies may be allotted to each Auditor. The present scale of audit fees is too high. It is owing to this reason that co-operative institutions want outside audit. The audit work must be separated from the other duties of the department and kept under the direct control of the Registrar. By so doing the department can be relieved of the several objections raised with regard to this question. Besides, it facilitates the Deputy Registrar to devote more attention to the other aspects of the movement. As regards special types of societies, they should be audited free for the first five years and even after that they must be charged only a small sum as audit fees.

5. On an experimental basis, the controlled credit system should be tried in select areas with a view to co-ordinate all the activities by means of a single organisation.

(6) (a) This conference resolves that all the activities of the Sale Societies and Stores should be co-ordinated by a single agency with a view to control the market and requests Government to render necessary help.

(b) This conference requests Government to permit some Marketing Officers and Agricultural Demonstrators to work under the direction of the Registrar of Co-operative Societies.

(c) This conference requests Government to purchase, at reasonable rates, the requirements of Jails and Government Hospitals from the existing Co-operative Marketing Societies.

(d) This conference requests the Madras Government and the Government of India to improve the Minor ports in order to develop facilities of marketing for the agricultural produce of the Tamil districts.

(e) Vast quantities of paddy and rice are being imported from Burma, Indo-China and other places. This conference requests Government to reduce the Railway frieghts with a view to cope with the competing prices of foreign produce.

7. As *Kooturavu*, the Tamil fortnightly organ of the Tamil Nadu Co-operative Federation, is useful for the development of the co-operative movement, this conference desires that all co-operative institutions should subscribe to this journal and enable the Central Banks to remit the annual subscription from out of the dividends of societies.

8. In view of famine in many parts of Tamil Nadu, this conference requests Government to suspend collection of land revenue and loans, to help the ryots by remission of land revenue wherever necessary, to quickly start famine relief works in areas of acute distress, and to arrange for fodder supply. This conference also requests Co-operative Societies and Central Banks to issue timely loans, to grant extension of time in deserving cases and to render all other possible help.

9. The Department's circular has specified 75 per cent. of an individual's borrowing capacity for short term loans and 25 per cent for long term loans as the maximum. As this has caused hardship to societies, this conference is of opinion that the maximum of long term loans should be fixed as 65 per cent.

10. This conference requests that Zamin Inam lands should be compulsorily surveyed, that one half of the cost should be borne by the Zamin Inamdar and the other half should be collected in three annual instalments; and that Land Mortgage Banks should be started in all Taluks.

11. This conference requests the Registrar to see that only one fee should be levied for granting encumbrance certificates, irrespective of the number of properties of the applicant.

12. This conference is of opinion that provision should be made for the inclusion of Agriculture and Co-operation as subjects for study in the curriculum of studies in the S.S.L.C., and Teachers' Training courses.

13. This conference requests the Registrar to enable the appointment of group clerks for primary societies and out of the net profits a portion may be given to Panchayatdars as honorarium, according to by-laws and the approval of the Panchayatdars.

14. As the variations in weights and measures in different localities lead to malpractices in produce markets, this conference requests Government to enforce uniform weights and measures throughout the country and to introduce measures to prevent any misuse of these weights and measures.

15. This conference is of opinion that the scale of pay, travelling allowance and increment of the Supervisors should be made uniform throughout Tamil Nadu.

THE NINTH ANDHRA CO-OPERATIVE CONFERENCE, TAPESWARAM (EAST GODAVARI DT. MADRAS PRESIDENCY), 19-3-1939.

The following is the English version of the Telugu speech delivered by Dr. P. Gurumurti, Chairman, Reception Committee.

We extend our hearty welcome to all of you. We are grateful to you for attending this conference held in a village. Our country is a net work of villages. Our problems are mainly rural. Despite our best efforts it is not possible to pro-

vide you with the necessary comforts in the villages. We request you to forgive us for our shortcomings.

This year the Andhra country has passed through untold troubles. Famines, floods and cyclones ravaged our country and aggravated the misery of the ryot.

Let us for a while review the world situation. It is striking terror into the hearts of one and all. War clouds are threatening in the political horizon every minute. Several countries fell a prey to lawless dictators. These are the worshippers of Mammon and the creatures of the capitalists. The world is seething with unrest. Every new discovery is perverted to enslave man, to encroach upon the liberties of the people. Love of money and self has become the motive force for all our actions. Philosophers of the World are in despair and ask if the golden Kruthayuga of the olden times would ever come back.

The fundamental principle underlying the co-operative movement is aptly expressed in the few words, "Each For All and All For Each". These words transport us into the realms of love and service. To serve man is to worship God. Co-operation is not merely an instrument intended to fashion the financial problems of man, but it is a universal religion based on the tenets of love, service and sacrifice which cement the brotherhood of men.

Government and Co-operation.—In India the co-operative movement was started by the Government. It is worked only as a policy and not as a movement. It is only a tool in the hands of the Government. It would be madness to think that the movement would prosper under the protection of the Government. The speech delivered by the Hon'ble Mr. C. Rajagopalachariar at the Conference of the Land Mortgage Banks held recently at Madras confirms my contention. The Government of the Province is still under the influence of the capitalists. As it is, the Government is guided in the field of co-operation by the advice of the authorities of the Reserve Bank. We can rest assured that the Government would follow the same path even in the future. It would not be an exaggeration to state that the movement would still be fettered, and that it would be in the hands of the bureaucrats.

The Madras Co-operative Enquiry Committee.—The Government of Madras has constituted a Committee to inquire into the working of the Co-operative Movement in the Presidency. We cannot say how far the Government would implement the recommendations of the Committee. The composition of the Committee on Co-operation strengthens our suspicions. The Editor of the Madras Journal of Co-operation observed: "We are constrained to observe that the Committee as a whole, consisting of as many as twenty persons, is too large and that some of the members appear to possess no experience of co-operation worth mentioning." The President of the Committee Sir T. Vijayaraghavachariar "has not had any special experience of the movement" as stated by the Editor. He is a retired Government servant living in North India. I wish to know whether the co-operators should be glad of having a bureaucratic industrialist as the President of the Committee on Co-operation. Experts in trade, agriculture and banking do not find a place on the Committee and it is said that they would be co-opted whenever required. I am afraid this is not a satisfactory arrangement. The place on the committee given to Mr. B. S. Murthi, M.L.A., Parliamentary Secretary to the Minister for Co-operation, is unenviable. I am surprised at the strange procedure followed by the Government in first issuing the Questionnaire and then constituting the Committee, and thus restricting the scope of enquiry. Under these circumstances, I ask if it is not wasting public funds to incur expenditure on this Committee. I do not know whether the recommendations of such a committee would be of any value for the movement. I do not know why the Government should have gone all the way to Delhi when a gentleman of the eminence and culture of Dr. Pattabhi Seetharamayya, who is a specialist in Co-operation, is available nearer home for the Presidentship of the Committee.

The Committee on Co-operation constituted by the Government of Madras is a Committee of representatives of communities rather than of the representatives of Co-operators. By this strange composition the Government have given the go-by to the essential principles of co-operation. The Government have not realised that race, religion and nationality have no place in co-operation.

One-sided activity so far.—Till now we have been content mainly with the credit side of the movement. We have made no attempt to build up the life of man in the varied phases of his life on the solid rock of co-operation. Our goal should be to make the movement permeate into every phase of life and check all official instrusion and patronage in course of time. I am strongly of the opinion that the cancellation of the registration of all good societies which are no longer in need of the patronage, the concessions and the guidance of the Government should be brought about. Such societies should be registered under the Companies Act.

If we want to reach our goal and free the movement from the official control we must take up the work of village reconstruction in right earnest. We must strive to reorganise the villages and make them self-sufficient. We must drive out disease and dirt from the village. We must bring home to the villagers the main hygienic rules relating to health and preventive medicine. By organising the village games and plays we must rouse the enthusiasm of the villagers. The villagers should be made to realise the importance of the boycott of foreign goods. The need for taking up intensive agriculture on modern scientific lines should be impressed on them. An earnest attempt should be made to consolidate the small holdings scattered over different plots in villages. It is highly necessary to revolutionise the mental attitude of the villager. The fatalistic outlook of the villagers must be exercised. They should be infused with the faith in themselves and in their future. This in short is the work of the co-operators—their primary and preliminary work. By-laws should be framed with a view to carry out the above aims.

Village Societies.—Every village in the Andhradesa should be brought within the orbit of the co-operative movement. We must not aim at having a society for each village. In the face of the financial depression and the reduction of interest it will not be possible to start a society for each village. I plead for the amalgamation of the smaller societies into larger ones, and for the starting of a society for a group of villages within an area of five miles.

I am opinion that there should be only one society in each village to look after all the needs of the villagers. The energy, ability and leadership that is available should not be dissipated in different organisations. The experience of Co-operators in Ireland, Germany, Austria, Belgium, Spain and Japan leads us to the same path.

Villagers in India require 50 crores of rupees to meet their agricultural expenses. Only a sum of Rs. 2 crores is distributed through the co-operative societies. There is enough of money in the country available at a cheap rate of interest. The co-operators should think over this matter deeply and try to give relief to the agriculturists in a larger measure than they have been doing at present.

I am of firm opinion that unlimited liability should be replaced by limited liability. When the co-operative act was on the anvil in 1903, the late Mr. G. K. Gokhale protested against the inclusion of the unlimited liability clause in the act. Mr. Gokhale was of the opinion that it was opposed to the traditions of the country, and that it would not be possible for the villagers to understand the full implications of unlimited liability. Time has justified the fears of Mr. Gokhale. To escape from the clutches of the unlimited liability many have given up their membership of the societies. To achieve the same object many have transferred their property to others. Under the assurance of unlimited liability loans were disbursed without due consideration of the financial position of the society or of the member that applied for the loan. Earnest and solvent workers who may not be in need of loans and who want to serve the movement are scared away by the unlimited liability clause. Are not the urban banks with limited liability working satisfactorily? Unlimited liability checks the progress of the movement as it hangs like a Democles' sword over the heads of the Panchayatdars of such societies. In France and Japan the majority of the societies are based upon limited liability system. Under the circumstances we must carry on an unremitting agitation for the deletion of this clause.

The condition of the Supervising unions is not satisfactory. They are dragging on a dreary existence. They are not working with energy and interest. The Central Banks are viewing them with a suspicious eye. It is advisable to abolish the unions altogether.

Central Banks.—The question whether there should be one Central Bank or more for each Revenue District was discussed threadbare. After prolonged discussions we came to an understanding. The question was brought to the forefront again by the propaganda of the Reserve Bank. I can firmly assert with my experience in the movement for the last 20 years that a number of small Central Banks in a district is preferable to one district Bank. Some are of the opinion that the Central Banks serve no useful purpose as they are only playing the part of middlemen between the rural society and the Provincial Bank. This statement is far from true. The figures for 1936-37 show that 163 lakhs of rupees were advanced to the rural societies by the Central Banks and that out of this amount only 9 lakhs were borrowed from the Provincial Bank. Some are of opinion that all the District Co-operative Central Banks should be made the branches of the Provincial Bank. I am afraid that this suggestion would not raise sufficient enthusiasm in the local workers and the deposit holders.

I plead for co-ordination of efforts among the Madras Provincial Co-operative Bank, the Madras Co-operative Central Land Mortgage Bank, The South India Co-operative Insurance Society, and other Provincial organisations with a view to better the condition of the ryot. If a member who has borrowed from a Land Mortgage Bank is forbidden from borrowing from any other credit Society to meet his agricultural expenses, it would be impossible for him to cultivate the land and repay the amount borrowed from the Land Mortgage Bank. The South India Insurance Company should invest its funds only in the Central Land Mortgage Bank. The Central Land Mortgage Bank should patronise the South India Insurance Society only. The insistence of the Government that there should be a difference of 2½ per cent between the rate of interest on the debentures floated and the rate of interest on loans taken by members is not fair. In the matter of the Sinking Fund the Government have blindly followed the advice of the Reserve Bank. We are afraid that the Government would follow suit in the matter of interest also. I request the Government to take into consideration the condition of the ryots also before acting upon the advice of the Reserve Bank.

Language Federations and the Provincial Co-operative Union.—The relationship between the Madras Provincial Co-operative Union and the Linguistic Federations is a matter of great controversy. In this connection, at the last co-operative conference, a resolution was passed appointing a committee. We have not as yet heard of any of the proceedings of the Committee. I appeal to one and all for a sympathetic consideration of the question before it reaches an acute stage.

Co-operative Stores and Adulteration.—The object of the Co-operative Stores is "the purchase of the necessaries of life for retail distribution to members and the carrying on in common the trade of general dealers for the benefit of the members of the stores." The Board of Directors elected by General Body acting on its behalf buy wholesale and distribute the same in retail among themselves.

Thus "the Co-operative store do not sell to their members. They buy for their members. Co-operators buy, distribute and consume. The members put in the necessary capital with which to buy goods for themselves. The goods are bought. When each member goes to the shop to get some of the goods, he again leaves with the Manager an amount of money equal to the retail price. This is for the sake of replenishing the supply. It is money with which the management is to buy more goods." So it is no sale but a distribution.

The "aim of the Co-operative store is not to make profits. Their primary purpose is not increase of income but decrease of out-go. They make savings. The private merchant buys from a second party and sells to a third party from whom he makes profit. The Co-operative store is its own third party. People who unite their capital to buy more goods cheaply do not make profit from one another."

The object of the merchant who adulterates foods is to make profits for himself, at the expense of the buyer, while the co-operative stores has eliminated profits from their nomenclature. Thus, the motive for adulteration is absent in stores. The money that is made in the transaction goes back to all the members in the shape of bonus in proportion to the purchases made by them.

Coming to adulteration itself, I have to say that there is no method available to an ordinary man to detect the adulteration if any, before purchasing ghee or butter. Even the Municipalities, with their expert Health Departments are not able to state, whether a particular sample of ghee or butter is adulterated or not. They have to send it to Guindy. Therefore it is not possible even for an honest sowkar or Store to know that the ghee they are buying is adulterated or not. It must be admitted that there are some men who deal honestly, even among the sowkars. And these poor men are becoming the victims of an unscrupulous man who sells adulterated stuff. In spite of reasonable care and caution in buying the commodities it is not possible to know whether a particular stuff is adulterated or not. In one case the Health Officer himself who was present at the time of buying, pronounced that the ghee was good in quality. Yet the sample sent from out of this was found to be adulterated to the extent of 25 per cent. A number of culprits may escape from the clutches of law but no honest and innocent man should suffer from the effects of law.

Prevention of adulteration does not lie in prosecution alone. Our main idea should be to see that proper food which conform to the standards of purity are supplied to the public without adulteration. The health of the people is the

main concern of the Government. And the Government should, therefore, set up a scientific machinery in every Municipality and see that ghee and butter are tested before they are offered for sale. Quite a lot of such activity is undertaken in other countries, viz., Finland, Denmark, United States, France, Belgium, etc.

I, for one, would not care to obtain any concession or exemption from Government. Foods when adulterated, affect health. Whosoever adulterates, whether it be stores or somebody, should be punished severely. I have no doubt on that point. But the question to be considered is whether any adulteration has ever taken place in any co-operative stores. I must emphatically say that the answer to the question is in the negative, and no adulteration is ever made in any co-operative stores. It is necessary that the culprit who adulterates should be caught and punished. The co-operative stores which innocently buys and distributes should not be victimised.

If the co-operative stores are prosecuted, as they are done now, for alleged adulteration of ghee, the only course, however unfortunate it may be, would be to compel them not to purchase ghee and distribute it, hereafter, to the members, as they certainly cannot stand the financial drain by way of fines. The result will be that the people will be at the mercy of the ordinary sowkars to get the supply of ghee and to that extent it will be discouraging the co-operative movement. I do not know whether it is a desirable state of affairs. Could it be that the people would get better stuff from sowkars rather than stores ? In conclusion I should state that the Government should make every attempt to place good ghee on the market and if it is then found that an adulterated ghee is sold by people it is time then for the Government to punish people. Otherwise it will be mere persecution.

Agricultural Debt Relief Act.—You are aware of the Madras Agricultural Debt Relief Act. This Act did not give any relief to the agricultural labourer and other wage earners. No measures to provide credit facilities to the debtor are contemplated under the Act. Some are of opinion that as a result of this legislation the credit facilities in the villages have been affected. The Government have to make certain amendments in the Act with a view to removing the disabilities noticed above.

Audit.—The Maclagan Committee recommended that the Audit Unions should be started, that the audit unions should audit the Urban and Central Banks and that the Government should undertake the super audit. The Townsand Committee and the Central Banking Enquiry Committee favoured the formation of a Central Audit Union. In 1932 the Government approved these recommendations and advised the starting of the audit unions. The then Registrar of Co-operative Societies observed:—"I believe that the control of the audit staff by the non-official agency, subject to supervision and test audit by Government officers, can be quite as efficient as the existing system." It is strange that Mr. T. A. Ramalingam Chettiar, who was a member of the Townsand Committee and who had recommended the formation of the Audit Unions has now changed his opinion. He explained now that only Government audit will infuse confidence among the public. The accounts of the Madras Provincial Co-operative Bank and the Joint Stock Banks are being audited by certified auditors. Most of our funds are invested in the primary societies. These primary societies continue to be audited by the Government. The Townsand Committee observed that there is a vast difference between the audit of the primary societies and that of the central and urban banks, and that the audit of the urban and central banks was less personal and more technical. The auditors now appointed by the Government are not well trained men. Even the Registrar who issues the audit certificates is ill-equipped in the audit branch. The auditors have no independence. As the audit and administrative functions are vested in the same person the auditors cannot have the courage to expose all the defects. As resolved at the Co-operative Conference held last year at Madras, the Central and Urban Banks should each have the choice of appointing an auditor from the panel of auditors selected by the Registrar. If this is not acceptable to the authorities a separate audit staff working directly under the Registrar should be organised. As in the case of the Local Bodies it would be better if the audit staff is placed under the control of the Accountant-General. The present system of imposing audit fees on the day's labour is highly unworkable. Difficulties will arise in the calculation of the hours taken day after day by the auditors. Who is to settle these disputes? Who is to give evidence in such cases? I plead for the immediate abolition of such a system which breeds suspicion and distrust.

Co-operative Education.—The Townsand Committee recommended that the Provincial Union only should run the Co-operative Institutes. Based on this recommendation the Provincial Union started a few co-operative institutes to meet the demands both of the Government and non-official institutions. As time went on the Government changed their view and started an institution for the training of their own men. Ignoring the facts that co-operation has got its own ideals and ideology the Government have thrust themselves in the framing of the courses and the fixing of the period required for the training of the non-official employees. It creates in us a slave mentality. They will never think of instructing us in the philosophy of co-operation. We should oppose tooth and nail the interference of the Government in the field of the co-operative education.

Sales Tax.—To meet the deficit incurred on account of the introduction of prohibition it is our duty to pay the new taxes levied on us by the Congress Government. The ryot and the agricultural co-operative societies should be exempt from the application of the sales tax. It is but just that the same article should be taxed but once and that when it is with the producer. I request the Government to go into the pros and cons of the question with due consideration.

Opening Address by the Hon'ble Mr. V. Ramadas Pantulu, President, The Madras Provincial Co-operative Bank.

I beg to convey to the organisers of this Conference my sincere thanks for having done me the honour of inviting me to inaugurate the proceedings of this session. The working of the co-operative movement in this province is about to be subjected to a thorough investigation by a Committee appointed by the Government of Madras. Many aspects of the Movement are covered by the elaborate questionnaire issued by the Government before the appointment of the Committee. I do not therefore wish to deal with matters which will soon be engaging the attention of the Enquiry Committee. I desire to confine myself on this occasion to an examination of the need to expand the Movement in the light of our past experience and present day requirements.

Though sincere and prolonged efforts have been made during the last three or four decades to develop the movement both intensively and extensively and make co-operation subserve the economic and social needs of the masses, it must

e admitted even by the most enthusiastic votaries of the Movement among us that ie movement has hardly touched a fringe of the problems which it is intended) solve. Some of our critics attribute this result to the over-emphasis we have itherto laid on the credit side of the movement and the multiplication of our redit institutions. I never agreed with that view and I do not agree with it even o-day. In an economically undeveloped country like India, where agriculture is he predominant occupation of the people who live mostly in villages, rural credit ught to, and has rightly occupied an important place in organising the agriculurists on a co-operative basis. One of the greatest handicaps of agricultural ndustry in this country has been and still is the lack of organised credit to agriulturists. The main source of credit to the agriculturists is the usurious moneyender, so much so that we have now to look upon him very curiously as the nainstay of our rural economic structure, though he is really its greatest handiap. The enquiries that preceded the inauguration of the Movement in this ountry clearly indicated that unless usury was suppressed and the cultivator escued from the grip of the moneylender, the development of agriculture or the economic betterment of the agriculturist was impossible. It is therefore no use forgetting this historical background, in judging the development of our movement. Even now can we say that we have touched even a fringe of the rural credit problem? I estimate the normal seasonal needs of the agriculturists in the Andhradesa at about Rs. 25 Crores. As against this need, the total amount of loans outstanding in the agricultural societies in the Andhra Districts to-day is no more than Rs. 2·5 crores. Again the rural debt of the Andhradesa may be easily taken at Rs. 100 crores, and the loans disbursed through the primary land mortgage banks in these districts to discharge prior debts amount to no more than Rs. 75 lakhs. So, co-operative credit has got to make much headway before its benefits can be more fully assessed. It cannot be denied that the spread of co-operative credit has resulted in a general lowering of the rates of interest, thus benefiting even those who are not members of societies. This does not of course mean that I hold the view that co-operative credit alone can be the solvent of our rural economic problems. If what our critics mean is that organisation of credit alone on co-operative basis cannot bear full fruit and relieve the economic distress of the agriculturists unless other aspects of the villagers' life are also brought within the ambit of the co-operative organisation, I entirely agree with that view. We cannot afford to lose further time in supplying the deficiencies in our movement.

The deficiency in the existing organisation is attempted to be supplied in different provinces by different methods, the aim of all of them being to take the objective of the co-operative organisation beyond the mere supply of credit and to carry our effort beyond the purely economic frontiers of the villagers' life into what may be called the non-economic spheres of their life, if I may use the expression. In some provinces, particularly in the United Provinces and the Punjab. Better Living societies are being organised alongside the credit societies, perhaps with a view to eventually combine and transform them into societies in which a variety of functions are combined. In certain other areas, emphasis is being laid on societies for collective cultivation to remove the weakness inherent in individual farming of uneconomic and fragmented holdings. Again, in some localities efforts are being made to organise the producer to better regulated and more economic disposal of his produce through marketing or sale societies. Shall we not therefore have our own schemes for the removing of patent deficiencies in our movement as we find it to-day and to give it a more comprehensive and robust constitution?

I desire to place before you for your earnest consideration a brief outline of my suggestions for the expansion and reform of the movement. The essence of my proposals is firstly to bring the entire village, i.e., all the families inhabiting the village within the fold of the co-operative movement, or in other words to reorganise the present day village community as a whole on a co-operative basis and secondly to give the benefit of such organisation not to a few villages but to all the villages in the Andhradesa. The programme will thus be both intensive and extensive in its aim and its concrete features may be thus stated:—

(1) We must attempt to cover the whole Andhradesa as early as possible with a net work of co-operative organisations. There are . . . villages in the Andhradesa and we have only 4,500 societies to serve the people; and few of them comprise even a tangible fraction of the population, while many of the societies are not functioning. No one can say that it is in the least satisfactory. We must have a five year plan to complete the process of bringing every village within the ambit of a live co-operative organisation and every family in the village within its scope.

(2) It is not necessary to strictly adhere to the old ideal of limiting the area of operation of such society to a single village. If we can secure the benefit of a co-operative organisation more rapidly to the whole of the Andhradesa by amalgamating smaller societies into larger ones and organising new societies on a group basis so as to make one society effectively serve villages situated within a radius of three or five miles, we may preferably adopt this course in our future plan of expansion.

(3) Our aim should be to enlist as far as possible all families living in the village as members of our new societies, at least on the basis of one representative for each family. Not only the poor and needy, who require credit, but even the cultured, rich and thrifty classes who have their own economic and social needs other than credit to satisfy, must be brought into the new village co-operative organisation. There must of course be no element of compulsion or differentiation in status between members in such an institution. For co-operation must retain its essential characteristics of voluntary association of persons on a basis of absolute equality.

(4) In a society thus organised, its executive called the Panchayat will assume a new position and prestige. It will then function as a Committee for administering most of the local affairs of the villagers. Its susceptibility to popular influence and the democratic character of the society so organised will be incomparably superior to those of municipal or local boards when the implications of the scheme and the potentialities of the new organisation come to be fully realised.

The scheme outlined above involves radical departure from many of our present cherished notions. In order to organise new societies on this basis and to bring into it the educated, solvent and non-borrowing section of the residents of the village along with others, we must effect a change in the mutual relations between the members. They should no longer be grouped on the basis of mutual guarantors for each other's debts which is now claimed to be the most outstanding feature of the village credit society. The unlimited contributory liability as it now operates has long outlived its utility. It is an anachronism and a relic of the past, which has no application to the realities of the present day economic organisation of the village or to its future developments. The adoption of unlimited liability involves many legal consequences which will be wholly repugnant to the scheme of future expansion which I have indicated above. To mention just a few, the need to restrict membership to a small area (a single village) in order to

ensure personal knowledge among members of each other's business, restriction on transfer of shares, continuance of the liability of past members after resignation or death in order to safeguard the interests of the continuing members and many other abnormal legal safeguards are necessitated by the adoption of this doctrine of unlimited liability. With these restrictions, it is obviously impossible to reorganise our societies on a wider and more comprehensive basis and to bring into them people who are not willing to pledge their assets as joint and several guarantors for the debts of all the members; so long as we retain this feature of the primary credit society, its transformation into a more useful institution which will serve all the inhabitants of the village and cater to almost all of their needs is an absolute impossibility. It is on this more fundamental ground that I wish to see that unlimited liability goes as soon as possible.

There is a feeling among some of my co-workers that I am opposed to co-operative societies with a variety of activities. It is true that I uncompromisingly criticised the scheme of multiple purpose society adumbrated in the bulletins issued by the Agricultural Credit Department of the Reserve Bank of India. I am still opposed to that scheme. But recently the Deputy Governor of the Reserve Bank, Mr. Nanavati, in his Surat Speech, either abandoned most of the features of the scheme to which I took objection or so explained them away as to make them innocuous. In the scheme of reorganisation I have in view, I do contemplate the village credit society dealing with more than one need of the villager's life and generally organising him for the betterment of his economic and social position without sacrificing principles of co-operation and co-operative banking. In order to achieve this end, the existing credit societies may be enlarged both in respect of their area of operations as well as functions. The Bye-laws under which they are constituted in this province are sufficiently elastic and comprehensive as to enable us to utilise the societies not merely as a pure credit agency, but also for a variety of co-operative activities closely associated with organised rural credit. The question how far functions which are either not related or distantly connected with rural credit in its extended and more comprehensive sense in which it is used in the bye-laws, can be tacked on to the new type of village society, and what kinds of societies have to be formed to deal with such functions, is a matter of detail, which depends upon the nature of the function and the state of development of the societies. It is needless to discuss such details on this occasion.

Economic Planning and Co-operation.—Since the inauguration of Provincial Autonomy, Provincial Governments have been interesting themselves in schemes of rural developments and economic rehabilitation of the agriculturists. But the place of co-operation in such schemes and the integral place of co-operation in such planning have in my opinion not received the attention which they deserve. All such economic plans involve in my opinion the following among other objects:—

1. Increase of production and earning power of the masses.

2. Reduction of unemployment among the educated and the uneducated.

3. Ensuring greater self-sufficiency, i.e., to say decreasing of the dependence on foreign sources of supply of commodities and services.

4. Proper balance of occupations—rural and urban.

5. Liquidation of illiteracy and overhauling the system of education so as to equip those who pass out of educational institutions for the pursuit of suitable occupations.

Though the Indian cultivator is the mainstay of the economic structure of the country, no serious effort has so far been made for organising him on group basis for the accomplishment of the objects mentioned above. So long as we depend mainly or solely upon his individual effort, not much material progress can be made. Take the simple needs of agriculture to increase production such as supply of fertilisers, use of modern tools and implements, healthy livestock, working capital at low rates of interest, cheap electric power and marketing facilities, I feel no doubt that these needs can be adequately supplied only on the basis of group organisation. I can think of no better form of organisation than co-operation. What we want in Rural India is collective effort without impairing individual initiative, which is the essential merit of co-operation. The longer we neglect the organisation of business of the villager on a co-operative basis, the more we delay the advent of prosperity into Rural India.

The economic conditions in rural India are fast undergoing deterioration compared with even what they were about ten years ago. Out-lets for surplus population by emigration are being rapidly closed. At one time Burma, Ceylon, Malaya and other places afforded work to those who could not find it in our villages. But the doors are bolted against Indian emigrants into those places. In the attempt to be economically self-sufficient in regard to food and raw materials many a country which afforded oversea markets to Indian agricultural products have themselves begun to grow them and the export of surplus agricultural wealth is fast diminishing. The process of destruction of rural and cottage industries is still proceeding unarrested. It is small satisfaction to the rural population that it is no longer the organised British capitalist industry that is destroying their handicrafts and subsidiary modes of occupation but the organised Indian mill industries. He is like mariner of old navigating the straits of Massena and in his attempt to avoid the Scylla of British capitalism he encounters the Charybdis of Indian capitalist industrial organisation. These and other fundamental factors of rural life must be taken into account in all schemes of economic planning now under investigation. So, while programmes of industrial planning for development of Indian industries are being examined, the necessity not only to leave unimpaired but also promote such of the rural and cottage industries as will still enable the agriculturists to add to his income must be realised. It is needless to enumerate such industries; for Mahathma Gandhi in his scheme of the All-India Village Industries Association and Sir M. Visvesvarayya in his *Planned Economy for India* have dealt with the subject in an authoritative manner.

In regard to rural development, the main defect I find is the absence of adequate co-ordination between the various Departments of the State in regard to activities which touch the lives and surroundings of the rural population. The Royal Commission on Agriculture, presided over by Lord Linlithgow, drew attention to this defect, but practically very little has been done to rectify it. A closer association of the heads of the Development Departments and co-ordination of their activities is absolutely necessary. We want a Development Commissioner at the top and a trained village guide at the bottom. Something of this sort of organisation is being attempted in the United Provinces. It is worthwhile deputing some of the co-operative workers in the Andhradesa to United Provinces to study how the scheme of development is being worked there.

Co-operation and Government.—There are numerous ways in which the Government can help and expand the co-operative movement. I hope they will come under the careful review of the Committee on Co-operation. But I would press on the attention of co-operators and the Government the fundamental fact that the Co-operative Movement is essentially a Movement of the people, for the people and by the people and that its success wholly depends on the preservation of its autonomous and democratic character. It is my earnest wish that the Congress Government of the Province will realise this essential truth in their attempt to rehabilitate the Movement.

Extracts from the Presidential Address of Mr. V. Jogiah Pantulu, M.L.C.

Multipurpose Societies.—It is said that a co-operative bank should be an association of men each influencing the other in the direction of prudence and productivity. To keep these ideals before them, the co-operative societies in India must modify the present mode of work in five directions, *viz.*, 1. The bank must take the whole of the village life within its ambit; 2. It should aim in including every one in the village; 3. there must be a great adherence to essential co-operative principles; 4. there must be constant and continuous dealings with the members of the bank and 5. Concentration of a few selected areas should be aimed at rather than wide multiplicity and diffusion and this means that the whole of the village must be embraced by the village bank and should not be merely a source of credit.

This constitution of village bank as suggested by Sir Frederick Nicholson, in his report, brings us practically to what we now term multipurpose societies. This idea received support from eminent authorities, the latest being the Reserve Bank. About a year ago the Hon. the Revenue Minister of Madras is reported to have stated that the Provincial Government would do the needful for a village credit system to satisfy all the needs of the village and not like the present co-operative system to satisfy only one need meaning of course that it would support Multipurpose Societies scheme—It must be borne in mind that on this subject, there is a great divergence of views emanating from distinguished co-operators. One school of thought is of opinion that rectification and reform of the existing system should proceed on this basis. While the other school of thought is equally strong in its condemnation of the system suggested. Our distinguished friend the Hon. Mr. V. Ramadas Pantulu, one of the foremost authorities on co-operation not only in this province but all over India, stated presiding at the XXII session of the Madras Co-operative Conference in 1937 that the idea of multipurpose societies was not novel, that it could not be said that it would always succeed irrespective of local conditions and that it was actually tried and abandoned in favour of the existing system. In a pamphlet entitled Co-operative Rural Credit, a five years plan of expansion he envisaged grave financial risks in combining co-operative banking with co-operative trading in a single society and challenged enthusiasts who believed in making a co-operative bank 'a universal provider' to establish a few of them and demonstrate their utility. This was discussed at length by the fourth session of the All-India Co-operative Conference held at Bangalore in July 1937 and formed the subject of a resolution which stated that while recognising the multipurpose societies as having proved beneficial in certain areas and possessing some advantages the conference was not prepared to recommend them for general adoption but added that it was in favour of such societies being formed where conditions permitted.

In this state of affairs it is highly undesirable to introduce changes in societies where the existing system has been working satisfactorily. This may be tried in villages where the present system was found unsatisfactory or in some societies which may hereafter be formed. In trying this experiment great caution should be observed as the introduction of a very large number of departments differing widely in their scope and operation, in one and the same society, may make the work of the society complicated and unworkable, especially in villages where there may not be sufficient human material and intelligence to cope with the work. In the same village in which there is scope, different societies may be started each taking up departments of business of an allied character. Bye-laws of the primary societies as they are now framed permit numerous activities such as supply of seeds, manure, implements, joint purchase of goods on indent system, etc. Only they do not allow the combination of the business of trade with banking business.

At present there are 52,000 villages in this presidency with an agricultural population of over four crores. There are said to be about 15,000 villages in which there are Co-operative societies. This means there are about forty thousand villages not covered by the movement. It is to be noted that out of these fifteen thousand societies only about a fourth seem to be working and a tenth working well. It is impracticable to start a society in each village especially in view of the fact that most of the societies started are not at all working, while only a tenth are said to have been working well.

In the circumstances, where conditions justify, that is where there is a real scope or demand, we may start societies grouping villages within an area, say of 5 or 7 miles and amalgamate existing small societies on the same plan and revive their working, which at present are said to be moribund. The multipurpose societies may be tried in some of the newly formed groups wherever and whenever expedient.

Progress of Co-operative movement.—It behoves me to examine to what extent the movement was able to reduce the indebtedness of the peasant. It cannot be said that the movement in this Presidency has not progressed and did not promote its well being. Since the inception of the movement a sum of Rs. 3.5 crores has been lent to the ryots for various purposes. The total amount of loans outstanding is about Rs. 4.6 crores. A large part of this sum is in arrears. Out of this a sum of about 1.75 crores is involved in liquidated societies, lands purchased in discharge of debts due from members and decrees remaining unexecuted for a long time on account of difficulties attending on their execution. Fresh credit dispensed through rural credit societies all over the province was Rs. 163 lacs, in 1936-37, and may be now nearly Rs. 2 crores, a sum wholly inadequate for the requirements of agriculturists. The total indebtedness of the peasants is stated roughly to be 200 crores. One chief and solid achievement to its credit is the reduction of the rate of interest on loans. This has benefited the ryot in no small degree. In spite of this, it must be admitted that the movement has but touched the fringe of rural indebtedness. It is not possible to say with any degree of exactitude the extent to which debts were reduced. In the circumstances, all that can be claimed for the movement so far as this Presidency is considered is that it has been assuming greater importance everyday and has been exercising an educative influence over the country.

A Few Defects.—The Hon'ble Mr. Morarji R. Desai, Revenue Minister of Bombay, replying to a debate stated that the co-operative movement was doing badly not only in Bombay but also all over the country. But people seem to be doubtful about its efficacy and as long as they fail to grasp the fundamental causes underlying the failure, they would not be able to improve the movement. Another reason for the failure of the movement according to him is that members of only the poorer classes are brought in, and not members of the better classes who alone could provide monies for these societies, that care was taken only to see that the number of societies increased with the result that there are many borrowing members who take credit.

On account of a large body of un-desirable persons getting into the movement, he said, loans were given to persons to whom they should not have been given and that instead of the co-operative movement being utilised for obtaining loans for productive purposes so as to help and improve the position of the villagers and agriculturists they were utilised by some to fill their own pockets. This rather severe criticism, he said, was based on his experience of the co-operative movement, in Bombay for about two decades. I think that all that he stated applies to some extent at least to our Presidency as well. It is for you, genuine co-operators and leaders, to try and wipe out this blot from the movement.

Finance.—As you are well aware the central bank now depends for its funds on deposits from individuals, local bodies and other similar institutions for periods ranging from one to three years. The main business of the banks is said to be, to finance cultivators for their immediate needs namely cultivation expenses repayable from the produce of the next harvest, but it is often expressed that it is necessary for the central banks and the primary societies to finance agriculturists with intermediate loan for purposes auxiliary to agriculture for a period extending to six years. No doubt these intermediate loans ranging from two to six years are very essential and efforts must be made to meet the requirements such as purchase of cattle, country carts, or agricultural implements. But there are difficulties in the way of central banks to oblige the agriculturists by way of intermediate loans. It is not sound banking policy to utilise short term deposits for periods longer than those for which deposits are accepted, counting on the prospect of the renewals of the periods of the short term deposits. If this is done there is a chance of the central bank being landed in difficulties. But such intermediate credits may be made possible if those that wish to borrow gauge their needs for the year, and give a continuing mortgage of their properties, to the societies, so that individual credit of each may be fixed and the primary societies apply to the central bank for a cash credit loan of the amount required to be drawn as and when required. Of course,, care should be taken to prevent maximum credit being drawn, unless it is absolutely required by the agriculturists. Loans fall under three heads *viz.*, intermediate term, short term, and long term loans. The purposes for which loans are given on the first two heads are already stated. Those coming under the third head are generally borrowed for permanent improvements, consolidation of holdings, liquidation of prior debts and the like and the period for discharge allowed with respect to these long term loans range from 6 to 20 years or more. Such as these loans should be provided for by land mortgage banks. This can be done with success only, if land mortgage banks are established in all important taluq head quarters and other important centres. In the matter of issuing loans it must be understood that these banks should in the first instance show preference for liquidation of prior debts scaled down in accordance with the Madras Agricultural Debt Relief Act or through Conciliation Boards.

In this connection, I may refer to the recommendation of the Reserve Bank. You may be aware that the Reserve Bank has recommended to limit the period of loans by the primary societies and central banks to a year or 18 months and confine them for purposes of cultivation including purchases such as cattle, country carts and agricultural implements. I may at once state this recommendation did not appeal to me, and so far as I am able to ascertain the views of some of our expert co-operators, they seem to hold the same view as I do. It is for you to consider and come to a definite conclusion on the subject.

Other matters which may be mentioned as deserving consideration on the subject of finance is the desirability or otherwise of co-operative banks lending on pledge of gold or agricultural produce or industrial products and whether the central banks should undertake commercial transactions. My considered opinion is that these banks should not undertake them.

My chief reason for holding this view is that the main object of these institutions is to cater to the needs of the peasants. Undertaking loans such as those proposed, I fear, will frustrate the object of these banks and divert their attention from their legitimate work. There are other reasons such as risks and unhealthy competitions and the like which it is not in the interests of these institutions to encourage.

Rates of Interest.—In matters dealing with co-operation, the rate of interest is one which deserves the attention of co-operators. I shall therefore take stock of the present rates prevailing in our banks and societies.

The Joint Registrar of Co-operative societies in a speech delivered last year at Kurnool said that the thanks of the co-operators of this Presidency are due to our Premier for exempting the co-operative movement from the scope of the Agriculturists' Debt Relief Act, though proposals for bringing it under its purview were made in the legislatures and reminded us of our duty to bring the rates of interest now obtaining in the banks and societies to the level fixed by the Debt Relief Act. It, therefore, behoves us to show that we have not been unmindful of our duty in this respect.

The rates of interest paid and charged on deposits and loans by central banks are on the whole reasonable. They borrow the bulk of their deposit at about 3½ per cent per annum and lend at rates varying from 4½ to 5½ per cent per annum. In several banks it is said that the rates were reduced even to 5 per cent, and a few of them seem to have made this rate applicable even to outstanding loans. The societies lend at 7½ per cent per annum and at the instance of the co-operative department, the penal interest has been waived for the last about three years. The societies were advised to reduce the rate to 6¼ per cent per annum wherever possible.

In the present money market conditions no further reductions seems to be possible. But there is only one remote chance to carry out this advice. If the Central Banks agree not to offer more than three per cent on their deposits, the Provincial Bank may perhaps reduce its lending rate to central banks to 3½ per cent in regard to the ordinary loans. In this event money may be made available to the ultimate borrowers at the rate of 6¼ per cent per annum.

While discussing this subject it will not be out of place to state my view as to whether the margin between the borrowing and lending rates of primary societies and central banks is too big. Having regard to the conditions of the money market and the deposit rates prevailing, it is considered that the Provincial and Central Banks may safely operate with a margin of one per cent, and the societies may well be advised to keep a margin of 1¼ per cent between their borrowing and lending rates.

Overdues.—Overdues is one of the most ticklish subjects in co-operative finance. It has been the subject of considerable deliberation of the leading co-operators throughout the country for a long number of years and yet the solution of the problem does not seem to be very near. It is a matter for regret that concessions shown to members of primary societies by various methods such as

'aiving of penal interest, extension of time for payment of loans, refixation of ıstalments and the like have not had much effect. In cases where it was found ecessary portions of principal were waived. Even this produced no result. In the ircumstances I am of opinion that further concessions will be of no use. The nly other ways left open are persuasion and coercion. Even these methods re adopted by some societies. It was found that the success of these methods epended solely on the temperament of the individual members or the property ıe members possessed. The last resort that can therefore be suggested is to write hem off as irrecoverable. But in cases where adequate security and the finance of ocieties are sound extension of time may be granted. The scaling down of debts ıay also be considered. All depends mostly on the financial resources of the Central Bank. Generally speaking co-operative societies' debts should not be ɪrought under this scheme of scaling down debts; but, in matters of this kind no general rule can be laid down. In this connection I may refer to the very bold teps taken by the Co-operative Department in Burma in the matter of over dues ınd reconstruction of societies as is shown in Bulletin No. 3 issued by the Agricul-ural Credit Department of Reserve Bank of India.

Land Mortgage Banks.—The expansion of the land mortgage banking system is ɔoth necessary and desriable in the interest of the country. Generally there nust be a mortgage bank for each revenue taluk. But in taluqs where suitable ɔersons to run the bank may not be available, it is advisable to extend the area to wo or more Taluks.

Most of the mortgage loans now advanced by the mortgage banks are now for discharge of prior debt or redemption of mortgages—a very necessary purpose to relieve agriculturists from the burden of debts. The chief purpose of these banks is said to be to lend funds for improvement of lands and unless proper steps are taken this object is likely to be frustrated. Great care should be taken to see that the value of the improvements should be estimated properly and the monies are advanced as improvements are effected. In order to carry out these purposes there should be close co-ordination of the Agricultural Department with the mortgage banks and the loans should be advanced and improvements effected under their guidance and advice. It has been for me a matter for gratification to note that the Madras Co-operative Central Land Mortgage Bank has been working with no overdues to it from any of the primary banks and that the primary banks generally managed their affairs efficiently. The standing complaint against the working of these banks is long delays in sanctioning applications for loans. This is chiefly due to the difficulties in production of documents of title and discharge deeds for prior encumbrances. The ryot does not generally possess all the documents of title. Partition deeds are not always registered. Very often original documents are missing and in case of transactions not evidenced by documents, the institutions should be satisfied with statements from persons likely to question the title or claim under the prior encumbrances. In a few cases delay is caused by reason of want of adequate staff in the primary banks for valuation purposes. In Zamindari areas many Zamindars have not issued pattas to ryots. Banks cannot accept title without production of pattas. In the circumstances the ryot has to forego the benefit of a loan from banks. Something must be done to remedy this.

We must express our gratitude to the Government for what it has done to help the movement. It was pleased to enhance the amount of guarantee from Rs. 150 lakhs to Rs. 200 lakhs. It sanctioned a scheme of temporary accommodation whereby it agreed to lend to the bank according to its monthly requirements sufficient to meet its needs upto the limit of the mortgages for which money is advanced but not covered by the debentures issued.

It directed issue of encumbrance certificates free of charge for loans up to Rs. 2,000 and notified some concessions with respect to stamp and registration fees. While thanking Government for what has been done so far, we request the Government to reduce the present scale of audit fees as the primary banks feel it very difficult to pay such heavy fees.

Urban Banks.—I wish to say a word about urban banks; I am of opinion that urban co-operation has succeeded much better than rural credit. They are generally well managed; questions are generally raised as to how these banks can be made more useful and whether it is desirable to extend their activities by giving loans on pledge of articles other than agricultural products, such as gold and silver.

In my opinion so far as urban banks are concerned it will be in the interests of villagers to prevent these banks to lend monies on gold and silver. Generally villagers resort to money lenders for loans on gold and silver jewels and pay high rates of interest on such pledges to money lenders. If urban banks undertake this business, it will benefit the villagers. Village co-operative societies are at present not in a suitable position to undertake this business. I recommend that urban banks may extend their area of operation for this purpose to villages within a distance of 10 miles and create a separate class of membership for persons who wish to join the banks, and borrow monies on gold and silver. At present in some towns, I am told, there are urban banks which do this business. This, I think, will be an undoubted benefit to villagers and save them from the clutches of money lenders who lend on gold and silver, and charge heavy rates of interests.

Audit.—Dealing with audit, I must say that there is a good deal of dissatisfaction on this subject. The system is considered very unsatisfactory. It has evoked criticisms from many quarters, and is condemned from the view point of both efficiency and principle. The work of supervision and control are conducted and exercised by the Registrar of Co-operative Societies. This gives rise to serious defects. No independent audit can be expected from officers whose appointment and promotion and transfers, etc., depend on the sweet will of the Registrar. It is therefore necessary that the audit staff may be constituted into a different branch under a chief audit officer on the lines of audit of Local Boards and Municipalities.

Regarding the audit fees, the complaint is that they are very high. It may be pointed out that the time taken by the audit is a better test than other considerations. The charge at present is Rs. 6 per day of 6 hours. It must not be more than Rs. 3 per day. In case this be not acceptable to Government, it may appoint a panel of Registered Accountants and auditors, and the institutions may be permitted to employ one from the panel and settle fees with him, the panel itself being under the supervision of the Government. Another matter urged upon the Government is that all societies working at loss in any year should be exempted from the payment of audit fees for that year.

Resolutions passed at the Conference

I. (a) This Conference resolves that every village in the Andhra Districts should be brought within the operation of a co-operative society, as far as possible, and that a five year plan be drawn up for the purpose and carried out.

(b) The existing societies may, wherever necessary, be reorganised by amalgamating smaller societies into larger ones.

(c) New societies be organised for compact groups of villages within a radius of not exceeding 3 or 5 miles, wherever conditions so require.

(d) The system of appointing a paid secretary, manager or clerk for each of these larger societies be introduced, and the Government be requested to frame suitable rules for this purpose.

2. (a) This Conference is of opinion that the unlimited contributory liability of the members of the societies, which now arises only on liquidation, is prejudicial to the further progress of the co-operative movement and that it should be abolished as early as possible.

(b) That in future societies, specially the larger ones for groups of villages, be organised on limited liability basis, providing if necessary in suitable cases for reserve liability not exceeding twice the subscribed capital.

3. (a) This Conference is of opinion that efforts should be made to enlist as members of village societies all the residents of the village on the basis of at least one representative for each family residing in the village, with a view to reorganise on a co-operative basis the village community as we find it to-day.

(b) This Conference is of opinion that the village credit societies should cater to all the economic and social needs of their members as far as possible, and discharge all functions which are allied to rural credit and permitted by their by-laws.

(c) The system of controlled credit with a view to co-ordinate as many activities as possible through the medium of a single organisation be extended.

4. This Conference requests the Government to inaugurate as early as possible plans for liquidation of illiteracy somewhat on the lines now adopted in Bihar.

5. This Conference requests the Government that the person authorised by the Registrar, under section 37 of the Act, to audit primary co-operative societies with a working capital of less than Rs. 50,000 shall be one possessing the qualifications of a Registered Accountant recognised by the Government of India, under the rules framed under section 144 of the Indian Companies Act; but in the case of primary societies working with a capital of Rs. 50,000 and more, the Urban Banks, Central Banks, and special societies, the Government is requested to order for the preparation of a panel of auditors with the qualifications of Registered Accountants recognised as above, from which the above said Societies and Banks may be authorised to select one for the auditing of their accounts.

6. This Conference requests the Government to exempt co-operative societies from the scope of the proposed bill of taxation on turn-over of sales.

7. The Conference requests the Government to take early steps to train *rural guides and rural development officers* on the lines of the scheme that is being tried in the United Provinces and to introduce it as an experimental measure in, at least, two or three districts in the Andhra Desa.

8. In view of the rapidly increasing number of Co-operative Crop Loan and Sale Societies, who do not lend monies on pledge of produce not protected by Fire Insurance which is at present done only by Joint Stock Companies, this Conference requests the Madras Provincial Co-operative Bank to organise imme-

diately a 'Fire Insurance' society on co-operative lines and help the furtherance of the movement.

9. This Conference requests the Government to organise Co-operative Land Mortgage Bank for each taluq in the Excluded Areas (Agency Tracts) to improve the deplorable plight of the agriculturists in the Government villages.

10. This Conference requests the Central Land Mortgage Bank that the amounts paid by the debtor both under principal and interest be credited to his respective accounts as is done in primary Land Mortgage Banks.

11. This Conference is of opinion that cuts in salaries and retrenchment measures effected by the co-operative institutions with regard to their respective establishments is detrimental to the progress of the co-operative movement and requests that employees suffering from cuts in salaries and other economy measures be restored to their previous position.

12. This Conference resolves that supervision fund be deleted from the societies' as well as Central Banks' by-laws and that supervisors' salaries and travelling allowances and other expenditure of the respective Unions be spent from the banks' General Funds, as is done in the case of banks' establishment charges, etc.

13. This Conference is of opinion that in the interests of the movement co-operative institutions should provide to their employees adequate safeguards in regard to tenure of Office, Pay, Promotion, Prospects, Provident Fund, and the like and should also embody in their by-laws provision for an appeal to a committee to be duly constituted to deal with appeals filed by the employees against punishments, stopping of promotions, and allied matters.

CO-OPERATIVE NEWS AND NOTES

The Madras Government have sanctioned the opening of nine co-operative land mortgage banks during 1939-40 and the employment of three co-operative sub-registrars in connection with the work of these banks.

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A five year scheme of marketing of agricultural produce on co-operative lines was approved by the U. P. Government which sanctioned a sum of Rs. 17,000 for the employment of supervisors besides the creation of ten temporary posts of inspectors for 1938-39. The scheme proposes to cover about 40 districts of the province and the commodities to be marketed this year will be wheat and oil-seeds in principal, gram and barley in the second place and other crops after that. About 250 supervisors have been selected and they are undergoing training.

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The Government of Madras have appointed a Committee to enquire into and report on the condition of the Co-operative Movement in the Province. The Committee consists of nineteen members with Sir T. Vijiaraghavachariar, formerly Vice-President of the Imperial Council of Agricultural Research, as the Chairman.

The following well known co-operators are among the members:—The Hon'ble Mr. V. Ramadas Pantulu; Mr. T. A. Ramalingam Chettiar; Mr. K. Bashyam; Dr. P. J. Thomas; Dr. Pattabhi Seetharamiah; Messrs. Kala Venkat Rao, N. Satyanarayana, R. Suryanarayana Rao, Dewan Bahadur K. Deivasikhamani Mudaliar, Rao Bahadur M. Giriappa and Mr. S. A. Venkataraman (the Registrar). Mr. K. Subramaniam of the Co-operative Department is the Secretary of the Committee.

An elaborate and exhaustive questionnaire has already been issued by the officer appointed as the Secretary of the Committee. The programme of the Committee is not quite clear, and we await with interest the proceedings of the Committee.

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A question was raised in the Bengal Legislative Assembly whether the Bengal Moneylenders' Bill was *ultra vires* of the Provincial Legislature. Mr. D. P. Kaithan, representative of the Indian Chamber of Commerce said that the Bill as reported by the Select Committee was *ultra vires* of the provincial legislature inasmuch as promissory notes, banks and trading corporations have been brought within the purview of the bill. The Speaker observed: "I hold that we have a *prima facie* case of legislative competency in our favour. This Assembly is fully competent to legislate on moneylending and to include banks, corporations or promissory notes in dealing with moneylending and moneylenders."

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The question whether the Madras Agriculturists' Relief Act was *ultra vires* of the powers of the Provincial Legislature was considered by a full Bench of the Madras High Court and they decided that the Legislature was competent to enact such legislation. The main attack on the Act has been based on the fact that its scaling-down provisions are repugnant to the Negotiable Instruments Act in that they do not allow the full amount due on a promissory note to be recovered from an agriculturist. The only effect of the Act so far as Negotiable Instruments are concerned is to reduce liability, where the maker or endorser is an agriculturist. In providing for this, the Provincial Legislature was acting in the interests of Agriculture and regulating moneylending to agriculturists. If debts on promissory notes were excluded, the Act would to a very large extent be rendered nugatory, the practice of lending on promissory notes being so widespread.

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The Government of India have resolved to set up an All-India Cattle Show Society after consulting the Provincial Governments, Local Administrations and Indian States. The Government have also decided to place Rs. 2,55,000 from the central revenues at the disposal of the society. Its functions will be to conduct an annual All-India Cattle Show and to carry on activities connected with the furtherance of cattle breeding. His Excellency the Viceroy will the Patron in Chief.

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Two thousand egg containers have been ordered by the Egg Trade through the Agricultural Marketing Adviser to the Government of India. The containers which have been designed by the Agricultural Marketing Adviser have been found to be increasingly useful by the trade as they result in avoidance of wastage usually incurred when eggs are packed in ordinary baskets. Eggs packed in baskets are liable to breakage in transport to the extent of anywhere between 10 to 30 per cent, whereas in the case of containers, the damage is under one per cent.

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It is understood that the Imperial Council of Agricultural Research have decided to make a handsome grant to the provinces to assist them in establishing Milk Recording Societies. The Punjab and United Provinces Government inaugurated this scheme recently and are showing great interest in the progress of the scheme. The object of the scheme is to establish a pedigree system in cattle-breeding. If the scheme is well received, efforts will be made to provide every village with a milk recording register.

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The Standing Committees of the Indian Provincial Co-operative Banks Association and the All-India Co-operative Institutes' Association meet at Jubbalpore in the first week of April 1939. The proceedings of the meeting will be published in our next issue.

SELECT CONTENTS OF CURRENT PERIODICALS

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- *Feb.* 1939 : The Peace Value of Co-operative Neutrality in Class, Politics and Religion by Dr. J. P. Warbasse.
- *Mar.* 1939 : The Seventh Rochdale Principle (Education in Citizenship) by W. P. Watkins.

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- *Jan.* 1939 : Co-operators & Their Politics by R. A. Palmer.

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- *Mar.* 1939 : Crop Insurance in the United States of America by F. Arcoleo.

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- *Mar.* 1939 : Rural Training for Development Work by M. M. Basrur.

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- *Feb.* 1939 : The League of Belgian Peasants by K. C. Ramakrishnan.

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ACKNOWLEDGMENTS

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