118

The Indian co-operative

Review

v 12

April — June 1941

THE

INDIAN CO-OPERATIVE REVIEW

118

Vol. VII APRIL—JUNE, 1941 No. 2

CONTENTS

THE INDIAN CO-OPERATIVE REVIEW

Vol. VII APRIL—JUNE, 1941 No. 2

EDITORIAL NOTES

WAR AND CO-OPERATIVE MOVEMENT IN NAZI LANDS AND IN DEMOCRACIES

No one in India wishes success to Hitler, for our people not only know enough about the fate of the once free and prosperous countries of Europe, which now lie prostrate crushed under the iron heel of the ruthless aggressor, but also have some idea of the German Fuehrer's political aims and social theories, as well as his plan of the post-war new World Order. The average citizen in India shudders at the thought of his country ever passing into the sphere of that order. But, is the average co-operator in India equally familiar with the plight of the co-operatives in the Nazi countries or has he any conception of the fate that is likely to overtake the co-operative movement in India under German domination, if it ever comes? It is time we know that the Germany, the country of Raiffeisen, from which India received the inspiring message of co-operation as an instrument for the economic organisation of its poor and indebted masses, has now an entirely contrary doctrine to preach to the world, namely that co-operation is the enemy of the artisan, worker and trader. That doctrine was thus authoritatively propounded by Dr. Ley, the leader of the German Labour Front: "Undoubtedly the co-operatives represented collective economy which we, National Socialists, do not approve of....Further more without any valid justification they are able to compete unfairly with the small artisan and trader who are, therefore, their sworn enemies.... To let them continue meant undeniable political danger, for their ten million members are all enemies of National Socialism and elements of the centre party (Catholics) and Marxists"[1]. In order to implement this idea Hitler's Minister for National Economy recently issued a decree transferring all the properties and funds of the consumer's co-opera-

1. Bulletin of the International Labour Office—Co-operative Information—April, 1941.

tive societies to the Labour Front and directing that the centres of distribution should be converted into model retail shops and turned over to private ownership. As the distributing branches are to be eventually given to men who are fighting in the front, the completion of the process of the change over to private ownership will however take place only after the war. The leader of the Labour Front, Dr. Ley, claims with satisfaction that "the movement thereby loses its co-operative character and its shops are open to everybody. The factories and shops of the movement will be made into model concerns..... Whoever wants to become a capable businessman will be given a shop by the Bank of the German Labour Front. He will be financed by the bank and thus be given a chance to become an independent man." The Rochdale Pioneers must be turning in their graves when they hear of this outrage on the system founded by them about a century ago, on principles of social and economic justice, admired, approved and increasingly applied all over the civilised world. Commenting on this new Nazi doctrine the *Review of International Co-operation* says "The complete perversion of the purposes of the consumers' societies is revealed in the statement that the stores and the factories which are to become model shops and workshops will be a means of serving the trader and the artisan."[2]

Let us now turn for a while from this hideous spectacle of co-operation in war-mad Germany to the attractive picture of co-operation which the Democracies, that are involved in a life and death struggle against the evil forces of the Nazism, which threaten to envelop the world, are still able to present, even in these days when the economic system of every country is in a state of violent convulsion. A study of the war-time co-operative chronicle of the free countries, reveals many remarkable features of Co-operation which prove its adaptability to war economy—to its capacity to tackle problems accentuated or brought about by the war. Co-operators of free countries now frame their family budgets and regulate the policy of their Movement with the new knowledge of the consumers' needs, in the light of State policy of controlling and reducing consumption to promote war efforts and meet the demands of armed forces. The policy of the State in a free country is in its turn guided and regulated by a knowledge of the essential items of war-time family budgets of the consumer. These budgets, naturally, no longer aim at maintaining the pre-war level of the standard of living. If all the people in a country

2. Review of International Co-operation, April, 1941, p. 134.

insist on maintaining the old standards of life and want comforts and luxuries, then they will have no margin from which to pay the price for Victory, which they all desire. If the poorer sections only are obliged to cut down their standards of life and the middle and the richer classes cling to their old standard and do not pay their quota of the cost of the war, then the State will have to borrow from the banks large sums to meet the deficit. Prices then go up sharply, the standard of living of the poorer and the working classes goes down still further, involving loss of health and general *morale*. So now the people of free countries have learnt that they must all, rich and the poor alike, cut out expenditure on every item which is not a necessity and which they can afford to leave out. The war-time family budgets of consumers, however, do aim and should aim at maintaining the family in good health and ensuring "the nutrition value of the diet even if this should involve a relative or even an absolute increase in expenditure on food."

The question of bringing the co-operative organization into closer touch with the labour organisation is not solved in Britain, for instance, by handing over the funds and properties of the former to the latter, but by tackling the question of bringing the Co-operative Union into more intimate and permanent association with National Council of Labour. Again the President of the Board of Trade announced in the British Parliament in May last that he had decided to appoint a Committee "to examine the present problems of retail trade having regard both to the immediate needs of the conduct of the war and to the position after the war." The Committee includes, besides members with experience in various branches of retail trade, representatives of labour and the co-operative movement. Mr. R. A. Palmer, General Secretary of the Co-operative Union, represents the Co-operative movement.

The Movements in Britain and America have shown their wonderful adaptability to the exigencies of war conditions. The consumers' societies there have proved their utility and potentiality for supplying the essential domestic needs of their members and keep down the cost of articles of food as far as possible. As regards the movement in the U.S.A., a Boston Multi-millionaire writes: "its logic is unassailable—its technique has met every test to which it has been subjected. It now asks only that it be applied to the most distressing and threatening problem of our time which, if not solved, must bring America to social and economic chaos. That is the problem of poverty in the midst of plenty—of failure to distribute according to our capacity to produce."[3]

3. Review of International Co-operation, April 1941, p. 116.

The British and American co-operators, therefore, are entitled to our respect and sympathy in their heroic and admirable efforts not only to keep the co-operative flag flying even in these trying days but to turn the movement to the best use that can be made of it to aid war effort, in order to combat the forces of greed and aggrandisement which seek to enslave the people of the world. Here is the declaration of faith of the British Co-operators: "Naxi planes may destroy our buildings, our factories; they may kill our members and employees, but they cannot break the spirit of co-operation where it has the will to survive and the courage to resist aggression."[4] The contrast in the wartime lessons of co-operation in the Democracies and the countries under totalitarian dictators, should teach us, co-operators in India, where our interests lie in this struggle between conflicting ideologies and why we should wish for the success of the gallant fighters who are staking their all to defeat aggression and establish peace, contentment and happiness once more, by vouchsafing democracy and freedom to the World, which we hope includes India.

The British Co-operators, who plead themselves to bring about a New Order based on peace and social and economic justice will, we trust, unflinchingly advocate the claims of India for her rightful place among the Nations of the World, as a Free Land. Then only can India play her proper role in World Economy and the Indian Co-operative Movement can have an honoured place in the International Co-operative Alliance.

LAND MORTGAGE BANKS AND THEIR PROBLEMS

We have been able to get together seven contributions for this issue on land mortgage banks and their problems in different parts of India. Madras has achieved, comparatively, the greatest success in this new field and serves as a model for other Provinces and States. The land mortgage banks in Madras have so far lent about Rs. 3 crores, much of it at 6 per cent to ultimate borrowers. No other Province or State has been able to lend more than a tenth of this sum though in some of them, like Bombay, there is no lack of resources or of enterprise. We cannot understand why the Government of Bombay should be so hesitant to permit the Central Land Mortgage Bank to float more debentures and satisfy the genuine long-term credit needs of a much larger number. Again, it should be as easy for that Government, as for the Government of Madras, to help the Bank with temporary advances just when they are wanted for granting loans, without making the applicants wait too long or keeping idle the sums raised by debentures. The passing of the Agricultural Debtors' Relief Act should, if anything, bring more business to land mortgage banks, as these alone can clear off the scaled down debts to creditors on the lines of the Act and offer facilities to borrowers to repay in instalments. Debt conciliation and land mortgage credit should be complimentary to each other, rather than competitive.

4. *Co-operative Review*, (Manchester) May, 1941, p. 132.

We are surprised to hear that in Central Provinces there is a positive preference on the part of borrowers to resort to Debt Relief Courts as they grant easier instalments of payment, free of interest to borrowers. Surely this anamoly should disappear and creditors should be paid off the scaled-down sums by the banks, with which alone the borrowers should deal. This is necessary not only in the interests of fairness to creditors and discipline to borrowers but for the sake of building up a sound co-ordinated system of rural credit.

In Bengal again, we hear the complaint that Debt Settlement Boards stand in the way of progress of land mortgage banks. Bengal is a big province but shows a very poor record of long-term co-operative credit. Only six lakhs of Rupees have been lent so far to about 1,300 persons on the security of 10,000 acres! And the rate of interest is 50 per cent more than in Madras. We understand the abnormal difficulties in Bengal as regards land tenure. We trust the Government will before long formulate a well-conceived policy and relieve the distressed cultivators who should have complete occupancy rights, in a measure worthy of the Province.

Mysore began the experiment almost at the same time as Madras, but has not progressed farther than Bombay. The debentures have been sold easily at 3½ per cent and loans granted at 6½ per cent to the ultimate borrowers. But the number relieved is small. Perhaps the valuation of land has been unduly conservative or the resources of applicants are so poor as to leave little margin after payment of instalments. We commend the practice of granting loans on coffee and cardamom lands but we do not see our way to appreciate the grant of short-term loans by land mortgage banks for current cultivation expenses. Surely it cannot be difficult to organise ordinary credit societies for the grant of loans to a wider number in the villages.

Madras may be legitimately proud of its pre-eminence in this new field of co-operative credit, so far as India is concerned. But the record of achievement is insignificant by the side of the progress made by similar institutions in several foreign countries. As the recent Committee on Co-operation confessed, it has but touched the fringe of the problem of mortgage debt in the Province, which has been estimated at about Rs. 100 crores. The problem of overdues has begun to raise its ugly head in primary banks, but it is to some extent concealed by the unexpected clearance of loans far in advance of due dates—which gives rise to the serious problem of investment of such collections, especially as the Central Bank has now, very rightly in our view, assured debenture-holders that debentures will not be redeemed in the first ten years after their floatation. Apart from the purchase of debentures in the open market, we believe, the Bank may lend out these collections for shorter periods of ten to fifteen years, as undoubtedly there is a demand for such loans. The question of intermediate credit, running from five to fifteen years, has been fully discussed by the recent Committee on Co-operation and decided in favour of the Central Land Mortgage Bank granting such credit by the floatation of debentures for corresponding periods of five to fifteen years. We doubt, as we said in our comments on the U. P. Co-operative Conference whether debentures for such short periods of five or ten years will be so successful. Other means of raising such funds will have to be thought of.

Co-operators will all agree that while it is necessary for the land mortgage banks to redeem the oppressive prior debts of solvent agriculturists, it is even more necessary to make sure that the loans will lead to greater productivity on land. The banks are still paying lip-service to the idea of loans for land improvement and equipment. More earnest efforts must be made by the Government as well as the authorities of the Bank to find out the scope for such improvement-loans, particularly for land settlement and colonisation and the introduction of more intensive forms of agriculture. For the only sound and lasting basis on which land mortgage banks can function in future will be the raising of the productive capacity of land and the landholder.

THE UNITED PROVINCES CO-OPERATIVE CONFERENCE

The twenty-fourth session of the United Provinces Co-operative Conference was held in Gorakhpur in April last under the Presidentship of Sri T. A. Ramalingam Chettiar, President of the Madras Central Co-operative Land Mortgage Bank. We publish extracts from his Presidential address elsewhere.

The President devoted considerable space in his address to the problem of official control over the Co-operative Movement and to the relations that should subsist between the officials of the department and non-official co-operators. We understand the President of the Conference to argue in essence, that if the two agencies played their parts properly, with a correct perspective of the Movement and with a common desire to promote it on right lines, there should be no occasion for antagonism between the two and that such antagonism would arise only when either the official or the non-official misconceived his functions or failed to keep in view the scope of his powers, rights, duties and responsibilities in his own legitimate sphere of activity. He suggested the setting up of a Standing Advisory Committee consisting of officials and non-officials in order to promote co-operation and understanding between them. We presume that the functions of the Committee will be to advise the Provincial Government, that is to say, the Minister in charge of Co-operation. The utility of such a committee will depend largely on the mode of selection of the non-officials who are to serve on the Committee. We are of opinion that, instead of leaving their *nomination* to the official agency itself, their *election* should be left to the Provincial Legislature, somewhat on the lines of the Advisory Committees associated with various departments of the Central Government.

Referring to the experiment of formation of multi-purpose societies, on limited liability basis and converting some unlimited liability societies into limited liability societies and organising new societies on the same basis, the President struck a serious note of warning to the U.P. Co-operators and explained to them at considerable length, the advantages of retention of unlimited liability. There are about a thousand such multi-purpose societies in the province. They are called "Village Banks." The conversion of the existing credit societies into multi-purpose societies called village banks, is restricted to A, B and C class societies. These village banks are intended to tack on to credit, marketing, supply of agricultural implements and better living activities. All these activities are however not simultaneously introduced into every society but are being gradually extended. With the policy of organising village banks, restriction is placed upon registration of new societies with purely credit operations. Referring to this experiment the Registrar has the following observations to make in his latest report. "We have already switched the liability from unlimited to limited in a number of cases, but it would be best to stop at this stage and see how societies react to this change. From the point of view of safety, another alternative is to have both kinds of liability, unlimited for loans and limited for the rest." Other Provinces, we have no doubt, will watch with interest this bold experiment in the United Provinces. We wish all success to the experiment, for we believe in the benefits and potentialities of these 'Village Banks'. We are, however, sceptical about the expediency and practicability of having two different kinds of liability in the same society. We are in favour of these village banks being put wholly on limited liability basis.

Dealing with the financial structure of the co-operative credit organisation in the province the President naturally observed that it was a matter of surprise and disappointment to him that no Provincial Bank had yet been started for the United Provinces, which was the biggest Province in British India. The number of Central Credit Societies (Central Banks and Banking Unions) in the Province as on June 30th, 1940, was seventy and their working capital on that date was over Rs. 108 lakhs, of which over 40 lakhs represented their owned capital. The need for an agency to co-ordinate their activities and to function as an efficient financing and balancing centre to them is evident. Mr. Chettiar drew the attention of the U.P. Co-operators to the comparatively small size of Central Banks compared to Madras and the existence of more than one Central Bank even in several small districts and expressed the view that it was desirable to amalgamate smaller banks into bigger ones in order to have one sound Central Bank in each district.

In the absence of a Provincial Bank, the Central Banks have to depend, among other sources to obtain loanable funds, on interlending between themselves. The Registrar in his annual report for 1939-40 says "smaller banks do not always find it possible to attract deposits at a reasonable rate of interest from outside and they look to sister banks for accommodation." The credit organisation of the Province suffers from other disabilities also by the absence of a Provincial Bank. It is unable to avail itself of even such small facilities as the Reserve Bank has extended to Co-operative Banks. The Registrar therefore puts in a strong plea for the early establishment of a Provincial Bank. In his latest report he observes that "A Provincial Co-operative Bank is necessary as much to raise the stature of the Movement as to complete the co-operative structure itself. Opinion is hardening that the lack of an Apex Bank is stunting the growth of the Movement. Outside critics—not excluding the Reserve Bank itself—have with feeling concern repeatedly pointed to this glaring defect in our financial system. The provisions for agricultural credit in the Reserve Bank of India Act may not satisfy ardent co-operators. But there can be no doubt that maximum facilities permissible within its framework will be available. Without an Apex Bank, we are not qualified to ask for any accommodation. The greater therefore the delay in formation, the longer becomes our isolation. Circumstanced as we are, we carry a brand of inferiority, which is hardly deserved." One of the resolutions passed at the Conference urges that "until a Provincial Bank is formed and is able to supply necessary finance, Government be requested to provide special loans at cheap rate of interest to District and Central Co-operative Banks for financing marketing operations and to finance special types of societies such as irrigation societies, seed stores, marketing unions, ghee and milk supply societies, etc."

Another important topic with which the President dealt with in his Address, and which must have been engaging the attention of the co-operators not only of U.P., but of other Provinces as well, was the period for which rural societies could safely advance loans to their members. He pointed out that the Central Banks in most Provinces derived their loanable funds from demand and time deposits and the latter were usually not taken for periods of more than one to three years and could not therefore, safely advance long-term loans to rural societies; only short-term loans up to 18 months and intermediate loans up to 5 years might be given to the rural credit societies, as in Madras, leaving loans for longer periods to be supplied by the Land Mortgage Banks. We may, however, point out in this connection, that the Government of Madras recently published, for eliciting public opinion, a *draft* rule under the Co-operative Societies Act, limiting the maximum period of intermediate loans to *three* years and also empowering the Registrar to fix the proportion of the funds of the financing banks which may be employed in loans for short-term and for intermediate term not exceeding three years. In any such scheme, whether the maximum period of intermediate loans is three years or five years, the question of the agency for the supply of credit for periods over that maximum is one which co-operators cannot ignore. Who is to supply such credit in Provinces where there are no land mortgage banks? The question therefore, whether a separate Central Land Mortgage Bank should be started for the United Provinces or whether a separate land mortgage section should be formed in the proposed Provincial Co-operative Bank, as in C.P., is one which the Provincial Government and local Co-operators must solve. Even in a Province like Madras where the system of land mortgage banks financed by a central agency of their own has attained a measure of success, not achieved elsewhere in India, it is not easy to predict whether the land mortgage credit organisation as at present constituted and financed can afford to deal with loans for say four to ten years. What will be the probable annual demand for such loans? Can the additional funds required to meet the new demand be raised by short dated debenture issues for four to ten years? Will they be popular in the market? Will the Provincial Government extend their present guarantee to such debentures also? These and other questions have not been definitely raised or answered in Madras till now. The Co-operators of U.P., who propose to write on a clean slate may have to canvass these and many other questions.

THE LATE SIR C. Y. CHINTAMANI

It is with deep regret that we record the death of Sir C. Y. Chintamani on the 1st July last. After the inauguration of the Montagu-Chelmsford Reforms and when Co-operation became a transferred subject, the late Sir C. Y. Chintamani was the first Minister in charge of Co-operation in the United Provinces. He held office from 3rd January 1921 to 17th May 1923. He resigned, if we remember the facts aright, his ministership along with the Hon'ble Pandit Jagat Narayan to vindicate public opinion in the Province, over a controversy that arose between the Pandit, the then minister in charge of Education, and the then Vice-Chancellor of the Allahabad University, who was backed by the Governor over-ruling the Minister. By this single act he demonstrated his remarkable spirit of independence which people, who knew him, rightly said might possibly break but could never bend. In the short tenure of office he distinguished himself as an efficient administrator and was able to show remarkable progress in the Departments entrusted to his charge including Co-operation. Not only the United Provinces, the Province of his adoption, which he made his home and where he lived for forty years, but also the Province of Madras, the Province of his birth, mourn his loss. We offer our sincere condolences to the bereaved family.

THE INDIAN PROVINCIAL CO-OPERATIVE BANKS THEIR PAST, PRESENT AND FUTURE

BY

THE EDITOR

Origin and Evolution.—Among the Credit Agencies* Co-operative Banks now hold an important position in India. The total working capital of the co-operative credit institutions in India (Provinces and States) was about Rs. 106·5 crores in 1938-39. In theory the co-operative credit structure is supposed to be federal, with the primary credit societies, rural and urban, as the foundation; these are federated into secondary societies, now generally known by the name of Central Banks, and these Central Banks, again in their turn, into their own apical institutions called the Provincial Banks. But as a matter of fact, this ideal has not been fully realised in practice anywhere in India, as we shall see a little later. The tendency, however, has been, all over India, to make the central banks and the Provincial Banks approximate, as nearly as possible, to federations of primary and secondary societies respectively, within the limitations imposed by their original constitutions, which were themselves dictated by local conditions.

It is the Maclagan Committee who have drawn pointed attention, for the first time, to the need for developing a Provincial or Apex Co-operative Bank for each Province. After setting out their reasons they have recorded the following conclusion.

> "It is, therefore, in our opinion, necessary to provide in each of the major provinces an Apex Bank which will co-ordinate and control the working of Central Banks, forecast and arrange for the provincial requirements as a whole, and be the financial co-operative centre of the Province. An

*The other chief Credit Agencies are: 1. The Reserve Bank of India. 2. The Imperial Bank of India, 3. Joint Stock Banks, 4. Exchange Banks and 5. Indigenous Bankers, that is to say, money lenders, shroffs and others doing banking business. The Government and the Insurance Companies also may be included, in a sense, among the Credit Agencies. There are special types of Credit Agencies in certain Provinces like the Loan Offices in Bengal and Nidhis and Chit Funds in Madras.

Apex Bank of this nature should have as its expressed object the direction of provincial finances by the control and support of Central Banks." (Page 95)

By the time the Maclagan Committee reported, Provincial Banks, or Institutions out of which what we now call Provincial Banks, have eventually emerged, existed only in four of the Provinces, viz., Madras, Bombay, Central Provinces and Bihar. Of those four, those in the Central Provinces and Bihar bore the name of Provincial Co-operative Bank. The one in Madras was known as the Central Urban Bank and the one in Bombay as the Bombay Central Co-operative Bank. They financed primary societies directly and were not "in charge of the direction of Provincial Finances." These two changed their names subsequently into Provincial Co-operative Banks, Bombay in the year 1924 and Madras in 1931. The other four Provincial Banks namely, those of Bengal, the Punjab, Assam and Sind, were started after the report of the Maclagan Committee was published and naturally styled themselves as Provincial Co-operative Banks from their inception and tried to conform themselves as far as conditions permitted to the general structure outlined by the Committee. With reference to the dates of their establishment, the Madras Provincial Co-operative Bank is the oldest while the Sind Provincal Co-operative Bank is the youngest. The Madras Central Urban Bank was started in 1905, the Bombay Central Co-operative Bank in 1911, the Provincial Co-operative Bank of Central Provinces and Berar in 1912, Bihar in 1914, Bengal in 1918, Assam in 1921, the Punjab in 1924 and Sind in 1935. The first four of these Banks have celebrated their Silver Jubilees. Thus of the eleven Governors' Provinces in British India, eight have now Provincial Co-operative Banks, the three Provinces which have not yet established Provincial Co-operative Banks being the United Provinces, the North-West Frontier Province and Orissa. Orissa which was constituted into a separate Province in 1935 was under the Bihar and Orissa Provincial Co-operative Bank till August 1938. A Provincial Co-operative Bank was formally registered, but the Government of Orissa in a recent communique stated that under the present circumstances it could not be started on its work. Proposals for the establishment of a Provincial Co-operative Bank for the United Provinces are under active consideration and there is a genuine demand for it.

The problem of building up a stable and comprehensive co-operative credit structure has become more and more complicated in the light of experience gained of the progress and working of the rudimentary (primary) credit institutions set up under the Act of 1904 and of the secondary types of credit institutions set up under the Act of 1912. The credit needs of the cultivator are found to be varied and such as cannot be catered to fully or adequately by a single type of credit society. He requires short-term credit and medium-term credit to meet current out-goings and facilitate the production as well as the marketing and movement of the produce and he requires long-term credit for repayment of old debts or improvement and consolidation of the holding. All competent authorities, who have conducted investigations into the problem of Rural Credit, such as the Royal Commission on Agriculture and the Provincial and Central Banking Enquiry Committees, agree that at least two different types of co-operative organisations are necessary to supply (1) Short and Intermediate term credit and (2) Long term credit. It is found that the existing primary credit societies and the central banks into which they are federated and the Provincial Co-operative Banks which form the apex of the pyramid of co-operative credit in the Provinces, by reason of the character of their resources and other limitations imposed on them as banking institutions, working mainly on deposits, can only supply short and intermediate term credit, and that for the supply of long-term credit, institutions which can raise long-term capital by suitable financial devices like the issue of long dated debentures backed by the security of permanent agricultural wealth in the shape of land or buildings should be organised.

The Provincial Co-operative Banks which were intended to be the apex organisations for the entire co-operative credit system of a Province or State have soon found themselves incapable of fulfilling that role in regard to providing long-term capital to agriculturists. A study of the Provincial Co-operative Banks in the Provinces and States will, therefore, be incomplete without a study of the evolution, working and progress of Land Mortgage Banks, which now form an integral part of the co-operative credit structure. The Central Land Mortgage Banks which finance their affiliated primary land mortgage banks as in Madras and Bombay are also Provincial Banks for long-term credit in a real sense. It is for this reason that we have supplemented the accounts of the Provincial Co-operative Banks given in the last issue with accounts of the working of the Land Mortgage Banks in the Provinces and States where they have been organised, though with widely varying degrees of success.

Let us now proceed to make a comparative study of the main features of the Provincial Co-operative Banks in British India. We have not included in this study the Provincial Co-operative Banks in the Indian States and reserve it for a future occasion. To our invitation for contributions on the subject, we have so far had response from four States, Mysore, Travancore, Indore and Hyderabad (Deccan). We await similar contributions from Gwalior, Bhopal, Baroda, Kashmir and other states.

Membership.—In this study the first feature that strikes us is the diversity that there is in regard to membership of these Banks. There are individuals holding shares and exercising rights of membership in all these Provincial Banks except those of the Punjab and Bengal which have no individual shareholders. In addition to the individual shareholding members, the Provincial Banks of Bombay, the Punjab, Bihar, Central Provinces & Berar and Assam have both primary societies and central banks as members; while Madras strictly confines its membership to central banks and excludes primary societies, Bengal and Bihar do so practically. Sind has no central banks and so its membership consists only of individuals and primary societies.

The following table will show at a glance the composition of the membership of these banks.—

Provincial Banks	Members		
	Societies	Central Banks	Individuals
Madras ..	Nil	32	184
Bombay ..	1971	11	1217
Sind ..	1156	Nil	1682
The Punjab ..	12239	120	Nil
Bengal ..	52	117	Nil
Bihar & Orissa ..	48	53	43
C. P. & Berar ..	1946	35	110
Assam ..	36	20	27

This composite membership raises some complicated questions particularly in regard to the general meetings and voting at those meetings. In Madras for instance, where the General Body consists of 32 central banks and about 180 individual shareholders, the rule of "one man one vote" will obviously not work for, the voice of the central banks, who are the real mainstay of the Bank and who own almost all the paid-up share capital will be drowned by that of individuals whose number is 6 times that of the central banks. So, giving up the co-operative principle of "one man one vote", the system of voting according to the number of shares held and by proxies, has been introduced so as to give an effective voice to the central banks. In order to remove this anamoly, among other considerations, the Madras Committee on Co-operation recommended that individuals should be altogether eliminated from the Madras Provincial Co-operative Bank, leaving the central banks alone as members. It is unnecessary to discuss the position in regard to the several Provincial Banks individually. The general nature of the problems arising by such membership can be seen from the observations of Mr. Mulraj Bai, Manager of the Punjab Provincial Co-operative Bank, in his article under the head 'General Meetings'.—

> "The existence of some 12,200 share-holders of which 11,800 are primary societies, scattered all over the Province, which in one respect constitute the backbone of the Bank raises difficult problems of management. How to bring together to a common forum the representatives of all these small societies, situated hundreds of miles away from the head-quarters of the Bank, is a question which yet remains unsolved. Under the authority of by-law 13, a device known as Sectional General Meetings on an identical agenda has been tried but without success. Curiously enough the difficulty experienced is not one of unwieldiness but of paucity. To remedy the defect several proposals have been put forward. One is to exclude all primaries from membership. Another is to retain them (as recommended by the Maclagan Committee) but to hold indirect elections with the 'tehsil' as the electoral unit and to finally summon not more than 150 delegates to the general meeting at Lahore. The problem is being earnestly tackled just at present and it is hoped that, before long, a workable solution would be found out."

Working Capital and Its Composition.—The Working Capital of the eight Provincial Co-operative Banks as on 30-6-1940 was about Rs. 12½ crores and their owned capital in the aggregate forms about 16 per cent of their total working capital. The following table will show at a glance the composition of the working capital, the percentage of owned capital (paid-up share capital plus reserves) to total working capital, deposits derived from co-operative institutions and borrowings from other sources. The Banks are arranged in the order of the volume of the working capital in lakhs of rupees.

Provincial Bank	Owned Capital	Borrowed Capital: Deposits from Co-op. Societies	Borrowed Capital: Other deposits, loans, etc.	Total Working Capital	Percentage of owned capital to working capital
Bengal ..	54·77	61·72	169·88	286·37	19·12
Madras ..	33·90	83·01	135·54	252·45	13·42
Bombay ..	33·42	94·46	109·49	237·37	14·09
The Punjab ..	28·44	71·00	50·06	149·50	19·00
C.P. & Berar ..	19·75	10·02	106·99	136·76	13·45
Bihar & Orissa ..	14·21	9·34	66·11	89·66	15·84
Sind ..	19·34	20·14	45·74	85·22 *	22·69
Assam ..	1·59	—	1·82	3·41	46·62

*This has increased to over a crore of rupees by 30—6—1941.

The aggregate working capital of the Provincial Banks no doubt looks small in comparison with that of the Scheduled Banks taken together or of even single large Joint Stock Banks like the Imperial Bank or the Central Bank of India. But in assessing the total working capital of the Co-operative Credit Movement in British India as a whole we must also take into account the working capital of the central banks numbering about 484 and the primary, rural and urban credit societies whose number is about 87,530.* They are all integral parts of one Co-operative credit edifice. Excluding investments of one society in another, the aggregate amount of the working capital of the Co-operative Banks in British India taken together is round about Rs. 78·11 crores. The Provincial Co-operative Banks, work mainly with the aid of their borrowed capital which is obtained from deposits of various kinds,—current, savings, fixed, prudential and the like. Generally the periods of deposits range from one to three years. Deposits for longer periods are rarely taken and such of the Provincial Banks which received such deposits in the past now find handicapped for, interest rates have since gone done considerably. The Provincial Banks are able to attract money both from inside the movement and outside at rates of interest which cannot be said to compare unfavourably with those offered by well established large Joint Stock Banks. Even the smallest of the Provincial Banks, viz., that of Assam with a working capital of just over three lakhs of rupees, is able to attract deposits at 3, 3½ and 4 per cent for 1, 2 and 3 years respectively. The Madras Provincial Co-operative Bank now pays one per cent on the daily credit balances of current deposit accounts and 2¾ and 3 per cent on fixed deposits for one and two years respectively. The Bank has notified that from 1st September the rate of interest on current deposits will be reduced to ¾ per cent and that on the fixed deposits to 2½ and 2¾ per cent for one and two years respectively. The Punjab Provincial Co-operative Bank allows no interest on current accounts for individual customers, while on the same class of accounts for central banks one per cent is allowed on daily credit balances. The rates of interest in all these banks are regulated from time to time according to the conditions of the money market.

*These figures are as at 30—6—1939 (vide Statistical Statements relating to the Co-operative Movement in India, 1938-39). With regard to Indian States, statistical information is available only for the following States: Mysore, Baroda, Hyderabad, Bhopal, Gwalior, Indore, Kashmir, Travancore and Cochin. In these there are 110 Central Banks and 17,715 societies and their working capital is round about Rs. 10·31 crores.

Employment of Capital.—One of the charges laid by the Reserve Bank of India against Co-operative Banks is that they over-trade. It may therefore interest us to know what portion of their working capital is invested in liquid securities. The Reserve Bank of India indicated in their circular letter dated the 12th June 1939 (published in *the Review*, Vol. V, No. 2, page 336) some of the criteria of sound banking for the guidance of Provincial Co-operative Banks. In that letter they stated that the Co-operative Banks should *inter alia* maintain liquid resources consisting of cash, balances with bankers and Government securities which should be at least 40 per cent of their liabilities. Judged by this standard, the Provincial Co-operative Banks do not seem to lay themselves open to the charge of investing an inadequate portion of their working capital in liquid securities. The following statement will show what percentage of their working capital is invested in Government Securities alone.

Provincial Banks		Working Capital (in lakhs of rupees)	Investments in Government Securities (in lakhs of rupees)	Percentage of investments to Working Capital (in lakhs of rupees)
Bengal	..	286·37	77·51	27·06
Madras	..	252·45	125·63	49·76
Bombay	..	237·37	81·13	34·18
The Punjab	..	149·50	76·54	51·19
C. P. & Berar	..	136·76	59·67	43·63
Bihar & Orissa	..	89·66	18·69	20·84
Sind	..	85·22	18·93	22·21
Assam	..	3·41	—	

Apart from investments in Government Securities, the Provincial Banks keep their surplus funds, particularly those derived from the short-term deposits, either with approved Joint Stock Banks or other Provincial Co-operative Banks, besides maintaining their own cash balances. It must also be remembered in this connection that the Provincial Co-operative Banks are required by statutory rules to maintain fluid resources in order to enable them to meet their commitments to their creditors and depositors, in accordance with the standards prescribed by the respective Provincial Governments.

Another important piece of advice given by the Reserve Bank of India in regard to employment of capital by the Co-operative Banks is that relating to the character and duration of the loans advanced to their members. The Reserve Bank says that Co-operative Banks should ordinarily confine their business to short-term loans which in normal course should be repayable within nine to twelve months and that care should be taken to see that in actual practice such loans do not become long-term loans. Though it has not been found possible in practice to follow strictly this sound advice of the Reserve Bank, Co-operative Banks have been of late confining their business more and more to short-term loans for production, marketing and movement of crops. Of late the Bengal Provincial Bank has been advancing only crop loans for seasonal operations to the exclusion of all other loans. But the agriculturist's needs for medium-term credit requiring for its repayment two or three years are as imperative as his needs for short-term seasonal credit, borrowed and repaid annually for the pursuit of his hereditary occupation of husbandry. By wise and judicious allocation of their working capital, owned and borrowed, between the two kinds of credit and with a due sense of relation between the periods for which deposits are taken and the periods for which they are lent out, the Provincial Banks can do sound banking business by advancing both short and medium-term loans without transgressing the general standards set for them by the Reserve Bank.

In regard to investment by the Provincial Co-operative Banks of their working capital in loans to their members, there is necessarily the same diversity as there is in their membership. In the matter of loan policy the Bombay Provincial Co-operative Bank seems to give itself the greatest latitude of all the Provincial Banks in India and its special features are interesting from more than one point of view. It mainly finances the primary societies in the Province through its own branches and only one central bank is said to borrow from it at present. The function of the Bombay Provincial Co-operative Bank in regard to the central banks seems to be mainly one of a balancing centre and of an agency for providing fluid resources for the movement as a whole through over-draft accommodation allowed against Government Securities or fixed deposits. The Provincial Bank now makes advances to a new type of 'B' class members, drawn from the members of affiliated societies, against agricultural produce and goods. The Bank also gives assistance to industrial co-operative societies and associations on the security of manufactured industrial products or raw-materials or for the purchase of raw-materials or sale of finished products. The Madras Provincial Co-operative Bank which deals exclusively with its member central banks, makes an exception in the case of its constituents, whether shareholders or not, by lending them on the security of Government Promissory Notes, Shares of the Reserve Bank and the Imperial Bank of India and their own deposits with the Provincial Bank itself. The Punjab Provincial Co-operative Bank lends to individuals, only on the security of their deposits with the Bank. Sind which has no central banks directly finances the primary societies in the Province. The Provincial Banks of the Punjab, Bihar and Central Provinces & Berar though they have both societies and central banks as members, finance only central banks; some of them finance societies in very special cases. The total amount of loans in all these eight provincial banks, outstanding on 30—6—1940 was about Rs. 660·53 lakhs.

The financial stability and the solvency of the Provincial Banks thus eventually rest upon the soundness of the security behind, and the realisability of, the numerous small loans outstanding against members of the primary credit societies, whether they are advanced to the societies directly by the Provincial Bank or through the central banks.

The ability of the societies to recover these loans depends upon the repaying capacity of the borrowers as well as on a host of other factors, some certain, some not certain some controllable, some not controllable, some dependent on the whims of nature, some on the vagaries of man. After all is said and done, it must be conceded that our rural economy is on the whole a deficit economy; that some proportion of our members borrow not because they *can* but because they *must*, that poverty is the cause of indebtedness in many cases and that defaults are committed even by honest members because of their actual inability to repay. Here lies the main weakness of the Co-operative Credit Movement.

A study of the accounts of the working of the Provincial Banks which is brought under review here, naturally unfolds therefore the same sad tale of long standing overdues, increasingly frozen assets and accumulating bad debts; the difference is one of degree. In some areas, particularly in Berar, served by the Provincial Bank at Nagpur, the loans have got themselves converted into landed assets which are unmarketable. The freezing of the assets of rural societies in Bengal, Bihar and Berar has had very adverse effects on the movement and the readers of the *Indian Co-operative Review* are familiar with the situation there and the attempts that are being made to rehabilitate the movement. The Registrar of Assam, after presenting a most depressing picture of the state of the movement there, puts in an earnest and urgent plea for rehabilitation. So it is not the proportion of investments in liquid securities and the maintenance of fluid resources that are at fault but the freezing of the bulk of our assets represented by the loans advanced to members of the societies, which is the main business of Co-operative Banks, that is the source of our present troubles.

At one time or another the Provincial Governments have extended their helping hand to several of the Provincial Banks to extricate them from their financial difficulties. Bengal, Bihar, the Punjab, Central Provinces and Berar have received such State aid and are indebted to the Government. The case of Sind deserves special mention. There was a financial crisis in 1937 and in the short period between May 1937 and January 1938 deposits to the extent of forty lakhs of rupees were withdrawn from the bank. The Government came to its rescue with a loan of eight lakhs of rupees, besides adopting other measures to restore public confidence. The Madras and the Bombay Provincial Banks have not so far sought Government help to any tangible extent. During the period of acute economic depression, the Government of Madras in the year 1931 provided by way of temporary accommodation to central banks a loan of Rs. 10 lakhs which was quickly repaid. The Government help to the Bombay Provincial Co-operative Bank was mainly in connection with the financial embarrassment which arose from the Bank floating long-term debentures to finance Land Mortgage Banks at one time.

Before we conclude our observations on the employment of capital by the Provincial Banks we desire to mention that the Provincial Co-operative Banks which attempted to take upon themselves the role of suppliers of long-term land mortgage credit, particularly the Provincial Banks of the Punjab and Bombay, landed themselves in certain entanglements and for several years their profits had to be diverted into sinking funds for the redemption of the debentures to the detriment of the shareholders of the Banks who would otherwise have legitimately earned reasonable dividends. Bombay is just getting over the difficulties that arose from creating a floating charge over its general assets in favour of the debenture-holders. In Madras the land mortgage credit had always been kept separate from the ordinary co-operative credit and with the starting of the Central Land Mortgage Bank in 1929 the need for starting a separate land mortgage section in the Provincial Bank had disappeared. In 1929 the Madras Provincial Co-operative Bank made an attempt to raise some long-term money by issue of debentures, but as there was no out-let for that money, the debentures have been since fully redeemed. The Central Provinces & Berar Provincial Co-operative Bank is now functioning as a Provincial Land Mortgage Bank as well and a separate land mortgage credit section has been established. In Bengal, the Provincial Bank has declined to undertake long-term commitments without adequate Government guarantee, a question which is still under consideration. In the Punjab and Assam the primary Land Mortgage Banks which were started some years ago and financed by their respective Provincial Banks have now practically ceased to work.

Administration.—The constitutions of the Boards of Management and their Executive Committees by whatever name they are called, differ from bank to bank and the composition of the directorates and their functions are governed by the by-laws of the Banks. In all the Provincial Banks except two, or perhaps three, provision is made for grafting directors from outside the ranks of shareholders. In the Punjab, the Registrar of Co-operative Societies and the Financial Adviser of the Co-operative Department are ex-officio members of the Board. In Bengal three members are nominated by the Registrar to the Board.

In the Board of the Central Provinces and Berar Provincial Co-operative Bank, the Registrar and the Financial Secretary to Government are ex-officio members. In Bihar, the Registrar of Co-operative Societies is an ex-officio director. Under the scheme of rehabilitation, the Financial Adviser to the Provincial Bank to be appointed by the Government will be the Managing Director of the Bank during the period for which the Bank is placed under Government control. The Sind Provincial Co-operative Bank is being administered by a committee of nine members entirely nominated by the Provincial Government after the crisis of 1937 and the committee will continue to hold office till September 1941. Madras and Bombay (and perhaps Assam too) alone have no directors from outside the shareholders' ranks. There is now a proposal in Madras for the first time, 36 years after the starting of the Madras Central Urban Bank, to make the Registrar an ex-officio member of both the Board of Management and the Executive Committee. The Board of Management has approved the proposal by majority. The implementing of this proposal is pending the vote of the General Body for the purpose of making suitable amendments to the by-laws, relating to the composition of the Board and the Executive Committee.

Relations with Central Banks.—The exact relations of the Provincial Banks with the Central Banks vary from Province to Province. But generally speaking the Provincial Banks do not exercise any administrative control over the central banks which are autonomous institutions. They act mainly as balancing centres to their affiliated central banks and as links with the money market at the provincial capitals and other financial nerve centres. The central banks generally deposit their surplus funds with their Provincial Banks as well as with well established Joint Stock Banks. In Madras the Reserve Funds of the central banks are deposited with the Provincial Bank and carry interest at 3 per cent. These Reserve Funds now amount to Rs. 33.33 lakhs. Of late the central banks have been permitted to invest part of their statutory Reserve Funds in the debentures of the Madras Central Land Mortgage Bank. The Bombay Provincial Co-operative Bank offers a slightly higher rate of interest on fixed deposits to co-operative institutions than to individuals.

In Bombay the activities of the central banks are now co-ordinated by an Association started in the year 1939, called the Bombay Co-operative Banks' Association. The Provincial Bank is actively associated with the working of the Association. In Madras the Provincial Bank convenes an annual conference of the central banks at which problems of common interest and the policies of the Provincial Bank in relation

to central banks are discussed. The Madras Provincial Co-operative Bank has established a convention several years ago of inspecting the affiliated central banks by the President or other directors authorised in this behalf. Now there is a provision in the Madras Co-operative Societies Act empowering the Provincial Co-operative Bank to inspect the central banks financed by it, by its 'Officers.' The Central Provinces Provincial Co-operative Bank also arranges for the inspection of central banks through one of the members of the senior staff, preferably the Manager of the Bank if available. It has now on its establishment an inspector who visits affiliated central banks and gives the Provincial Bank first hand information about the working and financial position of the central banks.

Direct interlending between the several central banks is prohibited in all Provinces which have Provincial Banks. In the Punjab till 1929 inter-bank loans were allowed but arranged and controlled by the Provincial Bank. But since then interlending between central banks was altogether prohibited. The Punjab Provincial Bank receives the surpluses from affiliated central banks to an unlimited extent and discharges its essential function as an Apex Bank for co-ordinating and balancing the activities of its member societies besides performing other services of various kinds; for instance, it acquaints the central banks with conditions of the money market and security market from time to time by circulars, and gives necessary lead to the central banks in regard to regulating borrowing and lending rates.

The question whether there should be any change in the existing system in regard to the relations between the Provincial Banks and their affiliated central banks is one of considerable importance in the future development of these banks. We do not advocate any radical changes whereby any administrative control is vested in the Provincial Banks over their affiliated central banks which should remain independent and self governing institutions. The function of the Provincial Bank should be one of advice and guidance and of evolving common policies by discussion and negotiation. The Provincial Banks should however, have powers of inspection and of calling for information about the position of fluid resources, maturities of time liabilities, seasonal recoveries, prevailing rates of interest, bad and doubtful debts and other financial particulars.

Relations between the Co-operative Departments and Provincial Banks.—It is gratifying to note that in all Provinces the relations between the Registrars and their Departments on the one hand and the Provincial Banks on the other have been cordial. There can be no difference of opinion on the need for and the usefulness of genuine co-operation between the Departments and the Provincial Banks. But intricate questions of practical importance arise with regard to the line of demarcation to be drawn between guidance and advice as distinguished from dictation or control of policies and interference with internal management of the Provincial Banks, by Registrars. In this matter there is considerable divergence in practice in the several Provinces. For instance the position in Bihar and Orissa was stated thus by the Bihar and Orissa Committee on Co-operation (The Hubback Committee) : "The Registrar as the Head of the field staff on whose information the Bank depends for judging the wisdom of lending to central banks and as the only channel for enforcing the demand of the Bank on the borrowing banks has generally an *effective* voice in all important matters of policy and *even of detail.*" This perhaps goes farther than the position in most other Provinces; even in Bihar it varied with the Registrar. The Provincial Banks will certainly be well advised in seeking information from the Registrars and their departments as regards the financial position of the central banks with which they deal and also inviting the recommendation of the Registrar in regard to sanction of loans. But the actual responsibility for advancing loans must be that of the Provincial Bank concerned. In Provinces like Bengal, Bihar and Central Provinces where the creditors and depositors of the central banks have lost considerably by reason of the bulk of the loans advanced by the central banks proving irrecoverable, questions relating to the extent and nature of the Government's responsibility to make good the losses to the creditors of the central banks, were specifically raised in view of the fact that the loans were advanced on the recommendation of the departmental officers who were the agents of the Government. The creditors contended, not without some justification, that in such cases the responsibility of the Government was not merely moral but also legal. In Burma when a similar situation arose in 1928-29 and the Provincial Bank was unable to meet its obligations to its creditors, the Government recognised their obligation to come to the rescue of the Bank. In their review of the report of the Committee on Co-operation in Burma, presided over by Mr. Calvert, they stated "the Government in consideration of the relations of the Bank to the Department which have been described above feel obliged to come to the assistance of the Bank and decided to accept responsibility for making good the deficit of the Bank's assets required to repay the depositors. The cost to the provincial revenues is estimated at Rs. 30 lakhs." In regard to future policy, the Government of Burma proceed to say "it is necessary that Government take precautions, about the effectiveness of which there can be no doubt, against any recurrence of such entanglement on their part in the financial liabilities of co-operative institutions." They entirely agreed with the principle stated by the Committee that the financing agencies must be entirely responsible for loans, deposits and internal working. As regards the function of the departmental officers they observe thus: "A more controversial point is raised when the Committee proceed to recommend that the co-operative staff should attempt to advise the financing body whether the maximum normal credit limit of a society is reasonable or not in view of rural conditions and that applications for loans other than crop loans should be submitted through the Junior Assistant Registrar. The suggestion of course is that though the responsibility for granting a loan must rest entirely with the financing agency, the advice of the co-operative staff should be at the disposal of the financing agency. As at present advised, however, though they have not yet arrived at a final conclusion, the Government are disposed to feel that even the giving of official advice as to the granting of loans would weaken the Bank's sense of responsibility and might end in placing the Department in much the same relation to the financing agency as that in which it was involved in the case of Provincial Bank".* It is well known that a little later the Government of Bengal were caught in a similar entanglement by reason of the responsibility that the then Registrar of Bengal took in advising the Provincial Bank to finance the Jute Sale Societies. The total loss sustained by the Provincial Bank on that account, estimated at 24 lakhs of rupees, is being now paid by the Government by means of an annual subsidy of two lakhs. Even where the Provincial Governments have in theory repudiated their legal liability to make good the loss to creditors in similar circumstances, as for instance in Bihar, Central Provinces and Bengal, they have been obliged by force of circumstances and strength of public opinion to agree to foot a part of the Bill for the rehabilitation of the movements from out of their public treasuries.

We are painfully aware of the disastrous results brought about by the variation of financing policies with the change in the personnel of the Registrars in some Provinces. It is used to be said that 'Equity varied with the foot of the Chancellor.' It may or may not have been so; but, in co-operative finance the standards and measures in regard to advancing of loans did vary with the hand of the Registrar. It is

* Report of the Burma Committee on Co-operation, p. 6.

clearly inadvisable to subject the Provincial Banks and their affiliated central banks to experimentation in this manner. The Committees of the Provincial Banks should exercise their independent judgment, in the light of the advice of the Registrar, and should assume full responsibility for the scrutiny of loan applications and the sanctioning and disbursal of loans. We are therefore of opinion that the function of the Registrar and his department in regard to policies as well as details in regard to granting of loans by Provincial Banks should be merely of an advisory character.

This advice is best given by the Registrars from outside the directorates and will continue to carry all the weight that is due to it. So the practice, where it exists, of making Registrars ex-officio members of the directorates may, in our opinion, be usefully abandoned both in the interests of the movement, and the Registrars themselves.

Relation of Provincial Banks with Reserve Bank.—The Reserve Bank in their latest circular regarding the extension of remittance facilities to Provincial Co-operative Banks have agreed to treat co-operative central banks which are affiliated to Provincial Co-operative Banks as branches of the latter for purposes of such remittance facilities. The principal account of a Provincial Co-operative Bank will be the account maintained by the Head Office of the Bank at the local office or branch of the Reserve Bank. We understand that the Provincial Banks of the Punjab and Bombay have accepted and joined the scheme of the Reserve Bank. The Madras Provincial Co-operative Bank which already keeps the prescribed free cash balances with the Reserve Bank and observes some of the other main conditions formulated by the Reserve Bank will, we believe, find no difficulty to join the scheme. These concessions will enable Provincial Banks joining the scheme to effect transfer of funds inter-provincially among themselves between centres where there are offices of the Reserve Bank. The scheme may not, however, suit other Provincial Banks like those of Bengal, Bihar & Central Provinces and the Reserve Bank may have to consider their cases separately and to make suitable modifications in the scheme.

As regards direct financial assistance by the Reserve Bank to the Provincial Banks, the scope has been considerably narrowed down by the interpretation of section 17 (2) (b) and section 17 (4) (c) of the Reserve Bank Act, a subject which we have dealt with in these pages on more than one occasion. Now that there is no prospect of the Reserve Bank reconsidering the position, the Provincial Banks and their affiliated central banks should endeavour to create documents of title to goods and

Usance Bills of the kind required by the Reserve Bank. The Reserve Bank is giving or has agreed to give cash credit accommodation to some of the Provincial Banks like those at Madras and Bombay on the security of Government Paper. But the Madras Provincial Co-operative Bank has so far failed in its attempts to obtain similar accommodation from the Reserve Bank on the security of the debentures of the Madras Central Land Mortgage Bank, the principal as well as interest of which are guaranteed by the Government of Madras. The Punjab Provincial Co-operative Bank has opened a current account with the recently opened branch of the Reserve Bank at Lahore and we are told that negotiations are in progress to establish a permanent contact between the Provincial Bank and the Reserve Bank. The Reserve Bank has prescribed a form for the preparation of their balance sheets by the Provincial Co-operative Banks and some of the Provincial Banks have already been preparing and submitting their balance sheets in that form.

We hope that the adoption of these measures will bring the Reserve Bank into closer contact with the Provincial Co-operative Banks and that the Reserve Bank will be able to extend greater financial facilities to Provincial Banks in future than it has hitherto found it possible to give.

Is an All-India Apex Co-operative Bank necessary?.—The Maclagan Committee in their report of the year 1915 said that there was need for an institution which would undertake the function of rediscounting the promissory notes or Bills of primary societies when endorsed by co-operative central financing agencies like the Provincial Banks, as agricultural paper was not acceptable to ordinary banks for it represented security which was remote and inconvenient to realise. Nevertheless, they did not make a definite recommendation for the establishment of such a Bank for they felt the need for further informed advice from outside authorities and were impressed with the grave difficulties attendant upon the proposal. Fifteen years later in the year 1931 the Indian Central Banking Enquiry Committee expressed the view that there was no need to establish an All-India Apex Bank or an All-India Co-operative Council with administrative or controlling functions. This view was based partly upon the prospect of the early establishment of the Reserve Bank (which was established in 1935) and partly on the existence of the two All-India Co-operative Institutions, namely, The Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association. Although our expectations in regard to the Reserve Bank's services as a rediscounting agency of co-operative paper have not so far been fulfilled, as we have already stated, and the All-India Associations have not yet established close and effective contact with their member institutes, we are in agreement with the conclusion of the Indian Central Banking Enquiry Committee that there is no need for the establishment of an All-India Apex Bank. There is scope for the relations between the Reserve Bank and the Provincial Co-operative Banks improving in course of time if the latter endeavour to attain the standards expected of them by the Reserve Bank and create co-operative paper which the Reserve Bank will treat as eligible for rediscounting or acceptable as sound and valid security for credit. The Indian Provincial Co-operative Banks' Association comprises all the Provincial Banks in British India and some Provincial Banks in Indian States in its membership and "has for its object among other things the furtherance of common interests especially in matters of finance, legislation and administration." The main objective of the All-India Co-operative Institutes' Association is "to promote and extend co-operation through the institutes and to furnish advice and assistance to member institutes on all co-operative questions." Steps have been taken to ensure due publicity being given to the activities of these two Associations as well as those of the Provincial Co-operative Banks and Provincial Co-operative Institutes in India through the medium of *The Indian Co-operative Review.* If these two All-India Associations are further developed and maintained in an efficient state of working, they will impart new vigour and vitality to the Co-operative Movement in general and to the Provincial Co-operative Banks in particular.

The Future.—The first and foremost aim of the Provincial Banks with regard to their future development would naturally be to pursue their immediate objective, *viz.*, to consolidate and intensify their efforts, to equip themselves as reservoirs of funds required to supply their members with cheap and productive credit in a better regulated and more adequate measure and generally to become efficient provincial financing and balancing centres of the Movement. But they may not be left for long with the discharge of the functions of mere credit agencies. With a greater appreciation of the modern conception of co-operation they will be called upon to play a much wider role in our rural and urban economy.

Even in the limited sphere of finance, far reaching reactions are already in sight in the wake of recent trends of social legislation. Acts have already been passed in several Provinces for the relief of indebtedness and the regulation and control of money lending. These Acts will, no doubt, be made more drastic in course of time in the direction of making serious inroads on the supposed sanctity of contracts between debtors and creditors, so as to ensure better social justice and greater economic freedom to the masses—the toiling millions, the workers and the peasants. All these Acts will no doubt be made applicable to the Co-operative Banks as well. We now derive our limited supply of capital from wealth that is not used up by the richer classes, capital which can go on breeding bearing interest for ever. These notions will have to be abandoned. In Madras the ancient rule of *Damdupat* has been revived whereby the debt of an agriculturist is extinguished if an amount equal to the amount of the principal is paid as interest. The Provincial Co-operative Banks should encourage such social legislation and bring about necessary adjustments in the co-operative credit organisation as a whole.

Outside the strictly limited sphere of merely providing credit, Provincial Co-operative Banks will be called upon in the near future to become potent factors in the reconstruction of the economic life of the people, promote and encourage among other objects a more equitable distribution of wealth and better and equal opportunities of life for the rich and the poor. Co-operation is now looked upon as no more than "a phase of many sided socio-economic advance or a part of an entire rural reconstruction movement." As Prof. Radhakamal Mukerji, says in his article on "Planned Co-operation," published in our last issue, "As long as the Co-operative Movement does not link itself with the entire range of methods and agencies for the improvement of income and credit-worthiness of the cultivator, it cannot be rescued from the mire of bankruptcy and the rut of business inefficiency into which it has fallen." We endorse this view wholeheartedly. Co-operation will soon become a part of our planned economy and planned co-operation must be an offensive on all fronts. The Provincial Co-operative Banks, the central banks and the village societies may have to be so reconstructed as to become effective instruments of "an offensive on all fronts" of planned Co-operation.

THE HYDERABAD CO-OPERATIVE DOMINION BANK

BY

RAGHUNATH KACHE, B.A., (OSMANIA),

Asstt. Superintendent, Office of the Registrar of Co-operative Societies, Hyderabad (Deccan).

The Hyderabad Co-operative Central Bank was registered under the Hyderabad Co-operative Credit Societies Act 11 of 1323 F (1914) as a central society on limited liability by the Registrar on the 6th March, 1915. H.E.H. The Nizam's Government agreed to guarantee interest at the rate of 4 per cent per annum on the paid-up share capital for 20 years and laid down the following conditions to be observed by the bank: (1) The capital of the Central Bank shall be Rs. 5 lakhs with power to increase the same to any amount, not exceeding Rs. 20 lakhs with the permission of the Registrar previously obtained, (2) The Bank shall also have power to receive deposits from members or non-members to an extent not exceeding 5 times the paid-up share capital provided that the Bank shall keep in hand, either invested in H.E.H. The Nizam's Promissory Notes or in other securities approved by H.E.H. The Nizam's Government, and in cash, amount which shall be equal to half of the amount deposited with the Bank for the time being payable on demand, (3) The funds of the Bank shall be utilised for the purpose of granting loans to co-operative credit societies registered under the Co-operative Societies Act 11 of 1323 F, provided always that no loan shall be granted to any co-operative credit society, unless the same shall have been approved of or recommended by the Registrar of Co-operative Credit Societies, (4) The interest to be charged by the Central Bank to any co-operative society shall not exceed 9 per cent per annum, (5) A Reserve Fund shall be created by the Central Bank which shall consist of one-fourth of the net annual profit. This reserve fund may not be used by the Central Bank for its ordinary business but must be invested in banks or securities approved of by the Registrar and may serve to meet any unforeseen losses to reduce the rate of interest charged or allow a rebate to societies that have borrowed from the Central Bank.

The Dominion Bank started its business in 1915 at the end of which it had 76 members, 70 of them being individuals and 6 agricultural credit societies. The loans advanced during the year amounted to

Rs. 73,650 and the outstandings of the Bank stoood at Rs. 73,600 at the close of the year. Deposits received during the year amounted to Rs. 70,847 and the paid-up share capital was Rs. 24,110. The book profit was Rs. 1366 and the rate of interest paid on deposits was 5 per cent while that charged on loans advanced to its members was 9 per cent.

Current and Savings Accounts.—The business of the Bank steadily increased and it was thought desirable in 1923 to open Current and Savings accounts also. This was welcomed by the public and large amounts were deposited in the Bank under these heads. The figures given below for the first five years indicate the popularity of the accounts mentioned above:—

Balances at the End of the Co-operative Year, 1940

	Current Accounts	Savings Accounts
	Rs.	Rs.
1923 ..	22,311	10,510
1924 ..	38,241	14,633
1925 ..	1,61,919	26,628
1926 ..	2,26,487	51,948
1927 ..	3,58,869	61,458

The Bank advanced loans to individuals and primary societies. But as the need for a financial co-operative centre for the Dominion was increasingly felt, it was considered desirable to convert it into an apex bank. Steps were accordingly taken and by-laws were suitably amended at the general body meeting of the Bank in 1924, and the authorised capital was raised from Rs. 5 lakhs to 10 lakhs. The Bank thus entered on its second phase and started functioning as the Co-operative Dominion Bank. But it continued to have direct relations with primary societies in a few districts where for various reasons the local central banks were not prepared to take over loans already advanced by the Dominion Bank. By 1926, however, with the exception of only the Warangal and

Khamam central banks, all the other central banks agreed to take over the loans due from the primary societies in their areas to the Dominion Bank.

After changing the constitution of the Bank it was considered desirable to allow central banks to purchase shares, which they had not done till 1926, and consequently had no representation on the Board of Directors. It was also agreed and adopted in the by-laws that the votes of members shall vary according to the shares held by them at the rate of one vote for every ten shares of individual share holders and one for every four shares of a society or bank. The rule of one man one vote has, however, been observed in the Board as well as in the Executive Committee.

The Board, under the new by-laws, consisted of 12 directors of which only 3 could be representatives of societies and banks. The shares held by primary agricultural credit societies were transferred to the respective central banks and three of them were elected to send their representatives on the Board. The by-laws were amended in 1928, and the number of Directors was increased to 16, of which the Registrar was to be ex-officio Director and five were to be elected from societies and banks. Later in 1929, the by-laws were again amended and the number of Directors of the Board was increased to 21, 12 for individual share holders and 8 from societies and central banks. An Executive Committee comprising 8 members has been appointed to carry on the business, which also exercises all the powers delegated by the Board for efficient administration of the Bank. The individual share-holding which was originally fixed at a maximum of 50 shares per individual was revised under the orders of Government in 1939, and fixed at 40 shares per individual. The shares made available by this reduction were purchased by central banks at Rs. 120 per share. Further, in order to increase the voting power of central banks, the Dominion bank decided to issue 500 ordinary shares at par, which were all purchased by central banks. The by-laws were also amended to increase the number of representatives of central banks and societies from 8 to 10. Thus there are now 10 representatives of individual share holders and 10 of central banks and societies on the Board of 21 Directors, the Registrar being ex-officio Director. The Bank has been very fortunate throughout in having Dewan Bahadur S. Aravamuda Ayyangar, a distinguished co-operator of Hyderabad, as its President. It owes its strong financial position to the able guidance of its President and his colleagues on the Board of Directors.

Share Capital and Reserves.—The Bank started with a meagre share capital of Rs. 24,110, but has now Rs. 5,60,580 under this head. It has

always been the policy of the Bank to increase its reserves to make its financial position as strong as possible. Therefore it not only sets apart statutory reserves from its profits but also adds large sums every year to various other reserves for bad and doubtful debts and for over-due interest etc. The figures below show the growth of the share capital and various reserves:—

		Share Capital	Reserves
		Rs.	Rs.
1915	..	24,110	—
1920	..	3,50,140	22,636
1925	..	4,87,860	1,10,482
1930	..	4,96,610	2,27,728
1935	..	4,97,595	6,26,058
1940	..	5,60,580	9,03,172

The following table shows the dividends declared by the Bank from 1915.

Year		Dividend declared Percentage	Year		Dividend declared Percentage
1915	..	6	1929	...	6¾
1916	..	6½	1930	..	7
1917	..	9	1931	..	6
1918–			1932	..	6
1922	..	10	1933–		
1923	..	9	1935	..	7
1924	..	6	1936-		
1925-			1940	..	6
1928	..	7			

Deposits.—The financial stability of the Bank has always enabled it to enjoy great confidence and attract large sums as deposits from public. The figures below indicate that in spite of reductions in the rates of interest paid on deposits from time to time, the Bank had never any difficulty in tapping local deposits :—

Year	Fixed Deposits	Interest on deposits		Current Acct.	Savings Acct.
		For 1 year	For 2 years.		
	Rs.	Per cent	Per cent	Rs.	Rs.
1915	70,497	5	—	—	—
1916	1,43,815	5	5½	—	—
1917	3,22,571	5	7	—	—
1919	8,19,993	6	7	—	—
1923	12,07,674	6	7	22,311	10,510
1925	13,48,671	5	6	38,241	14,633
1928	21,74,472	5	5½	2,19,279	73,177
1930	26,70,283	4½	5	2,37,938	1,08,218
1933	28,36,859	4	5	1,44,737	1,97,691
1934	29,15,683	3½	4	1,75,166	2,51,867
1936	18,49,101	3	3½	20,77,686	2,84,750
1940	20,19,428	3	3½	2,36,566	4,09,238

The rates of interest paid on fixed deposits have been reduced to 2½ and 3 per cent for one year and 2 years respectively from 7th July 1940. Central banks and societies have always deposited their surplus funds in the Bank and, when needed, obtained loans on the security of such deposits. The rate of interest charged on loans advanced on the security of fixed deposits is 1 per cent more than that given on deposits. The deposits from the central banks and societies totalled Rs. 5,10,857 at the close of the co-operative year 1940.

Loans to Central Banks and Recoveries.—The lending rate from the beginning up to 1924 was 9 per cent. From 1925 to 1928 it was 8 per

cent, which was reduced to 6 per cent in 1936. From 1940 the Bank is charging only 5 per cent on all loans advanced to central banks. The Bank usually advances what are called short-term and intermediate loans, to be repaid in the first instance within a period not exceeding 3 years, but the Board of Directors may, from time to time, grant extensions considering the merits of each case, provided that the total period of such extensions shall not exceed 5 years. The Bank did not have any difficulty in recovering its loans from central banks except in the case of nine central banks, whose financial position was for some time causing anxiety to the movement. These were the banks which were the first to be opened and they were weighed down by losses incurred particularly owing to faulty finance. Such losses were aggravated by the general economic depression, which lasted for a number of years. In spite of offering attractive terms in the shape of rebates and concessions, recoveries from members of primary societies were not improving. Of the total outstandings of Rs. 33·37 lakhs with primary societies, as much as Rs. 7·80 lakhs was recoverable under interest, while the central banks owed Rs. 12·02 lakhs principal and Rs. 3·99 lakhs interest to the Dominion Bank. The Dominion Bank promised that in case the central banks paid up all their dues, it would grant a rebate of two lakhs, one lakh under principal and one lakh under interest. The central banks concerned requested the Government for help and H.E.H. was graciously pleased to sanction a loan of Rs. 15 lakhs, of which 8 lakhs was free of interest repayable in 10 years, and Rs. 7 lakhs was repayable in 5 years at 3 per cent interest. Having obtained the loan from Government the central banks paid up all their dues to the Dominion Bank which, in turn, granted a rebate of two lakhs as promised from its reserves. Besides, the Bank granted Rs. 35,064 as bonus to those four central banks, which had taken over and repaid loans that were advanced by the Dominion Bank direct to primary societies. On an average the Bank has advanced Rs. 4·7 lakhs every year to central banks for the last 10 years. The largest sum of Rs. 7·08 lakhs was advanced in 1939.

In addition to the business of co-operative finance the Government have kindly allowed the Bank to advance loans to Government employees for house-building purposes. The loan is advanced up to 12 times the salary of the employee and is repayable in 60 instalments at 6 per cent interest. Government has undertaken to recover instalments from the salaries for which the Bank pays 1/12 of the interest recovered. This loan is subject to the condition that the total amount outstanding in any one year should not exceed Rs. 10 lakhs. The loan outstanding at the end of 1940 was Rs. 8,91,655. The average profit that the Bank received every year for the last 5 years from this business was Rs. 48,000.

The Bank has purchased a building of its own for Rs. 86,551 and paid Rs. 2,000 from its profits in 1940 to the Central Co-operative Union for education and propaganda activities. The establishment charges of the Bank, on an average, amount to Rs. 12,000 per year, and a fund called the Provident Fund has been instituted for the purpose of making some provision on retirement for the members of the staff. The contribution of each member to the said fund is 1/12 of his salary, excluding bonus, acting leave and other extra allowances. To the total amount of the member's contribution as appearing at the end of the co-operative year the Bank contributes an amount equal to the total of the member's contribution and allows interest at 6 per cent per annum on the aggregate of the members' and its own contribution. The total amount of the Provident Fund of the employees amounted to Rs. 30,552 at the end of June 1941.

CENTRAL BANKS IN UNITED PROVINCES

Scheme for a Provincial Co-operative Bank

BY

B. L. JASPAL,

Deputy Registrar, Co-operative Societies.

There are 70 Co-operative Central Banks in the Province comprised of 59 District Banks, 10 Banking Unions and the Mason Co-operative Federation, at Bara Banki.

Constitution and area of operations.—The District and Central Banks, which differ between them only in name are wholly of the mixed type and have individuals as well as societies as their members. The Banking Unions, on the other hand, are of the pure type and have only societies as their members. The area of operations of a Banking Union is smaller than that of a District or Central Bank. In almost all cases both the classes of banks operate in the same districts but there is hardly ever any conflict or competition.

Functions.—Until 1928, supervision and finance were both vested in the central banks. But they functioned, more or less, as benevolent mahajans and neglected the more important task of supervision and education of societies. The United Provinces Co-operative Union was hence brought into being in 1928 to which the district and central banks entrusted supervision, education and development of their societies. The main function of central banks since then has been to raise deposits and loans and to finance the societies affiliated to them. Of the 70 district and central Banks 59 have already accepted the provincialisation scheme and they have become members of the Provincial Co-operative Union. The remaining banks are gradually falling into line with their sister institutions. In the matter of education of members and training of panchayats, societies under provincialised banks are distinctly superior to those working under the old system. Collections from societies under provincialised banks were 75·6 per cent of the demand in 1939-40, as against 53 per cent in the other case. The cost of supervision is met between the Union and its constituent members. Central banks meet 55 per cent of the costs of supervision and the balance is made up by the Government grant of Rs. 75,000 for the purpose. In cases, however, where the central banks are unable to meet their quota, the Union can and does reduce the amount.

Working Capital.—The working capital of central banks according to the report for the year 1939-40, is Rs. 108·15 lakhs of which the owned capital is Rs. 40·37 lakhs. The percentage of owned to working capital thus works out at 37·2 per cent. There are four banks, namely, Gorakhpur, Moradabad, Kasia and Banda, with a working capital of over Rs. 4 lakhs, 17 with a working capital of Rs. 2 to 4 lakhs, 17 with a working capital of Rs. 1 to 2 lakhs and the rest with a working capital of below Rs. 1 lakh.

Deposits.—The deposits from individuals, banks and societies according to figures for 1939-40 are Rs. 53·82, Rs. 3·92, and Rs. 10·28 lakhs respectively. The deposits accepted are mostly for one year. The central banks have taken full advantage of the present low rates of interest prevailing in the money market and have effected substantial reductions in their rates of interest offered on deposits, thereby enabling them to lend at cheap-rates to primary societies. The rates on deposit in the province average 3½ per cent and vary from 1½ to 6½ per cent.

The mahajans were so far reluctant to invest their funds in co-operative societies as they had other avenues offering very high rates of interest. In fact, they considered societies as parallel institutions prejudicial to their business. With the passing of debt legislation restricting and controlling rural credit, they are now feeling increasingly shy with their old clientele in the villages. This is perhaps the best occasion for bringing them into the fold of co-operative investors and also for enrolling them as sympathetic workers from within. The closer acquaintance with the actual working of co-operative societies will gradually dispel the suspicion with which they have been viewing them hitherto.

Advances and Recoveries.—The advances to societies according to figures for 1939-40 are Rs. 44·60 lakhs. The lending rates in the province average 12 per cent and vary from 8 to 12 per cent. The societies working with their owned capital sometimes make advances to their members at 6 to 8 per cent. The total demand according to figures for 1939-40, is Rs. 57·7 lakhs and the recoveries from working societies are Rs. 42·94 lakhs. The percentage of collections to total demand thus comes to 73·9 per cent which is the highest as compared with any previous year. Recoveries from working and liquidated societies combined, according to the figures for 1939-40, amount to 69·2 per cent. As the following figures will show, the overdues in relation to outstandings have shown a very satisfactory and progressive decrease.

Year.	*Percentage of loans over due.*
1935-36.	49·2
1936-37.	45·8
1937-38.	41·5
1938-39.	36·1
1939-40.	33·7

Financial position.—The financial position of the central banks in the province, on the whole, continues to be satisfactory, despite the fact, that fourteen banks worked at a loss during 1939-40 and the work of four small banks is at a standstill. As a rule central banks have won the confidence of the public but the small banks find it difficult to raise deposits at reasonable rates and have to look to other banks for accommodation under inter-moneylending arrangements in the absence of a Provincial Co-operative Bank. In the past, these arrangements worked smoothly but with the recent development programme they have proved halting and unhelpful.

Expansion Programme.—The movement has made rapid strides, both in the credit and non-credit spheres, during the last five years requiring large funds for investments. Until recently, we had single-purpose societies with a limited membership. Our new societies are now to be multi-purpose organisations with larger membership. They will thus have a variety of activities such as credit, marketing, better farming, better living, on the one hand, and purchase of domestic requirements on the other. A beginning has already been made with the marketing of agricultural produce and a number of central banks are not in a position to find adequate funds for financing the operations. Then, there are ghee and milk societies, societies for cottage industrialists and industrial stores which all need money for their expanding activities and find difficulties in having it from central banks.

Scheme for a Provincial Co-operative Bank.—The big drive launched by the co-operative department on the lines approved by Government necessitated the early formation of a Provincial Co-operative Bank. A scheme for establishment of the bank was drawn up in 1939-40 in consultation with the Reserve Bank of India and was discussed in the meetings of the Provincial Committees of the United Provinces Co-operative Union. The bank was to have an authorised capital of Rs. 25 lakhs, divided into 50,000 shares of Rs. 50 each. The issued capital was to be Rs. 7 lakhs to be paid in full. To start with, it was also proposed to have a Land Mortgage Department on the Bombay Model as an annexe to the Bank. Shares of the value of nearly Rs. 3 lakhs were promised by co-operators and co-operative institutions. Government had approved the scheme and had provided in the budget Rs. 50,000 for meeting the preliminary expenses, establishment and other charges of a non-recurring nature. They were further expected to subscribe to a number of shares and guarantee payment of interest and principal so far as debentures were concerned. It has, however, not been possible to go ahead with the scheme for sheer budgetary reasons at the present time.

The Unitary Type.—As the scheme of the Provincial Co-operative Bank has been postponed for the time being, I would suggest that the constitution of the proposed Provincial Bank be based on the lines different from those laid down in the original scheme. The Bank might be given the constitution of the unitary type as opposed to that of the affiliated one. In other words, the resources of all central banks, including share capital, reserve and other funds may be pooled together in the Provincial Bank for due administration. The Board of Directors of the existing central banks may continue to function on behalf of the Provincial Bank within their respective jurisdiction. Thus, the Provincial Bank will command a share capital and reserve fund of over Rs. 40 lakhs taken together at the very inception and attract greater confidence from the investing public. It will also be easier for it to weather panic in any particular area without affecting the whole movement. Besides conferring all the benefits of an affiliated type of Provincial Bank, the unitary type will, have several additional advantages, such as cheaper credit, economy of management, greater security for depositors, elimination of the chances of competition and better dividends etc. Such an institution will ever be a source of strength to the movement welding together all the different organisations into a stronger whole and will, in my opinion, be more co-operative in its texture.

LONG-TERM PRODUCTIVE CREDIT IN AGRICULTURE

Report of the Madras Committee on Co-operation

BY

K. C. RAMAKRISHNAN,

University of Madras.

Madras has in the last twelve years organised a system of long-term credit for agriculturists, which has elicited high praise from co-operators all over India. No Province or State is anywhere near Madras in respect of the number of primary land mortgage banks working (which are now 120) or in the number of villages where they have financed landholders (4500 villages are now actually served, but they are meant to serve in due course 17,250 villages) or in the volume of loans granted (Rs. 3 crores so far which may rise by half a crore every year) or in the rate at which debentures are successfully floated by the Central Mortgage Bank (3 per cent before the War and 3½ per cent now) or in the rate at which loans are granted to ultimate borrowers in primary banks (5 to 6 per cent and now 6½ per cent).

The Vijayaraghavacharya Committee, while fully appreciating this rapid development of land mortgage banking in Madras in a period of depression, pointed out that "this has just touched the fringe of the problem of rural indebtedness"—which for the Province was last estimated at Rs. 210 crores, of which 47 per cent was said to be mortgage credit. The Committee recommended a five-year plan of expansion of land mortgage banks with a view to cover the whole Province with at least 200 banks by 1945 on the basis of at least one bank for every revenue taluk in the irrigated tracts, and one bank for every two or three taluks in dry areas like Ceded Districts, which are at present very poorly served. With regard to the latter, accommodation is sought from the Famine Relief Fund of the Government, as debentures may not be easy to float for the duration of 30 to 40 years, which is necessary in a tract where annual repayments cannot be expected on account of the precariousness of rainfall. Improved irrigation facilities, particularly sinking of wells and conservation of moisture by dry farming methods, are advocated alongside of provision of credit, as that alone 'does not touch the core of the malady from which the people of these tracts suffer.'[1]

1. Report of the Committee on Co-operation in Madras, p. 101.

Madras has had the advantage of starting land mortgage banks in a period of depression when prices of produce and values of land had already fallen, so that any estimate of repaying capacity was bound to be low and err on the side of caution. Rights on land too are clearer in the ryotwari areas of this Presidency than in most of the North Indian Provinces. The earlier land mortgage banks were almost all organised in the irrigated deltaic and river valley tracts, where the failure of crops due to adverse seasons is practically unknown. But it is not merely these economic and physical factors that account for the phenomenal success of land mortgage banks in Madras, but the tender care and constant vigilance exercised by the far-seeing President of the Central Land Mortgage Bank, the late Sir M. Ramachandra Rao backed by his colleagues on the Board, and supported by the full sympathy of the Government of Madras who lent the services of their officers to the banks and guaranteed the payment of principal and interest to debenture holders which made them Trustee Securities. The Legislature conferred special powers on banks for the sale of lands or that of produce in default of repayments.

The working of land mortgage banks in Madras has been fairly smooth all these years in spite of the warnings uttered by well-meaning and experienced critics in other Provinces that with age might appear signs of deterioration. There have been practically no overdues from primary banks to the Central Land Mortgage Bank though in some of the primary banks—particularly in older ones—borrowing members have defaulted, which is nothing surprising in a period of unparalleled depression. Difficulties may arise in foreclosure in villages not ridden by faction, and it may not be easy for land mortgage banks to manage or supervise the cultivation of land that falls into their hands. More disturbing in recent years has been the tendency of several borrowers to return far in advance of the period of maturity the loans that had been taken presumably for twenty years. The whole scheme of long-term credit is bound to be upset and the problem of finding profitable investment for advance collections far in excess of the requirements of the sinking fund will grow more acute, if more borrowers thus trifle with the system of long-term credit. This is an aspect of working of land mortgage banks which has not received adequate attention at the hands of the Committee.

II

A fundamental defect in the working of the land mortgage banks in Madras is, as the Committee themselves say; "practically all the loans advanced to the banks are for the purpose of discharging old debts of borrowers." The by-laws provide for the grant of loans not only for the redemption of mortgages and discharge of prior debts but also for the improvement of land and methods of cultivation and for the purchase of land in cases where the members can round off their holdings and work them economically. It is not clear to what extent, if at all, loans have been given for such purchase of land. In advanced agricultural countries purchase of land was a common, or even the dominant, purpose for which loans were granted by land mortgage banks. In fact many of the banks were organized, particularly in Eastern Europe after the last Great War, to enable the tenantry to acquire by purchase of land an independent status and the facilities to work the land more intensively to their own profit.[2]

It is not as though the Madras ryots were averse to purchasing land, if an opportunity was offered and loans could be had. Not only in the boom period after the last war, but even during the dreadful depression between 1930 and 1937 when enquiries were made by Resettlement Officers in select villages it was found that the percentage of loans for purchase of land to total loans was 64 in Salem hill villages, 44 in the southern taluks of Salem, 42 in Guntur delta, 35 in Guntur uplands and 30 in Nellore delta.[3] Perhaps many of these were cases of mere land grabbing without any thought of economic returns and few were genuine cases of acquisition of land for making the holding economic or compact. It would have been helpful if a detailed enquiry had been made of this phenomenon and recommendations framed. But the Committee content themselves with the halting conclusion: "There may be, and there probably are, special cases where a bank may be justified in giving a loan for purchase of land; such cases can be decided on their merits. But in present circumstances we refrain from making a general recommendation."[4]

Any scheme of consolidation of holdings would entail the need for payment of cash on the part of some to others and would also make it worth while for improvements to be effected on the consolidated holdings such as sinking of wells, putting up enclosures etc. The Committee on Co-operation found fragmentation and subdivision of holdings in the Province 'noticeable' but they echoed the long familiar official view that " the problem in Madras has not been acute, and consequently no

2. Report on Systems of Agricultural Credit and Insurance by L. Tardy, p. 5.

3. Report of the Committee on Co-operation, p. 74.

4. *Ibid*, p. 107.

widespread desire for the consolidation of holdings and for capital to finance the process of consolidation."[5]

After an examination of all the data made available to the public by the Board of Revenue and other bodies, we feel that there has been no adequate enquiry, official or non-official, on the fragmentation of holdings over any wide area in the Presidency. There is no use relying on impressions or inferences drawn from isolated investigations. The inadequacy of data collected so far and the apathy of the Provincial Government in the matter were commented upon by Mr. K. G. Ambegaoker, Officer in charge of the Agricultural Credit Department of the Reserve Bank of India, in the course of an able paper surveying the situation in different provinces. He observed " the lack of exact knowledge regarding the extent of fragmentation is mainly responsible for the apathy towards consolidation. The first duty of the investigator is therefore to obtain such information by actual investigation on the spot where the Government does not admit the evil."[6]

Lending for the clearance of prior debts has no doubt the sanction of tradition, much more than that for agricultural improvements, in land mortgage banks in western countries. Nicholson pointed out that the European peasant wanted long-term credit not so much for the improvement of land or of agriculture, but for the purchase of land, paying off co-heirs, clearance of usurious debts.[7] The German Landschaften and other mortgage banks were, according to J. R. Cahill, granting long-term credit without requiring any declaration of the purpose of the loan. There were other institutions—Land Improvement Funds, Land Improvement Annuity Banks, Provincial Aid Banks, Imperial Insurance Institutions—which granted credit for specific land improvement or farm buildings. There were also Rent Charge Banks which granted loans for the creation and equipment of small holdings, especially organised for those who wished to redeem burdens or servitude which still attached to the possession of their holdings. However, the loan transactions of these improvement or equipment banks were insignificant by the side of those of the Landschaften.[8] It is not merely the attitude of mind of the peasant that accounts for small loans for improvement of land. The fact is that in older countries most of the

5. *Ibid*, p. 105.

6. Proceedings of the First Conference of the Indian Society of Agricultural Economics, 1940, p. 32.

7. Report on Land and Agricultural Banks, Vol. I, p. 43.

8. Agricultural Credit and Co-operation in Germany, pp. vi-viii.

land would have been already improved by generations of farmers in the past and the scope for improvement is much less than in newer countries.

It is not, however, quite correct to say, as Nicholson said, that in few of the European countries, in which he included Denmark, "does agricultural improvement find any place as a cause of indebtedness, except in so far as the pressure of population and foreign competition are forcing intensive cultivation and hence the purchase of machinery, manures and seeds" and that "it is a grave error to suppose that he (the European peasant) any more than his Indian confrere is thirsting after credit with a view to land improvement."[9] We find Mr. C. F. Strickland, writing after a visit to Denmark etc. 30 years later, expresses quite a different view. Increase of rural population led to a further break-up of the estates, and in order to facilitate the transfer of land the Danish Land Mortgage Credit Associations were founded from 1851 onwards, when the agricultural revival of Denmark really began. "The object for which a Dane borrows is usually the purchase or development of property. For this purpose the associations are originally created and in its fulfilment they have become extremely popular and useful." Fifty per cent of the Danish farms are under mortgage, and no strenuous effort is made to pay it off, since intensive cultivation involves the outlay of a relatively large capital per acre and a mortgagor is enabled both to buy and to work a larger farm than his unaided means would place within his reach. Advances for other objects are given, but less frequently.[10]

We learn that the Federal Land Banks of the United States, organised as late as 1916, have been advancing long-term loans, for periods of 5 to 40 years at the option of the borrowers, up to 50 per cent of the value of land and 20 per cent of the value of improvements on it. Loans have been limited to the following purposes:—(1) for the purchase of land for agricultural purposes; (2) for the purchase of equipment, livestock etc.; (3) for the improvement of farm-land and building of farm houses; and (4) for liquidating old debts incurred for agricultural purposes. There were, no doubt, a large number of foreclosures in the depression period following the post-war boom, which was inevitable under any system. But the Federal Land Banks have undoubtedly helped in improving farming practices. They have tried to

9. Report on Land and Agricultural Banks, Vol. I, p. 43.

10. Studies in European Co-operation, Vol. II, pp. 25 and 41.

educate farmers to better agricultural methods and "in many cases to enforce their suggestions by making them a condition for the granting of loans." They insisted on measures against erosion and the like.[11]

Professor J. P. Niyogi seems to question the wisdom of the principle laid down by the Agricultural Credit Section of the Reserve Bank of India that the main purpose of long-term loans raised on the security of land should be the improvement of the land itself. He cites authority to show that even in the United States, 'the home of progressive farming,' of the loans granted by the Federal Land Banks from their inception upto the end of 1930, as much as 77 per cent was for the repayment of old debts and only 8 per cent was for improvements.[12] The fact is that in the United States from the very year of the inauguration of the land banks in 1917, agriculture has had to pass through one crisis after another: the boom in prices of produce and land values in 1917 to 1920, the decline in prices from 1920 to 1925, the collapse of prices thereafter, the fitful recovery since then as a result of gigantic schemes of rehabilitation. All these introduced such rapid and drastic changes, which a long-term credit institution would not be able to face, without deviation from principles laid down for the long run. Stabilisation of status or at least rehabilitation after fall had to be undertaken as the foremost duty of the land banks and other credit institutions which cropped up one after another in quick succession and they, on the whole, reduced the debt burden of many of the farmers, on an average by 50 per cent, as is shown in a recent contribution on Agricultural Credit in the United States by E. C. Johnson of the Farm Credit Administration. After reviewing the policies and practices followed in the past in extending credit to farmers he observes: "it is obvious that too much attention has been paid to the value of the collateral securing a loan, and insufficient attention given to analysing the income of the farmer as an indication of his ability to repay the loan. This emphasis on collateral has resulted in excessive lending during periods of rising prices and in difficulties during periods of low prices, when debts became a heavy burden." He concludes "more careful analysis by creditors of applications for loans to determine whether the funds desired can be used to advantage and can be repaid from farm earnings will do much towards developing a more stable agricultural situation."[13] The experiments in long-term credit in the United States offer indeed as much a warning as an example.

11. Belshaw, H., Provision of Credit in Agriculture. p. 149.
12. The Co-operative Movement in Bengal, p. 168.
13. Year-Book of Agriculture, (U.S.A.), 1940, pp. 752-4.

Dr. C. R. Fay says that "mortgage-banking should be highly selective. Even if it is used in part to pay off prior debts, he urges, the borrower should be required to give evidence that the redemption will lead to the improvement of the land."[14] There are surely some vital differences between the prior debts of members in our mortgage banks and those of their confreres in western countries. Most of the prior debts of the latter were due to the purchase of land, sometimes at boom prices, and its improvement, while our ryots have borrowed more for marriage and other festivities, house building beyond their means, litigation, and recently for local election expenses, though the returns for the latter are difficult to get. A frank and full analysis of the causes of prior debts which are being redeemed by our land mortgage banks may be revealing. Students of the subject would also like to know how far land mortgage banks have helped the actual owner-cultivators instead of the land-owners, who do not farm the land themselves or even supervise it.

Sir George Bracken, Finance Member of the Government of Madras in 1936, expressed grave doubts as to the utility of the single purpose for which almost all the loans were granted by land mortgage banks in our Province. He said "Let us be under no illusion. The remedies we are attempting are in the nature of palliatives, rather than final solutions. The consolidation of debts as long-term mortgages on easy terms is, of course, a very real benefit to the debtor. But the debt or most of it remains and much of the debt is, I fear, of an unproductive nature. That, I am afraid, is a weak spot in the present working of land mortgage banks, that so much of the money lent is for past debts of an unproductive character, and so little for financing productive expenditure, such as land improvement, consolidation of holdings and so on".[15] Nearly five years have passed since these words were uttered, and yet with the best of intentions few or no loans have been granted for the improvement of land or its equipment.

III

The public thought that the legal doubt whether a loan advanced for effecting improvements on land could bind the sons and other coparceners of the borrower in a Joint Hindu family had been cleared by the legislative protection given in Section 32 of the Madras Land Mortgage Banks Act (1934). "The improvement of agricultural land or the

14. Co-operation at Home and Abroad, Vol. II, p. 380.
15. *The Indian Co-operative Review*, 1936, p. 721.

methods of cultivation shall not be regarded as purposes not binding on a member of a Joint Hindu Family." To our amazement we are now told by the Committee, and a few who have answered the questionnaire on the subject, that the legal difficulties in the way of productive loans still persist, and that the Section does not afford adequate protection to lend for the purpose and that further amendment is necessary.[16] We trust that this will be done at the earliest opportunity the Provincial Legislature gets, as there is an amount of goodwill all round on the question of land and agricultural improvements.

A more serious impediment, however, is the system of equal inheritance of land among the sons in Hindu families (and also among daughters in Mohammadan families) which has resulted in excessive sub-division and fragmentation of holdings. If no holding can be safe from such a break-up for twenty years at a stretch, it is vain to lavish long-term credit on the improvement of the holding. We can understand, in the circumstances of our country, the reluctance of the Committee on Co-operation to recommend the extension of the duration of mortgage loans from twenty to thirty years. For, apart from the lack of attraction of thirty year debentures to the investing public, the Committee had a natural fear that "to lend for so long a period may result ultimately in endless difficulties with coparceners and the like."[17]

The demand for genuine land improvement loans has indeed been very limited, not only among members of land mortgage banks but also among others in this country, partly because of the laws of inheritance, and partly because of general apathy and ignorance of the scope and facilities for improvement. The Royal Commission on Agriculture pointed out that "while there is some demand for facilities to repay old debts or redeem mortgages, there is no very strong demand for long-term money for land improvements. Land mortgage banks will neither fill a gap nor meet a long felt want......their greatest service may be the lowering of interest to a level which will bring many improvements within the class of productive works."[18] In connection with the working of the Land Improvement Loans Act, Local Governments were said to have been willing to provide more funds if there was a real demand for such works. There was, no doubt, avoidable delay in the enquiry

16. Report of the Committee, p. 123. Evidence tendered by the Madras Provincial Co-operative Bank and Mr. M. Giriappa, Vol. II of Replies to Questionnaire, pp. 715 and 724.

17. Report of the Committee, p. 108.

18. Report of the Commission, p. 466.

before granting loans, some leakage before the funds lent reached the borrowers and there was some rigidity in the recovery of instalments due, inevitable in any system of state administration.[19] But these were not the only reasons for the failure to have greater recourse to state loans for land improvement. The Commission came to the conclusion: "what is lacking is not so much capital for land improvements as ideas for utilising it for productive purposes."

The Land Improvement Loans Act recognised a wide variety of purposes for which long-term loans could be granted; reclamation and clearance of land, enclosure, construction of wells, tanks and drainage works, and such other works as the Local Government may notify from time to time. Apart from inertia and initial difficulties, often insuperable, there is an element of gamble in the undertaking of some of these works, which is one reason why only a few resort to these loans. On the other hand, recovery is bound to be rigid whether the project succeeds or not. The officers of the Revenue Department, to whom has so long been entrusted the work of administering the Land Improvement Act, have not exerted themselves in any marked degree to popularise these loans. It may be that these overworked officials are not to blame for the inconsiderable sums granted as loans every year. We indeed expected that they would be anxious to be relieved of the responsibility. The Board of Revenue, however, in their evidence to the Committee on Co-operation claim still that 'the Revenue Department is the best agency for administering the improvement of land' and say "no other agency need have anything to do with them." It is their view that if land mortgage banks were to enter the field "there may be an overlapping of securities"[20] which should be avoided. This is an amazing attitude to take for a Department which has done so little in the past to promote land improvements and is itself technically ill-qualified to advise the ryots. It seems to view the move of the land mortgage banks to lend for land improvements, on well-ascertained technical advice, as an encroachment on its own legitimate field. The Committee on Co-operation have paid little heed to this viewpoint but recommended that the grant of loans by the Government (i.e. the Revenue Department) should not be encouraged in areas adequately served by land mortgage banks.[21] The latter, however, must not stop with expressing goodwill and doing little. An active enquiry must be made of the scope for such improvements and loans granted to the really capable ryots.

19. Report of the Madras Banking Committee, p. 97.

20. Evidence, Vol. II, p. 723.

21. Report, p. 106.

It is a pity that on a very vital subject, the reclamation of cultivable wastes, we have so little precise data on either the quantitative or qualitative aspects, in spite of the increasing pressure of population on the soil and the imperative need to extend the area of cultivation. The illusions about vast areas of cultivable wastes would considerably decline with the knowledge that the figures have been derived by mere subtraction of the other classes of land from the total area; and they represent "unassessed wastes" which may or may not be cultivable. Many of these pieces of so-called cultivable wastes lie scattered in fragments not fit to be tackled by modern methods of reclamation by machinery and not amenable to control by one agency. The Committee on Co-operation observe in connection with agricultural colonisation on a co-operative basis, that "most of the land which is really fit for cultivation but unoccupied is limited and is in tracts where extensive and expensive reclamation is needed." Cultivable wastes also remain in the hands of private owners unused, because of malaria or of ravages of wild animals or want of transport. The most important limitation in tropics is the scantiness of rainfall or other methods of irrigation. The first of the recommendations of the Committee as regards reclamation and colonisation is an intensive investigation, at least in districts where large blocks of cultivable land are available for assignment. They also recommend that the Government should undertake at its own expense all the measures necessary to make the land fit for cultivation and the locality fit for habitation including the provision of roads, building of dispensaries, and that assignment of land should be made to co-operative societies and not to individuals.[22] We are not sure whether any Government will in the near future undertake this multifarious responsibility and convert itself into not merely an owning but an improving landlord. But where the proposition is attractive to individuals with some daring and enterprise and expert opinion is favourable, land mortgage banks may venture to give long-term loans for reclamation.

In connection with the sinking of wells, which is the most popular form of land improvement in this Province, a number of careful enquiries are called for. The Royal Commission on Agriculture suggested an enquiry as to "why the pace of improvement is so slow, why more wells are not being sunk in areas in which they are said to be profitable; or, to put it differently, why the wells sunk last year were not sunk five or fifteen years ago".[23] As regards wells to be sunk, it is necessary to examine how far "the difficulty of the cost of construction, the tenure on which the land is held, the fragmentation of holdings, disputes among co-sharers, the uncertain return on capital invested and the power available for lifting water—all these have either alone or in combination proved limiting factors."[24] Systematic surveys of sub-soil water supplies, which will enable more definite and reliable advice to be given on the probabilities of finding water are long overdue. Again, on the subject of lifting water for irrigation from wells, the relative economies of bullock-power, of oil or gas and of electricity in particular circumstances should be carefully studied and correct advice on the utility of installation of power-machinery should be made available to parties and to the land mortgage banks which are disposed to lend for the purpose.

The economic prospects, as well as the technical possibilities, should be investigated of the conversion of arable land, dry or even wet, into 'garden land' where horticultural products could be raised, for which there is a slowly growing market in the country. If the land mortgage banks lend funds for the growing of tree crops, like the cocoanut, the cashew nut, the mango and citrus varieties, they should not insist on the payment of equated instalments from the very first year. Repayments should begin at the end of two or three or even five years and instalments too may be graduated so as to grow with the possible growth in income.

The duration of the loan need not be as long as twenty years in all cases; for the income varies with the nature of each purpose and the circumstances of each individual borrower. There is nothing scientific or sacrosanct in the twenty-year period, though we agree with the Committee that in this country it is better not to extend it beyond twenty years for reasons already stated. There is no reason why it should not start from five years and go up to twenty years, even as such variation is permitted by land banks not only in foreign countries like the United States but in other Provinces in India. The Committee have ably argued the case for medium credit, extending from three to five years and in exceptional cases to seven years. Here is a gap to be filled between 5 or 7 years and 20 years. They recommend that land mortgage banks may fill the gap and lend from 6 to 20 years, floating debentures for periods of 5, 10, and 15 as well as for 20 years.[25] This would incidentally solve the problem of finding profitable as well as dependable outlets for the collections received

22. *Ibid*, p. 286.
23. Report, p. 428.

24. *Ibid*, p. 347.
25. Report, p. 108.

from borrowers every year of repayments of principal instalments, which have had to be invested in securities with fluctuating market values and fetching lower rates of interest than those payable on debentures.

The provision of credit for such intermediate periods may help to establish dairy farming on business-like lines. There is no doubt that there is a growing unsatisfied demand for dairy products not only in the populous urban centres but in comparatively flourishing rural tracts. The purchase of first class dairy animals and the equipment needed to maintain them require credit not so much of the short or long-term types but of the intermediate type for five to ten years. Specialisation in dairying may be ruled out in most cases in this country; but mixed farming with dairying as one of the lines is better suited to our conditions of cultivation and consumption. Land mortgage banks will be rendering a great service to the country and to the agriculturists by undertaking in earnest the financing of improved dairy-farming and the marketing of milk and milk products after hygienic handling and scientific processing. Of all the agricultural processing industries in western countries, it is the dairy industry into which co-operative organisation has penetrated farthest. The dairy industry in India may not develop on the same lines; but investment in livestock, farm land and farm building, and processing machinery will all be needed, and long-term credit will be necessary for such development. May we not look to our good land mortgage banks to help in building up a rational dairy industry suited to the country's needs?

THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK

BY

RAO BAHADUR C. GOPAL MENON, A.I.B. (LOND.)

Several schemes for raising long-term capital and the issue of long-term loans were considered by the Government of Madras and the Co-operative Department from time to time. But no definite conclusions were arrived at for some reason or other. It was in the year 1925 that a scheme for starting primary land mortgage banks in the Province was sanctioned by Government. The main features of the scheme were: every primary land mortgage bank was authorised to issue 20 year debentures to the extent of 8 to 10 times its paid up capital, fixation of the maximum loan for an individual at Rs. 1,000 with a further restriction that it should not exceed 50 per cent of the market value of the mortgaged land, and the appointment of the Registrar of Co-operative Societies as Trustee of the banks to see that the obligations to the debenture holders are fully carried out. To encourage the investing public to purchase these debentures the Government undertook to purchase these debentures to the extent subscribed for by the public up to a maximum of Rs. 50,000 in each bank. Two such land mortgage banks were started in 1925 and by June, 1927 there were ten land mortgage banks in the Province. Two or three of these banks were able to raise some money by way of debentures, while the rest could raise little or no money and remained practically dormant. It was felt that other arrangements had to be made if the scheme for supply of long-term co-operative credit was to be made available to the ryots of the province. A meeting of the representatives of the existing land mortgage banks was held at the office of the Registrar of Co-operative Societies on 14th November, 1927. This meeting was attended by the members of the Committee on Co-operation presided over by Mr. Townsend, who were then holding their enquiry into the state of the co-operative movement in the province. The meeting agreed that in view of the impossibility of getting adequate funds by offering debentures locally even at 7 per cent, a Central Land Mortgage Bank at Madras should be formed with an influential directorate to float debentures on the assets transferred by primary land mortgage banks and to finance them. The main features agreed upon at the conference were that the Co-operative Central Land

Mortgage Bank, should be composed of primary land mortgage banks as well as individual share holders, that the working capital of the Bank should be twenty times the share capital and reserve fund, and that there should necessarily be a Trustee to the Central Land Mortgage Bank, to look after the interests of the debenture holders. The meeting felt that the mere formation of a central agency may not attract enough capital and decided to request the Government to guarantee interest on all debentures issued during the first five years, for the full period of such debentures or in the alternative to take debentures at least to 50 per cent of its requirements. It was further agreed at the meeting that the Government should continue the inspection and audit work in the initial stages.

The Royal Commission on Agriculture also stated that "the system of issue by separate land mortgage banks would invariably result in a number of small institutions flooding the market with competing issues, control would become difficult, the security offered would be low, the interest rate would be forced up in consequence of this and the competition from purchasers and there would always be the danger that the whole system of debentures would be brought into disrepute by the mismanagement of a single institution". For these reasons, among others, the Commission recommended that the formation of a Central Land Mortgage Bank was an imperative necessity. The Townsend Committee recommended that the main features of the proposed Co-operative Central Land Mortgage Bank, should be, that the bank should be composed of non-borrowing individual members and primary banks, that the raising of working capital should be by the issue of debentures only which should be secured on the floating charge on all the assets of the Central Land Mortgage Bank, that the bank should give loans only to land mortgage banks and that provision should be made for the disposal of collections either by the creation of a sinking fund or by the bank purchasing its debentures at par in the open market or by periodical redemption of debentures by drawing of lots after due notice. Based on the recommendation of the Townsend Committee and as a result of the discussions held by the Minister in charge of Co-operation with the Registrar and prominent co-operators, the Government of Madras sanctioned the formation of a Central Land Mortgage Bank and obtained the permission of the Legislative Council by a resolution passed on the 17th October, 1929 to guarantee interest at 6 per cent on debentures issued by the Central Land Mortgage Bank in the first five years, up to a maximum of Rs. 50,00,000. The Government also deputed two Deputy Registrars and ten Sub-Registrars to look after land mortgage bank work. The Madras Co-operative Central Land Mortgage Bank was thus registered on the 12th December, 1929 and was authorised to commence transactions from that day.

Membership and Share Capital.—Under the the bylaws the membership of the Bank is open to individuals and primary land mortgage banks. In 1934, the bylaws were amended to enable the Government of Madras to take shares and become a member of the Bank. The Government took five shares and are transferring two of them to one of the two persons nominated by them to the Board of Directors of the Bank.

In the original bylaws the authorised share capital of the bank was fixed at Rs. 10,00,000. It was recently raised to Rs. 20,00,000 made up of 20,000 shares of Rs. 100 each, fully paid up. The bylaws originally allowed an individual member to take shares up to an extent of Rs. 5,000. In 1934, the maximum holding of an individual was limited to shares of the value of Rs. 2,000. There was no restriction as to the number of shares that a primary land mortgage bank may take in the Bank. But under the subsidiary bylaws every bank is required to take at least one share for every sum of Rs. 5,000 it borrows from the bank. A statement showing the number of members and share capital on the 30th June every year since the bank was started is appended. The paid up capital of the bank on 30th June, 1941 was Rs. 9,35,100.

Management.—The original bylaws provided for a Board of Directors consisting of 12 members, 5 directors elected by individual share-holders, 5 directors elected by representatives of member banks, the Registrar of Co-operative Societies—Ex-officio—and one individual member nominated by him. The number of members of the Board was raised from 12 to 15 in 1934 and later to 18. The present Board consist of 18 members, 6 members representing individual share-holders elected by them, 9 representing primary banks elected by representatives of share holding banks, one individual share-holder and another person nominated by the Registrar of Co-operative Societies, and the Registrar of Co-operative Societies, Ex-officio. The first set of directors were nominated by the Registrar of Co-operative societies. Dr. S. Swaminathan, Bar-at-law, was elected President, Mr. (later Sir) M. Ramachandra Rao, Vice-President, and the writer of this article as the Treasurer. Dr. Swaminathan died soon after and Sir Ramachandra Rao was elected President on 5th January, 1930. On 16th July, 1930 the nominated Board went out of office and the first elected Board took charge on that date. Sir M. Ramachandra Rao held the office of President from 5th January, 1930 to 16th May, 1936, when he died. Sri T. A. Ramalingam Chettiar, then Vice-President, was elected President and continues to occupy this responsible office. The writer of this article has continuously been the Treasurer of the Bank except for a short period when he held the office of the Vice-President.

The sanctioning of loans and other day-to-day administration of the bank is carried on by an Executive Committee constituted by the Board consisting of the President, the Vice-President, the Treasurer and two more members of the Board and the Registrar of Co-operative Societies. If either of the Registrar's nominees is not on the Executive Committee the Registrar nominates one of them to the Executive Committee when it consists of seven members.

Procedure in the grant of loans.—The primary object of the Bank is to finance land mortgage banks in the Province. The objects for which the latter lend monies to their members are: redemption of mortgages on agricultural land, the discharge of prior debts, the improvement of agricultural land and methods of cultivation and the purchase of lands in special cases to round off one's holding. For securing a loan from a primary bank a member has to apply to the bank in the prescribed form giving all details of his assets and liabilities, and file documents of title to the property to be mortgaged. The supervisor of the bank and a director deputed for the purpose, inspect the fields and draw up a report assessing the value of the land with reference to sale values of neighbouring plots in recent times and actual state of yield from the proposed hypotheca. The capacity of the applicant to repay the loan from his income after payment of *kist* and meeting other expenditure is assessed. An encumbrance certificate in respect of the proposed hypotheca is obtained. The documents of title, the encumbrance certificate, the reports of the supervisor and the director are then sent to the legal adviser of the bank who prepares a report on the validity of the borrowers' title to the lands. After the legal adviser's report is received, the whole file is handed over to the Co-operative Sub-Registrar in charge of the Bank, who investigates every detail, inspects the lands personally, assesses the value of the land and repaying capacity and gives a report on the desirability or otherwise of sanctioning the loan. The Board of Directors of the primary bank then sanction or reject the loan. All applications sanctioned are sent to the Deputy Registrar for Land Mortgage Banks who forwards them with his recommendation to the Central Land Mortgage Bank. The title and other details are checked in the office of the Central Land Mortgage Bank and placed before the Executive Committee of the Bank. On receipt of intimation of sanction, the primary banks obtain mortgage bonds from the applicants and assign them to the Central Land Mortgage Bank. The bonds are verified in the Central Land

Mortgage Bank and loans disbursed to the primary banks, who in turn disburse them to the borrowers.

Loans are sanctioned up to 50 per cent of the estimated value in respect of wet and well-aided lands, 25 to 30 per cent in the case of systematically cultivated rain-fed lands. The lands are revalued every year in order to see that the loan continues to be adequately secured.

It took time for the primary banks as well as the applicants for loans to understand the requirements of the Central Land Mortgage Bank before it could sanction a loan. The rigid standard set up in the matter of valuation of properties and estimation of repaying capacity left many applicants and the primary banks disappointed. The Bank was started in the wake of the world economic depression, when prices of agricultural produce and of land were tumbling down. Agriculturists who were thinking still in terms of the pre-depression period felt that the Bank was unduly hard in the matter of valuation and estimation of repaying capacity. The investigation of title, which required that the applicant should file all documents cited in the encumbrance certificate in the last 24 years, was another source of irritation and the cause for great delays. The bank was accused of abnormal delays in the sanction of loans. It took some years even for persons who ought to have known better to understand that, having regard to the nature of the business and the character of the institution it was not possible to relax the conditions for speedy sanction of loans.

Progress in Transactions.—When the Central Land Mortgage Bank was organised, there were only a few primary banks which were actively functioning; all the others were in a dormant condition. It took time to resuscitate some of them and start more in other areas. So the loan transactions of the Bank developed slowly in the first few years but rapidly increased thereafter as is shown in the following table.

Year. (From July to June)	Amount disbursed by the C.L.M.B.	Year. (From July to June)	Amount disbursed by the C.L.M.B.
	Rs.		Rs.
1929-30	42,200	1935-36	31,96,490
1930-31	5,04,490	1936-37	39,18,115
1931-32	6,44,060	1937-38	35,79,185
1932-33	10,80,975	1938-39	58,52,865
1933-34	14,77,635	1939-40	42,81,940
1934-35	19,99,960	1940-41	40,77,760
			3,06,55,675

The disbursement of loans during the year 1938-39 reached the record level of Rs. 58,52,865. In December, 1937 the Congress Government published the Agriculturists Relief Bill providing for scaling down of the debts of agriculturists. As the bank was largely lending for redemption of prior debts and as the prior debts were affected by the proposed legislation, the bank had to suspend operations till the bill became law in March, 1938. The amount due by each applicant had to be ascertained as per the terms of the Act. The revision of the amounts and obtaining the consent of creditors to accept the amount as scaled down under the Relief Act took some time and so there was a fall in the business in 1937-38 when compared with the business of the year 1936-37. The accumulated applications of 1937-38 and the large influx of applications from agriculturists who wished to take advantage of the Relief Act and pay off their dues to the former creditors accounted for the great increase in the business of the bank in 1938-39.

Prior to the outbreak of the war in September, 1939, the Bank experienced some difficulty in finding the requisite funds for its transactions by issue of debentures. Those were days when the loans of the Commonwealth of Australia and of the London County Council proved to be great failures. On the outbreak of the war in September 1939, the Government of Madras, which had been giving temporary accommodation to the Bank for issue of loans to be repaid on flotation of a debenture loan by the bank, intimated their inability to continue the accommodation any further. The Bank raised its borrowing rate on debentures from 3 to 3½ per cent. There was good response to the debentures and the Government agreed to continue the accommodation. The settlement of these problems took three to four months and till they were settled, the Bank suspended issue of new loans. On resumption of business the Bank decided to issue loans upto a maximum of Rs. 5,000 to an individual. Previously loans upto Rs. 10,000 had been issued in select areas. But these were discontinued as it was felt that it was better to serve a larger number of lower and middle class farmers than a few big landlords. This policy is partly responsible for the decline in the loan transactions in the years 1939-40 and 1940-41.

Purposes of Loans.—The purposes for which land mortgage banks can lend have been referred to above. So far the bulk of the amount has been lent for redeeming prior debts. These prior debts had been incurred for all sorts of purposes including purchase and improvement of land, marriages, education and litigation. The question of issue of loans largely for purposes of improvement of lands has been engaging the

attention of the Board for some time. The issue of loans for this purpose bristles with a number of difficulties. The nature of improvements should be approved by proper authorities and the improvements effected have to be properly estimated. The co-operation of the Departments of Revenue, Irrigation, Industries, Agriculture, etc.; is necessary, if it is to prove a success. The Board has recently resolved to approach the concerned departments for co-operation and to issue loans for land improvement. The real success of land mortgage banking in this Province will be achieved when the Bank is able to finance land improvement schemes. Apart from increasing the repaying capacity of members it is bound to add to the agricultural wealth of the country.

Cases have arisen where members, who have taken loans some years ago and cleared their then existing debts, have again applied for loans for clearance of debts incurred after the loan was taken. The security offered in some cases was land other than the hypotheca. The purposes for which debts were incurred again ranged over the whole field referred to above. The Board considered that there should be some restriction in the sanction of second loans and decided that they may be granted only for the following purposes:—

(1) All land improvement including irrigation facilities and others mentioned in the Takavi Manual, growing of fruit trees and plantations and installation of machinery, (2) Building of granaries and tobacco barns, (3) Purchase of land to round off holdings and (4) Extraordinary demands such as those due to famine or floods.

Margin and Sinking Fund.—From its inception the Bank retained a margin of one per cent between its borrowing and lending rates. The primary banks charged their borrowers one per cent above their borrowing rate so that the ultimate borrower was charged two per cent over the rate at which the Central Land Mortgage Bank issued its debentures. When the Central Land Mortgage Bank paid high interest rates on its debentures, the borrowers had to pay 6 to 8½ per cent on their loans. On the redemption of the high interest bearing debentures the banks were asked to reduce interest on those loans to the uniform rate of 6 per cent. When the Bank was able to still further reduce its interest rate on debentures to 3½ and 3 per cent, the ultimate borrowers were charged 5½ and 5 per cent on the respective loans.

Towards the end of 1937, on the advice of the Reserve Bank of India; the Government urged on the Bank the need for increasing the margin between its borrowing and lending rates to the ultimate borrower to 2½ per cent and reduce the rate of dividend to one per cent above the rate at which the debentures were issued last in that year, to enable the bank to speedily build up its reserves. After a good deal of discussion the Bank agreed in April 1938 to the above two conditions. Thereafter the margin between the borrowing and lending rates to the individual borrowers was increased to 2½ percent. In March 1941, the Government again insisted that the margin should be increased to 3 per cent. The Board agreed to this also and the increased margin has come into force in May 1941. The present borrowing rate of the bank is 3½ per cent, its lending rate 5½ per cent and the rate of interest charged by the primary banks to their borrowers is 6½ per cent.

Powers conferred by the Land Mortgage Bank Act.—The success of land mortgage banking depends to a large extent on the punctual repayments of the borrowers. In order to ensure quick recoveries in the event of default provisions giving summary powers of distraint and sale of crops on the hypothecated land and sale of mortgaged properties without the intervention of the Court have been made in the Madras Land Mortgage Banks Act.

Under Section 9 of the Act if any instalment or part thereof fell into arrears and remained unpaid for one month from the date on which it fell due, the mortgage bank may apply to the Deputy Registrar to distrain and sell the produce of the mortgaged land including standing crops thereon. Under Section 13 of the Act, where a power of sale without the intervention of the Court has been specifically conferred on a mortgage bank in the mortgage deed, it may, on the authorisation of the Central Land Mortgage Bank, bring the mortgaged properties to sale. If a mortgage bank fails to take action under sections 9 or 13 of the Act, the Board or Trustee may direct such bank to take such action or in the alternative may take such action themselves.

Overdues.—Except in one or two years after the starting of the bank there were no overdues to the Central Land Mortgage Bank from primary banks. The overdues from members to primary banks have also been negligible. On the 30th of June, 1941 the amount overdue to primary banks from members who defaulted in payment of the instalments was Rs. 11,992. The amounts due in foreclosed loans on that date amounted to Rs. 1,52,546. Only some of the loans foreclosed were for default in payment of instalments. Many had to be closed as the members alienated portions of the hypotheca by remortgage or sale. In such cases when the defect for which the loan was closed is rectified, the loans are being reopened. Compared to the amount of loans outstanding to the Central Land Mortgage Bank on 30th June, 1941 viz., Rs. 2,41,48,955, the amount overdue should not cause any concern.

Debentures.—Under the scheme embodied in bylaws the Bank has to obtain its funds mainly by flotation of debentures. Under Section 5 of the Madras Land Mortgage Banks Act, the Registrar of Co-operative Societies was appointed Trustee to the debenture holders whose duty it is to see that the Bank carries out its obligations to the debenture holders scrupulously and in time. The mortgages and other assets transferred by mortgage banks to the Central Land Mortgage Bank vest in the Trustee under section 5 of the Act. The powers and functions of the Trustee of the Bank are governed by an Instrument of Trust executed by the Board on the one hand and the Trustee on the other. The trust deed provides for the conditions of issue and redemption of debentures, the disposal of collections received from primary banks and other details.

With the previous sanction of the Trustee the Board may issue debentures secured on the mortgages and other assets transferred by mortgage banks and vested in the Trustee and on the other properties of the Bank. The holders of the debentures have a floating charge on all the assets of the Bank. But such charge shall in no way prevent it from disposing off or dealing with such assets in the ordinary course of business; only, no charge could be created on its assets, ranking in priority to or *pari passu* with the debentures except with the previous consent, in writing, of the Trustee. The total amount of debentures in circulation shall not at any time exceed the total amount from time to time owing on the security of mortgages and the amounts paid thereunder and remaining in the hands of the Trustee or of the Board.

The debentures of whatever series shall rank in the matter of security *pari passu* with one another. The debentures issued by this Bank are registered bonds and can be transferred only by means of a transfer deed executed by the transferor and transferee and registered by the Bank in its books. The transfer deed is exempt from stamp duty. The Bank issues a warrant on its bankers for the half yearly interest falling due from time to time. The principal monies secured by the debentures are payable by the Bank on the stipulated date or earlier if they fall due under the terms of the issue. Debentures issued prior to the coming into force of the Land Mortgage Banks Act were subject to the condition that the bank was at liberty to redeem any or all of them on three months' notice. The first eight series of debentures were issued prior to the Act. The ninth series was also issued with the condition of redemption on three month's notice and was soon redeemed. Debentures of the 10th to 23rd series were issued with the condition that in the first ten years from the date of issue the Bank could redeem them only to the extent of principal collections received from primary banks. After 10 years the Bank may redeem all or any of them on three months' notice. Debentures of 24th and subsequent series were issued with the condition that in the first 10 years from the date of issue they were irredeemable and thereafter the bank had the option to redeem them.

Government Guarantee.—At the time the bank was started it was felt that in order to make the scheme a success it was necessary that the Government of Madras should undertake to guarantee payment of interest on the debentures to be issued by the Bank. With the permission of the Legislative Council the Government passed orders guaranteeing the interest on debentures issued by the bank in the first five years upto an extent of Rs. 50 lakhs. Even though the debentures were backed by first mortgages of immovable properties and the payment of interest during the currency of bonds was guaranteed by the Government of Madras, they were not Trustee securities within the meaning of section 20 of the Indian Trusts' Act. The efforts of the Bank and the Provincial Government to get them declared as Trust securities by the High Court proved futile. The Government of India who were approached to amend section 20 of the Trusts' Act finally agreed to include the debentures in the list of Trustee Securities, only if the Provincial Government agreed to guarantee unconditionally both the principal of and interest on the debentures. In the meanwhile institutions which were authorised to invest their funds only in Trustee securities were precluded from investing them in the Bank's debentures. The Madras Land Mortgage Banks' Act was passed by the Madras Legislative Council in March, 1934 and it came into force on 31st July, 1934. Under Section 7 of the Land Mortgage Banks' Act the Government took power to guarantee the principal of and the interest on the debentures issued by the Bank prior to the passing of the Act. Under Section 6 of the Act the Local Government may in consultation with the Legislature undertake to guarantee the principal of and interest on the debentures issued by the Bank after the passage of the Act upto a maximum amount fixed by them. Under Section 7 of the Act, the Government guaranteed debentures of the value of Rs. 24,08,900 in circulation on 15th November 1934. Under Section 6 of the Act, they agreed to guarantee, fully and unconditionally, both the principal of and interest on the debentures to be issued by the Bank upto a maximum of Rs. 50 lakhs. This limit has been extended from time to time by the Government. At present the Government have agreed to guarantee debentures issued by the Bank upto a maximum of Rs. 310 lakhs. In November, 1934 the Indian Trusts' Act was amended providing "that securities both the principal whereof and interest whereon, shall have been fully and unconditionally guaranteed by any such Government shall be deemed" for the purposes of the Trusts' Act "as securities of that Government". The debentures of the Madras Co-operative Central Land Mortgage Bank, having been fully and unconditionally guaranteed by the Government of Madras, are now Trustee securities.

The debentures of the bank having been fully and unconditionally guaranteed by the Government and declared Trustee Securities, co-operative, as well as joint stock banks, advance loans on their security. The Reserve Bank of India, also, can have no objection to advance loans on the security of the debentures. The investors in the debentures are all genuine investors seeking long term investment such as, Insurance companies, Local Bodies, and substantial individuals who will not need to rush to the market whenever there is any trouble in the stock exchange. It may therefore fairly be presumed that there will be no precipitate fall in the value of the debentures in the market.

On 10th of May, 1930, the Board of Directors of the Central Land Mortgage Bank resolved to float the first series of debentures bearing interest at 6 per cent repayable in 20 years. The issue was not a great success as the Government of India came out within a few months with the announcement of a 6 percent loan. The Bank later raised the rate of interest on debentures to 6½ percent and reduced the period of currency to 10 years. The response to this series was fair, but the funds so raised were lent to the ultimate borrower at the high rate of 8½ percent, repayable in 10 years. The equated instalment payable by the borrowers was heavy and with the pressure of depression and low prices it was felt that he would not be able to repay his loan. From the beginning of the year 1932, the conditions of the money market became easier and the Bank reduced the rate of interest and increased the period of the debentures, till by the end of 1933 the Bank resolved to issue twenty year debentures bearing interest, at 4 percent per annum. In the meanwhile debentures were successively issued bearing interest at 6¼, 6, 5½ and 5 percent per annum, the period of debentures ranging from 10 to 20 years. As the depression deepened there was insistent demand from the primary banks that the rate of interest on loans should be reduced. Taking advantage of the easy conditions of the money market, the Bank decided to redeem all high interest bearing debentures and replace them by debentures bearing interest at 4 percent per annum and reduce the rate of interest on loans charged to the ultimate borrower to a uniform level of 6 per cent. The debenture-holders were given the option to take debentures bearing interest at 4 percent or to take the value of their debentures in cash. Most of the holders agreed to the conversion of their debentures. The high interest bearing debentures were thus replaced by 4 percent debentures and the rate of interest charged on those loans was reduced to 6 per-cent. The Bank has always offered about the same rate of interest on its debentures as that offered by the Government on their loans for similar periods. In 1935 the rate of interest on new debentures was reduced to 3½ per cent. Towards the end of 1936 it was further reduced to 3 percent. This remained the ruling rate on debentures till the outbreak of the War in September, 1939. The Bank borrowed about a crore of rupees at 3 percent. After the outbreak of the War the rate of interest on debentures was put up to 3½ percent which continues to be the rate to this day. At this rate the debentures of this bank have proved to be very popular, both inside and outside the Presidency, and the Bank has been able to find all its requirements without any difficulty. On the 30th June, 1941 the total amount of debentures in circulation amounted to Rs. 2,43,26, 300 distributed according to the rate of interest as follows: —

Rate of Interest on Debentures (Percent)		Amount of Debentures in circulation as on 30-6-1941.
		Rs.
4	..	26,58,500
3½	..	1,19,75,600
3	..	96,92,200
	..	2,43,26,300

Debenture Redemption or Sinking Fund.—The problem of how best to utilise the principal collections, whether they could be reloaned or invested separately or utilised for redemption of debentures, engaged the attention of the bank from the very beginning. The original Trust deed provided that all collections should be pooled in a separate account and utilised according to the directions of the Trustee, firstly for meeting the working expenses of the bank, secondly for payment of interest on debentures, thirdly, for payment of dividend on shares etc., and fourthly to carry such amount as was determined by the Trustee to a Redemption Fund for utilisation to redeem debentures and till then to be invested in Government securities. Even in the early stages when the Bank was finding it difficult to find requisite funds it was decided to redeem the debentures to the extent of principal collections, as it had the advantage of reducing the ultimate liability and as

it was the prevailing practice in the German Landschaften which were the models for land credit institutions throughout the world. The debentures issued prior to the Land Mortgage Banks' Act were issued with the condition that they could be redeemed on three months' notice. Debentures issued thereafter upto the 23rd series were issued reserving to the Bank the right of redeeming them to the extent of principal collections. Under the provisions of the revised Trust deed the Bank maintains a general Debenture Redemption Fund account to which the principal collections of the loans issued from the funds raised upto the 23rd series are credited. Twice a year a drawing is held to determine by lot the debentures to be redeemed to the extent of funds available in the account.

The 24th and subsequent series were issued with the condition that they are irredeemable for the first ten years from the date of issue. In respect of these series, the Government on the advice of the Reserve Bank of India have directed, that a separate Sinking Fund account should be maintained for each series into which the Bank should pay annually an amount which, with compound interest at an assumed rate, would provide at the end of the period sufficient funds to pay off the debentures on maturity. The funds accumulated in the Sinking Fund accounts may be invested for short periods in the Madras Provincial Co-operative Bank, in postal cash-certificates, in the Indian and Provincial Government securities and in the Bank's own debentures. The Bank has opened separate current and investment accounts for the Sinking Funds of all series beginning with the 24th series. Even though the Reserve Bank's scheme and the Trust deed require that the Bank has to pay an equated payment annually into the Sinking Fund account the Bank has decided, for reasons of administrative convenience as well as financial reasons to remit into the account once a week the principal collections of the loans issued from funds raised by issue of debentures of each series. By adopting this procedure the Bank has sought to obviate any strain on the finances of the Bank which might be felt, if it had to find large amounts all on a sudden for payment into the Sinking Fund account. Further, by accumulating funds in the Sinking Fund account and investing them from time to time it is possible for the fund to earn some interest. On these and other considerations it was decided to remit into the Sinking Fund account all principal collections received, take an account of the amount remitted up to date on which the annual payment is due, and if any deficit is found to remit the same. The first payment into the Sinking Fund account is due to be made one year after the last batch of debentures in that series has been issued. As debentures are issued only after the lapse of some months from the disbursement of loans, collections begin to come in almost immediately after the issue of debentures and these collections are remitted into Sinking Fund accounts. The Sinking Fund scheme suggested by the Reserve Bank of India and adopted by the Bank is the orthodox form of Sinking Fund adopted by local bodies like Port Trusts and Municipal Corporations, where the institutions receive certain revenues and charge to the revenue account a stipulated portion to be carried to sinking fund account. But in the Land Mortgage Bank only the interest portion of the collections is taken to revenue account while the principal portion is taken to capital account. Again the whole scheme is based on the assumption that the Bank will receive the stipulated equated instalment from its borrowers every year. But according to the terms of the mortgage bond, every borrower is at liberty to make payments to cover future instalment or instalments in part or in full. Experience shows that the amount of advance payments that may be expected to be collected in a year cannot be gauged with any degree of certainty. Large amounts have been and may in future be, repaid by the borrowers in advance of the date fixed for payment of instalments. It is, therefore, well that the Bank has decided to pay all principal collections into the Sinking Fund accounts. The following table gives details of the amounts that should be in the Sinking Fund account of each series on the 30th of June, 1941 according to the scheme of the Reserve Bank of India and the amount actually invested by the Bank in the Sinking Fund account on that date.

Series No	Amount that should be in the sinking fund account as per the scheme of the Reserve Bank of India.	Amount actually invested by the Bank. Rs.
24th	2,30,060	3,97,610
25th	2,08,870	3,85,546
26th (11-7-41)	1,51,096	2,91,524
27th	70,722	1,73,565
28th	Nil.	1,36,272
29th	Nil.	1,00,456
30th	Nil.	20,249
	6,60,748	15,05,222

On the 30th of June, 1941 the amount in the General Redemption Fund Account relating to the 8th, and 10th to 23rd series amounted to Rs. 5,70,399. The total amount in the Redemption Fund and Sinking Fund accounts on that date amounted to Rs. 20,75,621.

The Government Staff.—As the Bank lends on the security of immovable properties, the valuation of properties forms a very important part of the work. At the time of starting of the Bank 10 appraising officers of the cadre of Co-operative Sub-Registrars and 2 officers of the cadre of Deputy Registrars were sanctioned for land mortgage bank work. The former were for the purpose of appraising the value of lands offered for mortgage on behalf of the mortgage banks and the latter to inspect the banks on behalf of the Central Land Mortgage Bank and the Trustee. The Government agreed to bear the cost of these officers in the initial stages. The staff has been increased from time to time, till at present there are 34 Co-operative Sub-Registrars and three Deputy Registrars in charge of land mortgage bank work. From the year 1934-35, the cost of the Deputy Registrars and their establishment and contingent charges is being met by the Central Land Mortgage Bank. For the year 1940-41 the amount payable by the Central Land Mortgage Bank to the Government towards the cost of these officers amounted to Rs. 26,723. Till now the Government have been bearing the entire cost of the co-operative Sub-Registrars, which may be roughly estimated at Rs. 70,000. Recently they required that the Central Land Mortgage Bank should contribute at least a portion of the cost of Co-operative Sub-Registrars. The Board has agreed to pay one-third of the cost incurred by the Government in this behalf. In the first two years of its working the Central Land Mortgage Bank received a subsidy of Rs. 29,000 from the Government towards its working expenses.

Reserves.—Under the original by-laws 25 per cent of the net profits had to be carried to Reserve Fund. But as a matter of fact the Bank was carrying a much larger portion of its profits to Reserve Fund. It also set aside large amounts for bad debt, depreciation and other reserves. In January, 1941 the by-law relating to distribution of profits was amended, and it was made obligatory on the part of the Bank to carry 40 per cent of the declared profits to Reserve Fund. On the 30th of June 1941, the statutory Reserve Fund of the Bank was Rs. 2,93,003. The other reserves amounted to Rs. 2,61,743, making a total reserve of Rs. 5,54,746. For the year ending June '41 the Bank earned a net profit of Rs. 2,41,409 (subject to audit). After payment of a dividend at 4½ percent on the share capital a sum of about Rs. 2,00,000 will be available to be credited to one or other of the reserves of the Bank this year.

Land Tenures.—Land Banks are a particular feature of every country, but it is necessary to realise that lending against land is a much more difficult matter than lending against goods, policies and shares or any other chattels. First of all in lending money against land one has to know the real nature of the various forms of tenures in the country and ownership. There is what is called concurrent ownership, as in Malabar ownership of the Jenmi, Kanomdar and the tenant who has a permanent occupancy right and a right over the improvements he effected. Then there are the Zamindaries, whole inam villages and mittas which are "estates" as defined in the Madras Estates Land Act. In these the zamindar, inamdar or mittadar is generally a rent receiver from the raiyat or the kudivaramdar who has also got a heritable and transferable right in the land in respect of his kudivaram or occupancy right. There are again estates with absolute ownership called fee simple. These and other matters relating to ownership in land is a problem of great importance to a land bank directorate. Land is one of the finest forms of securities on which a land bank can lend money, but it is absolutely essential to understand the diversé cases both in theory and practice, how the lending can be carried out. I may well quote from a well known writer, that part which dealt with banks. "There are many pitfalls for borrower and lender, and scarcely a branch of law or equity is not more or less involved in dealing with banking documents. Slight divergence in detail may deprive one party or other of advantages or safeguards, he was confident, he had secured."

Conclusion.—The working of land mortgage banks on a co-operative basis is the only way of solving the indebtedness of the ryot. There is a feeling that in the co-operative movement there is a setback; we must realise that we have lost our ancient moorings which gave us perpetual discipline in human and social affairs and in well ordered lives and it is, therefore, incumbent on all who have their sympathies with the pitiable condition of our ryots, to rebuild their social and economic life after the co-operative model. These ideals alone cannot bring comfort to these poor, desperate and illiterate ryots who are perpetually immersed in debt. The solution lies in the spread of co-operative ideals with its principles of brotherhood in work and the betterment of farming methods, better business habits, better living and thrift. Co-operative ideals, though they have not entirely attained their maximum results in the past, are no doubt, fraught with great possiblities and it is, therefore, the earnest hope of the exponents of those engaged in the work of our land mortgage banks that there really exists a great possibility of reconstruction and our faith in the success of the movement is stronger today than ever.

STATEMENT SHOWING THE PROGRESS OF THE MADRAS CENTRAL LAND MORTGAGE BANK FROM 12-12-1929 TO 30-6-1941.

Year	No. of members		Paid-up share capital	Reserve and other funds		Debentures in circulation	Total of other borrowings	Loans outstanding	Net Profit
	Banks.	Individuals.		R. F. separately invested	other funds				
1	2	3	4	5	6	7	8	9	10
1929–30	19	124	70,400	..	..	..	63,000	42,200	1,358
1930–31	37	166	99,500	340	1,018	3,51,900	1,49,332	5,38,684	7,212
1931–32	35	168	1,07,000	340	1,018	10,78,900	1,51,903	11,31,004	18,920
1932–33	50	181	1,45,600	6,873	13,442	20,83,300	2,19,045	20,92,734	15,223
1933–34	63	190	1,94,300	13,675	13,442	34,55,800	76,706	33,82,135	41,111
1934–35	71	190	2,38,400	44,328	13,462	50,92,700	1,86,833	51,04,426	69,327
1935–36	79	195	3,58,900	1,00,684	25,367	79,44,400	4,80,112	78,66,231	46,765
1936–37	90	457	5,34,300	1,12,715	58,204	1,11,84,400	2,55,869	1,12,85,968	64,422
1937–38	94	478	6,69,300	1,35,618	1,02,722	1,31,85,700	10,58,573	1,40,79,859	92,962
1938–39	106	466	7,76,500	1,75,761	1,33,443	1,60,56,200	32,94,678	1,89,17,981	1,12,715
1939–40	119	461	8,65,600	2,15,785	2,57,423	1,94,84,600	32,73,205	2,18,80,950	1,20,541
1940–41	119	455	9,35,100	2,93,003	2,61,743	2,43,26,300	14,92,533	2,41,48,955	2,41,409

LAND MORTGAGE BANKS IN BOMBAY PROVINCE

(Contributed)

Early History:—The problem of land mortgage banks in Bombay, as elsewhere in India, is intimately connected with the problem of rural indebtedness. Attempts at finding out a solution of this problem were made in Bombay as early as the nineties of the last century and various schemes were submitted to Government by eminent persons like Justice M. G. Ranade, Sir William Wedderburn, Sir Dinsha Wacha and Sir Lalubhai Samaldas. However, none of these schemes were approved by Government. With the passing of the Co-operative Societies Act, 1904, hopes were entertained that co-operative credit societies would be able to finance agriculturists for the repayment of debts and it was the appreciation of this point of view that led to the approval by Government of the scheme of debentures put forward by the late Sir Vithaldas Thackersey and the late Sir Lalubhai Samaldas when they promoted in 1911 the Bombay Central (now Provincial) Co-operative Bank. Under this scheme, Government guaranteed interest on debentures upto three times the share capital of the Bank with the maximum of Rs. 20 lakhs in order to enable the Bank to provide long term finance for redemption of debts to agriculturists who were members of co-operative societies in the Province. The Bank did considerable business in its early days in providing long term credit out of the funds raised from debentures. However, for the past many years, its activities have been mainly restricted to financing agrculturists through village societies for current agricultural needs. Its total advances for redemption of debts amounted to Rs. 4,90,422 on the 30th June 1940.

The question of starting a separate organisation for land mortgage credit in the Province, was first discussed among co-operators at the Gujarat Divisional Co-operative Conference in 1923. Later on, Mr. J. A. Madan, C.I.E., I.C.S., the then Registrar of Co-operative Societies, submitted to Government a scheme for the establishment of land mortgage banks in the Province. Three land mortgage banks based on this scheme were organised in 1929 at Broach, Pachora and Dharwar, as an experimental measure and the Bombay Provincial Co-operative Bank financed them through a separate department. The Bank floated debentures for Rs. 5 lakhs specially for financing the land

mortgage banks. It advanced loans of Rs. 4,75,964 of which loans for Rs. 1,99,804 were outstanding on the 30th June, 1940.

The Government of Bombay appointed in 1933 a Committee to examine the problems of land mortgage banks in the Province. The Committee examined the problem in its various aspects especially in the light of the experience gained in the working of the three primary land mortgage banks organised in the Province. On the recommendation of this Committee a Provincial Land Mortgage Bank was organised in 1935 for the development of land mortgage banks in the Province and for co-ordinating their working. Ten more land mortgage banks were also organised in the same year.

Primary Land Mortgage Banks:—There are at present 17 primary land mortgage banks in the Province. The area of operation in case of some primary banks extends to the whole of a District, while in the case of others it extends to one or more talukas. The membership is open to borrowers as well as non-borrowers. The non-borrowing members are required to hold at least 10 shares of Rs. 5 each and the borrowing members are required to hold shares of the value of 5 per cent of their borrowings from the bank. The Board of Directors of the primary bank consists of seven members two of whom are representatives of borrowing members, two representatives of non-borrowing members and one representative each of the Provincial Land Mortgage Bank, the Registrar and the District Central Co-operative Bank or the financing institution working in the area of operation of the bank. Loans are advanced for redemption of debts, improvement of lands, and in special cases for purchase of lands. Security worth at least double the amount of the loan is taken in the case of each loan. The repaying capacity of the applicant is also carefully examined. Government have lent the services of trained land valuation officers for valuing the lands and also for examining the repaying capacity of the applicants for loans. Title to lands has to be certified by the legal adviser of the primary bank. The maximum amount of loan in the case of an individual has been fixed at Rs. 10,000 while the minimum has been ordinarily fixed at Rs. 400. The maximum period of loans has been fixed at 20 years, though loans are also allowed for five, ten and fifteen years in case the applicants have adequate repaying capacity. The instalments for loans are fixed on equated basis. In the case of loan applications for redemption of debts, debts have to be examined and attempts to conciliate the debts are made. However, in the absence of any statutory powers, the Debt Conciliation Boards established by primary banks have not succeeded in scaling down debts materially. When applications for loans are made for improvement of lands, such improvements have to be certified by the Agricultural Organisers and loans are advanced as and when the work progresses. The primary land mortgage banks obtain their finance from the Provincial Land Mortgage Bank. They keep a margin of 1½ per cent between their lending and borrowing rates of interest. The rate of interest charged on loans to ultimate borrowers was fixed at 6 per cent but it had to be raised to 6½ per cent recently, as the Bombay Provincial Land Mortgage Bank had to float the second series of debentures at a higher rate of interest. The outstandings of the primary land mortgage banks from their members stood at Rs. 27,00,025 on 30th June 1940. The arrears on account of principal and interest amounted to Rs. 78,500 and Rs. 50,061 respectively on that date.

The Bombay Provincial Co-operative Land Mortgage Bank:—The Bombay Provincial Co-operative Land Mortgage Bank was registered at the end of the year 1935 and commenced working in the beginning of 1936. Sir Lalubhai Samaldas was the first President of the Bank. The Board of Directors consists of 15 members, six are representatives of the non-borrowing shareholders, five representatives of primary banks, two nominees of the Registrar, one nominee of the Bombay Provincial Co-operative Bank and the Registrar of Co-operative Societies. The day-to-day management of the Bank is entrusted to the Executive Committee, consisting of seven members. The President of the Bank and the Registrar of Co-operative Societies are *ex-officio* members of the Executive Committee. The authorised share capital of the Bank has been fixed at Rs. 10 lakhs, divided into 10,000 shares of Rs. 100 each. The shares subscribed by the non-borrowing shareholders are paid up to the extent of Rs. 60 each, while the shares subscribed by the primary banks are fully paid up. The subscribed and paid-up capital of the Bank amounted to Rs. 6,66,300 and Rs. 4,46,300 respectively on the 30th June 1940. The Bank obtains funds mainly from the flotation of debentures. The Bank has so far floated two series of debentures for Rs. 30 lakhs. The first series was floated in the year 1938 for Rs. 20 lakhs at 3¼ per cent at par. The period of debentures was 20 to 25 years. The second series was floated in the year 1940 at 3½ per cent, the issue price being Rs. 98½ and the period 10 to 15 years. Both the series are guaranteed by the Government of Bombay for principal and interest. The Bank has made arrangements for admission of dealings in cash in the debentures of the Bank on the Bombay Stock Exchange. The Registrar of Co-operative Societies has been appointed Trustee for the debenture holders. The Bank has constituted a sinking fund for the redemption

of debentures on maturity. The Bank advances loans to the primary land mortgage banks on assignment of mortgages obtained by the latter from their members though by a recent amendment to the by-laws, provision is sought to be made for advancing loans also to other co-operative societies mainly for the purpose of promoting schemes for land improvement. The period of loans has been fixed at 20 years; but it has been proposed to extend it to 25 years in the case of loans to be advanced under Section 55 of the Bombay Agricultural Debtors' Relief Act, 1939. Moreover, the period of loans has to depend upon the period for which debentures are floated and in the case of loans financed from the issue of the second series of debentures, it had to be fixed at 15 years as the maximum, as the Bank could not float longer-dated debentures on favourable terms due to the outbreak of war. The loans to primary banks carried interest at 4½ per cent though it had to be raised to 5 per cent in the case of loans advanced from the issue of second series of debentures. The loans are repayable by annual equal instalments. The Bank receives advance payments on which interest at the lending rate is allowed. Provision for granting extensions under exceptional circumstances is made in the by-laws. Since its inception upto the 30th June, 1940, the Bank has advanced loans for Rs. 27,21,740 of which loans for Rs. 26,77,740 were for redemption of debts, loans for Rs. 16,300 were for improvement of lands and loans for Rs. 27,700 were for purchase of lands. The Bank had loans for Rs. 23,88,608 outstanding on 30th June 1940 of which loans for Rs. 28,253 were in arrears for principal and Rs. 1,847 for interest.

Government Assistance to Land Mortgage Banks:—The Government of Bombay have given special assistance to land mortgage banks in certain respects. They sanctioned subsidies of Rs. 10,000, Rs. 7,500 and Rs. 5,000 to the Bombay Provincial Land Mortgage Bank for meeting deficits in its working in the first, second and third year respectively. They have guaranteed the principal of and interest on debentures for Rs. 30 lakhs floated by the Bank. They have exempted the debentures from payment of stamp duty on transfer. The Government granted to the primary banks a subsidy of Rs. 500 each per year for three years for meeting part of the cost of the land valuation officers. The mortgage deeds and assignment deeds to be executed by borrowers of primary banks and primary banks respectively are exempt from payment of stamp duty and registration fees. The primary banks have been exempted from payment of fees for the issue of encumbrance certificates in respect of lands offered as security for loans. The land mortgage banks also enjoy all other concessions which are given to other co-operative societies in the Province.

General:—The land mortgage banks in Bombay, as elsewhere in India, have a definite place in the rural economy of the Province. The progress so far made by them, though considerable, falls far short of expectations. Land mortgage banks can, no doubt, finance only solvent agriculturists for repayment of debts, but even within this limit there is enough scope for extending their operations. Moreover, the scope for business can be expanded, if closer co-ordination between land mortgage banks and debt conciliation boards is established. Such co-ordination is provided for under Section 55 of the Bombay Agricultural Debtors' Relief Act 1939. However, the Bombay Agricultural Debtors' Relief Act is to be brought into operation by stages and it would take considerable time before its scope is extended throughout the Province. In those areas where the Act is not operating it would be desirable to give certain statutory powers to debt conciliation boards established by primary banks. There is also wide scope for loans for land improvement. In fact, loans for such purposes should be encouraged as they add to the productivity of the land and raise the income of the farmer. Of course, there are considerable difficulties in the way of land mortgage banks advancing loans for such purposes. Agriculturists do not know what types of improvements are likely to be useful. There are also no agencies to prepare various schemes of land improvement and to supervise in carrying them out if finance is made available for the purpose. The scope for such loans can be expanded if close co-ordination between the Co-operative Department, the Agricultural Department and the Public Works Department is established. The scope and utility of land mortgage banks depend upon the soundness of their management and their ability to recover instalments punctually. If large-scale defaults occur in the case of land mortgage banks, they are sure to find difficulty in floating the debentures successfully. Land mortgage banks should, therefore, have summary powers of recovering defaulted instalments without the intervention of civil courts. Such powers are enjoyed by land credit institutions in foreign countries as well as by land mortgage banks in other provinces in India. For the efficient working of land mortgage banks in Bombay, it is necessary to pass legislation on the lines of the Madras Land Mortgage Banks' Act. If such legislation cannot be passed immediately it will be desirable to amend the Bombay Co-operative Societies Act suitably.

PROBLEMS OF LAND MORTGAGE BANKS IN BOMBAY

BY

VAIKUNTH L. MEHTA,

Managing Director, Bombay Provincial Co-operative Bank.

The outstanding problem is one connected with the raising of funds. The Bombay Provincial Co-operative Land Mortgage Bank, which is the central financing agency in the province for the provision of long-term agricultural credit, raises the bulk of funds required for its loan operations by the issue of debentures. These debentures can be issued only on terms and conditions approved by Government. Again, in the initial stages of the movement, the debentures are required to be guaranteed by Government. Government, however, appear to have no well-conceived policy in the matter; and the future of the Bank and of the entire land mortgage credit movement in the province is at present far from being bright.

The funds which were raised by the Bank in the year 1938 by the issue of the first series of debentures to the extent of Rs. 20 lakhs were fully employed in loans before the close of the year 1939. The Bank approached Government with a request to guarantee a second series of debentures to the extent of Rs. 10 lakhs. Though the Legislature in the Province had permitted Government to guarantee the debentures of the Bank to the extent of Rs. 50 lakhs, Government hesitated to give their consent. In the meantime, the Bank had to suspend its loan operations for want of loanable resources, and this had a very undesirable effect on the progress of the land mortgage credit movement. Fortunately, in April 1940, Government agreed to guarantee the second series of debentures to the extent of Rs. 10 lakhs, and the Bank could resume its loan operations. Government, however, have made it clear that they would not guarantee further debentures of the Bank until they have watched the operations of the Bombay Agricultural Debtors' Relief Act 1939. The funds raised by the issue of the second series of debentures are likely to be soon exhausted. The Bombay Agricultural Debtors' Relief Act 1939 has not still been put into force, though arrangements are in progress for bringing the same into operation in selected areas. The Bank and the entire land mortgage credit movement are, once again, apt to be threatened with a stalemate, unless Government decide to modify their policy and attitude in regard to guaranteeing the debentures of the Bank.

The question really is whether the provision of organised long-term agricultural credit is a necessity in the province and if so, whether Government have any responsibility in regard to the institution of the requisite arrangements. When Government sanctioned the registration of the Bombay Provincial Co-operative Land Mortgage Bank, and of all other primary banks, they had, we presume, a clear appreciation of their own responsibility in the matter. It is difficult to understand why Government should now hesitate to guarantee the debentures of the Bank particularly when the Provincial Legislature has allowed it to guarantee the debentures of the Bank to the extent of Rs. 50 lakhs. It may be urged that the establishment of land mortgage banks in this province was originally intended to be a measure in the direction of relief of agricultural indebtedness and that the subsequent enactment of the Bombay Agricultural Debtors' Relief Act 1939 has dispensed with the need for the grant of long-term loans for debt redemption. This argument has, no doubt, some force. The enactment of an Act, however, is very different from its actual operation, and it is hardly advisable to put a stop to the little relief granted by the activities of the land mortgage banks in the hope that substantial relief would be afforded at a distant date by the operation of the Act. Again, there is always some demand for long term loans for land improvement and the land mortgage banks cannot meet the same if they are required to suspend their loan operations. Once the problem of old debts is solved, the demand for loans for land improvement may reasonably be expected to increase. The pressure on land in the province is great and intensive cultivation is a necessity. Intensive cultivation, however, is largely dependent on the provision of adequate long-term capital for land improvement. The land mortgage banks can be encouraged, if the need for the grant of long-term loans for redemption of old debts has ceased to exist, to finance individual and co-operative schemes for land improvement. There may also be agricultural debtors, who, though they do not come within the purview of the Act, may need relief. Such debtors can be encouraged to have recourse to land mortgage banks. At any rate, there is always some—and perhaps considerable—scope for the activities of land mortgage banks and Government would be well advised not to impair the utility and existence of these important institutions by a refusal to guarantee the debentures of the Bombay Provincial Co-operative Land Mortgage Bank.

The second problem of the land mortgage banks arises from the manner or mode of raising funds. The Bombay Provincial Co-operative Land Mortgage Bank, issues debentures in block once in a year or once in two years with the previous approval of Government. The funds raised by the issue of debentures are then gradually employed in loans

THE INDIAN CO-OPERATIVE REVIEW

JOURNAL OF THE ALL-INDIA CO-OPERATIVE INSTITUTES' ASSOCIATION

AND

THE INDIAN PROVINCIAL CO-OPERATIVE BANKS' ASSOCIATION

Published Quarterly

Editor: The Hon'ble V. RAMADAS PANTULU

VOLUME VI, 1940

PRINTED BY G. S. PRESS,

MOUNT ROAD, MADRAS.

THE INDIAN CO-OPERATIVE REVIEW

VOLUME VI, 1940

EDITORIAL NOTES

ARTICLES

Co-operation and War

Co-operation and Price Control

Co-operative Finance

PAGES

Co-operation and Consolidation of Holdings

Co-operation in Foreign Countries

Co-operation and Committees of Enquiry

Co-operative Legislation

Co-operation—General

REVIEWS

PAGES

CO-OPERATIVE SOCIETES AT WORK IN INDIA

(EXTRACTS FROM ADMINISTRATION REPORTS)

CO-OPERATIVE CONFERENCES AND MEETINGS

G. O's., REPORTS AND CIRCULARS

EXTRACTS

to primary banks. The Bank pays interest at 3¼ or 3½ per cent per annum on the funds raised by the issue of debentures and earns interest at 1½ per cent per annum or so on such funds, before they are employed in loans to primary banks. The monthly requirements of the Bank, at present, vary between Rs. 50,000 and Rs. 75,000 and the loss of interest which the Bank suffers every year on account of its funds remaining idle is considerable. It would be better if Government granted the Bank temporary advances at bank rate for financing the primary banks. The Bank may be permitted to draw a sum not exceeding Rs. 1 lakh once a month or so. All such temporary advances may be required to be repaid within a definite period out of funds raised subsequently by the issue of debentures. The profit-earning capacity of the Bombay Provincial Co-operative Land Mortgage Bank is limited and the loss of interest, incurred in respect of large funds, intended to be gradually employed in loans, tends to make its business unremunerative to a certain extent. If Government agree to the system of the grant of temporary advances at the bank rate as outlined above, the Bank will be able to show better results in its working.

Though it is now nearly six years since the land mortgage credit movement, in its present form, was introduced in the province, there is no legislative enactment for facilitating the operations of these banks. Both Madras and the Central Provinces and Berar have separate Land Mortgage Banks Acts, but Bombay has none. The first Land Mortgage Banks' Conference held in Bombay in March 1940, under the auspices of the Bombay Provincial Co-operative Land Mortgage Bank, recommended the early enactment of an Act on the lines of the Madras Act No. X of 1934. This Act is intended to confer on primary banks special powers for the recovery of defaulted instalments. The primary banks in the province feel that unless they have powers to distrain and sell the produce of the mortgaged lands including the standing crops thereon, and, if necessary, to bring the mortgaged property to sale without the intervention of the Courts, they cannot steer clear off the other wise inevitable growth of overdues. The Act is also intended to remove several other disabilities under which primary banks at present labour. One of these has its origin in the attitude of creditors who refuse to furnish copies of debt documents and to receive payment of the amounts offered by primary banks towards the debts. The experience so far gained in regard to the working of land mortgage banks in the province has demonstrated the necessity of a Land Mortgage Banks Act, and unless it is enacted, it will be difficult to ensure the efficient functioning of the banks.

One very serious problem facing primary banks relates to the appointment of land valuation officers. These officers inspect lands and appraise the market value of the security. They also assess the repaying capacity of applicants. All the loans which are advanced by land mortgage banks are made on the recommendations of these officers. As Government guarantee the debentures of the Bombay Provincial Co-operative Land Mortgage Bank, Government appoint their own employees as land valuation officers. While co-operative opinion agrees that land valuation officers should be employees of Government and should be appointed by Government, there is divergence of views in regard to the qualifications, grades etc. of these officers. At present clerks in the Co-operative Department, who are trained in land valuation work for a month or so, are often appointed as land valuation officers. As soon as these clerks pass the G.D.C.A. examination and are eligible for appointment as sub-auditors, they revert to the Department and the experience they have gained is lost to the banks. Again, the cost on account of pay and travelling allowances of land valuation officers is required to be borne by the banks, and as the resources of the banks and their profit-earning capacity are limited, they generally prefer junior officers with low salaries to senior officers with high salaries. The present position in regard to the appointment of land valuation officers is far from satisfactory. The work of these officers is of a very responsible nature and the stability of land mortgage banks is largely dependent on their honesty and efficiency. It is necessary that the persons appointed as land valuation officers should be senior men and should start in the grade of Rs. 75—5/2—90. They should also be eligible for promotion to the next higher grade of Rs. 95—5—130, if they put in good work. Again, they should not be suffered to revert to the audit line after they have gained some experience in land valuation work. Unless these officers are given decent salaries to start with and the prospect of further promotion in the event of honest and hard work on their part, they are apt to succumb to temptations and to prejudice the progress of the banks. Moreover, their continuance in the line for a number of years may be expected to strengthen their sense of responsibility. These changes, however, cannot be brought about unless Government agree to bear a certain and substantial portion of the cost of these officers, especially in the earlier stages of the primary banks. The first Land Mortgage Banks' Conference considered this question and recommended that land valuation officers should continue to be appointed by the Registrar from amongst the employees of the Co-operative Department who are matriculates and who have served in the Department for at least five years. The Conference also recommended that land valuation officers should be in the grade of Rs. 75—5/2—90 or Rs. 95—5—130 and that every bank should pay to Government every month a sum of Rs. 85 representing the average pay of a land valuation officer, provided Government agreed to bear half the cost of employment of the land valuation officer till the loan operations of the bank reached a figure of Rs. 3 lakhs. Unfortunately, these recommendations were not accepted by Government and the problem of provision of an efficient service for land valuation work remains unsolved. It may be pointed out that since the debentures of the Bombay Provincial Co-operative Land Mortgage Bank are guaranteed, Government, in their own interests, as well as in the interests of the banks, should insist on the employment by the latter of well paid and sufficient staff for land valuation work. Any expenditure incurred by Government in this behalf is calculated ultimately to protect them from their contingent liability in respect of debentures and ought not to be grudged.

The Bombay Agricultural Debtors' Relief Act 1939, is expected to come into force shortly in select areas. That Act contemplates land mortgage banks to play an important role in the scheme of relief of agricultural indebtedness. Section 55 of the Act lays down that a Debt Adjustment Board may call upon the creditors to state in writing whether they agree further to scale down the debts to a sum not exceeding 50 per cent of the value of the immovable property of the debtor and to receive, in lieu of all such debts, bonds issued by the Bombay Provincial Land Mortgage Bank, and guaranteed by Government. If the creditors agree, the Board will prepare a scheme for the adjustment of the debts and send the same to the Bank for acceptance. If the Bank accepts the Board's proposal, the Board will make an award in favour of the Bank and bonds will be issued to the creditors by the Bank in full satisfaction of the debts. The problems which have arisen as a result of this legislation are many. The Act makes no mention of primary banks but they have got to be brought into the picture. The proposals of the Debt Adjustment Boards will have to be scrutinised by them, as the Bombay Provincial Co-operative Land Mortgage Bank does not possess the local knowledge which is necessary for such scrutiny. Again, the recovery of instalments will be attended to by primary banks as they are in closer touch with the debtors than the Bombay Provincial Co-operative Land Mortgage Bank. Another problem is the Bank's difficulty in playing the role enjoined by the Act in areas which are not served by primary banks. The Board's proposals from such areas will have to be examined from the Bank's point of view by special officers, who should also be responsible for the recovery of loan instalments. The cost of employment of these officers may not be met from the profits of the business available to the bank and the losses may be heavy. Again, the Bombay Provincial Co-operative Land Mortgage Bank is authorised under its by-laws to finance only primary banks and not individual debtors. In areas, however, which are not served by primary banks, the Bank will have to finance individual agricultural debtors if it is to discharge the responsibility placed upon it by the statute. The question, therefore of the amendment of the by-laws of the Bank will have to be considered. In fact the many problems which will arise in the wake of the enforcement of the Bombay Agricultural Debtors' Relief Act 1939 will call for the quick decision of and prompt action on the part of the apex and primary land mortgage banks. It is hoped that these institutions will rise to the occasion and play their appropriate role in the scheme of debt relief.

LAND MORTGAGE BANKS IN CENTRAL PROVINCES & BERAR

BY

SIR MADHAV RAO DESHPANDE,

Chairman, C. P. & Berar Provincial Co-operative Bank.

A few years ago, co-operative opinion in the Central Provinces and Berar was much exercised over the old debts of big land-holders and establishment of land mortgage banks was thought to be one of the potent remedies for their regeneration. The Co-operative Department also was not slow to move in this direction. The question was eventually discussed in the Berar Co-operative Conference held at Khamgaon in the year 1927. Soon after a fully representative Committee was appointed to investigate the question. It was requested to consider whether having regard to the prevailing economic conditions, it was advisable to start land mortgage banks and if answer to this was found to be in the affirmative, to frame a scheme for the working of these banks.

The Committee investigated the question and published its report on 13th January 1929, recommending establishment of land mortgage banks in the province and submitted a detailed scheme for their formation and working. It, however, took four long years before the primary land mortgage banks, one at Mehkar and the other at Amraoti, could be started. These banks came into existence in 1932-33 though their actual working did not commence till the year following it. Towards the close of the year 1934-35 eight banks viz., those at Nagpur, Bhandara, Raipur, Seoni, Narsinghpur, Sihora, Yeoatmal and at Basim were organised.

The progress of these banks was rather slow. There was no dearth of loan applications in these banks. The great majority of the applicants for loans were over-indebted and their assets and annual income were not such as would leave them enough margin or surplus for paying annual instalments. Their antecedents were also discouraging. But it was fondly hoped that as the banks became more widely known the true type of applicants would come forward to take advantage of long term credit.

The year 1934-35 saw the framing of the Central Provinces Land Mortgage Banks Bill on the basis of Madras Land Mortgage Banks Act, providing for statutory control by Government over the working of land mortgage banks. An arrangement was arrived at between the Provin-

11

cial Bank and the Government, whereunder the Government guaranteed the principal and interest on debentures to the extent of Rs. 50 lakhs, issued in the course of 10 years commencing from the date of execution of Trust deed, i.e., 7-12-1935. This gesture on the part of the Government created, as we shall see later, great confidence in the minds of the investing public. The period of repayment of loan was extended to twenty years from that of sixteen years, as originally proposed by the Committee. Similarly, the minimum limit of individual loans was reduced from Rs. 500 to Rs. 250 in the C. P. and to Rs. 300 in Berar, and the maximum limit of the same was raised from Rs. 5,000 to Rs. 10,000.

In the year 1935-36 rapid progress was made in the working of land mortgage banks. The Provincial Bank began to function as Central Land Mortgage Bank. As the business of the Provincial Bank exceeded one lakh this year, it floated its first series of debentures of Rs. one lakh at 3¾ per cent. The response of the public was remarkable. The series was over-subscribed to the extent of Rs. 2,50,000 within a week from the date of issue. Consequently the debentures had to be allotted pro-rata.

The first conference of land mortgage banks in the province was held at Nagpur and passed a resolution favouring the creation of a separate Central Mortgage Bank for the Central Provinces and Berar to take over the land mortgage bank business from the Provincial Bank, and requesting the Government to make a grant of Rs. 15,000 per year to meet the working expenses of such an institution for the first four years. The Government was also requested to subsidise the primary banks for the first three years. Co-ordination of Land Mortgage Banks and Debt Conciliation Boards was also urged at the Conference.

The year 1936-37 saw further expansion. Two more banks were added. There could be no spectacular progress, as the Debt Conciliation Boards were already doing the work of scaling down the debts of agriculturists all over the province. But if we take a birds-eye view of the working of the two agencies put together, we find that much has been done towards the reduction of rural debts. This year 5 banks worked at a profit.

In 1938-39 two more banks, one at Hoshangabad and the other at Betul were opened. The total number thus reached twenty-one. Thus the whole province has been brought under the fold of land mortgage credit except the two districts of Chanda and Balaghat. The volume of work for land mortgage banks increased. The older banks had good business during this year and the new banks, such as those at Khamgaon, Khandwa, Chhindwara, Bilaspur, Wardha and Akola, also fared

well. It was decided that the valuation of the property mortgaged with land mortgage banks should be done by the Government valuers once in three years. The Government was moved by some of the Berar banks that the minimum limit for individual borrowers should be lowered to Rs. 150 as in the case of Central Provinces. The figures given below will sum up the position.

Year		No. of Banks	Loans outstanding
			Rs.
1933–34	..	2	11,706
1934–35	..	2	29,290
1935–36	..	10	1,35,877
1936–37	..	14	3,59,553
1937–38	..	19	6,63,068
1938–39	..	19	10,88,540
1939–40	..	21	12,57,796

The Provincial Bank—Land Mortgage Banks Section—has advanced upto 15-6-1941, Rs. 16,22,423 from its inception out of which it has recovered Rs. 224,450.

A second conference of land mortgage banks was held at Nagpur on 30th September and 1st October 1940.

The question of amending section 47 of the Indian Registration Act so as to make the operation of the document to commence from the date of registration (and not from the date of execution) so far as the priority of the claim is concerned, the question to amend the Central Provinces Relief of Indebtedness Act, on the lines of Bombay Agricultural Debtor's Relief Act of 1939, the problem of the method of valuing the village shares, the proposal to move the Government to issue such instructions as will lead to the charge created by civil court decrees on immovable property being recorded in the record of rights and other similar problems were discussed and referred to the Legal Sub-committee for further examination. The question of starting a Central Mortgage Bank in the province was again moved at the Conference: but taking into consideration the financial position of the Provincial Bank—Land Mortgage Bank Section, and having regard to the advantages flowing from the Provincial Bank functioning as Central Mortgage Bank, it was decided that the proposal be considered at the next conference of land mortgage banks.

The Provincial Bank has been functioning and will function as a Central Mortgage Bank till the latter is formed. The loans are first advanced to the Primary Land Mortgage Banks by the Provincial Bank at 5 per cent from 16–1–40 (before that it used to be 4½ per cent) and the primary banks advance them to the individual borrowers at 7 per cent (6½ per cent previously). These banks have to be in close touch with the individual borrowers. The loan is repayable in twenty equated instalments.

Source of Funds.—The chief source of funds for land mortgage banks is the issue of 25 year-debentures by the Provincial Bank. These debentures are secured by the first mortgages of the lands of members. These mortgages are assigned to the Provincial Bank by the land mortgage banks. The report of the Committee has recommended that the Provincial Bank should issue the debentures and not the land mortgage banks. The reason is obvious. The Provincial Bank is a well-established and well-known institution and has greater resources at its disposal and commands greater credit in the market.

In the beginning, the Government had guaranteed the payment of interest, but under the new scheme that was arrived at in March 1935 the Government guaranteed the payment of both principal and interest. This help from the local Government inspired confidence in the public. The Government has undertaken such a guarantee to the extent of Rs. 50 lakhs as stated elsewhere.

Sinking Fund.—In order to ensure the payment of the debentures the Provincial Bank was under an obligation to adopt some amortization scheme of investment. The question arose whether a simple redemption fund, wherein only principal amounts could be pooled, was suitable or there was need for a sinking fund as prescribed by the Reserve Bank of India. The Provincial Bank authorities ultimately decided in favour of a sinking fund as directed by the Reserve Bank and the same has been started since 1940. The Bank holds Rs. 1,32,660 in the fund to-day.

Aims and Objects.—The following were laid down as the objects of land mortgage banks:—

(1) the redemption of the lands of agriculturists,

(2) improvement of land and methods of cultivation and,

(3) liquidation of old debts. The revised byelaws have included, as one of its objects, the purchase of land so as to consolidate the holdings or to secure more efficient economic cultivation.

The Primary Land Mortgage Banks are a basement to the structure of land mortgage business in the province. The share capital of each bank consists of shares allotted to those who sympathise with the aims of the bank. The element of non-borrowing share holders has been introduced to inspire confidence in the public, particularly in the debenture holders. But experience in this respect is otherwise. Many of the share-holders have unfortunately not subscribed their promised quota.

Procedure to obtain loans.—The borrower has to submit an application for loan, in a prescribed form giving details regarding the size of the family, property movable as well as immovable, the liabilities existing on the date of the application, statement of income and expenditure along with title deeds and revenue records supporting the applicant's title to property. The application, when received in the office of the land mortgage bank, is thoroughly examined by the Directors and then sent on to the Government valuer for scrutiny. The Valuer goes to the spot, inspects the property, studies the mode of living and habits of the applicant and the paying capacity and then submits his report together with the valuation of the property, recommending either rejection or acceptance of the application. The loans are recommended to the extent of 50 per cent of the value of the property.

After the recommendation of the Valuer for sanction, the application is submitted to the Board of Directors of the bank which after going through the report recommends the loan provided the Legal Adviser of the bank certifies the applicants' title to the property offered for mortgage. Thereafter the application is sent to the Co-operative Department wherein the Assistant Registrar, the Senior Deputy Registrar and the Registrar scrutinise the loan application and the Valuer's report. After their recommendation, the application comes to the Managing Director of the Bank who is the final sanctioning authority. After the loan application is sanctioned the mortgage deed and the assignment deed, called security documents, are received by the Provincial Bank, examined and if found in order, the bank places the funds at the disposal of the primary banks.

Everybody concerned, complains that our present system of accounts which is based on that of Madras is cumbrous and involves duplication of work. The matter is engaging the serious attention of the Procedure Committee, which was appointed by the last Conference.

Achievements.—These banks were established when the agriculturists were hard hit by the economic depression and were overburdened with debts. These banks were inaugurated with high hopes. That the purchasing power and the productive capacity of the cultivators will necessarily increase with the relief of rural debt was the primary motive which led to the establishment of these banks. They were also intended to supplement the working of co-operative credit societies, which deal with short term credit.

The Co-operative Movement, in this province, has received a serious set-back and the business of land mortgage banks is not free from its repurcussions. The European war has again chilled the enthusiasm, but there is no reason to despair. The working of these banks has had its indirect effect on the moneylenders' methods of business. This has helped those solvent agriculturists who cannot, for one reason or the other, take advantage of these banks. At least one thing is obvious, that the money-lenders have lowered their rates of interest and are otherwise more accommodating to the debtors than before.

The Debt Conciliation Boards have attained greater prominence than land mortgage banks. The debtor agriculturist, when he borrows from the land mortgage bank, has to pay interest on the amount till it is repaid. He has to pay application fee, valuation fee, and to purchase shares of the value of Rs. 5 for a loan of Rs. 250 or a fraction thereof. Further, if instalments are not regularly paid, he has to pay penal interest. He cannot incur outside liabilities without the bank's permission. While there are no such obligations under the Debt Conciliation Boards, the debtors going to the Boards are granted easy instalments extending over 10 to 15 years free of any interest. Naturally enough, the debtors prefer to go to Debt Conciliation Boards. The exit of Debt Conciliation Boards and the advent of Debt Relief Courts in their stead, has not changed the situation so far as land mortgage banks are concerned. In addition, the debt relief law has offered other facilities such as repayments of decretal amounts by small instalments, postponement of execution of decrees, reduction of interest, reopening of accounts for twelve years prior to 1932, and compulsory submission of accounts by the creditors to the debtors. It is therefore no wonder that land mortgage banks, though numbering at present twenty-one, could not make much headway. We may however console ourselves with the belief that the Debt Conciliation Boards have made a short shrift of the responsibilities of land mortgage banks.

While the problem of overdues is not unknown to the land mortgage banks, the banks are taking timely action to nip the evil in the bud. A provision has been made in the C. P. Land Mortgage Banks Act, 1937, to recover the defaulted instalments only, under Section 10, and if necessary to recover the whole loan outstanding under Section 14, without the intervention of the Court. The operation of Section 10 of the Act is not only more efficacious, but it is also less harsh than that of Section 14, as unlike Section 14 the whole property of the defaulter is not put to sale. Operation of section 14 also involves some legal complexities. While it is difficult to hold the scales even, the primary banks should be very careful in setting the coercive machinery in motion or they stand the danger of losing whatever popularity they have gained.

Direct help from Government.—The land mortgage movement has received financial support from the Local Government in the shape of subsidies to land mortgage banks for the first three years of their establishment. Further, the Government has amended the Tenancy Laws of the Central Provinces so as to confer transferability of occupancy lands in favour of land mortgage banks. The facility has also been recently extended in favour of ordinary co-operative societies. A further facility has been offered quite recently, whereunder *Khudkast* and *Sir* lands can also be mortgaged with greater ease.

In fine, we may say that while a whole organisation has been set up with a view to relieve the peasantry of the deadweight of debts, no permanent results will follow unless their purchasing power is enlarged. What an agriculturist needs is a complete revolution in his economic condition and outlook on life. His creditworthiness, purchasing power and productive capacity need to be enhanced. He should be thoroughly grounded in the principles of co-operation with a view to arrest future waste. Other things being equal, land mortgage banks will contribute a lot to the betterment of his fate.

The Managing Committee of the Provincial Bank, the primary land mortgage banks and the Government Department are all trying their best to popularise the movement and it is hoped that as soon as normal conditions are restored, the land mortgage business in the province will reach its proper height of development.

LAND MORTGAGE BANKS IN BENGAL

(Contributed.)

There are at present 5 land mortgage banks in Bengal. They are located at Mymensingh, Commilla, Pabna, Birbhum and Jessore. In view of the persistent demand from other parts of the province, Government were approached for ten more land mortgage banks. Government have since sanctioned establishment of five more Land Mortgage Banks in the province for the present. The expansion of the business of the banks during the year under report was not as rapid as could be desired. This slow progress is due to the widespread operations of the Debt Settlement Boards. The amendment of the Bengal Tenancy Act now provides for the mutation of a fractional share from a joint holding; but more often than not, such holding is found to be heavily in arrears of rent and the co-sharers cannot always be persuaded to pay their share of rent, with the result that the share cannot be mutated. In the case of Mohammadans the difficulty is aggravated by the fact that their females also inherit a share in the ancestral property and they often live in their husbands' places. Not actually in possession of their shares they cannot be pursuaded to join the mortgage bank as they feel that they are not in any way benefited by it and rather jeopardise their interest thereby. At times the members themselves do not desire that their female co-sharers should join lest that might amount to an acknowledgement on their part of the ownership of these co-sharers in the ancestral land which they exclusively enjoy. Holders of *korfa* and other under-raiyati rights, which are not protected interests, are debarred from obtaining loans from the land mortgage banks. There are again persons who do not feel anxious to borrow from the land mortgage banks, lest they might not have any surplus land left after mortgaging the required quantity to enable them to raise any credit in future in case of emergency.

The new Co-operative Societies Bill (since passed by the Legislature) offers facility to a member of a Land Mortgage Bank to get further credit, by permitting him to create a charge upon the mortgaged property for a period not exceeding five years (*vide* clause 95(1) (b).) This is likely to remove the present difficulty of a member a good deal. The existing rate of interest of 8¾ per cent is considered to be somewhat high. The floating of proposed debentures in order to raise funds at a sufficiently low rate of interest, so that the present lending rate of

interest may be substantially reduced, has unfortunately been held up by the existing war conditions. Several important provisions have in view the improved working of Land Mortgage Banks through summary procedure under the Public Demands Recovery Act which is a safeguard against deliberate and wilful default.

The total working capital of the Land Mortgage Banks at the close of the year amounted to Rs. 5,05,518 as against Rs. 4,42,163 at the close of the previous year. The working capital is made up of Rs. 41,168 from shares, and Rs. 4,46,896 from loan from the Bengal Provincial Co-operative Bank, Rs. 1,615 being the accumulation in the Reserve Fund and Rs. 15,839 appertaining to other funds and undistributed profits. The number of members rose from 2,049 to 2,222, which includes 34 preference share-holders. The borrowing members number 1,286 as against 1,107 of the previous year. The total number of applications received from the very start of the banks up to the close of the year under review was 4,061 for a total loan amount of Rs. 19,69,046. The number of applications investigated and considered was 4,460 covering a sum of Rs. 21,24,282. The number of applications accepted was 1,731 involving Rs. 8,28,811 and the number of applications rejected was 2,729 for a total amount of Rs. 12,95,471. Loans issued up to the close of the year under report amounted to Rs. 5,96,823 in 1,286 cases. The amount of loan issued by the banks fell from Rs. 1,23,720 in the previous year to Rs. 74,335 in the present year.

The recovery of loans during the year was Rs. 30,170 as against Rs. 33,854 during the preceding year. The total amount of loans outstanding at the close of the year was Rs. 5,06,726 as against Rs. 4,62,561 at the close of the previous year. The overdues were Rs. 17,306 and Rs. 5,187 respectively. The increase in the overdues is mainly due to severe floods and the consequent distress in certain areas. It is, however to be noted that a little over Rs. 10,000 was repaid by the unaffected borrowers before due date. The loan advanced by the Provincial Bank during the year to the land mortgage banks was Rs. 59,550, as against Rs. 1,09,495 in the previous year. Repayments were Rs. 18,230 and Rs. 23,676 respectively. The balance at the close of the year was Rs. 4,46,896 as against Rs. 4,05,576 at the close of the previous year. So far as the Bengal Provincial Co-operative Bank was concerned, there were no overdues at the close of the preceding year, but this year the overdues amount to Rs. 6,867.

The total amount of loans advanced by the land mortgage banks from the beginning up to the close of the year under review was Rs. 5,96,823 against the mortgage of agricultural land measuring 10,683 acres valued at Rs. 15,73,580 and also other immovable properties valued at Rs. 2,35,783—total Rs. 18,09,363. The loans advanced represent roughly 33 per cent of the value of the properties mortgaged.

Instalments for repayment are fixed with due regard to the size, the purpose of the loan, the paying capacity of the borrower and the possibility of failure of crops once in every four years.

The total original debts of the members amounting to Rs. 8,41,466 were reduced to Rs. 5,53,932 by conciliation. The assets of the members have been estimated at Rs. 8,35,282 and Rs. 6,80,925 respectively, leaving a surplus income of Rs. 1,54,358 against the total annual demand of Rs. 77,219. The cost of management of the banks was Rs. 19,578, as against Rs. 17,170 of the previous year.

The profits of the year amounted to Rs. 17,532 as against Rs. 13,287 of the previous year. Two of the five land mortgage banks, Mymensingh and Comilla, became self-supporting and could refund in full the advances made by Government towards their management charges.

LAND MORTGAGE BANKING IN MYSORE

(Contributed.)

Origin and History of the Scheme.—The Mysore Economic Conference urged the establishment of a land mortgage bank as the most promising means of relieving the indebted agriculturists and improving their conditions, particularly in the Malnad. The Co-operative Committee of 1923 worked out a scheme for the organisation of a bank on co-operative lines with a view to advance loans to *bona fide* land owners at first directly, and later on through special societies formed for the purpose. The Malnad Improvement Committee of 1925 recommended the establishment of separate land mortgage banks, one for each of the Malnad Districts. A mixed committee of officials and non-officials, which was appointed by the Government in the year 1927, considered the question and recommended that a central institution with jurisdiction over the whole State might be established to provide long-term credit to agriculturists. On the recommendation of this Committee the Government passed final orders on 10th April 1928, sanctioning the establishment of a land mortgage bank as a Provincial Institution independent of the Provincial and other Co-operative Institutions.

"The operations of the new Bank were to be limited, in the first instance, to one taluk in each of the three Malnad districts of Shimoga, Kadur and Hassan, and one taluk in the Maidan district of Tumkur. The local work of the Bank was to be carried on through primary institutions to be specially formed, which would receive and report on the loan applications, and make short-term advances out of their own funds." The grant of loans direct to individual members where there are no primary societies was also provided for in the by-laws, but in practice this is now discontinued. " The share capital of the bank was fixed at Rs. 5 lakhs and the bank was authorised to issue debentures up to Rs. 20 lakhs, the Government guaranteeing payment of interest not exceeding 5 per cent and also agreeing to invest a sum of Rs. 5 lakhs in the debentures issued." The concessions sanctioned in favour of co-operative societies as regards exemptions from stamp duty and registration and other fees were extended to the bank

The Registrar of Co-operative Societies was placed in control of the scheme, and a whole-time Deputy Registrar was appointed to make the preliminary arrangements. The Co-operative Societies Regulation was amended with a view to bring the Land Mortgage Bank within its purview; a set of rules was framed under it, and the first body of directors was nominated. Finally on the 25th November 1929, the institution was registered as the Mysore Co-operative Land Mortgage Bank Limited (now called the Mysore Central Co-operative Land Mortgage Bank Limited).

The operations of the Bank which were first confined to four taluks have been gradually extended to 48 taluks and 4 sub-taluks out of 73 taluks and 6 sub-taluks in the State. The Bank had at the close of the year 1939-40, a membership of 207, with a paid up share capital of Rs. 1,09,900 and a debenture capital of Rs. 10,91,700. Loans to the extent of Rs. 14,06,325 were sanctioned up to the close of the year 1939-40. A sum of Rs. 12,61,610 had actually been disbursed. The primary land mortgage societies held shares to the extent of Rs. 90,200.

The funds of the Bank comprise share subscriptions, debentures and grants and other miscellaneous items. The share capital of Rs. 5 lakhs is made up of 10,000 shares of Rs. 50 each. The Bank is authorised to receive deposits, but as the primary activity of the Bank is to advance long-term loans it is not receiving deposits.

Five series of debentures, as per details noted below, have been issued by the end of 1939-40 with the approval of Government and under their guarantee for payment of principal and interest.

at 5 P.C.	..	2,18,500	I Series
at 4½ P.C.	..	62,500	II Series
at 4 P.C.	..	1,85,100	III Series
at 3½ P.C.	..	5,00,000	IV Series
at 3½ P.C.	..	1,25,600	V Series

These bonds are very popular and are issued at present at a premium of 2 per cent.

The bank is authorised to issue debentures up to Rs. 20 lakhs having currency not exceeding 30 years. The bonds are liable to be redeemed or re-purchased at the option of the Bank after a period of ten years from the date of issue, and bonds worth Rs. 1,32,700 have been recently redeemed. The Comptroller to the Government is the Trustee to secure the fulfilment of the Bank's obligations to debenture-holders.

Management.—(1) *Central Bank.* The powers of the General Body and of the Board of Directors are defined in the by-laws. The General Body (subject to the control of the Government and of the Registrar) is the "ultimate authority in all matters relating to the administration of the Bank." The administration of the affairs of the Bank generally is entrusted to a Board of Directors consisting of a President and one

member nominated by the Government and 16 others, of whom two are nominated by the Government to represent the interest of debenture-holders. The remaining 14 are elected, of whom not less than 9 (at the rate of one for each district) are to be representatives of the primary land mortgage societies. The entire administration of the Bank, subject to the control and delegation of the Board, vests in an Executive Committee of five members.

The powers and duties of the President and other office-holders are also specified. The Secretary is a salaried officer, appointed by the Directors subject to the approval of Government, and is responsible for the executive administration of the Bank, subject to the control of the President. The bank staff at present consists of one Secretary, an Amildar lent by Government, an Assistant Secretary and 13 hands, excepting peons. Loan applications are scruitinised by senior officials, who are qualified in law.

(2) *Primary Societies.*—The primary societies have their own by-laws approved by the Registrar. The Committee generally consists of 3 to 15 members. The first Committee is appointed by the Registrar. Where competent non-officials are not available to hold the offices of President or Secretary, the Revenue Sub-Division Officer or the Taluk Amildar is appointed by the Registrar as President, and the Sub-Registrar as Secretary. Their wide experience of men and local conditions and the help they can render in their official capacity are thus availed of for the benefit of the scheme. Members of the Committee are elected so as to represent different *hoblies* constituting the taluk. The primary societies are affiliated to the Central Bank by membership. The Central Bank being the financing institution has power of supervision and control over the primary societies.

Loans.—Loans are of two kinds, long-term and short-term. Long-term loans are granted at present for the following purposes only, though the by-laws provide for issue of loans for the improvement or better cultivation of land also, (1) for redemption of subsisting mortgages on agricultural land. (2) for liquidation of other prior debts of agriculturists.

Short-term loans are granted out of the Bank's own funds for current agricultural operations, and are advanced only to grantees of long-term loans.

As the Land Mortgage Scheme is chiefly for the benefit of the agriculturists of ordinary and limited means, long-term loans within the minimum of Rs. 300 and maximum of Rs. 5,000 repayable in 15 to 25 years, are issued. The rate of interest originally charged was 8 per cent to the ultimate borrower and 7 per cent to the primary society. With the help of the Government subvention and the increase in the volume of business, the Bank has now found it possible to bring down the rate of interest to practically 6 per cent to the ultimate borrower.

The recovery of the loan instalments has been satisfactory being 97·46 per cent during 1939-40. Of the loans issued amounting to Rs. 12,61,610 a sum of Rs. 1,29,330, was recovered by the end of 1939-40.

Long-term loans granted do not exceed 50 per cent of the value of the agricultural lands offered as security. In view of fluctuations in the value of coffee and cardamom lands the loans on the security of such lands do not exceed 40 per cent of their value.

Special Staff for investigation.—Investigations were, in the first few years, made by officials called Valuators lent to the bank by Government. Later on, this work was entrusted to the Circle Inspectors of co-operative societies as a matter of economy. As this did not prove satisfactory, a special staff of Inspectors for land mortgage work was sanctioned by the Government. They are generally Senior Inspectors of co-operative societies. There are at present eleven Inspectors exclusively for land mortgage work. The Government were pleased to sanction the appointment of a Special Assistant Registrar of Co-operative Societies for land mortgage work in September 1939. The salary and allowances of this staff are entirely borne by Government.

Procedure in granting loans.—Applications are first presented to the primary societies. After a preliminary scrutiny by the Secretaries, they are referred to two local Directors and the Inspector for investigation and report in forms prescribed by the bank. Their reports are placed before the Directors of the society who, if the cases are found to be satisfactory, recommend sanction of loan. The applications are then sent by the society to the Central Bank where they are thoroughly examined. The Board of Directors of the Bank has delegated the power of sanctioning loans to an Executive Committee consisting of 5 members including the President. The Executive Committee sanctions or rejects the recommendations of the primary societies. In the case of loans sanctioned, bills passed by the Comptroller who is the Trustee, will be sent to the primary societies for disbursement to the creditors direct in the presence of the grantee.

Financial position of the Bank.—Besides the share and debenture subscriptions, the Bank has accumulated the following funds amounting to Rs. 37,000.

		Rs.
Reserve Fund	..	14,400
Bad Debt Reserve	..	8,500
Dividend Equalisation Fund	..	5,000
Premium on debentures	..	5,965
Reserve for contingencies	..	2,000

Extension of the Scheme.—In the extension of the scheme no attempt "to hurry the institutions into the existence to meet a popular demand" has been made. The selection of additional areas to be brought under the scheme is made by the Registrar in consultation with the Central Bank after instituting a detailed investigation by the Departmental Staff.

General.—The policy of the Bank has been to liquidate all the debts of an applicant; and loans are generally granted to *bona fide* agriculturists only. The Government have been taking keen interest in the progress of the Bank and have granted a number of concessions to facilitate its work. The Royal Family has evinced its interest in subscribing heavily for the debentures of the Bank.

REVIEWS

YEAR BOOK OF AGRICULTURAL CO-OPERATION, 1941. Edited by Horace Plunkett Foundation, London, P. S. King & Son.

The current Year Book of Agricultural Co-operation is the slimmest of the kind so far published by the Horace Plunkett Foundation. Several important contributions have been withheld from publication, in the anxiety to despatch the Year Book sufficiently early to reach in time overseas readers. Miss Margaret Digby, the talented Secretary of the Foundation and systematic contributor to the *Indian Co-operative Review*, has gone out on war work. This Year Book has been edited, in her absence, by Dr. C. R. Fay, the distinguished Chairman of the Trustees of the Foundation. There is, however, a weighty contribution from the pen of Miss Digby in the shape of a fifty pages survey on the Co-operative Movement in Canada, which she had studied at first hand early in 1939. Dr. Fay himself makes the largest, and a very original, contribution surveying the co-operative experiments made in the widely scattered Colonial and Tropical possessions of the British Empire, in which is included a part of India. The third largest contribution is a departmental report on Co-operation in Newfoundland, where there were a number of obstacles to overcome, particularly the backwardness in education of the large fishing communities. The amount of adult education work done in this country is remarkable and is worthy of adoption by others with a similar population. Of the two other special articles, the one on English and Canadian Schools is interesting from the pedagogic point of view but its relevancy in a co-operative Year Book is not clear. The pride of place among contributors to this Year Book is rightly accorded to a very fascinating sketch by Mr. H. F. Norman of the career and character of Father Thomas Finlay, the third of the greatest Irish Pioneers, the other two being Sir Horace Plunkett and George Russell (A.E.), with all of whom Mr. Norman has had close contact as a collaborator in the work of the Irish Agricultural Organisation. It is worth reading and re-reading.

Communications from correspondents are rather meagre. They deal more with the repurcussions of the World War on the Co-operative Movement in about a dozen countries, big and small, including Ceylon and Kashmir. Reviews and Short Notices are shorter than usual, sections on Bibliography and Digest of Co-operative Law have been altogether omitted—nothing surprising in a year of such extraordinary stress and strain. The wonder is that the Foundation, located in the

heart of air-raided London has found it possible to publish the Year Book in the spirit of 'Business as usual.'

The gaps in the Year Book have been more than made up for by the elaborate survey covering 75 pages by Dr. Fay, referred to already. It is much more than a study of co-operative activity in the far flung tropical possessions of the British Empire. The economic, geographical and historical background that the learned author provides is brilliant. In fact the sketch of the Co-operative Movement, such as it exists in many of these regions, is eclipsed by the excellent exposition of the economic background for such a Movement. The countries touched upon are the West Indies and Newfoundland in the Atlantic, Tropical Africa—East and West, and the East Indies in their old and widest sense which includes not merely Malaya, but Ceylon, Burma, and India. Dr. Fay has paid short visits to Ceylon and South India and to a number of West Indies islands. He gives out his impressions found in the course of rapid tours in these lands, and for the rest he relies mainly on the printed word.

Dr. Fay is of the firm view that small isolated political units cannot survive in the future and that economic and co-operative stability cannot be assured without political stability—for which it is vital that the smaller units should unite into a federation. He suggests certain groupings or federations, which it is for countries concerned to accept or reject after due consideration. We are unable to follow his cryptic allusions to our country when for instance, he says "Burma was wise perhaps to separate from India"; but she should in future group herself with countries more distant and scattered in the Indian Ocean and inhabited by races not more akin to Burmans—with Malaya, Sarawak. Borneo and Ceylon. Dr. Fay takes the British statesmen to task for refusing to grant full responsible Government to West Indies and Kenya (by which he means the white settlers there) on the plea that the Empire is a Trust "a notion that has been worn to death." And he says "only when they have the power (the power to do right or wrong) will they want to do what is right." The treatment of the native races and Indian settlers by the self-governing whites in South Africa belies this hope. Of the many interesting sketches he gives centering round some commodities his graphic account of the struggle between the United Fruit Company and the Banana Co-operatives in Jamaica and of the spectacular progress of the sugar industry in India after a long period of official pessimism and discouragement are worth studying in particular.

Of the Movement in India whose "mere size makes it a difficult country in which to study" Dr. Fay has little to say except incidentally.

But the little that he says in this way is rather sweeping, e.g., "Co-operation in India, if we except the Punjab, and co-operation in Burma in particular, has suffered from most of the defects that men can achieve." The movement in the Punjab, which comes in for praise at more than one place may deserve praise but not at the expense of other provinces, some of which have a much better record—in some branches of co-operation at any rate.

We have no desire to pick holes in a piece of work which displays a rare wealth of knowledge and power of argumentation in the process of laying bare the multiplicity of factors that account for the progress or the reverse of the Co-operative Movement in different countries. The author has a very alert mind and is not wedded to any particular ideal as regards tenure, or size of forms or size of societies or to free trade or protection. He has a suppleness of mind which is not commonly met with in co-operative literature. The whole survey is an intellectual treat and abounds in exquisite epigrams not only on the Co-operative Movement but on economic organisation in general.

K. C. R.

THE MADRAS GENERAL SALES TAX ACT. By Dr. B. V. Narayanaswami Naidu, and S. Thiruvengadathan. (The Annamalai University, Annamalainagar, 1940, Rs. 1-8-0).

Madras is the first among the provinces in India to have passed a *general* Sales Tax Act though the Central Provinces and Berar preceded her by imposing a selective tax on the retail sales of motor spirits and lubricants. Though the main aim of the authors is to reveal the working of the tax in a particular district of Madras—South Arcot—they have covered a wide field. Beginning with a short history of the sales tax in India and certain European countries from early times, the authors have shown that the tax has been popular with several Governments in Europe and America as a productive source of revenue with the notable exception of England, which is temperamentally averse to any form of indirect taxation. The form, yield of the tax and the difficulties experienced in administering the tax in these countries are clearly pointed out. The introduction of the tax in Madras is attributed more to the policy of Prohibition, than to the desire to balance the budget or correct the inequalities in the burden of taxation between town and country. On the other hand in Bombay the tax is motivated by the policy of rural development. While the Madras Act has adopted the broad principles of the tax as followed in the West it differs from them in certain important respects. In the latter countries the services are also taxed while the articles of food and the prime necessaries of life, Government enterprise and to a certain extent machinery and

exports are exempted. On the contrary the Madras Act has failed to give concessions even to articles of food and necessaries. But a rebate of half the tax is allowed on exports of finished articles of industrial manufacture to places outside the province. In the view of the authors the policy of the Madras Government regarding taxation of exports cannot be condemned. For in India exports consist mainly of raw materials which the Central Government tries to conserve for the purpose of industrialisation of the country and complete exemption would therefore run counter to this object. The legal validity of the sales tax imposed by a Provincial Legislature was questioned by some parties and it was referred to the Federal Court for decision. The Court's decision, establishing the right of the provinces to levy a selective sales tax and clarifying the meaning of the term 'taxes on the sale of goods'; is examined and also published as an appendix. The authors have described in detail the system of accounting commonly adopted by the merchants in the South Arcot District. Their enquiries do not lend support to the general view expressed that the expenses of merchants would increase due to the maintenance of accounts. Only in cases where the accounts are kept in vernacular and where a translation is necessary there has been an additional charge on account of this item. They suggest that this difficulty may be overcome by the officers learning the rudiments of the vernacular languages.

Besides noting the possible methods of tax evasion they have described the various kinds of evasion actually practised by the merchants in the area under their investigation. The anamalous position of the 'Agents' and seasonal traders is also brought out. To check this it is necessary, in their opinion, that the Government should take steps to amend and modify the Act and Rules and also lay down new rules if and wherever necessary. They also plead for stricter enforcement of the Act and Rules by inflicting severe penalties on wilful defaulters.

The effects of the tax on the turnover of business, wholesale and retail and on the middlemen have been investigated. From their enquiry, though confined to a restricted area, they find that, except with the wholesale dealers, shifting has not been so easy with all the retail traders under the present competitive conditions. Curiously enough in some cases the retail sellers have for sentimental reasons borne the brunt of the tax themselves.

The effect of the sales tax on the turn over of the local co-operative consumers' societies has been closely studied; the latter entertain the fear that they would be undercut in the matter of prices by the tax free retail trader, resulting in loss of business and retarding the progress of the movement itself. An analysis of the business turnover in the two local societies in Cuddalore and that of the premier society in Madras, the Triplicane Urban Co-operative Society, judged by their transactions, shows that they have not suffered by the levy of the tax. Besides the societies have not followed a uniform principle, some paying the tax from their general profits and others adding it on to the price of the articles. The T.U.C.S. has done the former and could pay only smaller dividends to members and less bonus to employees. The authors admit that though there has not been any adverse effect on the business turnover the expansion of the activities of the societies has been hampered. On this and other grounds the co-operative consumers' societies deserve special consideration at the hands of the Government.

They have not also been able to find any tendency towards disintegration of business as was expected by some. Cases of double taxation have not been common except in the case of a tax on the purchase amount of the raw commodities such as groundnut, leaf-tobacco etc. Here they would suggest the exemption of the first sale of the locally finished product of the above raw materials. It is pointed out that much of the time of the Tax Officers is occupied in routine work leaving little time to attend to the more intelligent and important work of discovering 'systematised, polished and well-executed methods of tax evasion based on perfect understanding between the parties—purchases and sellers.' The administrative machinery should be perfected by expanding the technically qualified staff as well as the clerical staff.

The study suffers from its having been undertaken a little too early after the passing of the Sales Tax Act. We hope the authors will pursue the enquiry and publish the results of the working of the Act since they studied it last.

Editor.

MODERN ECONOMIC PROBLEMS. Edited by Baljit Singh. (Economics Club, D. A. V. College, Cawnpore, 1941, Rs. 2).

This bulletin is a collection of papers read under the auspices of the Club, and studies or investigations of specific economic problems made under the direction of the President of the Research Committee. In his inaugural address to the Club the President, Principal Kalka Prasad Bhatnagar, stresses the importance of factual surveys and collection of accurate statistical data on some practical problems.

There are 15 contributions in all, grouped under six main headings representing the different branches of economics. Of the three papers on the general principles of economics, one by Mr. M. P. Mathur deals

with the static and dynamic view of economic phenomena. The second paper on the Malthusian theory of population by Mr. Sita Ram Pandey makes a brief study of the early theories of the population problem, the problem as set out by Malthus, the criticisms levelled at his theories and the problem as affecting India. The third paper by Mr. S. P. Mathur is on Economic Planning. He studies the present state of industrial organisation in India and the necessity for planning, at the same time pointing out the limitations and obstructions in the way of formulating a national plan. A brief note on the National Planning Committee set up by the Congress in 1939 is also added.

In the second group 'Trade and Industry' the problems of sugar industry have been studied in detail. Mr. Ramdass devotes attention to the problem of marketing sugar and its products and gives a descriptive account of the methods of assembling, grading and standardising, storing, and the whole-sale distribution of the products in the United Provinces. Mr. B. S. Srivastava traces the history and growth of the sugar industry from 1930, when the question of protection was referred to the Tariff Board by the Government and has surveyed the position of the industry during the period of the crisis. He has many useful suggestions and constructive schemes for placing the industry on a stable basis. Mr. S. S. Rathi has given us an interesting account of the history and progress of the manufacture of and trade in the Aligarh locks and allied industries which have gained much popularity in India.

There are three papers devoted to investigations on industrial labour. Mr. S. Hasan lays down the general principles that should govern the relationship between the employer and the employee and capital and labour. The activities of capital and labour, the two essential factors of production must be so co-ordinated as to bring the optimum result. Under the changing circumstances of the world, readjustment of the relations, in his view, cannot be left to the free play of economic forces but to a special machinery which it is the duty of the State to provide. This is followed up by the second paper which is an investigation into the development of factories and the conditions of factory labour in the United Provinces. The third paper is an objective study of the problems of industrial housing with particular reference to Cawnpore. The paper on 'Provincial Finances under Autonomy' is both a historical retrospect and a study of the financial relationship between the Centre and the Provinces after the inauguration of autonomy.

There are two sections that deal with the organisation of Agriculture, Village Conditions and Co-operation. Besides one paper on

'Agriculture in the Depression' there are two brief economic surveys of villages. A short account of the history and progress of the Co-operative Movement in the United Provinces has been given by Mr. R. N. Uberoi, covering all the different aspects of the movement and the scope that it has for the future. He has pointed out the necessity for an apex bank, the reorganisation of the societies on the Burma model and the need for more land mortgage banks for providing long term credit. In his opinion the movement has a bright future if certain fundamental defects, which have been enumerated, are removed.

Editor.

GLIMPSE OF THE CO-OPERATIVE MOVEMENT IN ASSAM. By L. K. Barooah. (Published by Kamal Chandra Borah, Sewali Printing Works, Nowgong, Assam, As. 8).

This booklet is a reprint of the paper read by Mr. L. K. Barooah, at the All Assam Co-operative Central Banks' Conference. He deals briefly with some of the important phases of the Co-operative Movement in Assam and, in a simple and concise form puts forth his suggestions and recommendations for the rehabilitation of the movement in the Province largely drawn from the experiences and experiments of some other Provinces, and specially Burma. The Co-operative Movement in Assam has been passing through a critical stage and there has been an all round decrease in the membership, working capital and reserve fund of the agricultural societies. Nearly 98 per cent of the outstandings to the members were overdue and on a comparison with other provinces the position in Assam is found to be staggering. This has vitally affected the stability of the central banks which are the financing agencies to the societies. He rightly attributes the causes of the present impasse to the inherent defects in the organisation of societies and to the paucity of non-official workers in the past, well trained in the high ideals of co-operation. He strongly feels that unless the right type of men join the field, there is no chance of success; but yet he would not sound a note of undue pessimism. He cites the instance of Burma where the movement had practically collapsed and the Provincial Bank went under liquidation. But their efforts have been made to revive the movement through a far-reaching, constructive scheme which has been put into operation and has been working successfully. He approves of the Burma scheme as a model for the Province, with certain modifications to suit local conditions.

Mr. Barooah feels doubtful if multipurpose societies can be worked with success at the present moment in India though he agrees that the objects of the Co-operative Movement should be comprehensive and it should serve as an effective agency for all the

needs of the rural population. On the question of land mortgage banks he thinks that the separation of long term and short term finance is long overdue. He further urges that immediate steps should be taken to develop the non-credit side of the movement in the Province by organising special types of societies. By a comparison with other Provinces he brings to light the inadequacy and inefficiency of the Departmental staff in the Province for audit, inspection and education and recommends that a separate audit staff should be maintained for the proper audit of the societies. In conclusion he makes a fervent appeal to the veteran co-operators to find out a solution for the present impasse, chalk out lines of new development and launch a bold optimistic policy of reorganisation of the Co-operative Movement in the Province. The suggestions of the author deserve due consideration when a scheme of rehabilitation is drawn up for the Province.

S. T.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

ASSAM.

Extracts from the Report of the Registrar of Co-operative Societies, Mr. S. L. Mehta, I.C.S., for the year ending 31st March 1940.

Summary of General Progress.—The old policy of consolidation and cautious expansion had to be continued though the rehabilitation of the movement, with a comprehensive and well-conceived recovery plan to improve the economic outlook of the country, was of immediate necessity. Without an adequate staff and financial commitments from the Government, the crises cannot be averted. The Movement passed through another year of severe ordeal. The working of the co-operative societies did not make any progress whatsoever. During the year, 70 new societies were registered and 42 liquidated; the number of societies stood at 1579 as against 1551 in the previous year. The total number of members of all classes of societies decreased from 61,624 to 60,644. There was increase in the membership of the non-agricultural societies but the decrease in the membership of the agricultural societies is striking. The total working capital of societies continued to decrease from Rs. 88,21,352 to Rs. 83,44,914 i.e. a decrease of Rs. 4,76,438 as against Rs. 1,98,928 of the previous year. The actual transactions of credit societies of all classes with their individual members show that new loans to the extent of Rs. 9·39 lakhs were issued to them as against Rs. 9·60 lakhs, and recoveries amounted to Rs. 10·34 lakhs against Rs. 9·83 lakhs in the previous year. The total loans due by individual members stood at Rs. 14·32 lakhs and Rs. 19·29 lakhs in the agricultural and non-agricultural societies respectively as against Rs. 16·47 and 19·16 in the previous year. There was no sign of decrease in the overdues of the agricultural societies which continued to be at 93 per cent as in the previous year. The total reserve fund of all the societies further decreased from Rs. 15·51 to 15·14 due to the heavy reduction of the reserve fund of the agricultural societies. Most of the agricultural societies are running at heavy losses due to the inability to reduce the loans by bringing them down to the level of present repaying capacity, absence of finance for seasonal loans, absence of any summary power of recovery, want of timely action for recovery, absence of any moral persuasion to repay dues, non-observance of the cardinal principles of co-operation, and the applicability of the provisions of the Assam Money Lenders Act and decisions of the Debt Conciliation Boards to the co-operative societies. Continued deterioration of the condition of the societies has now brought the movement to a state of collapse and nothing short of a comprehensive scheme of rehabilitation to reconstruct and revitalise the movement will be able to save it from utter ruin.

Surma Valley Co-operative Organisation Society.—The society continued to maintain its existence only on its own resources from subscriptions, as Government grant was discontinued in 1932-1933. The society received a Government contribution of Rs. 500, and with this amount, it commenced again the publication of *Samabaya* (a monthly journal in Bengali), revived the Surma valley Co-operative Conference by organising three subdivisional conferences and one Provincial and Central Banks' Conference, participated in two exhibitions and organized two rural uplift societies.

The Provincial Co-operative Bank of Assam.—The Provincial Bank continued to maintain its position, as best as it could, under the most disquieting circumstances prevailing in the co-operative movement in the province, as the following statement will show:—

		1938-39.	1939-40.
Number of members: Individuals		27	27
Societies	..	53	54
		Rs.	Rs.
Paid up share capital	..	1,11,850	1,11,560
Deposits and Overdrafts	..	2,29,364	1,81,355
Reserve and other funds	..	44,123	47,608
Working capital	..	3,85,337	3,40,523
Loans made to Central Banks and Societies	..	71,292	13,500
Loans due by Central Banks and Societies	..	2,30,708	2,55,598

From the above figures it will be seen that there was a heavy fall in the working capital owing to withdrawal of deposits and small inflow of deposits.

The subscribed and paid up share capital of the Bank slightly decreased from Rs. 2,23,700 and Rs. 1,11,850 to Rs. 2,23,200 and Rs. 1,11,560. The deposits received and refunded during the year amounted to Rs. 22,141 and Rs. 56,195, against Rs. 55,748 and Rs. 47,550 respectively in the previous year. The deposits from members and outsiders including the overdrafts held at the end of the year also decreased from Rs. 2·29 to Rs. 1·81 lakhs. The rates of interest on fixed deposits, however, remained at 3, 3½, and 4 per cent for 1, 2 and 3 years respectively as in the previous year. No interest is allowed on the current deposits by the Bank. The paid up share capital is about 65 per cent of the amount of deposits held by the Bank against 54 per cent in the previous year.

Loans issued during the year amounted to Rs. 13,500 only against Rs. 71,292 in the preceding year. Due to non-payment of dues by the primary societies, most of the central banks were in difficulty to meet their obligations to their depositors, as well as to this Bank, with the result that although there were unusually heavy demands from the central banks for new loans by societies during the year, the bank had very little resource left at its command to meet their crying needs. Moreover, in the present critical position of the Co-operative Movement in the province, the Bank had to act with great caution in the matter of fresh finance to these central banks.

The recovery of loans and collection of interest from societies amounted to Rs. 42,270 and Rs. 14,369 as against Rs. 51,282 and Rs. 17,378 in the preceding year. The current demand of interest was Rs. 15,932, out of which Rs. 6,954 was realised within the year. In view of the present unsatisfactory condition of the co-operative societies better results in the collection could not be expected. The total loans outstanding at the close of the year amounted Rs. 2·56 lakhs with Rs. 14,549 as interest against Rs. 2·81 lakhs with Rs. 12,986 as interest in the previous year. The overdues stood at 51 per cent as against 43 per cent in the previous year. The overdues include a sum of Rs. 12,499 due from societies under liquidation which earns no interest. The interest outstanding from these societies amounted to Rs. 3,168.

The working of the Bank resulted in a net profit of Rs. 8,974 against Rs. 9,866 in the preceding year. The Bank declared a dividend of 5½ per cent on preference shares and 4½ per cent on ordinary shares as in the previous year. The reserve fund of the Bank stood at Rs. 35,010 at the close of the year. The bad debt fund further increased to Rs. 10,598 and building fund remained at Rs. 2,000 as in the preceding year.

Central Banks.—The total number of central banks continued to be 18 as in the previous years, of which 5 were in the Surma Valley and the remaining 13 in the Assam Valley Division. Almost all the central banks, except some of the smaller ones, are faced with difficulty to maintain their credit. The position of these banks deteriorated further during the year under report.

The number of society and individual members in the central banks decreased from 1,230 and 647 to 1,218 and 640 respectively. The paid-up share capital also decreased from Rs. 1·95 to Rs. 1·88 lakhs. The total working capital further decreased from Rs. 23·07 to Rs. 21·82 lakhs. The reasons for these decreases are obvious. The central banks are gradually contracting their business by collecting their dues. The proportion of the paid up share capital to the working capital was near about 9 per cent as against 8 per cent of the previous year. The following further figures show the working and position of the central banks for the last two years:—

	1938-39.	1939-40.
	Rs.	Rs.
Loans and deposits held at the end of the year from individuals and other sources ..	13,69,709	12,43,150
Loans and deposits from societies ..	2,08,946	2,22,694
Loans from the Provincial Bank ..	2,26,316	2,09,338
Reserve Fund ..	1,23,257	1,27,161
Other funds ..	1,83,468	1,91,673
Loans due by societies ..	15,77,007	14,68,814
Loans issued to societies ..	55,679	42,594
Loans repaid by societies ..	94,358	1,52,268
Interest realised ..	1,07,501	1,10,057
Cost of management ..	38,114	37,690
Profits ..	717	8,076

Agricultural Credit Societies.—The total number of agricultural credit societies with unlimited liability decreased from 1,324 to 1,315 of which 668 were in the Surma Valley and 647 in the Assam Valley Divisions, as against 670 and 654 respectively in the previous year. As in previous years the 10 limited agricultural societies which were started as health societies, were practically doing credit business. The number of members in agricultural societies further decreased from 41,189 to 39,166, which is indeed deplorable. The working capital of these societies continued to fall further from Rs. 28,69,283 to Rs. 25,79,449. They issued loans to members to the extent of Rs. 82,774 as against Rs. 88,789 and recovered Rs. 1,93,818 as against Rs. 1,56,573 in the previous year. This improvement in collections was due to the facilities given to the debtors by way of remission of interest, the drastic action taken against recalcitrant debtors and increase in the price of agricultural produce. The total loans due from individual members stood, at the close of the year, at Rs. 14,28,527 as against Rs. 16,43,099 of the previous year. The overdue amount came to Rs. 13,26,599, i.e., nearly 93 per cent, as in the previous year. Inspite of vigourous attempts to reduce the overdues, there is no sign of any improvement in this respect. Most of these agricultural credit societies are running at a loss. The profit and loss item of these societies resulted in a net loss of Rs. 58,187 as against a net loss of Rs. 58,626 of the previous year. The number of societies running at a loss is on the increase.

Non-agricultural Credit Societies.—The total number of societies increased to 163, and the total number of members rose to 14,623 as against 13,614 of the previous year. The working capital slightly decreased from Rs. 26·57 to Rs. 26·49 lakhs. The percentage of owned capital to that of the working capital is more than 57 per cent as against 58 in the previous year, which is no doubt encouraging. They issued loans to the extent of Rs. 8,52,577 during the year, and recoveries of loans amounted to Rs. 8,23,947. Inspite of decrease in the issue of fresh loans, recoveries showed an improvement. The total loans due to these societies from members stood at Rs. 19·27 lakhs as against Rs. 19·12 in the previous year. The overdues however increased from Rs. 7·01 to Rs. 8·15 lakhs which is 42·3 per cent as against 36·6 per cent of the previous year.

Land Mortgage Banks.—As in the previous years the five land mortgage banks continued their existence through extremely difficult circumstances, without doing any useful work. The total amount of loans issued was Rs. 2,250 only as against Rs. 2,400 of the previous year. The total recovery of loans amounted to Rs. 15,126 as against Rs. 19,077 and Rs. 41,821 of the two preceding years. Recoveries are gradually falling as most of the assets have been frozen from a long time. The total loans due from members stood at Rs. 2·61 lakhs with an over due of Rs. 2·55 lakhs which represents nearly 98 per cent. The working capital decreased from 4·44 to 4·37 lakhs.

Stores and Supply Societies.—The total number of these societies was 17, as against 13 in the previous year, with a membership of 910. The working capital of these societies was Rs. 1·11 lakhs and sales amounted to Rs. 1·75 lakhs. They earned a profit of Rs. 7,506.

Milk Societies.—The total number of milk secieties further decreased from 16 to 15. The work of these milk societies in the Surma Valley have practically been closed and all the 9 societies are awaiting formal liquidation. Out of the six milk societies in the Assam Valley only 4 are working. The general supervision of this class of societies rests with the officers of the Live-stock branch of the Agricultural Department under the Deputy Director of Agriculture and Live Stock.

Land Improvement Society.—The Pailgaon Land Improvement Society, the only society of its kind has shown marked improvement in its working. The embankment erected by the society has proved quite successful though it entails expenditure annually. It spent a sum of Rs. 109 for earth work during the year. Attention of the neighbouring villages has been attracted to the usefulness of the society.

Women's Societies.—The total number of societies was five as against one in the previous year. The Sylhet Women Co-operative Thrift and Home Savings Society, Limited, continued to work satisfactorily, showing an increase in the number of members from 46 to 53. The savings deposits rose from Rs. 745 to Rs. 1,294, which was invested separately in banks.

Reserve and other Funds.—The reserve and other funds of all classes of societies decreased from Rs. 19·53 to 19·07 lakhs, due to the heavy reduction of the reserve funds of the agricultural societies. The total reserve and other funds represented about 23 per cent of the total working capital in the movement as against 22 per cent in the previous year. Most of the reserve fund, specially of the agricultural societies, is still locked up in the working capital of the societies and the Departmental staff is continuing the vigourous attempts to have these funds separately invested but with no appreciable results yet. As most of these societies are in extreme difficulties to meet the obligatory charges of re-paying the long overdue loans of financing banks and matured deposits due to unsatisfactory collections, it is not possible to get the reserve funds separately invested so easily.

General Remarks.—Heavy accumulation of overdues has brought despondency and nervousness amongst the members of the agricultural societies resulting in reluctance to pay, as there is hardly any hope of fresh finance in villages due to the present conditions prevailing in the money market. In fact, fresh finance in rural areas for agricultural purposes is a serious problem now. Most of the other provinces have already taken up the question of rehabilitation of the movement and are tackling the problem by advancing finances and providing adequate staff with other beneficial measures. But nothing substantial has yet been done in this Province to save the movement from collapse. I have cried hoarse over it for years past but without any tangible results. In the Government resolution on the last year's report it was mentioned that actually proposals for increase of staff were started but due to financial situation provision for only nine Assistant Auditors could be made in the current year's budget, and Government had under consideration a proposal to finance the Provincial Bank with a handsome loan, the details of which were being worked out. It has since been decided by the Government to offer a loan of Rupees one lakh to the Bank at 5 per cent per annum. In my last year's report I stressed the immediate necessity of adequate financial help by the Government for the movement and I do hope that the help sought for will be forthcoming without further delay

---

HYDERABAD.

Government Review of the Report of the Registrar of Co-operative Societies, H.E.H. The Nizam's Government, for Fasli 1348-1349 (1939-40).

Number of Societies and Working Capital.—Societies newly registered during the year numbered 336 as against 279 in the previous year, while cancelled societies totalled 15. The total number of societies of all types in the Dominions increased from 3638 to 3958 and membership rose from 1,37,948 to 1,54,412. The working capital of the movement increased from Rs. 2,74,73,311 to Rs. 2,77,56,935. The paid-up share capital and the various reserves were larger than last year, and stood at

Rs. 63,45,273 and Rs. 57,42,408 respectively—their proportion in the aggregate being 48 per cent of the working capital, as compared to 46 per cent of the year before.

The Central Co-operative Union.—The Central Co-operative Union carried out its educative and propaganda work with a staff consisting of an Educational Officer and ten propagandists. Co-operative week-end classes were held at 23 centres and were attended by 300 members of societies. Officers' training class was attended by 102 candidates, out of whom only 10 passed in the examination. Training class for supervisors were attended by 132 candidates, while the rural reconstruction class at Patancheru Rural Development Centre was attended by 37 teachers of primary schools. On the administrative side the Union employed 128 supervisors for the supervision of village societies at a cost of Rs. 85,432.

The Dominion Bank.—The Dominion Bank maintained its strong financial position with a paid-up share capital of Rs. 5,60,580 and reserves of Rs. 9,02,954. The owned capital stood at Rs. 14,63,534 as against outside liabilities amounting to Rs. 28,70,992. There was a marked improvement in its transactions with central banks and societies to whom it advanced Rs. 5,02,083. Rs. 17,52.544 was recovered from them, leaving Rs. 7,95,115 outstanding as against Rs. 20,45,596 in the previous year. The Bank advanced house-building loans to Government servants amounting to Rs. 4,25,320, leaving Rs. 8,91,655 outstanding at the end of the year.

Central Banks.—The central banks did not show any marked improvement on last year's position, though their membership rose from 4685 to 4843 and the working capital from Rs. 65,09,725 to Rs. 66,98,310. The financial position of nine of them, viz., Aurangabad, Hingoli, Medak, Sangareddy, Nalgonda, Suryapet, Gulbarga, Raichur and Yadgir central banks caused anxiety; because, out of a total of Rs. 33·37 lakhs outstanding with the primary societies affiliated to them, as much as Rs. 7·80 lakhs was overdue under interest. The banks themselves owed Rs. 12·02 lakhs principal and Rs. 11·65 lakhs interest to the Dominion Bank and Rs. 7·66 lakhs to depositors. An exhaustive examination of the assets and liabilities of village societies affiliated to them disclosed the fact that the societies, and in their turn the central banks, could not recover fully the amounts outstanding as arrears. It was therefore decided to scale down the debts of individual members to bring them within their repaying capacity, and to advance concessional loans to the central banks to enable them to write off bad debts. These nine central banks were therefore advanced by Government loans amounting to Rs. 8 lakhs free of interest repayable in five years, and Rs. 7 lakhs at 3 per cent payable in 10 years. The sum of 15 lakhs thus placed at their disposal was utilised in consultation with the Registrar to repay the outstandings owed to the Dominion Bank and to depositors bearing interest at 3 per cent and over. It is hoped that this financial assistance given by Government will save societies from going into wholesale liquidation and will help the banks in following a policy of augmenting their reserves, which will inevitably have to be drawn up to wipe out losses. The situation will be closely watched.

Thrift and credit Societies.—The number of village thrift and credit societies increased from 2909 to 3188 and their membership from 63,359 to 70,514. Their working capital including that of rural banks stood at Rs. 85,55,550 while their owned capital was Rs. 41,63,651. The proportion of the owned to the working capital was 48·5 per cent. Loans advanced to members were a little higher than last year and amounted to Rs. 7,54,853 while recoveries made from them aggregated to Rs. 8,61,392 principal and Rs. 4,99,694 interest. It is gratifying to note that recoveries were above the average of the last several years.

Grain Banks.—The increase in the number of grain banks from 75 to 92 shows that they are becoming popular in villages. The Department will be well advised to start such banks in all villages where credit societies are working well.

Non-agricultural Societies.—It is satisfactory to find that non-agricultural societies are maintaining steady progress. Their number and membership rose from 659 to 52,629 to 701, and 64,285 respectively, while their working capital increased from Rs. 53,93,594 to Rs. 56,76,715. The proportion of the owned to the working capital improved from 67·5 to 68·9 per cent. The number of salary earners' societies increased from 280 to 293, and their membership increased from 19,054 to 20,013, while working capital rose from Rs. 34,42,214 to Rs. 35,39,012. The owned capital also increased from Rs. 26,78,350 to Rs. 27,93,363. The proportion of the latter to the working capital was 78·8 as against 77·8 per cent in the last year.

Cotton Sale Societies.—The number of cotton sale societies remained at 10. Their membership improved from 791 to 845. Their working capital was Rs. 50,381 and the owned capital Rs. 26,464. The number of sale societies other than cotton sale societies increased from 8 to 9 and the membership from 1,256 to 1,627. The working capital rose from Rs. 46,618 to Rs. 64,534 and the owned capital from Rs. 30,193 to Rs. 35,517.

Co-operative Insurance Society.—Progress made by the Co-operative Insurance Society was very encouraging. Its membership increased from 1,000 to 2,488 and the sum assured was Rs. 15,77,983. The total income of the society was Rs. 1,47,535 as against Rs. 78,856 in the previous year, and the Life Assurance Fund rose from Rs. 73,969 to Rs. 1,70,736. The society earned a net profit of Rs. 10,395 as against Rs. 2,838 in the year before. After the first valuation the society declared a bonus at Rs. 15 per thousand on whole-life assurance and Rs. 12 per thousand on endowment policies.

Concluding observations of the Registrar, Mr. S. Fazalullah., I.C.S.—The movement continued to make slow but steady progress. While every endeavour was made to revitalise societies in districts which suffered from mistakes made in the past, all possible attention was given to help their healthy growth in villages which are desirous of shaping their future on co-operative lines. There is a large field for expansion which has yet to be explored. Government had promised to give financial assistance on a moderate scale with a view to stimulate the development of the movement in rural areas and had made a beginning by sanctioning the appointment of 15 new organisers for the purpose. But it is feared that the exigencies of war economy would temporarily retard this process. The co-operators of the State are fully alive to the implications of the war and the sacrifices which they will be called upon to make in order to help bringing it to a successful termination.

The financial handicap notwithstanding, it may be said with confidence that the co-operators will not relax their efforts to push the movement forward. It is fortunate that it is able to count a large number of supporters both among officials and non-officials.

COCHIN

Extract from the Report of the Registrar of Co-operative Societies, Mr. K. Iarayana Menon, for the year (1939-40).

Number of Societies and Working capital.—The number of societies at the end f the year was 331. Excluding 2,539 members of the central institutions (excepting the Land Mortgage Bank) the number of members of the primary societies stood t 29,929 (of which 2,310 were females) giving an average of 97·8 per society as gainst 27,270 and 98·4 per society respectively in the previous year. The total working capital of all the societies rose from Rs. 42,67,698 to Rs. 47,22,639 that is by Rs. 4,54,941. The owned capital of the movement (share capital plus reserve und) was Rs. 10,35,088, the percentage of the total owned capital to the working apital being 21·9 against 23·49 in the previous year. The average working capital was Rs. 145·4 per member and Rs. 14,804·5 per society as against Rs. 145·2 and 14,665·6 per society respectively in the previous year. The total transactions of the year fell from Rs. 1,28,54,204 to Rs. 1,22,74,675. The turnover worked at 2·59 times the working capital, against 3·00 in 1938-39. The net profit of the year was Rs. 48,191 (against Rs. 42,376). A sum of Rs. 14,72,634 was loaned out during the year, against Rs. 15,63,117 in the previous year.

Central Bank.—The number of members remained the same as in the previous year, at 166. Of the share holding societies, 90 were agricultural societies, 8 supervising unions, and the rest non-agricultural societies. The paid up share capital stood at Rs. 69,400, and the working capital at Rs. 10·20 lakhs. The total transactions amounted to Rs. 33·60 lakhs, and the net profit to Rs. 4,075. Deposits from individuals stood at Rs. 7,01,722 against Rs. 6,22,083 in the previous year. The rate of interest paid on deposits stood at between 1 and 4 per cent. The amount of ordinary loans issued was Rs. 75,823 in 99 cases against Rs. 1,05,408 in 115 cases in the previous year.

The Cochin Co-operative Land Mortgage Bank.—The membership rose from 1,828 to 2,154 and shares allotted from Rs. 7,569 to 7,894. The paid-up share capital was Rs. 78,940 against Rs. 75,690 in the previous year. The working capital and total transactions of the Bank amounted to Rs. 14,57,783 and Rs. 14,81,595, against Rs. 12,43,614 and 28,97,957 respectively in the previous year. The heavy fall in transactions is due to the very small number of applications for loans received during the first half of the year. On account of the passing of the Agricultural Relief Act, many had recourse to Courts for scaling down of debts according to the Act. Many again awaited the final outcome of the Resolution in the Legislative Council regarding issue of Credit Bonds by Government. The transactions of the Bank resulted in a net profit of Rs. [illegible] against Rs. [illegible] in the previous year. Repayments of loans were generally satisfactory, the overdues coming to only Rs. 6,995.

Cochin Central Co-operative Institute.—The membership stood at 38 (9 Unions, 5 Societies and 24 individuals) against 37 (8 Unions, 5 Societies, and 24 individuals) in the previous year. The total receipts of the year were Rs. 3,874-1-5 inclusive of the Government grant of Rs. 1,400 and the total disbursement came to Rs. 3,862-5-9.

Cochin Cottage Industries Co-operative Marketing Society.—This Central Society though started towards the close of 1114 began actual work only in the year under report. Its object is to organise rural production on a commercial basis and their marketing. It transacts business on its own account and on consignment basis. The membership of the society stood at 67 (23 societies and 44 institutions) and the working capital at Rs. 2,355 at the end of the year.

Supervising Unions.—The number remained at 9, the same as in the previous year, with an aggregate membership of 114 (100) giving an average of 12·7 (12·3) society per Union. As per the revised by-laws of the Institute it is the Institute that finances the Unions from the lump-sum-grant that it receives from Government. The Institute and the Central Bank grants amounted to Rs. 567 and 80 respectively, the average expenditure of a Union amounting to Rs. 131 against Rs. 167 in the previous year.

Depressed Class Societies.—The number of societies stood at 41 against 43 in the previous year. The membership stood at 2081 against 1,861. The paid-up share capital was Rs. 3,153 (3046), deposits from members Rs. 1,200 (1,094), working capital Rs. 15,785 (13,642), total transactions Rs. 11,898 (10,714), loans issued Rs. 1,354 (1,839) and reserve fund Rs. 6,805 (6,024). 26 societies worked at small profits. But since 14 societies worked at losses, some of them heavy, the transactions resulted in a net loss of Rs. 189. As already stated in my previous report, credit societies for Depressed Classes have almost proved a failure.

Fishermens' Societies.—The number remained at 8, the same as in the previous year, and all of them were working during the year. Government have extended their liberal help for the successful working of these societies in the form of provision for loans to these societies and a small bonus to the workers. The membership stood at 347, with a working capital of Rs. 8,256 and a reserve fund of Rs. 1,220. The total transactions amounted to Rs. 6,068 and deposits from members Rs. 456.

Purchase and sale stores.—There were 17 societies with a membership of 1,294 and a working capital of Rs. 56,671. The total transactions amounted to Rs. 9,34,855 and the net profit worked out to Rs. 3460. Of these three stores worked at a loss.

Production and Sale.—The number of societies was 8, with a membership of 359 and a working capital of Rs. 12,476. The total transactions, reserve fund and the net profit amounted to Rs. 1,19,463, Rs. 606 and Rs. 514 respectively.

Industrial Societies.—There were 20 industrial societies with 1,430 members and and the total transactions stood at Rs. 75,563. Their working capital amounted to Rs. 19,337. Six of these worked at a loss.

Students' stationery societies.—Out of the 8 societies only 5 worked for the whole year. The number of members was 736 and the working capital Rs. 7,087. The total transactions, reserve fund and the net profit stood at Rs. 76,894, Rs. 1,538, and Rs. 443 respectively.

Rural Development Societies.—Of the 24 societies only 20 were working during the year with an aggregate membership of 949, a working capital of Rs. 7,317 and a total transaction of Rs. 25,306. 15 societies earned a net profit. These societies have given an impetus to the dead and dying industries of the countrysides, such as hand loom weaving, coir manufacture, making of screw pine mats, bamboo mats and baskets. They also gave a great stimulus to poultry farming, bee-keeping, running of village libraries, night schools, adult education and different kinds of co-operative effort in general.

Insurance societies.—The three societies had an aggregate membership of 377 a working capital of Rs. 5,647 and a total transaction of Rs. 10,306. Their benefit funds amounted to Rs. 3,113 and all of them worked at a profit.

Model Panchayat Societies.—These societies were evolved to cater to the economic and moral needs of the populace and combined in them all the activities of village panchayats and rural development co-operative societies. They had an aggregate membership of 1,276, a paid up share capital of Rs. 836 and a working capital of Rs. 28,745. Their total transactions came to Rs. 75,936. On account of initial expenses they, however, incurred a loss of Rs. 8 in the aggregate. Distribution of cotton seeds, manure, improved implements, agricultural and industrial requisites was taken up by these Panchayats in their respective areas of operation.

Concluding observations of the Registrar.—There is appreciable progress all round. The allotment of a lakh of Rupees in the State Budget for Development has contributed a mighty share towards this progress. It is also realised that all Development Departments can function most effectively and in the safest manner only through co-operative organisation. This has given a great impetus to the whole movement.

PUDUKOTTAI

Government Review of the Report of the Registrar of Co-operative Societies, for fasli 1349 (1939-40).

The Co-operative Movement having been introduced in the State in 1908, this Report deals with the progress of the Movement in its 32nd Year.

Number of Societies.—The Fasli opened with 112 Societies. Eight societies were registered in the fasli and the registration of four societies was cancelled. Thus there were 116 societies at the end of the fasli.

Establishment charges.—The establishment charges amounted to Rs. 12,653. An income of Rs. 3,107 was raised by levying execution fees, audit fees and liquidation fees. The net cost represented 0·41 per cent of the total working capital of all the societies.

Different types of Co-operative Societies.—One was a central bank, 98 were agricultural credit societies, 15 were non-agricultural societies, one was an employees' co-operative thrift society and one was a building society. Of the 15 non-agricultural societies six were credit societies, two were weavers' societies, three were stores societies, one was a co-operative press, two were societies for the supply of books and stationery to the students and one was a medical store.

Membership.—The total number of members in all the societies excluding the central bank and the members which were themselves societies was 12,558, against 12,182 in the preceding fasli.

The Central Bank.—The number of members rose from 108 to 111 in the fasli under review. The paid-up share capital decreased from Rs. 54,032 to Rs. 52,872 and working capital from Rs. 3,07,034 to 2,95,157. The net profit rose from Rs. 684 to 1,406. The reserve fund rose from Rs. 21,807 to 22,159. A sum of Rs. 2,04,254 was due to the Central Bank from the primary societies, out of which the bank realised Rs. 87,348 leaving a balance of Rs. 1,16,856 or 57·22 per cent against 83·08 per cent in the preceding fasli. The collection under 'interest' was poor. It is gratifying to note that the working of the scheme of rectification and consolidation of societies resulted in the reduction of overdues to the Central Bank and placed it in a better position. The working of the Central Bank however still leaves room for improvement and the Durbar expect better progress in subsequent years.

Agricultural Credit Societies.—At the beginning of the fasli there were 95 agricultural societies. During the fasli the registration of two societies was cancelled and five societies were registered; thus the total was 98 at the end of the fasli. The total number of members was 7,072 at the end of the fasli against 6,962 at the end of the fasli 1348. The share capital fell down from Rs. 55,470 to Rs. 54,813. The reserve fund fell down from Rs. 1,37,091 to Rs. 1,35,533. The net profit of all the societies was Rs. 9,728 against Rs. 9,262 in the previous fasli. A sum of Rs. 3,21,821 was due to the societies out of which they realised Rs. 1,17,699 leaving a balance of Rs. 2,04,122 or 68·43 per cent. The collection under interest was slightly better than in the previous fasli. Out of 98 societies only 5 can be said to be in a thoroughly satisfactory position.

Non-Agricultural Credit Societies.—The total number of societies under this head was six. They worked satisfactorily. The number of members increased from 4,941 to 5,136, and the share capital from Rs. 36,899 to Rs. 38,328. Members' deposits rose from Rs. 3,51,464 to Rs. 3,70,820. Non-members' deposits fell from Rs. 8,22,702 to Rs. 8,15,214. The percentage of balance to demand increased from 42·97 to 46·1.

The Town Bank Ltd.—is the largest of these societies. The net profit of the Bank for the fasli was Rs. 17,137 against Rs. 19,493 in the previous fasli. The management of the bank are to be congratulated on another year of useful and successful work.

The other societies falling under this category are the Brahadambal Co-operative Society, the Non-Gazetted Officers' Association Co-operative Society, and the Town Teachers' Society. They continued to work satisfactorily. The Cheri Co-operative Society, started mainly for the inhabitants of the Cheri, earned a very small profit of Rs. 3-0-0. The Co-operative Medical Union has successfully completed its second full year. It has earned a net profit of Rs. 1,113 against Rs. 1,110 in the previous fasli.

Weavers' Societies.—The Karambakkudi Weavers' Co-operative Society Ltd. and the Tiruvappur Weavers' Union come under this category. The former was started only on 9-5-'40, while the latter worked throughout the fasli and earned a net profit of Rs. 235, against Rs. 300 in the previous fasli. The Government continued to meet the pay of the clerk of the sales depot of the latter Society. It is regrettable that in spite of the assistance given by the Government during the last three faslis, this Society has not succeeded in making itself self-supporting.

Store Societies.—The three societies under this head are those at Alangudi and Ambalpuram, and the newly started Store at Tirumayam. The first two stores earned a profit of Rs. 41 and 32 respectively.

The Co-operative Press.—The Society earned a net profit of Rs. 1,000 against Rs. 2,000 in the previous fasli.

Societies for the supply of books and stationery.—The Teachers' Benevolent Co-operative Society Ltd., earned a profit of Rs. 405 against Rs. 275 in the previous fasli, and the College Society earned a net profit of Rs. 1,000 against Rs. 576 in the previous fasli.

Building Society.—The Government Servants' Co-operative Building Society Ltd., worked well and earned a net profit of Rs. 740 against Rs. 676 in the previous fasli.

Supervision.—The Central Bank continued to administer the Supervision Fund and control the work of the supervisors employed for the purpose.

The following are the concluding remarks of the Registrar of Co-operative Societies, Mr. G. Krishnaswami Naidu.

The losses from bad co-operative societies estimated at Rs. 40,000 some years ago, are now after over 2 years of working the scheme of rectification and consolidation of Societies, found to be Rs. 20,000, which is well within the total of reserve fund and bad debt fund of the bank put together viz., Rs. 28,500. It is no mean achievement for the central bank to have thus come into the zone of safety. As a result of the working of the scheme not only collections have increased but also there is a fall in the number of bad societies from 38 in 1936-37 to 28 and increase in the total under A and B class Societies from 29 to 39. Seeing that the fruits so far reaped have thus been substantial the bank has decided to extend the period of appointment of the Special Officer entrusted with the work for another year from 1-8-40. It may be hoped that when the scheme is worked to its logical conclusion, the societies surviving the necessary weeding out will be sound and the position of the Central Bank greatly improved.

The operation of the Agricultural Relief Regulations, and the general stringency in the money-market have contributed to bring about a strong tendency for private sources of credit to become shy and eventually dry up. It is hoped that the time will not be far off when the normal and natural source of credit to the agriculturist will be his village co-operative society which will not only accommodate him with cash loans but also help him to produce more from his land and get more money for his produce. Out of a total population of 4,00,694 (1931 census) in the State, only 12,558 are members in co-operative societies at present. The immediate task of co-operators, both official and non-official alike, should, therefore, be to take all possible steps to bring a fairly respectable percentage of the rural population under the benefits of co-operation.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE TWENTY-FOURTH UNITED PROVINCES CO-OPERATIVE CONFERENCE HELD AT GORAKHPUR ON 26TH AND 27TH APRIL, 1941.

Extracts from the Welcome Address by Rai Bahadur Madhusudan Das.

This sacred soil of the Gorakhpur district is fertile but is in the hands of an ignorant and poor agriculturist with uneconomic holdings. Very little land of the district is wholly sterile and the moist and abundant rainfall make a rich harvest possible even without irrigational facilities. Most of the jungle of the past has given place to fertile land. Sugarcane and paddy are the chief crops, the former having gained its importance on account of the establishment of no less than 23 sugar factories in the districts. Despite these blessings the district is a favourite haunt of diseases, famine, floods and indescribable poverty.

With the object of securing money at easier rates to agriculturists and to free them from the hardship of indebtedness the co-operative work was started in the district with the establishment of co-operative banks at Gorakhpur and Deoria. The District Co-operative Bank Ltd., Gorakhpur, was registered under Act X of 1904 in 1906. During the first nine months of its existence 75 village societies were affiliated and 348 individual share-holders were gained the former receiving loans at 12½ per cent and the latter at 15 per cent, while the amounts advanced were Rs. 30,575 and Rs. 15,825 respectively. The working expenses were only Rs. 464 and, though the season was far from favourable, the Bank experienced no difficulty in recovering the loans. When the Co-operative Act was revised in 1912 all societies in this Bank were brought under the operations of the new Act. The Bank has ever since shown steady progress. During the co-operative year ending the 30th June 1940, the working capital of the Bank was Rs. 7 lakhs yielding a net profit of Rs. 15,000. The great rise in the working capital is due mainly to the financing of cane-supply societies, a large number of which have been started in the district after the passing of the Sugar Factories' Control Act. The profiits have not risen correspondingly on account of the low margin of 2 per cent between the borrowing and lending rates.

In 1931 the credit societies affiliated to the Bank began to show unhealthy signs on account of over and indiscriminate loaning. In 1936, the Bank had to launch a relief scheme for five years. All overdue interest was written off and future interest on all overdue loans was stopped. The Bank undertook to meet Rs. 28,000 from its Bad Debt Funds. The result of the scheme was, however, baneful and encouraged non-payment of loans. The scheme, therefore, ended in June, 1940.

The investment of the Bank in the credit societies on the 30th June 1940 was at the alarmingly low figure of Rs. 40,000. This is chiefly due to the policy of the Co-operative Department against the organisation of new societies.

The Bank was primarily meant for agricultural credit but gradually with changes in the economic condition of the district, this has taken up multifarious

activities including better living, cane-marketing, industrial, thrift, employees and women societies and the number of societies affiliated to it up to date is 311 rural and 20 urban. The village moneylender regards the Bank with great disfavour which is a very promising sign. The confidence that the public reposes in the Bank is proved by the rise in the working capital by Rs. 2 lakhs during the last year in spite of the adverse effects of the war.

We have also lately taken up the co-operative marketing of agricultural produce in the district. Direct purchase, commission system and *arhat* system are all being tried. The marketing unions earned a profit of Rs. 2,928 in the year ending June 1940. The competition with the *banias* is very severe and the prices have risen where ever co-operative societies have taken up the marketing work. The pesant who markets his agricultural produce through the co-operative societies has been saved from a number of unauthorised charges, such as *kahari, chamari, dhakari*, etc.

The offices of the Cane Development Officer and the Assistant Registrar are held by one and the same officer and it was, therefore, easily possible to convert a number of Cane Development and Sale societies into multipurpose societies carrying on credit, cane supply, marketing of agricultural produce and other activities for which separate societies were necessary formerly. The experiment is being tried in the jurisdiction of one circle officer only. The results have been encouraging, the realisations have become better and on account of a large number of staff which has become available from the cane unions the general supervision of the societies has improved. The scheme was not accepted by the Deoria-Kasia Bank but from the results achieved here, I hope, they will give it a trial.

Other co-operative activities in the district include a land mortgage society, industrial societies, weavers' stores, depressed classes societies, women's societies, a student store under organization, salary earners' societies and a co-operative open pan sugar factory. Briefly stated all of them have shown steady progress. The weaver's stores have attained a remarkable efficiency in workmanship and cloth made by it is greatly in demand by customers of the U. P. Handloom Emporium. The salary earners' societies include societies of the employees of almost all the big Government and private offices of the district. We have also got a Hindi Literature Development Society. To train adult school teachers working in the adult schools, of which a large number have been started in the district, a co-operative adult education institute has been opened in the district and a special Adult Education Inspector has been put in charge of the institution.

The Deoria-Kasia Central Co-operative Bank Ltd., is a successor of the Kasia Central Bank Ltd., which was started at Kasia in 1902, when the working capital was raised by the sale of 6 per cent debentures. The Bank showed a surprising progress as the amounts advanced went up from Rs. 1,043 in the first year to Rs. 2,900 in the second year. In 1906 the Bank was converted into a limited liability concern Under Act X of 1904 and the capital was raised by the issue of ten rupee shares. At present the Bank is registered under the new Act of 1912. The working capital stands at Rs. 5,56,000 of which 1,59,600 is owned. Reserve Funds amount to Rs. 50,000. The total borrowing rate varied from 3 to 5 per cent and lending rates were 7 to 9 per cent. The largest loans advanced were for agricultural purposes. The membership consists of 90 individuals and 39 societies. Distributable profits in 1939-40 amounted to Rs. 5,629.

We are meeting under the dark clouds of world war and our Government is carrying on this crusade against Nazism and Hitlerism. We, the co-operators, have done our best to co-operate with the Government in all kinds.

Extracts from the Opening Address of G. M. Harper Esqr., C.I.E., I.C.S., Senior Member, Board of Revenue, U.P.

For those who seek to cure the ills of the country-side there, always, is the feeling that it is a losing fight. The scheme of rural development, including the Co-operative Movement, Debt Legislation, Public Health schemes and the effort to combat illiteracy—all produce such unsatisfying results. All these efforts seem doomed to comparative futility by the increasing pressure of population on the soil. In a recent Settlement Report from one area, it was pointed out, that the population was just short of 1000 persons per cultivated mile and our economists will now be deep in discussing the enormous increase in population revealed by the recent census. The Settlement Reports show that over a period of 40 years an increase of 10 per cent in the cultivated area is the most which can be expected but this is an increase which is produced in the population in only ten years. To counteract this, however, there is an increase in the value of produce by 25 to 35 per cent in a period of 40 years. It is in this increase in the produce values that salvation lies and it is in this that the Co-operative Movement plays its part. Unfortunately, the rise in the produce values, again, is far from being a matter which thought and enterprise can control. Every effort whether by better agricultural processes or by co-operation of resources breaks down under the influence of largely uncontrollable prices, and these form the foundation of produce values.

Apart from the Census, the great event of the year is the World War. We in India are still almost unaffected. But the tide cannot be checked. It will, in time, undoubtedly sweep over the countryside making itself felt even in the most remote village. It need not necessarily be all to the bad. If those who are fighting for us in the arid sands of Libya or the mountainous passes of Greece, while we sit in this hall in safety and comfort, if they, achieve their purpose and keep war's alarms and destruction far from our doors, the Indian villager will gain, perhaps enormously from the increased demand for industrial and agricultural activity and the products thereof, resulting in a rise in the prices of all the products of the village and so bringing it increased prosperity. The prosperity may be followed by the slump and once again all the resources of statesmanship will be strained to meet the blow.

There has been a wide departure from the early restricted utility of the Movement as a source of agricultural credit; it now extends to a large number of activities. But we find the number of liquidated societies excessive, while the condition of many societies is deplorable. Many of the better-living societies exist only on paper, while there are bitter complaints of inadequate personnel. The number of member-secretaries is very disappointing and there is much self-seeking and little personal interest amongst the Directors. The basis of the Co-operative Movement is in the democratic principle. It is no wonder that it gives some justification for the school of thought which considers that the democratic principle is too unreliable and too unsuited to local conditions to justify its acceptance as a universal panacea.

On the other hand there are reports more encouraging. They represent a year of expansion and prosperity, the successful conversion of old credit societies into village banks, a remarkable improvement in collections and substantial profits. Agricultural marketing and ghee societies have been in many cases a marked success. Taking both sides of the picture it is clear that a movement which has been accepted as sound throughout the world must prove a success here. It has survived for 40 years and is now with all its ups and downs, fairly established on an assured basis.

Extracts from the Presidential Address of Sri T. A. Ramalingam Chettiar, M.L.C., President, Madras Co-operative Central Land Mortgage Bank Ltd., and Madras Provincial Co-operative Union.

At the present time all values attached to institutions are being reconsidered and efforts are being made to build up a new world. It is up to us to prove the worth of our movement and advance its claims for adoption on a larger scale to solve the problems of the world. But before we do so, we have to satisfy ourselves that the movement can be worked on sound lines to achieve the ideals which it has put before itself for securing an equal share in production and distribution for all. It is for us to examine whether, in the movement the principle of 'each for all and all for each' actually works or whether, as it often happens, it is observed more in the breach than in the observance.

In the present state of our people the majority of whom are not able to have even a full meal a day and the ordinary cultivator cannot invest even a few rupees for improved implements or good seeds and his ignorance is appalling, it cannot be said that co-operation is altogether a voluntary organisation in our country as it obtains in other countries. In most cases people are drawn into the movement by the lure of getting loans at cheap rates of interest and they understand very little of the principles of the movement. This gives advantage to those in charge of the societies, as they become virtually the dictators and the ordinary member knows nothing of how the work goes on. In large societies like the District and Provincial Institutions the ordinary member takes very little interest and there also those in charge of institutions have got every thing their own way. In this state of affairs there is a very great responsibility resting on those who run the institutions and the success or the failure of the movement in any district or province depends entirely on the character of these men and the watchfulness of some sort of public opinion or supervising authority. Hence there is necessity for devising some method of supervision of small as well as big institutions. Co-operative movement is itself an extraneous movement imposed from above by Government action. We have a hierarchy of institutions, one above the other, and so also a hierarchy of officials who start and control the societies. The theory of *laisesez faire* has no place in the organisation and working of co-operative societies in this country. The power of correction, setting right things, and in extreme cases, of liquidation of societies and rendering justice to all, have to be vested in some arthority and at present there is no authority except the co-operative officials in whom it can be vested. Complaints against official interference in individual cases cannot be avoided in any human agency. But for the purpose of checking the evils of bureaucratic ideas and ideals, I would suggest the association of non-official workers with officials in cases of importance.

The poverty of our people and their indebtedness attracted the notice of everybody who came to India and it was evident everywhere. It was with a view to save the agriculturist from the burden of his indebtedness that the co-operative movement was first started in India. The first Co-operative Societies' Act was framed for this purpose and the first societies started were for credit. It was so soon found, that if an agriculturist's old debts were cleared, it was not enough;

he has to be financed for his business of agriculture as in other businesses. When ideas of banking began to be applied to co-operative societies, the first object with which the co-operative societies were formed was forgotten and it was said that the co-operative societies should lend money only for cultivation purposes for short term. It was soon clear that whatever abstract ideas and abstract principles may be, the agriculturist whose income is from his agriculture alone, cannot keep himself in water-tight compartments and be a good business man in relation to his cultivation loan, while he has other demands to meet. If we have to help him, we have to meet all his economic needs together. We ought to be prepared to help him with loans for all his legitimate needs whether they be productive or unproductive. We have to so adjust the loan, the repayment and the instalment in which payment should be made in such a way, that he will be able to discharge all his debts within a convenient time from his income. Otherwise, we will not be doing him any service. I am very glad that the Reserve Bank of India which first recommended the confining of co-operative loans to cultivation expenses has now come round to the proper view.

In a country like India where people are so poor, the scope for co-operation is very large. It can embrace practically the whole economic life of the people. During the last 10 years, we are trying to adopt the co-operative method, in various ways, to suit the requirements of the agriculturists and others. So far as the agriculturist is concerned, it is now about 15 years since we started the idea, that we should supply his needs and advance money for his cultivation expenses, on the understanding, that all his crops should be brought to a co-operative society for sale and the proceeds should be first credited towards his debts and the balance alone be paid to him. This system is now called 'Controlled Credit. But when we started, we called the loans, cultivation loans, and the primary societies lent money after taking an agreement from the ryot that he would send his produce to the nearest loan and sale society for sale. I ought to say, even in the first attempts we made, a large number of those who took loans did not send their produce to the loan and sale societies but very often they sold them in the village itself and repaid their dues. Any way by adopting this system, the problem of overdues was reduced to a very considerable extent. In this scheme no arrangement was made for long term loans.

The problem of long-term credit is a complicated one and it has been tackled so far only in a few provinces and even there not in an adequate manner. Madras can probably claim precedence in this matter. It has so far lent about 2½ crores of rupees to agriculturists. There are now 120 land mortgage banks working, though it cannot be said to have been successful in helping the people equally in all the districts.

I see from the proceedings of the last conference of your province and the report of the Registrar of Co-operative Societies that you have decided to encourage the formation of multi-purpose societies on limited liability basis and have already converted some unlimited liability societies into limited liability societies and that you are organising new societies on the same basis. As you know, unlimited liability, mutual knowledge of each other and mutual supervision of each other are the fundamentals of a Raiffeisen Society. Some countries, which have got multipurpose societies, still retain the unlimited liability and some which went out of unlimited liability have, after some experience, come back to the orthodox position. I am convinced our safety lies in our continuing in the fundamental principles of Raiffeisen Co-operation and having small societies for small areas like

villages for discharging credit and such other simple functions as they can undertake under their present constitution. For functions like marketing, processing and other purposes, societies for much larger areas will have to be formed on limited liability basis to which rural societies can get affiliated. We are trying this method in the potato-growers' society, and other institutions.

One of the questions agitating our province, and probably other provinces, as well, is the period for which rural societies can lend money. Until the land mortgage banks were started, co-operators wanted to make provision for giving loans upto 10 years through rural societies. The difficulty was to find the funds necessary, because the district banks which were getting deposits either current or for only two to three years could not afford to lend money for long periods. We have agreed in our province that short-term loans up to five years may be given through the rural credit societies and loans for longer periods may be left to be supplied by land mortgage banks.

I was very glad to find from your report that your societies were working very well and the question of overdues is not a serious problem in your province. You hold the first rank in the matter of proper and punctual business methods which you have adopted to secure repayments without default. The finances necessary for rural societies are generally supplied by the district banks. Here again your banks have been doing very good work but it is not every district bank that can afford to get all the money that is necessary to finance rural societies affiliated to it. Further, the needs of the Co-operative Movement are increasing for financing the rural societies, which are going to be encouraged to extend their activities in all directions, for the marketing societies, for the stores and other societies that will be organised to perform various functions. Even in our province many of the district banks depend for their finance on the Provincial Bank which is able to get all the money the district banks require and supply the same where necessary. Some of the district banks have got surpluses and these are being utilised for the needs of other banks which require money through the offices of the Provincial Bank. Even though the central bank is not lending at present much to the co-operative institutions, the help required of the Reserve Bank will go on increasing. For the movement of money from place to place the services of the Provincial Bank are useful. It is a matter of great surprise and disappointment that no Provincial Bank has yet been started for the U.P. which is the biggest Province in the whole of India. I am sure with a Provincial Bank at the top, prepared to finance all the requirements of the movement, your province would have made much greater progress than it has done at present.

While societies were few and tried men with patriotic motives were available for co-operative work, the societies were working well. When a push was given for the organisation of societies and they began to multiply even tenfold in some areas, the difficulty of finding proper men for working the societies arose. This has brought the question of proper management of societies to the fore front. It is found increasingly difficult to find young men prepared to do steady work on a voluntary basis. Co-operative work has not got the same attraction as politics and there are very few prepared to devote themselves to co-operative work. While the simple village societies should ordinarily manage themselves, there ought to be paid trained staff for the management of bigger societies. In addition to it, a proper and closer supervision of societies is a necessity. It has been one of my dreams that, for four or five villages, a properly trained guide and adviser should be appointed to look after the co-operative societies, village panchayats, village sanitation, village education and supervision, and who should be supervised by the officers of the various departments.

Let me congratulate you on the splendid work you have been doing for social uplift by the formation of better living societies. It is one distinct line of work which everybody appreciates and wants to follow, but without success. In these societies you have secured the co-operation of different elements, working for social uplift and the very difficult work of introducing an atmosphere of cheerful optimism in the villages and have succeeded in introducing better hygeinic living and better housing, improved methods of agriculture and preservation of manure. It is a great feat you have achieved in so many villages in which you have started these societies.

I admire much more the steadiness with which you have been pursuing the lines of work you undertook, whether it be in the case of ghee societies, sugarcane societies, or milk supply unions. Whatever you took up, you did with all your heart for all their worth with the result they are flourishing institutions. Your efforts regarding milk supply unions and women societies are bound to succeed as much as the other societies. In the womens' societies there is a field of work which requires closer study and more earnest application than we have been able to spare so far.

The district banks in Madras are much bigger institutions than those in the United Provinces. There are, no doubt, some whose turnover was only a couple of lakhs, but there are also banks whose turnover came to nearly Rs. 50 lakhs. It was due to the interest taken by leading men in the districts that these banks were nurtured and developed. We were also fortunate in having a number of non-official gentlemen and retired officials to work in the co-operative movement. There was, thus, a strong body of influential and assertive non-official opinion in the Province. Our Province represents the extreme of having in our institutions no officials nor persons nominated by officials either in the general bodies or in the executive committees, except in the case of the Central Land Mortgage Bank and other institutions which are getting special help from the Government. I have, after 15 years of intimate connection with all sorts of societies, come to the conclusion that the exploiting non-official has to be as much protected against as the over-bearing and dictatorial official. You have been working the movement in this Province in a spirit of co-operation between officials and non-officials. The officials have been the initiators and supporters of the movement to a much larger extent in this Province than in other Provinces.

The Provincial Union in our Province has got a budget of about Rs. 12,000 where as, I find, thanks to the confidence reposed in your Union by the Government and the method of getting most out of the work of organisation, supervision etc., done through the Union, you have budgetted for an expenditure of nearly Rs. 2½ lakhs. Our Union is only publishing a journal and holding conferences and Panchayatdar training classes, whereas your activities are very wide and you practically lead, initiate and supervise the institutions in the Province. It may be, that one of the reasons for the confidence that is vested in you is the close association of the Registrar and his subordinates and his nominees with the Union. Going through the constitution of your Union, it struck me, that you have been going to the other extreme of having everything done by official agency, though there is an admixture of non-official co-operators. I have come to the conclusion that we in Madras and you in the United Provinces will probably do better, if we readjust matters. A free association of the two elements will contribute a great deal to limit the vagaries and high handedness of officials, where they exist. It will also produce a corrective to the touch-me-not attitude assumed by non-officials. The Provincial Unions of both the Madras and the United Provinces may well be examined to secure the best of these two institutions.

The following resolutions were passed at the Conference.

(1) This Conference requests the Government to place the Sugarcane Co-operative Unions entirely under the Registrar, Co-operative Societies, and the Officers working in these sugarcane co-operative unions should be placed under the control of the Registrar.

(2) A deputation of the prominent co-operators of the Province do wait on His Excellency the Governor to impress the importance of the formation of an Apex Bank.

(3) This conference is of opinion that an experiment be made to find employment for the unemployed by the formation of an Employment Co-operative Society for the educated unemployed.

(4) With a view to minimise the difficulties in the supply of pure ghee, the Government be requested kindly to prescribe definite colours for vegetable ghee sold in the market.

Government be requested to move the Municipal Boards in the Province to exempt from Octroi duty all ghee brought by the members of co-operative societies for sale at the co-operative marketing unions established in the mandies.

(5) Until a Provincial Bank is formed and is able to supply necessary finance, Government be requested to provide special loans at a cheap rate of interest to district and central co-operative banks for financing marketing operations and to finance special types of societies such as irrigation societies, seed stores, marketing unions, ghee and milk supply societies etc.

(6) The Reserve Bank of India be requested to revise their rules and afford remittance facilities and charge the same rates from all the central banks as allowed to scheduled banks on exchange business.

(7) Co-opertive banks be permitted to allow their individual members overdrafts on the security of fixed deposits.

(8) All isolated societies be advised to get themselves affiliated to the district or central co-operative banks, and all non-member central institutions in the province be advised to become members of the U.P. Co-operative Union.

(9) This conference recommends to the Government that it be made obligatory on the mills to make purchases of cane proportionately from all the members of societies within its jurisdiction and that in the years of excessive production, the proportion be reduced instead of reducing the number of centres. No centre running this year be excluded from the reserved area of the mills.

(10) This conference requests the local Government to be pleased to grant adequate compensation to the cane growers of the U.P. who have suffered heavy losses during the crushing season of 1940-41.

(11) Women uplift work in the province on co-operative lines be further extended and strengthened by organising better living societies for women in almost all the districts of the province and under almost all the co-operative banks which may be requested to contribute towards this humanitarian cause out of their working expenses, profits or any other fund.

(12) **The Registrar, Co-operative Societies may be requested to encourage the formation of consumers' stores.**

(13) In view of the operations of the U.P. Debt Redemption Act and the U.P. Regulation of Agricultural Credit Act and its effect on agricultural credit, this Conference is of opinion that the formation of new credit co-operative societies be taken up in right earnest and with this object in view, the Co-operative Union and the Registrar be requested to chalk out a systematic five-year plan for development.

THE 11TH ANDHRA PROVINCIAL CO-OPERATIVE CONFERENCE HELD AT BHIMADOLE ON 29TH APRIL, 1941.

The Conference which was organised by the Andhra Co-operative Union was held at Bhimadole, West Godavary District on 29th April, 1941. Dr. P. Gurumurthi, the veteran Andhra Co-operator and the President of the Andhra Co-operative Union initiated the proceedings by proposing Sri G. Harisarvothama Rao, M.A., to preside over the Conference and he was duly elected unanimously and occupied the Chair.

Welcome Address.—Dewan Bahadur Mote Gangaraju Garu. Zamindar, Ellore, delivered the welcome address, as the Chairman of the Reception Committee, in Telugu. The following is the substance of his address

After depicting the deplorable economic position of the villages, he made an earnest appeal for making the country parts as self-sufficient as possible in regard to the economic needs of the rural population. The Co-operative Credit Movement has, no doubt, helped the ryot to a small extent by bringing down the rates of interest on his borrowings but beyond that it has not helped to improve his economic position. He paid a compliment to the present Registrar for promoting non-credit activities, particularly organisation of societies for the supply of milk and sale of agricultural and horticultural products, besides organising consumers' stores for urban and semi-urban areas. He made a pointed reference to the Co-operative Sugar Factory of Vuyyuru in Kistna District the largest Co-operative Industrial concern in this Province. This institution, he said, has been trying to get out of the co-operative sphere and to get itself incorporated under some provision of law other than the Co-operative Societies Act. He regretted very much this development in the history of the society. He urged that the causes for the dissatisfaction of the society with the present arrangements should be investigated into and that suitable remedial measures adopted to prevent the institution from changing hands to a capitalistic concern or being cornered by a few enterprising and influential members. With regard to the loan and sale societies, he said that they were not only financing agriculturists for storing their products in order to secure adequate prices, but also the rich middle men and big traders who are storing, particularly paddy, in large quantities. There is thus a dearth of paddy in the market at certain times and the poor classes of consumers are being put to great hardship. Discussing the recommendations of the Madras Committee on Co-operation he expressed his concurrence with the Committee's view that the present Madras Provincial Co-operative Bank be bifurcated and that separate Banks be formed for the Telugu and Tamil areas, and that the Madras Provincial Co-operative Union should be reconstituted as a Federation of Language Unions. In conclusion he appealed to officials and non-officials in charge of the movement to consider themselves as brother co-operators and join hands to reform the movement so as to make it serve the interests of the masses more efficiently.

Presidential Address.

The President Mr. G. Harisarvothama Rao, then delivered his address in Telugu, and the following is a summary of it.

It is my firm conviction that if we desire the world's peace, at least after this war and would have Democracy live for ever, the economic structure must quickly change over to the co-operative system. It looks to me to be the paramount duty of the world co-operators to press this point of view with all their might at the next peace conference in the interest of the World's future.

Co-operation and for the matter of that, Democracy is attainable only through what in Indian technical phraseology, we would call *Gnanayoga Sadhana*, i.e., through concentration upon the achievement of knowledge. How else is this achievement possible except through extensive and intensive propaganda in the language that the ordinary man in the street can understand? Is this not really the bedrock on which the foundations of democracy and co-operation have to be laid? Therefore the Vijiaraghavachari Committee on Co-operation (in paragraph 375) have resolved that at least so far as their own subject was concerned there should be a division immediately on the basis of the local languages. There is a certain amount of Telugu-Tamil acrimony in the air to-day. That should not in the least deter us from doing the right thing in the proper manner. It should not stand in the way of achieving a fundamental reform. It was in 1927, when I was a member of the Madras Legislative Council, that I demanded that the whole administration of the district should be carried on in the language of the area. I was only laughed at. But that has not set aside the need that still exists and shall persist as long as it is not remedied. My stand for an Andhra Province is based on that primary need for all democratic life. I may pass on to the next subject with just a note of warning to my Circars brethren. The Rayalaseema deserves careful nurturing at their hands, for, to-day it is the poorer portion of Andhra. The co-operative movement is for the poorer sections. To give the Rayalseema full scope to expand through the employment of its children in this field or work with Madras as centre would go a long way to win them over for the Province.

Co-operative Education.—Education and propaganda being the soul of co-operation, the equipment of its leaders in the rural areas should be up to the mark. The person that has to be friend and philosopher and guide to the villager has need to be properly trained. It is something that the itinerary training institutions have become permanent, that at Anantapur being operative only in alternative years. But even with this improvement the arrangement is far from satisfactory. The syllabus does not cover enough to make these men sufficiently serviceable for all the needs of the villager. The medium of instruction should no longer continue to be in the English language. The language of the area must be the medium. A college for rural guides has been discussed in the Madras Journal of Co-operation and the Village Panchayat Journal. So long as a comprehensive scheme as was envisaged in those discussions should remain unachieved the so called co-operative training would only fit the trained to clerical and audit and account posts.

Panchayats and Co-operative Societies.—The Vijiaraghavachariar Committee put probably too much stress on the priority that should be given to the establishment of the co-operative society in the villages. While I entirely agree with them that no village should be without co-operative service, I go further and state no village finance should be outside the co-operative control, and I maintain that, as correctly pointed out by the committee, the village Panchayat is equally essential. The Administrative Swaraj of the Village is carried out by the Panchayat and the Economic Swaraj by the co-operative society. To me both are the facets of the same shield and they may not remain one without the other.

The Five Year Plan.—It is well that the Vijiaraghavachari Committee has suggested the universal formation of co-operative societies for all villages within five years clubbing, if need be, a few villages together within a radius of five miles for the purpose, of course with intensive educational effort preceding such a plan.

Bifurcation of the Provincial Central Bank.—Consistently with the recommendation that the local languages should develop federated autonomy for purposes of work and education the Committee have recommended that the Madras Provincial Co-operative Bank should be split into two for Telugu and Tamil areas with headquarters in Madras.

From the figures available it is clear that the Madras Provincial Co-operative Bank, as at present constituted, has financed the central banks in the Telugu areas to a much larger extent than those in the other areas as the following figures will show:

Loans advanced to Central Banks :—

Year.	Telugu areas.	Other areas.
	Rs.	Rs.
1938-39	57,67,329	15,47,719
1939-40	89,95,444	22,95,133
1-7-'40 to 31-3-'41.	96,52,417	13,15,619

The central banks in Telugu areas paid Rs. 5,48,330 as interest to the Provincial Bank while other district banks paid in the same period Rs. 1,27,300. In regard to loans on the pledge of agricultural produce also the same disparity appears.

Year	Telugu areas	Other areas
	Rs.	Rs.
1938-39	52,57,854	9,73,771
1939-40	65,62,675	7,85,034

Thus roughly the Provincial Bank's business with the Telugu areas is about 5 times that of the other areas of the Province. This would probably indicate a difference in the two temperaments. Whereas the central banks in the other areas appear to depend more on local resources for their finance, the Telugu banks seem to look up more to the metropolitan centre.

Apart from this reading of special temperaments decentralisation on a linguistic basis appears to be a great need in a democratic movement like co-operation and a fair case does exist for this much of change. It would not do for the Rayalaseema to oppose this change because of some fancied opposition to the linguistic province. With Madras as Centre and with the co-operation of the sister districts of Nellore and Guntur to the South of Krishna, the Rayalaseema is bound to wield a predominent influence in a constituted Andhra area.

Land Mortgage Bank.—I must dissent from the views taken by the Vijiaraghavachari Committee that it is difficult to extend the time limit for repayment of land mortgage bank debts beyond 20 years. The insurance and other long lying funds of the land should be made to flow into the land mortgage co-operatives and means should be found to wipe out the debts of agriculturists by arranging forty or fifty small annual payments. The dry areas of Rayalaseema cry for help, which the present policy is not able to render; even as it is, I do think, that Mr. R. Suryanarayana Rao has in his dissenting minute made a sensible suggestion that during difficult year, payments should not be insisted on in the Rayalaseema and that the Famine Relief Fund should assist the mortgage bank to tide over the difficulties of such years.

Unlimited Liability.—The Vijiaraghavachariar Committee have devoted very great space and attention to the question of unlimited liability. By a majority the Committee have come to the conclusion that this should go. There is no doubt that this is an unco-operative step. But the circumstances under which co-operation is being worked in this country seem to necessitate such a step. The co-operative acts have placed more and more powers in the hands of the Registrar and his subordinates. These have been more and more concerned with collecting arrears which in their turn have grown enormously heavy on account of the continued policy of the Department that has long failed to render the ryot fit to earn enough and acquire repaying capacity. Woeful neglect of propaganda in addition in a country with hardly 10 per cent of literates must produce very disastrous effects. All combined we have reached a stage where an honest villager staking his whole property for the sake of his co-operative society suffers the indignity of keeping himself in tune to please the bosses of the Co-operative Department. Until the Government takes bold and drastic steps the situation must remain what it is. The private banker should be fully replaced by co-operative banking. Multi-purpose societies should be universally formed and the ryot enabled to conserve and strengthen his resources. He must be made to realise that his future is entirely in his hands, not in the hands of a distant Registrar or his subordinates. At that stage even limited liability itself would achieve the whole objective. Without this intensive work the imposition of unlimited liability is not likely to attract voluntarily men of substance into the movement.

Co-operative Legislation.—I may not wander over the 340 recommendations of the Vijiaraghavachari Committee in this speech. I shall just touch one point more. The present co-operative legislation in India stands condemned. It is legislation to collect loans. The Registrar and his subordinates are loan-gatherers with all the powers of rigour vested in them. It is no good therefore complaining against this Registrar or that. When the 1932 Act of Madras was in a Bill form the preamble has but the following words expressive of the objective: "Whereas it is expedient further to facilitate the formation and working of co-operative societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means." To bring it to the present form in which the words "for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production" occur, was itself a great task. The change in the preamble, however, did not mean a corresponding change in the provisions of the Act. You may examine the Act as much as you like. You will not find provisions that cover the extended objects. In fact as Mr. Ramadas has rightly pointed out somewhere co-operative acts all over India are the same.

The Registrar stands as the central figure in the Act and his powers are the innumerable radii that hold the villager in the circumference in check. The Vijiaraghavachari Committee has appended a draft Bill to their Report. They have tried to tinker with the present Act. Their Bill has equally the same perspective but in a different direction. The Registrar is still the centre. Certain radii of his powers are attempted to be wiped out. On others some control is attempted to be taken by making provision for appeals and the like. This will never do. The whole legislation must be undertaken afresh. The villager and his society must occupy the centre and the radii should be his several needs. Through the advice and guidance of the Registrar and his official and non-official co-workers they should fulfil themselves in the glorious run of the entire circle of the villager's life.

EXTRACTS

PROBLEMS OF AGRICULTURAL CO-OPERATION IN MADRAS

The Report of the Madras Committee on Co-operation.

The Presidency of Madras, with an area of over 142,000 square miles and a population of more than 48 millions, is the largest one of the most populous Provinces of British India. Its economic life is based on agriculture and small-scale handicrafts and cottage industries, connected with or dependent upon agriculture, and more than 86 per cent of the population live in villages. In recent years a number of factories—mostly textile but including some sugar, match, soap and cement factories—have been established. The development of large scale industry, however, has not made much progress, and the total number of factory workers throughout the province has not yet reached 2,00,000, representing less than ½ per cent of the population; on the other hand, small-scale rural industries, the most important of which is handloom weaving, have had to contend with many difficulties in the last years which severely reduced their activity. This decay of the cottage industries has increased the heavy burden which a long economic depression has imposed upon agriculture since the beginning of the last decade, as it has deprived the farmers and peasants of a great part of their supplementary income outside the seasonal periods of their agricultural work. The economic depression has resulted in an alarming increase of rural indebtedness, one of the most difficult economic problems of the Province, and in a further reduction of the low standard of living of the rural population.

The Co-operative Movement, like the economic structure of the country, is mainly agricultural, though it can claim the largest and most successful Consumers' Society in India—the Triplicane Urban Co-operative Stores, with over 6,000 members, 29 branches and an annual turnover of about Rs. 1 million—as well as a young and active Wholesale Society of Store Societies in Madura. The majority of the co-operative societies are agricultural credit societies—10,784 out of a total of 13,759 in 1938-1939; they, too, have naturally been very much affected by the economic depression and most of them have incurred heavy debts and worked with a loss for a considerable number of years.

The Government of Madras could not remain indifferent to such a development, and as it always relied upon the rural conditions, it appointed a Committee on Co-operation in 1939—under the Chairmanship of Sir T. Vijayaraghavachariar and including many representative co-operators of the Province—to examine the various problems of Agricultural Co-operation and suggest methods and principles for a rehabilitation and re-organisation of the Agricultural Co-operative Movement and a general improvement of the conditions of rural life in the Province. In 1927, a committee was appointed, the Townsend Committee, to examine the progress made by the Movement in the preceding years and suggest measures for effecting necessary improvements. Before these measures could bear fruit, the economic depression affected the co-operative situation so adversely, that new and wider measures had to be contemplated.

Other problems also arose in connection with the passing of the Madras Agriculturists' Relief Act in 1938, which made a consolidation and reorganisation of the co-operative finance system necessary, so that co-operative banks and societies could play a greater part in the rehabilitation of agriculture. In addition, the Agricultural Credit Department of the Reserve Bank of India, and others, had made various propasals advocating a radical change in the structure of Agricultural Co-operation. All these developments called for a thorough re-examination of the position.

The recently published report of the Vijayaraghavachariar Committee contains a very comprehensive survey of the problems of the different branches of rural co-operation and co-operative credit in general in Madras, and the conclusions and recommendations of the Committee are arrived at after a close study of the replies to a detailed questionnaire, which was sent by the Government in 1938 to all important co-operative institutions and heads of relevent Departments, as well as to some private individuals interested in the movement.

It is impossible in the context of this article to deal with all the problems examined, as they embrace practically all aspects of rural life in Madras Province. Since rural indebtedness is the most serious problem of the rural community, the Committee devoted most of its attention to questions of agricultural credit and finance, examining closely the working of the credit societies and especially the principles on which the agricultural credit movement in Madras, and in India generally, is based.

The first part of the report is devoted to an historical retrospect and general survey of co-operation in Madras. It was in 1904 that the first village co-operative credit society was established; development of the movement was slow until the end of the Great War, but during the next ten years it expanded more rapidly until the economic crisis, which not only prevented progress for a number of years but also endangered the financial position of a large section of the movement.

The following table indicates in broad outline the increase in the numerical strength of the Madras Movement:—

Year.	Societies.	Members.	Paid-up Share Capital.	Reserve Funds	Total Working Capital.
			Rs.	Rs.	Rs.
1905-06	27	2,733	31,000	600	107,000
1910-11	596	44,102	485,000	185,000	4,915,000
1920-21	6,289	398,062	6,487,000	2,077,000	49,035,000
1930-31	15,042	981,100	24,315,000	11,258,000	180,052,000
1938-39	13,759	1,041,355	24,684,000	17,807,000	227,091,000

It is estimated that about 8·54 per cent of the population of the Province was associated with the Co-operative Movement in 1939, a comparatively high percentage for India, and exceeded by only two other Provinces—Punjab with 16·33 per cent, Bombay with 14·82 per cent.

Of the total co-operative membership in Madras Province, the agricultural credit societies accounted for 567,279 members in 1939, while 1,131 non-agricultural credit societies comprised 292,844 members. In addition, there were a number of

produeers' societies for the processing and marketing of agricultural and aritisans' products and the purchase of requirements, 126 building societies, 85 consumers' societies, and 94 school (stationery) stores; these however, have not yet attained a great importance in the economic life of the Province, and some of them—building societies and co-operative stores—were not included in the Committee's investigation.

The primary agricultural credit societies in India are organised on the basis of Raiffeisen idea of the "neighbourhood community" (Nachbarschaftsverband), which is reflected in a number of principles referring to their constitutional structure and working. Raiffeisen envisaged the co-operative society as the centre of the economic life of the village community, a personal bond uniting all the members, collaborating with full responsibility in the common task. The main principles of this collaboration are: unlimited liability; one village—society; voluntary service; wide range of functions. These principles have so far been the basis of agricultural co-operation in India, although the societies' activity has generally been confined to the credit side.

The Madras Committee closely studied the problem whether these principles can be generally accepted in the re-organisation of agricultural co-operation, and has come to the conclusion, though not unanimously, that modifications in their application are necessary for the rehabilitation of the movement.

The inefficiency and the financial difficulties of many agricultural credit societies in Madras are partly the direct result of the smallness of the societies which so far have strictly adhered to the principle of one village—one society. The Committee felt that on this basis a strengthening and consolidation of the individual societies would be impossible as the village is, as a rule, too small, and the membership and capital locally available, therefore, not sufficient to guarantee the society's successful functioning. Apart from this the smallness of societies hampers the progress of the movement as a whole, as the great majority of the villages which are not able to form societies of their own, would remain outside the sphere of co-operative activity. The Committee, therefore, recommends the broadening of the basis of co-operative credit societies to several neighbouring villages in an area within a radius of three to five miles, assuming that this would result in an extensive and intensive development of rural co-operative credit. It also emphasises the need for a comprehensive programme of co-operative expansion and reorganisation, so as to bring every village within the area of operation of a society. The magnitude of this programme, which should be based, it is suggested, on a five, seven, or ten year plan, can best be gauged from the fact that of almost 52,000 villages only about 10,500 are covered by co-operative credit societies, most of which are working with a loss.

There was, however, no complete unanimity in the Committee on the question of the widening of the basis of societies, and a minority adhered strictly to the Raiffeisen principle as a basis of close mutual collaboration and control. The majority of the Committee were of opinion that the widening of the basis of a co-operative society to several neighbouring villages with common economic interests and often united by social bonds, too, would not be contrary to the principle of proximity and corporate life. At the same time, the advantages of a broader membership basis would expand the business and strengthen the finances of the societies, so that they would be able to employ the paid staff necessary for an efficient business management, and to build up resources.

The employment of paid officials, also, is a modification of the original Raiffeisen principles, but it seems an inescapable consequence of the suggested establishment of larger units on a sound business basis, especially as the Committee recommends, not only a widening of the area of operations, but also of the functional basis of the societies. Hitherto, the primary agricultural credit societies have limited their activities to credit business, and only in rare cases have they fulfilled other functions, such as the purchasing of agricultural and domestic requirements and the sale of agricultural produce. The Committee suggests an expansion of the activities of the enlarged credit societies, making them real multi-purpose societies. Not only are the purchase of agricultural and domestic requirements and the sale of produce recommended, but also the supply of electrical and other mechanical power, farming on a co-operative basis, and the promotion of new methods of agriculture. The Committee considers that "village societies should be utilised, to a greater extent in the organisation and promotion, under proper directions and suitable safeguard, of subsidiary or cottage industries such as bee-keeping, dairying, poultry-keeping, fruit-growing etc." Only where these functions "require special technique, finance, or marketing arrangements" is the organisation of separate societies recommended.

The most far-reaching of the Committee's recommendations is in regard to liability. Limited liability, it is suggested, should in future be the normal rule in rural credit societies, and only if—in the view of the Registrar—local opinion, or other circumstances, favour unlimited liability, should there be a deviation from that rule. The main reasons which led the majority of the Committee to abandon one of the most important Raiffeisen principles were that unlimited liability keeps away the better situated and more solvent class of agriculturists—thereby weakening the potential financial strength of the society and depriving it of a source of efficient leadership; and that, in the case of liquidation, which is rather frequent, its enforcement causes great hardship to the members. It was further suggested that mutual knowledge of each other's affairs—the basic assumption of unlimited liability—is practically non-existent in present-day village life, and that the possibility of members evading their liability by alienation of property has reduced the value of the unlimited liability considerably. The minority of the Committee strongly opposed this view, stressing the value of the principle of unlimited liability as a factor for strengthening the collective spirit of responsibility, the social basis of true co-operation, and the great danger that small tenant farmers and agricultural labourers, who cannot offer material security for credits, may not be able to obtain credits at all under a system of limited liability.

Many detailed recommendations are also made regarding the central banks of the Province, the regional organisations, which play an important part as financing institutions of the primary societies and form the intermediate link between the Madras Provincial Co-operative Bank and the credit societies, land mortgage banks, co-operative marketing societies, &c. As to the central banks, of which there were 30 operating in 1939 with a total working capital of Rs. 56·62 million, it is recommended that they become pure—type Banking Unions composed of affiliated societies only, which would mean the elimination of individual shareholders. This recommendation also was arrived at by a majority decision, the minority holding the view that the movement can ill-afford to lose the support and experience of individuals who have given practical proof of their interest in co-operation, and who fulfil a very useful purpose in representing the views of the depositors in the central banks, while the representatives of the societies are naturally more inclined to the views of the borrower. The majority, however, maintained that, though individual shareholders fulfilled a useful function in the early stages of the development of the central banks, the time has come to give these banks a clear co-operative constitution as Banking Unions. But, in order to give "public-spirited individuals who possess expert knowledge in co-operative banking or co-operation" an opportunity to serve the central banks, the Committee recommends that central banks should co-opt three individuals to their Boards of Managements, and that this be provided for in their rules.

The extensive programme of re-organisation and re-orientation envisaged by the Committee will depend for its realisation, among other things, upon the ability and co-operative conviction of co-operators in responsible positions, and on the response of the members of societies to the co-operative appeal. The Committee, therefore, stresses the necessity of an intensification and better co-ordination of educational work of the movement and the creation of better facilities for co-operative education. It recommends the establishment of a Government Co-operative College for aspirants for employment in the Co-operative Department of the Government and for higher posts in large urban and central banks, &c., and of two Co-operative Institutes for the technical training of "professional co-operators.'

A suggestion was made by two members of the Committee that the voluntary basis of the rural credit organisation should be altered and that statutory compulsion should be applied to make all eligible villagers members of the credit society, as propaganda and education would be too slow a process to accelerate the pace of co-operative progress. The Committee, however, rejected the proposal and affirmed their faith in voluntary co-operation: "Co-operation is a voluntary effort: it would grow from among the people out of their own free-will: it is not, and cannot be, the result of state compulsion or regimentation."

—*Review of International Co-operation*. April, 1941.

FUTURE OF CO-OPERATIVE MOVEMENT.

In his address to the Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' and Institutes' Associations held in Bombay in the middle of January, the Hon'ble Mr. V. Ramadas Pantulu surveyed briefly the economic development that has taken place since the Association met last in October 1939. Some of the suggestions made by him such as those pertaining to agricultural prices and relations with the Reserve Bank of India formed the basis of resolutions adopted at the meeting. There are, however, two portions of the address which call for particular notice. The first deals with the problems of agricultural indebtedness and the provincial legislation enacted to meet it. While welcoming the legislative activity that was embarked upon by responsible popular ministers in various provinces, Mr. Ramadas Pantulu referred to the apprehension entertained in some quarters that those would result in curtailment or shrinkage of credit to agriculturists. That apprehension would, in his opinion, prove to be ill-founded if vigorous steps were taken anywhere to organize co-operative credit societies on proper lines to supply the short term credit needs of the agriculturists. Along with such organization Mr. Ramadas Pantulu envisaged the provision of long term credit for the discharge of prior debts and the reclamation or improvement of lands and the linking up of short term credit with a well-devised machinery for the marketing of agricultural produce. Such a properly co-ordinated system of co-operative credit would. Mr. Ramadas

Pantulu urged, enable the agricultural community to do without the services of the money unit in the rural economic structure. That end, however, will become feasible only when rural economic life as a whole is organized on a co-operative basis, which ideal Mr. Ramdas Pantulu put forward before co-operators in the latter part of his address dealing with the future of the movement. The new economic order which we wish to see established in India should be based on the equitable distribution of wealth and provision of equal opportunities in life for all sections of society.

For the ensuring of these aims in rural life no movement, as Mr. Ramadas Pantulu emphasised, is so well suited as that of co-operation. That was the declared view also of the responsible Ministry in the Province of Bombay as is clear from the rural development plan adopted by it. Unfortunately, the plan could not be carried out before the Ministry resigned. The Province has now reverted to a system of administration where the pivot is the District Revenue Officer. The defects in the co-operative movement cannot be rectified, as Mr. Ramadas Pantulu pertinently remarked, by strengthening the official control and direction but by altering the basis of the structure and making it dependent increasingly on popular support and enthusiasm. Unless, however, those who are responsible for the administration see the problem in the perspective in which Mr. Ramadas Pantulu places it, the future before it, as he visualises it, is indeed gloomy.—*The Bombay Co-operative Quarterly*. March 1941.

RURAL DEVELOPMENT DEPARTMENT IN BOMBAY.

There has been published the first annual report of the Rural Development Department newly created by the then Ministry in April, 1939. The Department has had a very short-lived career, as the admirable conception of Mr. A. B. Latthe, the then Minister of Rural Department, is not proposed to be carried out by the present Government of Bombay. The Government of Bombay, when placing various activities dealing with the economic conditions of agriculturists under one Department, explained what advantages they hoped to secure from the form of co-ordinated working they adopted. The present Government, apparently showing no concern for public opinion, upset a very important part of the programme of a responsible Government without even a word of explanation to the public. To them, presumably, these are administrative arrangements which it is not the concern of the public to know; they do not conceive of them as broad questions of economic policy affecting the welfare of the agriculturists. Another change has been effected in the programme adumbrated by Mr. Latthe and his colleagues and that is in respect of the scheme of providing villages with rural welfare workers, whose services would be available for the management of village panchayats, the conduct of the affairs of co-operative societies, the popularisation of approved methods of agricultural improvement and the promotion of suitable cottage industrial enterprises. The programme contemplated the appointment of a thousand rural workers to be trained in a period of 5 years. Only one centre for training was started before the Ministry went out of Office, namely, at Sabarmati, and according to the information contained in the annual report, no other centre was started till 31st March 1940. The report makes mention of the fact that it is proposed to provide arrangements for training at 5 centres in different parts of the province. Training is to be imparted to batches of 35 students for a period of 9 months to be followed by specialised training at Poona for a term of three months. So far as the public are aware no start has been made with any of these training centres. Nor are they aware of the manner in which the services of the first batch of 50 students have been utilized. This part of the programme of rural development seems to have been overlooked and hence one does not know what remains of the rural development plans which were so prominent a feature of the scheme of rehabilitation adopted by the Ministry in its last year of office.

—*The Bombay Co-operative Quarterly*, March, 1941.

LIMITS OF OFFICIAL CONTROL IN CO-OPERATIVE ORGANIZATIONS.

Bewailing the lack of internal control in a majority of co-operative organisations, especially those in the primary stage, because of want of education and the absence of a live public opinion, Mr. T. A. Ramalingam Chettiar urges in his Presidential Address at the United Provinces Co-operative conference held at Gorakhpur at the end of April, that the place of such control has necessarily to be taken if the management is to be a healthy one by some form of external supervision. The power of rectification, Mr. Chettiyar emphasises, "should be vested in some authority to deal with cases there and then." One may agree with Mr. Chettiar's view that the theory of (Laissez faire) has no place in the organization and working of co-operative societies in this country. But one cannot subscribe to his conclusion that the power of correction, setting right things and in extreme cases of liquidation of societies and rendering even justice to all has to be vested in an authority which, in the existing state of things, can only be part of the official machinery of the Co-operative Department. The movement in India is no longer in its infant stages. There has been progress in education in rural areas during the last four decades and public opinion too is much more alert than it was thirty years ago. Whatever, therefore, may have been the case for official supervision and control in the early stages of the movement, it does not hold good to-day in most provinces of India. Co-operative societies can well be trusted to form their own organisations for supervision, audit and general control and these should be manned and run in the same way as in other countries. Control by the Co-operative Department, one need hardly point out, is irresponsible in a twofold sense. The officers of the Department are in no degree responsible for their acts to co-operative institutions, whereas the employees of a federal controlling agency have to hold themselves responsible to it. Moreover, with the system of administration that obtains in India, the Co-operative Department itself is part of an irresponsible and irremovable bureaucracy. It may be that the non-official workers in the movement are not without blemish everywhere, but then the fault lies with the representatives of co-operative organisations that put them in positions of responsibility. They can remedy their errors by removing the undesirables. The suggestion is made by Mr. Chettiyar that non-officials should be associated with officials in all important matters. Such association in an advisory or consultative capacity is scarcely helpful in building up a sense of responsibility among the non-official workers. Besides, it is not certain whether the association will be of representative co-operators as distinguished from selected co-operators. For all these reasons, Mr. Chettiyar's views on this subject fail, unfortunately, to carry conviction.

—*The Bombay Co-operative Quarterly*. June, 1941.

THE FATE OF THE GERMAN CONSUMERS' SOCIETIES.

Those who had hoped that the German Consumers' Movement, after its subordination to Nazi economic aims (Gleichschaltung) and the liquidation of most of the big societies in the large industrial centres, would be allowed at least a certain external appearance of a limited independence must have been finally disillusioned by the latest German Decree, concerning the consumers' societies, of 28th February, 1941. This decree is a death blow to what remnant of life still remained in the German Consumers' Movement—once the stronghold of German economic democracy. The effects of the decree, according to an official German version are:—

The property of the consumers' co-operative societies has been transferred to the German "Labour Front."

Co-operative shops are to be converted into ordinary retail shops and given over to private ownership, but as they are mainly to be given to men who fought at the front the change will take place, on the whole, only after the war.

Dr. Ley, the leader of the "Labour Front", commenting on the new development in the co-operative field in *angriff* of 1st March, makes some very illuminating statements on the attitude of National Socialism towards consumers' co-operation, while his remarks on the contemplated changes themselves are rather vague or even contradictory. The fundamental rejection of the co-operative idea, as embodied in consumers' co-operation, is expressed in the following terms: "The consumers' co-operative societies represented a collectivist form of economy of which we, as National Socialists, do not approve ; by virtue of their political power they were able to compete unfairly with the small artisan and trader who were therefore, their sworn enemy...... The collectivist idea......runs counter to our programme, which seeks to further individual values and personal initiative."

Dr. Ley then states that at the Fuhrer's request he had proceeded slowly and carefully to liquidate the societies, but he has to admit the great achievements of the consumers' movement and goes so far as to stress the growing dependence of the country on the productive units and the distributive facilities of the movement during the war. "All objections had to give way in the face of this discovery. The liquidation had, in fact, to be stopped since the consumers' societies had proved their value." After this admission of co-operative efficiency by a proved enemy of consumers' co-operation the article continues: "What proves itself in war has also its justification in peace time. Hence the Fuhrer decided that the useful institutions in the co-operative machinery shall be preserved and become part of the National Socialist economy." How this "preservation' of the useful co-operative institutions is to be reconciled with the handing over of these institutions to soldiers after the war—who, financed by the Bank of the German Labour Front, will be given a "chance eventually to become independent business men"—remains the secret of Dr. Ley.

The immediate change, which is taking place is the complete integration of the consumers' movement, with all its capital and productive units, in the German Labour Front, to which it had been affiliated since 1933. "The share of the members are transferred to the Labour Front" and the members are promised that they will "suffer no loss by this transaction". This means the complete abolition of co-operative democracy as the member, having no longer any share in the society which he helped to build up, therefore, cannot claim a voice in its affairs. The article in *Angriff* is, therefore, quite correct in stating bluntly : "The Movement thereby loses its co-operative character and its shops are open to everybody". The complete per-

version of the purpose of the consumers' societies is revealed in the statement that the stores and factories, which are to become "model" shops and workshops, will be "a means of serving the trader and artisan."

—*Review of International Co-operation*, April, 1941.

EUROPE'S TRADE

A Study of the Trade of European Countries with Each Other and with the Rest of the World

This volume, prepared by the League of Nations Economic Intelligence Service, is devoted to an examination of the part played by Europe before the war in the trade of the World.

Though Europe represents only 4 per cent of the World's area and 19 per cent of its population, her trade was greater than that of all the other continents together.

Over half of Europe's trade consisted of goods exchanged between European countries. But a large part of the foodstuffs and raw materials essential for her industrial countries was obtained from overseas. In 1935, a fairly representative year in a period of transition, the value of the imports of raw materials and foodstuffs into Continental Europe exceeded $2\frac{3}{4}$ billion dollars. The United Kingdom's net imports of these products were somewhat greater—$2\frac{1}{3}$ billion dollars. On balance, Continental Europe bought cereals to the value of over half a billion dollars and sold animal foodstuffs to the vaue of under a quarter billion dollars. The aggregates of her trade in this year were:—

		$
Export surplus of 6 important animal foodstuffs	..	226,000,000
Import surplus of vegetable foodstuffs	..	545,000,000
Surplus of all other foodstuffs	..	3,000,000
Total	..	322,000,000

But the export surplus of animal foodstuffs was largely dependent on the import of fats and fertilisers; Europe's net imports of oil seed and cake alone cost about $274,000,000.

Her net imports of raw materials were much greater than her net imports of foodstuffs, amounting to 1,935 million dollars. Raw textiles, oilseeds and mineral oils were the chief items, and accounted together for about three-fifths of Continental Europe's net imports of raw materials. The United Kingdom's net imports of foodstuffs amounted to 1,398 million dollars, and of raw materials to 935 million dollars.

The volume brings out in a very striking manner the extent to which industry breeds trade, and the industries of different countries in Europe were complementary to each other. The ten most important industrial countries of Europe accounted for four-fifths of Europe's total trade; they consigned to each other 40 per cent of their exports and only 16 per cent to the whole of the rest of the continent. This large intra-trade was mainly in manufactured goods.

These same ten countries accounted for over nine-tenths of Europe's large import surplus, which was financed on the income drawn from other continents, on account of interest, dividends and services performed. A considerable proportion of Europe's net imports were derived from the United States, in spite of this country's creditor position. The explanation of this paradox, as is shown in some length in the volume, is to be found in the rather complicated network of trade balance between the various European countries. It was the triangular and multilateral nature of Europe's trade that enabled many European countries with no or small foreign assets to acquire industrial raw materials from other continents; and the United States' surplus of exports to Europe helped to finance her purchases of raw materials elsewhere. A heavy reduction in triangular trading operations in Europe occurred during the thirties with the growth of economic nationalism.

Owing in part to this tendency towards self-sufficiency in certain countries on the continent of Europe, and in part to the rapid recovery the United Kingdom achieved after 1932, the share of British imports in the total of Europe's imports of a number of raw materials, such as cotton, wool, tobacco, increased notably during the last decade.

At the same time, a considerable industrial development took place in the agricultural countries of Eastern and South-Eastern Europe, with the effect that they tended to shift from the purchase of European manufactured goods to industrial raw materials drawn from overseas. This development was checked, however, by the tendency towards bilateralism in trade and the opposition encountered by Germany, who pulled these countries into the orbit of her trading system and compelled them to import manufactured goods in exchange for their products.

—*League of Nations Economic Intelligence Service.*

CO-OPERATIVE NEWS AND NOTES

The working of the Madras Agriculturists' Debt Relief Act shows that good progress has been made since its enactment in 1938. During the thirty seven months ending with March 1941, over 1,59,000 cases under this Act have been disposed off involving over Rs. 6,07,79,000. The actual relief afforded to the agriculturists by way of scaling down debts in the above cases amounted to over Rs. 2,86,65,000 which represent 47·2 per cent of the amount originally due.

* * * * * *

The working of the Cochin Agriculturists' Relief Act during the year reveals encouraging results providing considerable help to the debt-ridden agricultural classes. Through the civil courts the question of scaling down of debts was urged in 9,271 cases involving an aggregate debt amount of Rs. 28·64 lakhs. The total amount scaled down during the year was Rs. 22,77,386 and the amount reduced by scaling down was Rs. 5,86,217. There were 3,324 applications under Section 28 of the Agriculturists' Relief Act to set aside court sales, out of which 234 cases were set aside. In 754 cases, it is reported, the decree debts, as scaled down, were discharged by payment or satisfaction of the amount as scaled down.

* * * * * *

In Bihar it is learnt that a sum of Rs. 20 lakhs out of 49 lakhs sanctioned by the Provincial Government for a five year expenditure on the rehabilitation of the Co-operative Movement is to be spent on the rehabilitation of thirty-nine co-operative banks.

* * * * * *

The Agricultural Marketing Adviser to the Government of India in his Annual Report for 1940, states that the quantity of "Agmark" produce marked in 1940 exceeded by two-thirds the quantity in the previous year. The totals were Rs. 61 lakhs in 1939 and Rs. 102¼ lakhs in 1940. By the end of 1940, there were 363 authorised packers and the standardised grading and marking of agricultural produce was being carried out commercially at more than 400 centres. The number of grading stations at work at the end of the previous year was 150. The central and local marketing staffs, in conjunction with the All India Radio, developed market news services for rural listeners, and regular bulletins are now issued from several stations. The Central Marketing Staff held trade conferences for consultations in regard to practical proposals for improved marketing.

* * * * * *

Agricultural Credit Department, Reserve Bank of India.—In the last report mention was made of the training of officers of Co-operative Departments deputed by certain provinces in the Agricultural Credit Department. During the year a further batch of officers were deputed for training in the Department. The Department continued to examine problems of agricultural credit including the co-operative movement, debt legislation, schemes of rural reconstruction, land mortgage banking, etc., and to maintain personal contacts with the officials connected with the co-operative movement. During the year a number of problems relating to debt legislation, regulation of moneylending, rehabilitation of the co-operative movement, establishment and financing of land mortgage banks, establishment of licensed warehouses, investment of surplus funds of co-operative banks, organisation of multi-purpose societies, etc., were referred to it by various Provincial Governments for opinion and advice. All these problems were examined by the Department and detailed suggestions were made. In view of the increase in the research work of the Department, a new post of Director of Research was created during the period.

* * * * * *

Soya Bean Production.—The production of soya beans has been steadily expanded during the recent years, and the soya bean is today used in many industrial processes not only for the production of food and fodder, but also for the manufacture of soap, paints, linoleum, synthetic rubber and other commodities. Soya bean flour, suitably processed, has been developed into a staple diet of the German army, and is even used in cakes and pastries. China and Manchukuo are the chief producers and Manchukuo is the chief exporter of soya beans, supplying mainly Germany and Japan. In recent years the cultivation of soya beans has been developed in South-Eastern Europe, particularly Roumania and Bulgaria, and has been greatly extended in the United States. Total world production is estimated at 483·5 million bushels (1 bushel=17·2 kg.) for 1940.

* * * * * *

The Volume of Food Sales in Great Britain.—Since the outbreak of the war, the value of food sales in Great Britain has steadily increased, and is shown in the retail sale reports issued by the Bank of England, which are based on a representative sample of shops. But as prices have also risen, the increase in value does not reveal the changes in the volume of turnover. In order to show the trend in the development of the volume of food sales, the Bank of England's value figures have been adjusted in accordance with the changes in food component of the Ministry of Labour's index of the cost of living. The resulting indices show that the upward trend in the volume of food sales noticeable in the last pre-war years was arrested soon after the outbreak of the war, and since then it has shown a strong tendency to decline. For 1939 the index of food sales was 111½ (basis: 1935-100) against 108½ in 1938, but in 1940 it had fallen to 99 per cent and in January and February, 1941, to 94 and 96 per cent of the 1935 level. In spite of the decrease, the index of food sales in 1940 was still ½ per cent above the level of the depression year 1932, when it averaged 92 for the whole year.

* * * * * *

Courses at the Co-operative College, Manchester.—The experiment of special short-term courses at the Co-operative College for the employees and members of the Co-operative Movement (which was interrupted when Holyoake House, the headquarters of the Co-operative Union, was damaged in the raids on Manchester) is now to be resumed on a more extensive scale. The new courses will be for periods of one, two or three weeks, and will comprise residence and tuition at the College. They are specially designed to deal with the difficult problems of training employees, engaged to replace those called up for military service, and are also open to members of Committees, auxiliary officials and members. Ten-week scholarships, tenable at the College, are open to candidates nominated by societies and to individual students.