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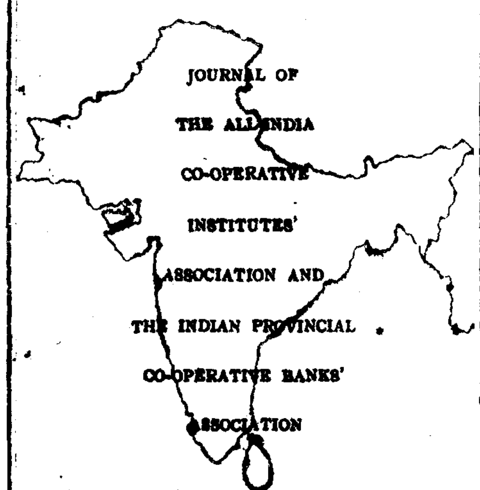

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THE INDIAN CO-OPERATIVE REVIEW

VOL. XI JANUARY—MARCH, 1945 **No. 1**

CONTENTS

majority of our readers—directly depends upon the extent of response we receive from contributors. We shall spare no pains in our endeavour to discharge our obligations to the Indian Co-operative Movement and to our readers and we crave their indulgence in condoning such shortcomings as there might be in spite of our best efforts.

There has been considerable delay in bringing out these issues punctually due almost entirely to conditions beyond our control. We, however, hope to be regular in publishing the issues hereafter.

Lastly, a word about the Year-Book and Directory of Indian Co-operation, 1944, before the publication of which Mr. Ramadas Pantulu who was entrusted with the editing of it passed away. A considerable portion of the matter prepared under his guidance had been printed. But owing to the restrictions imposed by the Government on the publication of Year-Books etc., the printing of further matter could not be proceeded with. We trust the Government of India would be pleased to accord permission to publish the Book at an early date.

CO-OPERATIVE PLANNING COMMITTEE

That the Co-operative Movement should constitute an integral part of the plan of economic development for the country as a whole was one of the demands put forward at the last session of the all-India Conference of Registrars of Co-operative Societies which was held in Bombay nine months ago. It was further recommended that a Committee should be appointed by the Central Government to draw up a plan of co-operative development, pursuant to which recommendation Government have now appointed a Committee of officials and non-officials, with Mr. R. G. Saraiya of Bombay as Chairman. The Committee has set about its work in right earnest; it has called for information and views from officials and non-officials and presumably it will hold personal consultations with co-operators should that be necessary. The most difficult task for the Committee, however, will be not that of drawing up a plan, but of so framing it that it will fit in with the various plans that have been submitted to or have been called for by the Central and Provincial Governments. The task is difficult because of the fact that we have to-day no conception of the structure of the Government that will have to be entrusted with the execution of this and other plans or of the social objectives that will go to shape the policy of such a Government, whether at the centre or in the provinces.

No plan of co-operative development will be acceptable unless it is based on—or takes full cognizance of—the principles which inspire the movement. The recognition of the liberty and dignity of the individual is an ideal to which even the Foreign Minister of the post-Hitlerite Nazi Government of Germany subscribes; but to co-operators the phrase represents a creed which is as distinct from totalitarianism as white is from

black. In planning, as it is popularly understood to-day, "large-scale methods have been made a fetish, labour saving an ideal." Planning is deemed to be of the mechanistic pattern with man and his fellow creatures being looked upon as "cogs in an economic machine to be regulated and regimented and fed by the State or any other institution able to acquire the necessary power." The approach of the co-operator to the subject of planning is the very antithesis of this. It conceives of progress in terms of a number of individuals joining forces to improve their own economic condition, through their own self-governing organisations, which though independent acquire strength through cohesion and joint endeavour.

That the movement is essentially a voluntary growth may present some difficulty; but self-accepted discipline and regulation are undoubtedly not the same as coercion by an external authority. Ultimately, progress will be dependent on the extent to which those who are 'planned for', accept the behests of the 'planners'. Hence it is that those who believe in economic democracy and wish, at the same time, to plan for the future world urge, as the Registrars' Conference did last year, that the Co-operative Movement should be deemed an essential element in economic planning for the country.

The Central Government have recently issued a lengthy memorandum on the industrial structure of the future. It is curious that this contains no reference to co-operation, presumably because industries are thought of in terms of large-scale enterprises for which co-operation is deemed unsuitable. There have occasionally been references, here and there, in pronouncements made on behalf of the Government of India to the need for undertaking experiments in co-operative farming; but that is about all that we know of the place which the Co-operative Movement occupies in the plans which the authorities at the centre have framed for themselves. Even in respect of co-operative farming, the Bombay industrialists' plan goes much further than the Central Government appear to envisage. The Bombay industrialists' plan accords a noteworthy place to the production of consumers' goods through cottage industries; and it may be assumed that for these the co-operative form of organisation may have to be set up on a nation-wide scale. One has yet to see a similar recognition of the place of cottage industries in the industrial structure of the country on the part of Government, whether Central or Provincial.

Or take the question of the re-organisation of the distributive trade, especially on the retail side. Apart from ideological considerations, experience of the gross profiteering indulged in, despite the controls imposed in war-time, should have convinced any responsible set of administrators that individualistic, unregulated trading had to yield place, in a planned society, to a regime which safeguarded the interest of the consumer. The Peoples' Plan plumps for the re-organisation of distributive trade on co-operative lines; but Governments—Central and Provincial—have no place in their plans for reordering this vital branch of our economic life. By the way, one may ask why administrators, business men, economists, and politicians who plan for the future have never thought of replacing the contractors who exploit the labour of the poorest of the poor by labour contract co-operative societies? These have proved their utility in several countries.

Is small-scale farming to be the basis of our agricultural industry? On the reply to this question will depend greatly the pattern of the plan of co-operative development that may be usefully sketched by the Planning Committee. The recent history of agricultural developments in several countries seems to indicate that the more widely small ownership is spread, the greater will be security and opportunity of the cultivator. Unless the actual tiller of the soil gets both he will feel no zest, no pride in his work. Without zest and pride agriculture must deteriorate. At the same time, experience elsewhere shows that peasant proprietorship cannot flourish unless it enjoys such advantages as can be derived from joint action, from organization for improvement of technique and for the performance of various economic functions. It should be the duty of those who plan in the field of agriculture to indicate the directions in which the co-operative method will be helpful. That will form the plan for co-operation in agriculture, supplementing and not supplanting either individual effort or State action. This programme may cover activities for land reclamation, for the prevention of soil erosion, for the extension of irrigation facilities, for crop planning, for the consolidation of holdings, for the preparation and distribution of composts and farm yard manures, for the multiplication and distribution of improved varieties of seeds, for the supply of agricultural and domestic requisites, for the marketing and—if necessary—the processing the products of the farm and for diverse other similar purposes.

Once the policy is accepted that in the national interest the production of certain types of consumers' goods should be the sphere of cottage industries, it would be the duty of the Planning Committee to examine and suggest how much production can best be organised on co-operative lines. This should also apply to occupations supplementary to agriculture or to industries ancillary to it. It will have to be indicated, what should be the local unit of production and what should be the structure of the primary unit. On what basis, for what regional areas and for what specific purposes should the primary units be encouraged to federate? Should the driving force emanate from the State or from a non-official promotional agency or from the federations? In some provinces provincial organisations enjoying a considerable measure of State aid have been set up for the handloom weaving industry. It will have to be examined whether these should serve as the federal apex organisations for other industries as well. The form and extent of State aid that are required will be another question meriting consideration.

There is one aspect of social life which appears to have received scant attention hitherto in any of the plans that have so far seen the light of

day. In England, a considerable amount of thought has been given to the rehousing of the people after the devastation that has taken place as a result of bombing of various descriptions. In India, it is true that no such devastation has taken place; but alike in urban and rural areas our housing has been found extremely deficient both in quality and in quantity. Does the co-operative method provide any solution? It has done so in several other countries, particularly in supplementing the initiative taken by local authorities or the Central Governments. It may be that our standards of income are so low for the bulk of the population that decent housing can scarcely be provided except on a subsidised basis. But when subsidies are granted or other facilities are allowed, is it not possible to provide these through co-operative agency so that the dwellers in the cottages or in urban tenements may feel pride in their residences and take interest in the maintenance of the housing and its environments in good condition and in developing a community organisation for a healthy social life? None of the plans, however, makes any reference to this, one of the most pressing of our social problems, especially in growing urban areas, the overgrown villages which are called towns but which represent merely so many conglommerations of slums.

A plan of co-operative development is inconceivable unless those who form the co-operative fold participate actively at all stages in the drawing up and the execution of the plan. This postulates a vigorous, vigilant co-operative organisation, the vigour and vigilence being born out of a vivid sense of responsibility. That sense grows with the exercise of responsibility; but it has to be evoked in the initial stages and it has to be kept alive by the diffusion of co-operative education. Inasmuch as the co-operative plan of development is one drawn up by the people, it is intended for the direct benefit of the people, and it is to be implemented by the people, it stands to reason that the co-operative education which is to be the basis of progress should be imparted under the inspiration and guidance of the leaders of the people. The Co-operative Development Committee will, undoubtedly, chalk out a programme of co-operative education as an integral part of its scheme. It is to be hoped, however, that in sketching it care will be taken to see that this education does not again become a routine of Government policy but that it is entrusted to the democratic central co-operative organisations themselves. Then alone can the enthusiasm and energy of ardent workers in various fields of national progress be harnessed under popular leadership for the task of building up the healthy, wide-awake economic democracy that a plan of co-operative development should advocate.

FIFTEENTH CONFERENCE OF CO-OPERATIVE LAND MORTGAGE BANKS IN MADRAS

Presiding over the 15th Conference of Co-operative Land Mortgage Banks in Madras on the 10th February 1945, Dewan Bahadur C. S. Rathnasabapathy Mudaliar, President of the Madras Co-operative Central Land

Mortgage Bank, appealed to the Government to take a more sympathetic interest in the working of the land mortgage banks in the province for bettering the conditions of the agriculturist. In his address he dealt, inter alia, with the necessity for reduction in the margin between the borrowing and the lending rates to the old level of two per cent from three per cent which is the present margin, so as to benefit the borrowing agriculturist who is finding it unattractive to borrow from the land mortgage bank at a high rate when private moneylenders are offering to lend at lower rates than the land mortgage bank and to utilise the funds received by way of advance repayments in their own business instead of investing them in Government Securities or in augmenting the sinking fund. These two demands were presented to the Government at the previous Conference as well. But the Government have not so far acceded to the requests of the Central Land Mortgage Bank.

Sir D. N. Strathie, Adviser to the Government of Madras, who declared the Conference open observed in his address that he disagreed with Dewan Bahadur Rathnasabapathy Mudaliar's statement that the agriculturist was able to secure money cheaper from the private moneylender as an investigation conducted by the Government revealed the contrary and such instances as there were, where agriculturist was able to secure finance at 5 per cent or less, were only fictitious rates on paper while in reality they were higher under a private agreement and the fact was that the agriculturist was not securing money at a rate cheaper than 6 per cent. He went on to say that the land mortgage bank should still strengthen the reserves so as to satisfy the standards prescribed by the Reserve Bank of India and if the margin was reduced to two per cent the bank might not be able to build up sufficient reserves. Further, in his opinion, any reduction in the rate of interest charged by the banks on loans will not appreciably increase the loan applications as the present high level of prices restricts the need for loans. Whatever be the basis for the Adviser's statement that the agriculturist is not getting money cheaper from the private moneylender at present we agree with the Dewan Bahadur that the Bank is now sufficiently strong to be in a position to reduce the margin to two per cent, so that the ultimate borrower may be able to raise funds from the bank at 5 per cent. Land mortgage banks are solely intended to help the agriculturist and they should do all in their power to attract the agriculturist to them for finance and not to drive him away to the private moneylender.

As regards the permission sought for the utilisation of advance repayments in the bank's own business, Sir Strathie replied that the Registrar had reported that there was likely to be little demand for such short-term loans. He said that the problem was not an easy one and that the Government hoped to be able to issue orders shortly.

Sir Strathie held the view that the success of land mortgage bank should be measured by the shortness of the time in which it died. This view may be correct, if it is conceded that the land mortgage bank is solely intended to help the agriculturist to clear off his prior debts and the moment it has succeeded in doing so it should go out of existence. We are afraid we cannot subscribe to this view. In a country like India where agriculture is the predominant industry which till now was unfortunately a deficit economy, the agriculturist needs all available finance for his multifarious needs and not only for clearing his prior debts. In fact, the preamble to the Madras Land Mortgage Banks Act runs as follows "to provide for the grant of long-term loans to owners of land or other immovable property, to enable them to discharge their debts, to carry out agricultural improvements, to acquire land for the formation of economic holdings and other like purposes and thereby to promote thrift and self-help among them." We have no hesitation in saying that in future planning for the improvement of agricultural industry, land mortgage banks are bound to play a very successful and leading role. For effecting permanent improvement to the land, to raise the yield of the crops, to bring more new land under the plough, for projects of irrigation, for reclamation of land now classed as cultivable waste, for development of fruit-growing and dairy-farming, for the installation of suitable plant and equipment in processing societies and the like credit is required and capital repayable in a period, say from 5 to 20 years, and land mortgage banks should be so organised as to fulfil these functions. It can hardly be said that they have no further utility after the prior debts of the agriculturist are wiped out. This line of development requires substantial State aid. Productive long-term credit of the type required will be of little benefit if the loans are to carry interest at the present level. So by subsidies and other suitable modes of financial aid the rates of interest of land mortgage banks for productive purposes and land development schemes should be brought down to as low a level as possible so that the agriculturist can look to the land mortgage banks for the transformation of the agricultural economy which is now a deficit economy into a surplus economy and to increase his income so as to raise his standard of living.

SURPLUS FUNDS IN CO-OPERATIVE BANKS

Co-operative banks are no exception to the present war-time reactions on our national economy. Curiously enough the transactions of these credit institutions with regard to lending were identical both when money was scarce and overdues were heavy during pre-war depression days, and at the present time when money is plenty and advance repayments are the order of the day. Not long ago loans to central banks and societies had to be restricted on account of the heavy overdues of members to the societies and of societies to the central banks. Coupled with it there was also paucity of funds in the shape of deposits. And now the societies and their members are finding little need to borrow when money is readily available locally and deposits are pouring into credit institutions at low rates of interest resulting in accumulation of large surpluses. The present position of these large surpluses in co-operative banks deserves very careful consideration and should be tackled with practical vision and courage. New outlets of secure investments other than Government Securities should be found if co-operative banking were to thrive and play an important role in the post-war development of our agricultural industry.

The present day large surpluses are due to the fact that deposits rose with great rapidity after the enormous war-time currency inflation. The high prices that ruled the agricultural produce markets helped the members of the co-operative societies to pay off their dues to their societies with ease and to borrow less for their current needs, as a result of which the societies in their turn not only repaid the dues to the central banks but also borrowed less. Consequently the central banks looked less to the Provincial Bank for loans. This position seems to prevail in almost all the Provinces and States in India without any exception. As such these financial credit institutions were driven to the necessity of investing their funds largely in Government securities yielding only a small income as they could not find any other outlet. In some of the Provinces the growth of the co-operative store movement enabled these banks to invest a portion of their surplus funds in non-credit activities. But such an investment bears a very small proportion to the large volume of their working capital. For example the figures relating to the working of three of the Provincial Banks (1943-44) are tabled below :

		Working Capital.	Investments in Govt. Securities.	Loans.
		Rs. lakhs.	Rs. lakhs.	Rs. lakhs.
Madras	...	320.33	169.36	41.75
Punjab	...	314.01	293.54	10.49
Bombay	..	475.00	172.90	181.80

These growing surpluses no doubt present a very embarassing problem. But the outlook ought not to be so gloomy when one visualises the fact that there is bound to be post-war development of our agricultural industry on co-operative lines on a very large scale and there will be demand for a large volume of funds in that connection. Co-operative banks can as well become the sole agency to undertake the finance of all agricultural operations from cultivation up to marketing of the produce, when the problem of these surpluses will disappear. However, as an immediate solution to reduce the growing surpluses it is suggested co-operative marketing of agricultural produce may be developed on a larger scale, and cottage industries on co-operative lines also can be promoted in all the Provinces. A large number of processing societies on co-operative basis can be usefully started. The store movement which has come into prominence on account of war-time conditions can be further developed so as to make it a permanent feature in the post-war years as well. All these activities do require short-term finance and the surpluses can be usefully diverted in these directions.

THE GROW MORE FOOD CAMPAIGN IN MADRAS

BY

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The Grow More Food Campaign was inaugurated in the summer of 1942 by the Government of India on the recommendation of the Food Production Conference of 6th April 1942. The stoppage of import of food from Burma in the spring of that year had ushered in a major food crisis in the country, and the Campaign was conceived as an immediate solution for the problem of scarcity. While the initiative was taken by the Government of India, the major responsibility of conducting the Campaign was thrown on the provinces and the States, the Central Government giving the necessary assurance as regards finance, prices, markets, advice, etc. In consonance with the direction of the Central Government all the provinces and many of the States have started the Campaign in their respective territories. Importation of food from other countries being limited by the availability of food supplies and shipping space the only remedy open to the country was to produce more within its territory.

The food productive drive thus inaugurated could from the circumstances of the case be only a short-run programme. The need for immediately increasing food supplies was urgent and it could not wait upon the slow formulation and slower execution of a long-range plan. Providing sufficient quantities of food to meet the full requirements of the population was as important a part of the war effort as the solely military aspects of it, and the heightened tempo and the indifference to cost which characterize the whole of that effort were bound to be reflected in the food drive too. This circumstance imposed certain unavoidable limitations on the programme. The measures devised could only be those which would yield quick result, and considerations of economy or of the conservation of resources could hardly be given their due importance. The slower, but more enduring processes of change and plans of improvement could not find a place there for the reason that they were bound to take time. Nor could any attempt be made to plan production on the basis of accepted nutritional standards or take into account those slow changes in the food habits of the people which an analysis of the situation proves to be well under way.

The immediate agricultural problem manifested two divergent, but not wholly unconnected, aspects—inadequacy of food and the consequent upward surge of food prices, and the loss of markets, reduntant supplies and the fall of prices of certain commercial products. Both were the consequences of the developing war situation, both demanded immediate attention, and though they were caused by different factors, the solution of the one could easily be made the solution of the other too. The Grow More Food Campaign therefore could be and was actually devised as a solution for the twin aspects of the agricultural problem. The differential importance attached to those aspects varied from province to province and depended much on the acreage under the commercial crops affected and the quality and type of the crops raised. Thus in Madras as contrasted with Bombay the acreage under short staple cotton being limited to 10 per cent of the total acreage under cotton, the second problem was not so important as the first. However diversion of land from non-food to food crops found a larger or smaller place in the campaign in every province.

To enable the Provincial Governments to insist on this diversion they have been armed with appropriate powers to regulate and control agriculture. By an ordinance issued in September 1942 amending section 2 (ii) (xx) of the Defence of India Act, the Central Government were empowered to make rules delegating to the provinces their powers to regulate and control agriculture. Those rules have subsequently been formulated vesting the Provincial Governments with powers to compel the growing of specified crops and with the concurrence of the Central Government to restrict the cultivation of specified crops.

At the Centre the Campaign is the responsibility of the Education, Health and Lands Department, while the procurement and equitable distribution of available food supplies devolves on the newly created Food Department. Since the two problems are so intimately connected, the two departments work together on many questions of policy and use the expert officers appointed in each to advise the Provinces and States on different aspects of the campaign. In the Education Department the expert officers thus employed are the Agricultural Production Adviser, the Irrigation Adviser, the Agricultural Adviser and the Animal Husbandry Adviser. In the Food Department the experts are the Director-General of Food, the Rationing Adviser and the Director of Statistics. The two departments are assisted in the formulation of policy by certain central organizations the chief of which are the Food Committee of the Viceroy's Executive Council presided over by the Viceroy, the Standing Food Committee of the Central Legislature, the Central Food Advisory Council, the Annual Food Conference, the Price Advisory Council, the Price Fixation Committee and the Board of Agriculture.

The provinces are expected to make their own arrangements for the conduct of the campaign and to pass the needed statutory measures. Accordingly the following statutory measures have been passed in Madras:

1. The Madras Estates Land (Temporary Amendment) Act, 1914, by which Government secures power to temporarily assign uncultivated lands situated in an estate without conferring occupancy rights on the assignees.

2. The Madras Irrigation Works (Repairs, Improvement and Construction) Act, 1943, which empowers the local Government to repair or improve irrigation works in private ownership and to construct new works and recover cost, fees, etc., from the beneficiaries.

3. Collectors are empowered under Rule 80-B of the Defence of India Rules to bring waste land in private ownership under cultivation with food crops or vegetables.

4. Under the Defence of India Rules the Government have prohibited the cultivation of Mungari, Cocanada and Buradapathi cotton as pure crops.

5. The Madras Manure Dealers' Licensing Order, 1943, insists on dealers in manure taking a licence from the Director of Agriculture and complying with his directions in the sale, storage and distribution of manure.

6. Under Rule 81 (2) of the Defence of India Rules Government have prohibited the export of oil-cakes and other manures and oil-seeds from the province without permits.

7. The Madras Oil Cake (Movement Control) Order, 1943 prohibits the movement of oil-cakes from one district to another within the province without permits.

8. The Government have placed a ban on the export of cattle from the province and have prohibited the export of bran and cotton seed except under permits.

9. The Madras Rice Mill Licensing Order compels the production of single polished rice in power-driven mills.

10. All flour mills of the province have been ordered to restrict the output of bran to 10 per cent of the whole wheat when milling wheat.

The principal department of Government through which the campaign is conducted in the province is the Agricultural Department. Responsibility for the supply of seed, manure and implements and the grant of loans for the purchase of these is placed on that Department. All Government agricultural farms have been converted into seed farms for the multiplication and distribution of seed. Manure depots are in the charge of agricultural demonstrators and the quota of iron and steel received by the province from the Central Government is distributed among dealers through this Department. The D.A.Os. have been empowered to grant taccavi loans in addition to the existing agencies. On all agricultural officers is laid the duty of carrying on propaganda on behalf of the campaign and they are expected to demonstrate as opportunity offers the superiority of improved methods of farming, improved varieties of seed, manuring, etc.

To do all this work the Department has been greatly expanded. Two D.A.Os. 52 demonstrators and over a thousand maistries have been added to the staff and large sums of money placed at the disposal of the Director to finance trading schemes. The Director and his staff have to arrange for the publication of the monthly journals, Metichelvam in Tamil, and Padi-Pantalu in Telugu, organize village committees to enlist the co-operation of the cultivators and arrange for the reading of the journal at the time of their meetings. The Government have sanctioned a scheme at a cost of Rs. 2,20,154 to train 520 candidates as fieldsmen at six agricultural stations in batches of twenty at a time for four months and 2,740 candidates as maistries at 20 stations. No tuition fee is charged, but the candidates are given stipends of Rs. 20 and Rs. 15 per month respectively to cover boarding and lodging charges. Half the cost of the scheme is to be met by the Government of India.

Two other departments of Government closely associated with the campaign are the Revenue and Irrigation Departments. The Collector through his revenue subordinates assigns assessed or unassessed waste land or poramboke in compact or non-compact blocks, grants taccavi loans under the Land Improvement Loans Act and the Agricultural Loans Act and special loans to vegetable growers and leases out uncultivated fallow land in private ownership for the cultivation of food crops. On the Irrigation Department devolves the duty of executing minor irrigation works sanctioned by Government and supplying water at concessional rates according to orders of Government. For the conduct of propaganda in the province as a whole a Provincial Committee comprising the Agriculture and Irrigation Development Board, the Registrar of Co-operative Societies and the Director of War Publicity has been constituted. The functions of the Committee are control of propaganda in the districts and the co-ordination of the activities of the District Food Councils. The District Food Councils with the Collectors as Chairmen are charged with the work of attending to the campaign in the districts.

In a minor way the Public Health Department, the Municipalities and District Boards are drawn into the picture. They are expected to co-operate with the Agricultural Department in procuring adequate quantities of manure through the manufacture of composts from night-soil and town refuse. For this purpose a few health officers and sanitary inspectors have been trained in the Bangalore Process of compost making.

Extension of Cultivation.—To facilitate extension of cultivation into the culturable waste the Government are prepared to assign temporarily or permanently lands which were hitherto reserved for certain purposes or not made available for cultivation at all. These assignments will be made for the cultivation of food crops alone and in some areas specifically for vegetable or potato cultivation. Thus school and dispensary compounds and lands in panchayat and reserve forests and in hilly regions such as the

Nilgiris, the Annamalais, the Palani Hills and Kodaikanal will be made available for vegetable or potato cultivation only. Other assignments permitted under the campaign are the sea front, railway lands, lands bordering on drainages, undeveloped land, assessed waste land and tank beds, non-kumri unreserved lands in South Kanara and 80,000 acres of unirrigated lands to be irrigated and assigned in the Cauvery Mettur Project area. Special schemes of reclamation and assignment apply to 25,000 acres of waste land in compact blocks in Chittoor and 115 acres in the Pattukottai taluk of the Tanjore district. Most of these assignments will be temporary ranging from three to five years. Under 80-B of the Defence of India Rules District Collectors are empowered to bring waste lands in private ownership under food crops and vegetables. Even lands in compact blocks formerly reserved for definite purposes are made available for temporary assignment.

Government have offered certain land revenue and irrigational concessions to the cultivators of new land. The land revenue concessions fall into two categories, certain general concessions applicable throughout the province with the exception of the Cauvery-Mettur Project area, and certain others confined to special areas. The general concession of total remission of dry assessment for faslis 1352, 1353 and 1354 applies to unoccupied assessed Government land, unassessed land or disafforested land on which no crop was raised during faslis 1349 or 1350, land in compact blocks reserved for colonization schemes, land adjoining a reserved forest unoccupied for 18 months and assessed and unassessed Government land reserved for public purpose and not yet utilised for such purpose. In addition, compounds of Government quarters and institutions, such as schools, hospitals, orphanages, sanatoria, churches, etc., vacant village and town sites, tank beds and backyards of homes may be cultivated with vegetables or food crops free of assessment.

The special areas selected for revenue concessions are the Cauvery-Mettur Project area in Tanjore and Trichinopoly, the Cauvery Padugais in Salem and Trichinopoly, the Romperu drain and Bapatla West Swamp areas in Guntur, the valleys on either side of the Kodaikanal road, the grass lands of the reserve forests of the Palanis, the foot of the Western Ghats in Malabar and certain areas of the district of the Nilgiris. In the Cauvery-Mettur Project area the temporary grants of land newly irrigated will be free of dry assessment for faslis 1352, 1353 and 1354 ; in the Cauvery Padugais till fasli 1356 ; in the Kodaikanal valley for two faslis ; in Malabar for the duration of the war and in Guntur till fasli 1354. On the Nilgiris total remission of land revenue is allowed for 5 years in the Pandalur firka of the Gudalur taluk and in other areas 50 per cent remission on land newly brought under English vegetables in fasli 1351.

To all newly assigned lands, to lands newly brought under irrigation and to lands reclaimed by colonization societies free water supply from

Government irrigational sources is promised for definite periods ranging from 2 to 5 years. Government have undertaken also the supply of seed to such lands through the Department of Agriculture. Poor ryots, colonists in land reclamation societies and educational institutions will get free supply of seed subject to the limit of Rs. 100 for each district for poor ryots, Rs. 2 to 5 per acre of wet land to colonists and Rs. 50 for educational institutions. Members of land colonization societies will receive in addition interest free loans of Rs. 75 repayable in 15 instalments for the purchase of implements, an interest free advance upto half the cost of reclamation subject to a maximum of Rs. 25 per acre repayable in 10 years, a grant of Rs. 5 per acre of wet land and Rs. 5 10 per acre of dry or garden land in the first year of cultivation for manuring and a half grant not exceeding Rs. 25 per pair for the purchase of work animals. In the special scheme of reclaiming 25,000 acres of land in Chittoor, loans free of interest in the first year will be granted to colonists at the rate of Rs. 10 to 15 per acre, Rs. 5 of which will untimely be treated as a subsidy. For this the Government of India have sanctioned a loan of Rs. 1¼ lakhs and a grant of Rs. 41,666. Similarly for reclaiming 114 acres in Tanjore district loans at the rate of Rs. 20 to 40 will be granted directly by Government, and in the Cauvery-Mettur Project area loans under the Land Improvement Loans Act free of interet for one year. Loans under the Land Improvement Loans Act. also will be issued by revenue inspectors free of interest for the first year for reclamation of land. In the district of Tanjore land reclamation will be further facilitated by the grant of a subsidy of Rs. 10 per acre given at the discretion of the Collector. In localities where tractor ploughing is essential bringing waste land into cultivation tractors if available will be supplied free of charge.

Special agricultural staffs have been appointed in Madras, Coimbatore, Trichinopoly, Guntur, Bellary, Anantapur and Calicut for the development of vegetable cultivation and agricultural demonstration maistries are appointed wherever necessary to advise members of land colonization societies. In the Cauvery-Mettur area a special revenue staff, a special P.W.D. staff and a special agricultural staff have been appointed for the proper utilization of 80,000 acres of land to be newly brought under irrigation.

Irrigational facilities are sought to be extended in different parts of the Presidency at a cost of Rs. 59 lakhs by 49 minor irrigation schemes sanctioned under the Grow More Food Campaign. An expenditure of Rs. 1.5 lakhs has also been sanctioned for the excavation of field boothies, construction of masonary works, draining abandoned tanks, conversion of field boothies into rear channels, etc. Under the Madras Irrigation Works (Repairs, Improvement and Construction) Act of 1943 Government have taken powers for repairing irrigational works in private ownership and collecting the amount involved from owners.

Under the new scheme of loans sanctioned by Government registered holders of land in ryotwari areas, occupancy right holders in zamindari areas and tenants with transferable rights in Malabar can obtain loans free of interest for 1944-45 at the rate of Rs. 20 per acre of wet land and Rs. 10 per acre of dry land for the cultivation of fallow land. This concession is extended to registered holders who wish to cultivate other people's fallow land as tenants and to tenants who are not registered holders if they can provide sureties paying assessment. Loans will also be given up to Rs. 100 in each case under the Agricultural Loans Act for growing food crops on assessed and unassessed waste or poramboke lands. The District Agricultural Officers are empowered to grant loans for the purchase of machinery upto Rs. 100 in each case and for seed or manure upto Rs. 75. Under this scheme a special allotment is made for Tanjore for the grant of loans upto Rs. 25 per cultivator of waste land for the purchase of seed and manure. For digging new wells and for deepening existing ones loans may be obtained from Government for a period of 20 years. The Government have sanctioned the sinking of 500 wells in the districts of Kurnool, Cuddapah, Anantapur and Chittoor for which a special allotment of Rs. 1 lakh each has been made, and a further allotment of Rs. 25,000 for Bellary and Rs. 63,000 for Madura, North Arcot, Chingleput, Salem, Tinnevelly and Ramnad. In the districts of Kurnool, Cuddapah, Anantapur and Chittoor there is provision also for the grant of a subsidy of 25 per cent of cost for sinking wells subject to a maximum in each case of Rs. 310. The Government of India meets 2/5 of the subsidy subject to a maximum per well of Rs. 125 and the Provincial Government meets 3/5. For this purpose the Central Government have allotted Rs. 20,000. An allotment of Rs. 25,000 is made for each of these districts by the Provincial Government. The above loans are in addition to the usual taccavi loans granted for agricultural purposes. These latter will continue to be given on slightly altered terms. The rate of interest for these loans have been reduced from 6 to 5½ per cent and the loan limit raised from 60 to 75 per cent of the value of unencumbered land and from 50 to 60 per cent of the value of encumbered land.

A special scheme of loans will apply to the extension of vegetable cultivation particularly in hilly regions. Vegetable cultivation has been included among the purposes for which loans may be given under the Agricultural Loans Act. Loans upto Rs. 60 for 5 years at 6 per cent interest in Gudalur Taluk of the Nilgiris for vegetable growing, interest free loans upto Rs. 600 on the Nilgiris and upto Rs. 700 for Kodaikanal given partly in kind for bringing new land under potato cultivation and interest free loans upto Rs. 250 for the purchase of manure and seed given partly in kind on the Nilgiris also have been sanctioned.

Intensive Cultivation.—The measures taken for intensifying cultivation to secure a larger outturn per acre of land and extend the area under double cropping are the supply of seed, manure and implements through Governmental agencies, the extension of irrigational facilities and the grant of loans and subsidies to cultivators. Among these measures great headway has been made with subsidised sale of seed. A scheme of paddy seed distribution in nine districts of the Presidency—Tanjore, East and West Godavaris, Kistna, South Arcot, Vizagapatam, Guntur, Chingleput and Chittoor—was put into operation in 1943-44 at a net cost of Rs.4.1 lakhs covering an additional area of 16.5 lakhs acres. New schemes sanctioned by 31st July 1944 were for Madura and Tinnevelly at a net cost of approximately Rs. 2 lakhs and covering an additional area of 5 lakhs acres. Subsequent to July 1944 further schemes applicable to Nellore and Trichinopoly were sanctioned in addition to the continuation of pre-existing schemes. In all the additional area covered in Grow More Food Campaign is 5.25 million acres under paddy. Whether the expected results will accrue by the end of the current year has yet to be seen. Similar schemes for seed distribution in cholam, cumbu, ragi and korra too have been sanctioned and put into execution; for cholam in Kurnool and Trichinopoly, for cumbu in North Arcot and Tinnevelly, for korra in Bellary and for ragi in Salem. The additional area covered by these schemes is 8.3 lakhs acres and the net cost Rs. 1.4 lakhs.

The Government have sanctioned to the Director of Agriculture a permanent advance of Rs. 28 lakhs for the purchase and distribution of improved paddy seeds in those districts where seed multiplication schemes are working. Through the turnover of this capital outlay the Government expect seeds worth Rs. 46 lakhs to be distributed by the end of 1944-45. The selling price does not include overhead charges which form 10 per cent of full costs. On an official estimate this subsidy will in 1944-45 amount to Rs. 5.75 lakhs, which will be shared by the Provincial and Central Governments in the ratio of 50, 50.

The provision which existed in 1943-44 for free distribution of seed to deserving poor ryots upto Rs. 100 in each district has been extended to 1944-45 too. In Bellary as a measure of famine relief two schemes of free distribution of seed at an expenditure of Rs. 5,400 and Rs. 502 respectively were sanctioned in 1943-44. One for the distribution of free seed to poor ryots for growing dry food crops in wet lands during the off-season and the other for bringing uncultivated lands into cultivation.

For the supply of manure to cultivators of food crops and vegetables Government have sanctioned a permanent advance of Rs. 52 lakhs to the Director of Agriculture. The distribution is effected through 226 depots and many sub-depots established for the purpose. When the scheme is in full working order it is expected that there will be a sub-depot for each taluk. The manures sold are oil-cakes, bone meal, fish manure and chemical manures like ammonium sulphate, ammonium phosphate and superphosphates. The selling price excludes overhead charges which concession is estimated to be 11 per cent of cost and to amount in 1944-45 to Rs. 7.5 lakhs. Export of oil-cakes, bone, bone meal, hoofs, horns, guano hoof meal, horn meal, fish and chemical measures and green manure seed is prohibited, and this prohibition is applied also to the export of groundnut, gingelly, castor and other

oil-seeds except under permits. By the Madras Oil-Cake Movement Control Order of 1943, a zoning scheme for the transport of oil-cakes from surplus to deficit areas was inaugurated. Sale of manure outside of these depots is sought to be regulated by a system of licensing under the Madras Manure Dealers' Licensing Order of 1943. The Director of Agriculture has been appointed the licensing authority and the price fixing authority. He has fixed the wholesale and retail price of groundnut cake in all districts. Under lease-lend 5,350 tons of ammonium sulphate and 2,000 tons of ammonium phosphate have been received and arrangements are under way for the procuring of 5,000 tons of superphosphates per year from Parry & Co. on Government account. To increase the application of green manure to food crops, Government have inaugurated a scheme of green manure seed distribution in Tanjore for which purpose a discretionary grant of Rs. 2,500 has been placed with the Collector. Government have further allowed the removal of green leaf manure from reserve forests at a 50 per cent reduction in rate and the removal of dead leaf and leaf mould at 4 annas per cartload.

For the manufacture of compost out of municipal rubbish and town refuse an elaborate scheme is being worked. At a cost of Rs. 40,000 Government have trained a Health Officer and an Assistant Agricultural Chemist under the Chief Bio-Chemist of the Imperial Council of Agricultural Research in the Bangalore process of compost making. The two officers on their return have trained 35 sanitary inspectors deputed by various municipalities and panchayats. With the help of this trained personnel municipalities are soon expected to start compost-making. Co-operative societies too have been started for the purpose. Government have ordered that the compost manufactured by municipalities should be sold to these co-operative societies rather than by public auction and that other municipalities should leave out the rubbish and night-soil to those societies for an amount equal to the average rental of five years. For the purchase of seed, manure and implements taccavi loans are given by D.A.Os upto Rs. 100 in the case of machinery, and Rs. 75 in the case of seed or manure. On the Nilgiris loans upto Rs. 250 for manure or seed, partly in kind, are given for potato cultivation.

The third scheme of distribution applies to agricultural machinery. It is here that the greatest difficulty is felt in getting supplies. The estimated annual requirement is 30,000 tons of iron and steel including defectives. As against this requirement the quota allotted by the Government of India was only 2,436 tons including defectives for the third quarter of 1944, 2,481 tons for the fourth quarter of 1944 and 3,000 tons for the first quarter of 1945. Part of the quota received is distributed to select firms and Government industrial institutions for the manufacture of agricultural implements and the balance is sold at agricultural depots to ryots and village blacksmiths for fabrication of agricultural implements. Defectives are sold through dealers under assignments made by the Deputy Controller of Iron and Steel on application. To prevent the development of a black market the Agricultural Demonstrator also acts as a dealer.

Diversion.—The third method by which acreage under food crops is sought to be increased is diversion from non-food crops to food crops. Here, however, the Campaign has to be worked under the limitations imposed by the demand for some of the non-food crops for the furtherance of the war effort and the essential nature of some others like oil-seeds for the growing of the food crops themselves. The Provincial Governments are empowered to restrict by law or executive order the area under certain notified crops and with the concurrence of the Central Government to compel the cultivation of certain crops. The Madras Government have exercised this power in two areas—the Ceded districts and the Circars. In the Ceded districts the Government prohibited from the year 1943-44 the cultivation of Mungari cotton as a pure crop or as a mixed crop with effect from the 15th June 1943. This prohibition was accompanied by the grant of a loan of Rs. 2 per acre of land thus withdrawn from cotton. The restriction was continued in 1944-45 too. A similar prohibition was made to operate from 1st July 1944 in the Vizagapatam district in the case of Buradapathi cotton, with the additional provision that land withdrawn from cotton should be diverted to food crops. In the Guntur district the cultivation of Coconada cotton except as a mixed crop in the proportion of one line of cotton to at least two lines of food crops was also prohibited. In the two latter localities, however, the grant of a subsidy did not accompany the prohibition.

From the localities and the species of cotton selected it is clear that the aim of the Government is to restrict the area under short-staple cotton but allow the acreage under medium and long-staple to continue as before. This is the only sensible policy that can be adopted, for it is in the case of short-staple cotton that the market has been lost and the demand has slided down. In the interests of the growers themselves some such restriction was called for. There are other areas in the province too where short-staple is grown, such as Nadans in Tinnevelly, and there too the prohibition should have been imposed.

Other Measures.—In addition to the measures designed to increase cereal production and vegetables there are also other measures for increasing the supply of animal products and fish. For the importation of cattle from Mysore where a prohibition of exportation exists, a combined board has been constituted consisting of the representatives of Madras, Mysore, Travancore, Cochin and Pudukottai with the Regional Food Commissioner, Madras, as president for securing suitable quotas of milch cattle, draught animals and cattle feed For increased milk production every encouragement is being given to milk supply unions through the grant of subsidies for the purchase of utensils, through the prohibition of the slaughter of milch cows and through the offer of higher prices. The Government have also prohibited the slaughter of young female stock of sheep and goats. Egg production is being increased by the formation of new poultry units at veterinary hospitals and through the agency of the American Arcot Mission at Katpadi. Additional staff has been sanctioned in the Fisheries Department

for putting through 10 schemes of development scattered all over the Presidency, principally for increasing the output of inland tanks.

The Cost of the Campaign.—It is a little difficult to calculate the cost of the G. M. F. Campaign in this Presidency for the reason that the latest figures are not available for the current year in which heavy expenditure has been incurred for the purpose. Even the figures available are not definitely indicated as pertaining to the Campaign. All the same a rough analysis can be made and an estimate devised of the money so far expended.

The expenditure of the Agricultural Department has been steadily rising from 1942 onward. From Rs. 21.61 lakhs in 1941-42 (Accounts) it rose to Rs. 32.78 lakhs in 1942-43 (Accounts), to Rs. 41.06 lakhs in 1943-44 (Revised Estimate) and Rs. 46.3 lakhs in 1944-45 (Budget). Since the passing of the budget in March last supplementary amounts have been sanctioned from time to time and so the actual expenditure may have increased by Rs. 4 to 5 lakhs over the budget. It would not therefore be wrong to place the 1944-45 expenditure near Rs. 50 lakhs. These increases over the 1941-42 figure may legitimately be attributed to the Grow More Food Campaign. It is no doubt true that the Agricultural Department had been expanding and its normal expansion from year to year would have involved increasing expenditure. But the more than doubling of annual expenditure on that Department during the war period may reasonably be attributed to the special measures inaugurated in 1942-43. Some part of this expenditure may in course of time become a permanent feature and perhaps will continue even after normal times are restored, but that eventuality need not hinder us from considering the increase now as due essentially to the Campaign. On that basis the increase up-to-date is Rs. 59 lakhs. Of this increase Rs. 29.38 lakhs may be attributed to Demonstration and Propaganda and the net cost involved in seed, manure and implement distribution, Rs. 21 to 22 lakhs to the additional staff employed and the remainder of Rs. 8 lakhs to other lines of expansion. The expenditure on demonstration and propaganda which includes the expenditure on seed and manure distribution increased from Rs. 5 lakhs in 1941-42 to Rs. 11.13 lakhs in the budget for 1944-45 and expenditure on staff from Rs. 10.85 lakhs in 1941-42 to Rs. 22.49 lakhs in the budget for 1944-45. Expenditure on experimental farms increased from Rs. 3.4 lakhs in 1941-42 to Rs. 6.62 lakhs in 1944-45 and on Research from Rs. 4.62 lakhs in 1941-42 to Rs. 7.68 lakhs in 1944-45. Expenditure on seed and manure distribution increased from Rs. 2.03 lakhs in 1941-42 to Rs. 8.72 lakhs in 1944-45. The subsidy involved in the subsidised sale of seed and manure is estimated at Rs. 5.75 lakhs for seed and Rs. 7.5 lakhs for manure per year.

The 49 minor irrigation schemes sanctioned are estimated to cost Rs. 59 lakhs and the excavation of field bothies, etc., Rs. 1.5 lakhs. On irrigational schemes therefore the total expenditure by the end of 1944-45 will be another Rs. 60.5 lakhs.

Other items of cost involved in the G. M. F. Campaign are the money value of assessment and water-cess foregone and the interest lost on interest free loans and loans at reduced rates of interest. Assessment and water charges foregone were officially estimated in budget memorandum of 1944-45 at Rs. 1.6 lakhs for 1943-44. If anything in the current year they would amount to a little more than this, but by how much cannot be accurately found out. An equal amount for the current year will be a fairly correct estimate. Loss of interest on interest free loans amounted in 1943-44 to Rs. 1 lakh. In the current year also the same amount may be debited. These items together amount to Rs. 5.2 lakhs. The reduction of interest on taccavi loans from 6 per cent to 5½ per cent and the reduction of grain interest from 20 per cent to 10 per cent on grain loans for seed also have to be included in the calculation. Sums allotted in the budget for loans to cultivators have been steadily increasing from Rs. 9.02 lakhs (Accounts) in 1941-42 to Rs. 26.48 lakhs in 1944-45 (Budget). The total amount thus allotted over normal allotment during the three years of the Campaign come to Rs. 17.35 lakhs. The total of sums allotted for loans during the three years of the Campaign has reached Rs. 44.41 lakhs, out of which Rs. 34 lakhs may be considered to have been given as interest free loans. How much of the remainder has actually been given to the cultivators is not known. From June 1943 to June 1944 the total loans given by D.A.Os amounted to Rs. 21.3 lakhs and from June 1944 to December 1944 to Rs. 9.4 lakhs. These figures indicate that loans are being taken by the agriculturists on a large scale, for in addition to D.A.Os the revenue department too is granting loans for some agricultural purposes. It may therefore be reasonably assumed that the full allotment for loans is being utilized every year. On that assumption on the remaining Rs. 10 lakhs loss of interest would be about Rs. 5,000.

There is loss of interest also on the money advanced for the trading schemes in cattle feed, seed, manures and implements. These permanent advances come to Rs. 1 crore and so the loss of interest at 3 or 3½ per cent would be Rs. 3 to 3½ lakhs. For seed distribution a subsidy of Rs. 57,500 has been given to make up the loss.

Thus the total cost of the Grow More Food Campaign may be roughly placed as follows :—

		Rs. in lakhs.
1	Increased expenditure of the Agricultural Department ...	59
2	Irrigation schemes ...	60.5
3	Land revenue and water-rate concessions.	3.2
4	Loss of interest ...	3.5
5	Subsidy to meet loss ...	.5
		126.7

A part of this cost has been met by the Government of India. Half the subsidy on the sale of seed and manures and 40 per cent of the grants made for sinking wells are met by the Central Government. In respect of the first the Central Government's share would be approximately Rs. 6 lakhs and on the second Rs. 40,000 for the two years 1943-45. In addition to these money grants, the Government of India met the cost of training the Health Officer and the Agricultural Chemists in compost making and advanced money as loans to the Provincial Government. The total of grants made by the Central Government to the Provinces and States amounted in July 1944 to Rs. 1.56 crores and the total of loans to Rs. 2.81 crores. By November 1944 the total expenditure by way of grants and loans by the Central Government was Rs. 5½ crores. The financial assistance given by the Central Government to Provinces and States in India during 1943-44 was as follows:--Rs. 69.5 lakhs by way of grants from central revenue and Rs. 15 lakhs from the Cotton Fund and Rs. 164 lakhs by way of loans. Commitments made upto November 1944 were Rs. 87.3 lakhs by way of grants from the central revenues and Rs. 21.3 lakhs from the Cotton Fund and Rs. 116.5 lakhs by way of loans.[1]

Results of the Campaign.—In the absence of complete data it is not possible to make at present a full analysis of the results of the campaign. The available data however indicate that by the end of 1944 the area under food crops increased by nearly one million acres, of which 200,000 acres were under paddy and 80,000 acres under dry crops.[2] Half of this acreage was new land brought under cultivation. At the rate of 2 cwts. of dry grains per acre and 10 cwts. of paddy per acre the increased yield due to increased acreage may be estimated at 80,000 tons of dry grains and 100,000 tons of paddy. Husked, these grains will yield 67,000 tons of dry grains and 64,000 tons of rice. Together they represent an addition of 2 per cent to the 1942-43 yield. The percentage increase in the acreage under food crops was 3.5 and under cereals 3.8 over the 1942-43 level.

Along with extension of area there has also been greater intensification of cultivation through the use of manures and improved seed, and through economic planting and control of pests. It is estimated that during the same period the area under green manures increased by 948,000 acres, under oil-cakes by 653,000 acres and under artificial manures by 149,300 acres. The total increase in yield due to increased manuring may roughly be placed at 202,742 tons of husked grain at the rate of 3 cwts. per acre for green manure and 4 cwts. per acre for oil-cakes and artificial manures. The area under improved strains increased in the same period by 1.3 million acres under paddy and 139,500 acres under millets.[3] At the rates of 1.6 tons per acre for paddy, 0.5 cwt. per acre for cholam and korra, 1.5 cwt. per acre for ragi and 0.3 cwt. per acre for cumbu the increased yield due to improved seed may be estimated at 205,820 tons of husked grain. Economic

[1] Evidence of J. D. Tyson and Sir R. Kharegat before the Famine Commission, August 7, 1944.

[2] and [3] Figures supplied by the Director of Agriculture.

planting and the control of smut disease in cholam have spread to 1.7 million acres giving an additional yield of 2,440 tons of husked grain. All this together means a total increase in yield of 411,002 tons through intensive cultivation—an increase of 5.8 per cent over the 1942-43 level. Taking both extensive and intensive cultivation into account the increase in yield was by 7.8 per cent.

Increased acreage under vegetables is estimated at 22,000 acres yielding 55,000 tons of vegetables and under potato at 5,800 acres with an yield of 17,400 tons. Since the data relating to pre-war production are not available it is not possible to say what percentage of increase this is.

These results, formidable though they are, are a little disappointing both from the point of view of our requirement and from the point of view of all-India results. I have in another place calculated that to meet the cereal requirements of the existing population at the rate of consumption which prevailed in the five-year period immediately preceding the outbreak of war there should be an increase of 16 per cent in yield.[4] The advance already made therefore represents only a little less than half of what is needed. Other calculations place the required increase at a higher percentage.

All-India results are much more encouraging. By November 1944 the acreage under food crops increased by 11 million acres, that is by 6 per cent, and the acreage under rice increased from 73.8 million (pre-war average) to 80 million acres—that is by 8.4 per cent. Yield of food grains is estimated to have increased from 55.5 million (pre-war average) to 65 million tons—an increase of roughly 10 per cent. Rice production increased from 24.8 million tons (pre-war average) to 30.6 million tons, that is by 15.4 per cent.

In some of the other provinces too greater increases have been recorded. In the United Provinces, according to the latest report, the new area brought under cultivation by the end of 1943-44 was one million acres, and single cropped land converted into double cropped land was 1.6 million acres. All this new area is under food crops. Thus the total area under food crops increased from 37.5 million in 1941-42 to 40 million acres in 1943-44. Production of food crops increased in the same period by 1.3 million tons, i.e., from 7.9 million tons in 1941-42 to 9.2 million tons in 1943-44. The total area under non-food crops has remained practically stationary at 5.5 million acres. It is possible that these results have been exceeded in the current year, but unfortunately no figures are available. In the Punjab too the acreage under food crops increased by 1½ million in the first year of the Campaign, 1942-43, i.e. by 7 per cent and under rice by 8 per cent by the end of 1944.

There is little justification for Madras lagging behind all-India in this matter. Among the provinces of India she has the largest land area, but

[4] *Journal of the Madras University*, Vol. XVI, No. 2, Cereal Production in Madras.

she is only second to United Provinces in the extent of the net area sown and she is last but one in the percentage of net area sown to gross area. She has the largest area of current fallows and holds the third place in India in the extent of the cultural waste. She has 8.7 million acres under irrigation, a figure exceeded only by the Punjab and United Provinces with 16 million and 11.5 million respectively. She has the largest area under non-food crops and she is second only to United Provinces in the extent of the area under food crops. In the matter of population she holds the third rank among the Provinces and States of India. All told her land area and man power together should be able to give a better account of themselves than they have so far done.

The assignments of compact blocks made under the Campaign cover a total area of 66,870 acres against a total available of 678,878 acres. In proportion to the area available appreciable assignments have been made only in two districts, Vizagapatam and Kurnool. In Malabar, Coimbatore, North Arcot, Bellary and Cuddapah the assignments made are quite out of proportion to the available area. In Tanjore, Trichinopoly and Chittoor in spite of large areas being available no assignments have been made. No figures are available relating to the assignments of non-compact blocks, but it is clear from the figure of new area under food crops, half of which is stated to be altogether new area, that a large part of it consists of non-compact blocks. This is unfortunate, for it means that even in the new area brought under the plough the evil of fragmentation exists, making its cultivation uneconomical.

Through diversion from non-food crops appreciable results have been achieved. Half the new area under food crops is stated to be land thus diverted. It cannot be said now with any certainty whether cotton the cultivation of certain species of which as a pure crop was prohibited in certain areas has materially contributed to this result. Though orders were passed by the Government permitting the grant of a bonus of Rs. 2 per acre for the substitution of cotton by a food crop in Vizagapatam and Guntur and certain other areas not much was expected to come out of it, as the budget provision in 1943-44 and 1944-45 for it was merely nominal. The Government of India have, however, sanctioned a grant of Rs. 171,800 from the Cotton Fund for the purpose and hereafter cotton lands may be expected to make a larger contribution towards food production in the province. Still the possibility here is strictly limited by the existing acreage under short-staple cotton which forms only 10 per cent of the total acreage under cotton. The rest of the acreage is under medium or long-staple to which neither the prohibition nor the subsidy applies. As the area under short-staple does not exceed 0.2 million acres not more than this can be diverted through this device, and since the diversion which has already taken place is more than double this figure it is certain that certain other crops too have given place to food crops.

When these results are related to the cost incurred they do not appear to be very heartening. Up-to-date the cost has aggregated to Rs. 126.7 lakhs and the total effect of this expenditure has been an increase in yield of about half a million tons of food grains. Thus the cost per ton works out at about Rs. 25 which on the face of it appears to be a heavy burden on the tax-payer. Some of the items of expenditure are permanent investment of funds which have not yet in some cases begun to yield their legitimate income and which will continue to yield for many years without further expenditure once they begin to do so. Expenditure on irrigational schemes will largely fall into this category. The non-permanent items are expenditure on demonstration and propaganda, on seed and manure distribution, water-rate and revenue concessions, loss of interest on loans and expenditure on additional staff. These alone come to about Rs. 65 lakhs or Rs. 13 per ton. Viewed in relation to the urgency of the problem and the great responsibility which rests on the State this cost is not great. To raise one more ton of food grains for feeding the population during a war period when food from outside is not available if Rs. 13 or more has to be spent by the State, it has to be done and there can be no further question about it. Cost is not the most important or even one of the important considerations in the matter. But what has to be asked is whether the same results could not have been obtained with less expenditure or better results for the same expenditure.

What has so far been achieved is undoubtedly encouraging, but much more remains to be done. The Campaign, therefore, has to be carried on with greater intensity in order to reach the target figures in the shortest possible time. The short run programme that it is, it should have a tempo appropriate to such programmes and in this matter should be even with other programmes of the war effort. In the main the Campaign so far conducted has been along right and fruitful lines, nevertheless it may be possible to improve it by incorporating in it some of the good features witnessed in other provinces.

In intensive cultivation on which the greatest emphasis has to be laid the subsidy given in the form of reduced prices for seed and manure may be raised to the level prevalent in some of the other provinces of India. This subsidy at present works out in this province to only 10 to 12 per cent of total cost, while in the United Provinces it is 33.3 per cent and in Assam 50 per cent of cost. So far only a third of the acreage under paddy is under improved strains. In the coming year it should be an objective of policy to increase this acreage to at least 2/3 of the total area if not the whole of it, and in order to overcome the inertia and conservatism of the more backward agriculturists compulsion may be employed to secure large belts under improved strains. The Madras ryots are familiar with such compulsion under some of the pest acts and therefore the danger of frustration through combined opposition need not be feared. In deltaic regions

as also in certain other regions where large tracts are wholly under paddy in wet or dry cultivation an element of compulsion may be exercised without much difficulty if it is accompanied by seed loans distributed preferably in kind.

In much the same way greater effort is needed in popularizing the increased use of manures. Here perhaps the limiting factor is the availability of manures. Without placing much reliance on the doubtful possibility of producing or importing from outside artificial fertilizers during the short run of the campaign, the feasibility of conserving and reserving for cultivation purposes all available natural farm-yard manures should be thoroughly explored. The total production of farm-yard manure in the province may be estimated at 131 million tons. Only 1/3 of this quantity is now available for cultivation, the rest being burnt as fuel. The prohibition of this practice during a period of petrol, coal and firewood scarcity is altogether ruled out. As for compost making out of municipal sewage and town refuse, very little information is available as regards Madras except that a few persons have been trained in the Bangalore process. In the whole of India 20,000 tons are expected to be produced in the current year, but what part of it will be the contribution of this province is not known. The existing trained personnel should be sufficient to make a beginning. There is however greater possibility of increased oil-cake production within the province or its importation from other parts of India. The Central Government is reported to have a scheme of distribution comprising 2,500,000 tons of oil-cakes, 30,000 maunds of bonemeal and 28,000 tons of green manure. Madras should get its due share in this scheme and should place at the disposal of the cultivators whatever manures are available at prices which will make their utilization remunerative. In the subsidized sale of manures too the subsidy should be increased to come into line with certain other provinces of the country.

Both in the popularization of improved seed and in increased manuring demonstration of the increased yield in actual cultivation should be attempted through the regular celebration of a farmers' week and officials' day in every taluk and every demonstration centre. This is done in many provinces of India. But unfortunately in Madras except for a few enthusiastic collectors hardly an attempt is made in this direction. The Department of Agriculture is doubtless the best agency for this work and the celebration of the farmers' week in right royal style should be made one of its responsibilities.

An analysis of the results so far obtained clearly shows that much more has been realized through intensive cultivation than through the extension of the area under food crops. As against 400,000 tons raised by intensive cultivation there are only 120,000 tons raised by extension of the area. Intensive methods give quicker more abiding and more economic results.

should be kept in view by the *Irrigation Department in choosing* the localities for the construction of the works. And in assigning unassessed or poramboke land the concept of an economic holding should be unflinchingly applied. Land reclamation or colonization societies are undeniably the best agencies for extending cultivation to new areas, since they enable the economic exploitation of large areas under the most favourable conditions as regards technique and management. The special concessions offered to such societies may even be increased to ensure their successful operation. In localities where large stretches of uncultivated, but cultivable, land exist they may profitably be assigned to joint stock companies formed for the purpose with or without State participation. The advantage which such concerns have over co-operative societies or individual cultivators is that they can more economically finance the clearing work, adopt a better technique and apply superior managerial ability to the business of farming. In Wynad, on the Anamalais and in the district of the Nilgiris such areas hitherto reserved for plantation culture are available and they can with profit be diverted for growing food crops. Even the possibility of leasing out uncultivated zamindari lands for long periods to such concerns in exercise of the new powers vested in the Government may be examined.

Superior methods of breaking new land with or without the aid of the tractor should be demonstrated to the cultivators as is being done in some of the other provinces of India. This may be of importance in extending cultivation to non-compact blocks and to vacant town and village sites. In many cases however tractor ploughing may be so necessary that without that aid given by the Agricultural Department or a co-operative society formed for the purpose, cultivators may altogether refrain from taking new land. At the present time there are only two tractors at the disposal of the Agricultural Department. Their number must be appreciably increased if the full benefits of the campaign are to accrue. Out of the Central Government's last year's indent for 151 tractors only 22 were released and only 11 actually shipped. This year's indent under lend-lease is for Rs. 1,200, and this presidency should claim its legitimate share of the number.

Extension of cultivation into current fallows should offer less difficulty than an extension into the cultivable waste. The distinction between the two classes is in many respects arbitrary and the practice obtaining in the different provinces varies widely. Still taking Madras alone into account where a uniform policy is followed in classifying land, a real distinction may be said to exist between the two. Current fallows include land left in fallow for one or two years and also land abandoned from cultivation for one reason or other. But such abandonment is recent (not more than six years) and so it should be easier unless the contrary is proved in specific cases to bring back such land into cultivation than land which never has been cultivated before. Current fallows are all in private ownership, and unless adequate inducements are offered and their cultivation made once more profitable the owners may

not respond to official propaganda. Land revenue and water rate concessions on a more liberal scale and of longer duration and interest free loans to finance the work of clearing, bunding, etc., should be supplemented by a money subsidy to make cultivation remunerative. The subsidy may be granted for three years in the first instance (the same period as the campaign) subject to revision at the end of the period after a thorough examination of the cost value situation. This increased concession seems to be necessitated by the inadequate response so far evoked. The reason why more cultivators are not taking advantage of the concessions on offer is either that they are inadequate or that their numbers have been sadly thinned by recruitment for other purposes. In the absence of data relating to the number recruited from rural areas for war work and for industrial and other pursuits it is difficult to precisely attribute the result to any definite cause. There is however a general belief, to what extent well founded it is impossible to say, that there is a dearth of workers in agricultural areas. If that be so the only way out of the difficulty would be to adopt as far as possible labour-saving technique in the new allotments. Assignments are then preferably made to co-operative societies or joint-stock companies. Mechanization on a thorough scale even in limited areas is altogether out of the question under the handicaps imposed by the War. Any possibility however in that direction can in the nature of the case be explored only by organizations which on the one hand can command the necessary capital and on the other give guarantee of an adequate social return to the State for any help or aid which it may give.

As regards diversion of land from non-food to food crops no special efforts have been made except in the case of short-staple cotton. Orders were passed in May 1944 prohibiting the cultivation of short-staple cotton as a pure crop in certain areas, but what effect these orders have had on the production of food in 1944-45 is not known. Various other crops too have contributed to the diversion of ½ million acres from non-food to food crops. The long-run tendency in the pre-war period was for food to give place to groundnut, tobacco and fodder crops, and if as a result of the campaign a reversion has taken place, as it may well have, the diversion has evidently been effected with care and with maximum benefit to the food supply. A reduced production of groundnuts and fodder crops by reducing available cattle feed and manures has undoubtedly certain adverse effects on the agricultural economy. These are converted into human food in further production and so a reduced production of these will indirectly affect food supply too. Still it is an axiom in agricultural production that a direct use of land for growing human foods gives quantitatively better results than an indirect use. In the case of groundnut however its use as human food, so much on the increase at present that the Economic Adviser to the Government of India has thought it advisable to include it among the food crops in the preparation of the index number of prices, has to be reckoned with. Nevertheless compared with any of the staple foods such as rice or millets its importance as human food is negligible and its substitution by any

They give increased yields through a conservation of resources, especially land, thus leaving sufficient land for other purposes and they will thus enable Indian agriculturists as a body to hold their own against foreign competition in the post-war period.

One way in which intensification should be furthered and which unfortunately is not yet a feature of the campaign in India is the better organization of agricultural production. Present methods under intensification are all directed towards remedying physical and chemical deficiencies of land and crop leaving the problem of organization altogether untouched. In a war period with the economy insulated from foreign contacts and the price mechanism rendered inoperative through a system of controls physical measurement of production attains a greater significance than the value cost measurement, and measures designed to increase physical quantity secure priority over strictly economic measures. But if the results of the Grow More Food Campaign are to stand the test of time they should satisfy economic requirements as well and so an all too exclusive attention given to physical increase cannot be entirely satisfactory. From the economic point of view physical increase due to organizational change in agriculture are likely to be more enduring in that they will make production economical too. In a short range programme much cannot however be attempted or achieved by way of changes in organization, yet something that is immediately possible in that direction should find a place in the Campaign. One such change is Co-operative Farming. There is greater scope for starting such societies in the new areas brought under cultivation than in areas already under the plough. In old areas too attempts may be made to start such societies and work them successfully. Co-operative production is no doubt difficult to organize, and past experience in the matter is not such as to evoke much enthusiasm. Still the urgency of the food problem calls for a special effort. The success that attends the land reclamation societies in the new areas may possibly act as an incentive for the establishment of such societies in old areas as well. One of the factors which stand in the way of efficient working of such societies is the diversity of crops grown by the farmers. In the same crop different strains are cultivated. If this can be prevented by the exercise of compulsion suggested above, a more favourable situation will be created for the formation of co-operative societies.

Other types of co-operative societies likely to be beneficial are irrigation societies, kudimaramat societies, consolidation societies, and manure conservation societies. The partial co-operation which they involve will be an advantage both in their formation and in their sustained working, and the influence they exert outside their own field of work will be invaluable in supplementing the effects of official propaganda. Just as in the case of the consumer movement the war period has registered unprecedented development, so in agricultural co-operation too full advantage should be taken of the opportunity offered. In dovetailing the short run programme of the Grow More Food Campaign with the long range post-war planning such organizational changes begun now will be found helpful.

Intensive cultivation by itself cannot however increase food supply in the required degree. An extension of the area would also be necessary. This extension may preferably be to new land, for that will leave the position of the non-food crops unaffected and help to maintain the needed balance in agricultural production. The aim of the Grow More Food Campaign should be to increase food production in such a way as to cause the least dislocation in the organization of agriculture both during the period of the campaign and later on when normal times return. In the post-war period the demand for our industrial raw materials will be great and we should therefore refrain from resorting to any measure now which will have to be revoked later. Extension of cultivation into new land now has the added advantage of being a permanent improvement in acreage which the developing circumstances of the province incontestably demand.

The progress so far made in this direction falls far short of the requirement. According to the figures given earlier new acreage comprises only about ½ million acres which is commensurate neither with the potentialities of the province nor with the urgency of the situation. In a calculation I have made elsewhere I have shown that to secure a 10 per cent increase in food supply over 1½ million acres of new land would be required.[5] It is therefore necessary to explore the ways by which this target can be reached. Further extension into the cultivable waste will probably meet with greater impediments than the initial extension, for the simple reason that the farther away you go from the margin of cultivation the more unprofitable cultivation becomes. The fairly wide range of fluctuation in the total area cultivated from year to year makes it abundantly clear that some extensions from a given level are possible without any special effort and with no more favourable a circumstance than a favourable season. To go beyond this range of possibility special measures and special concessions would be needed, and it is particularly because that stage has been reached in the campaign that it is necessary to think of more effective ways.

Larger irrigational schemes such as the Tungabadra, the Bhavani, etc., will more easily solve the problem than a multitude of minor schemes, but the time involved in their construction virtually precludes their incorporation in a short-term programme. They will soon however be inaugurated and pending that it would be uneconomical to construct minor works not included in the schemes in the areas commanded by them. It would be more advisable to construct such works in other areas where such minor schemes alone are possible. In formulating these schemes the type and nature of land commanded by them should be a prime consideration. A useful and from the point of view of agricultural practice a very important distinction is between compact and non-compact blocks, and this distinction

[5] *Journal of the Madras University*, Vol. XVI, No. 2, Cereal Production in Madras.

of these will introduce a welcome change in the constitution of the food supply. On balance therefore a diversion from these crops to food grains will be beneficial. Groundnut lands being poor in fertility and irresponsive to man's effort are not always suitable for the cultivation of food grains. Special measures such as bunding, construction of storage works and wells, the supply of manures, etc., will therefore be needed. As regards tobacco diversion will remain unremunerative as long as food prices are kept within limits through control measures. In view of these difficulties an altogether new technique is called for for compulsorily restricting the area under certain crops and diverting the land released to food crops as was done in America under the Agricultural Adjustment Act or in Bombay under the Bombay Growth of Food Crops Act, 1944. Such compulsion should be accompanied by a money subsidy to make cultivation profitable.

In all this work the co-operation of the peasant is essential and the best way to enlist it seems to be to associate him in the formulation of policy and in the execution of it. While the general lines of policy may be laid down by the Government, its particular orientation to suit the special circumstances of localities will have to be delegated to local authorities, and it is here that the farmer's association with such authorities will be seen to be invaluable. The local authority to be entrusted with this work should be specially constituted along lines different from the existing district or taluk organizations. The District Food Councils which are now in charge of the Campaign in the districts, are unsuitable for this work first because they are pre-occupied with procurement and distribution of food grains and the control of their prices, and secondly because the growers do not have adequate representation on them. The organization most suitable for the conduct of the campaign in the district will be a body of growers fully conversant with agricultural practice, possessed of a knowledge of local conditions and capable of commanding the respect and influence among growers which will make their decisions or recommendations authoritative. They should be armed with powers to determine the acreage under different crops, the crop to be grown by each individual cultivator and the method of cultivation to be adopted. They should control the supply of irrigational water and have powers to compel farmers to raise their standard of cultivation and to take over and cultivate themselves those farms which are below the average standard. The powers vested in this body should be similar to the powers exercised by the British County War Agricultural Committees. For every taluk or every firka such a powerful organization should be constituted; they should be made responsible for the campaign in their areas; and the grant of subsidies should be based on their recommendations. In Britain through the operation of these county committees the standard of cultivation of the inefficient farmer has been raised and through that device alone an appreciable increase in yield has been effected. This line of attack has not received the attention it deserves in India.

One major defect of the campaign as it is conducted in this province and in the whole of India is the insufficient importance given to the improvement of livestock. Real and lasting improvement here is possible only in the long run, but even in a short range programme through the provision of better feeding some advance may be made. Arable cultivation is in many localities hindered by the dearth of work animals and there is also a scarcity of milk and meat animals. From the point of view of adequate nutritional standards an increased production of animal products is greatly to be desired and the opportunity now exists for effecting some reform in the diet of the more well-to-do classes. The higher incomes which the war has gained for them would enable some to increase their consumption of the protective foods, and if these foods are supplied in sufficient quantities the pressure on cereals will be correspondingly reduced.

Procuring proper feeding stuffs is fraught with difficulty no doubt, but the supply of more concentrated foods and the fuller utilization of the natural grasses available in forest areas will to some extent supplement existing sources of fodder. Post war agricultural planning should necessarily include planning for improvement of stock and their better feeding, and in preparation for it a beginning may even now be made. It is very doubtful if private initiative will rise to the occasion. It looks as though Government should undertake it as one of its responsibilities and discharge it through the Veterinary and Forest Departments. The Veterinary Department may be charged with the duty of preparing concentrated foods for sale and the Forest Department should undertake the conversion of the surplus grass available in reserve forests in the wet weather into hay or dry grass to be made available in the summer months.

The arrangements made by the Government for importing milch animals from other provinces into the City of Madras to supplement the supply of milk should be extended to cover other important urban centres too. These measures if accompanied by others restricting the supply of milk to those whose needs for it are most urgent such as children and expectant mothers, will for the time being solve the most difficult aspects of the problem.

CO-OPERATIVE CONSUMERS' SOCIETIES IN THE PUNJAB

BY

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The Co-operative Consumers' Movement in the Punjab has a chequered history. The experiment of organising Consumers' Co-operatives was first started during the last Great War 1914-18. A number of consumers' stores were registered in this period. They performed a useful service during their short existence. But soon after the cessation of hostilities these societies began to show signs of deterioration and in course of time almost all of them died their unnatural death. As the experiment was not happy, therefore no serious efforts were made to develop this branch of co-operative activity for over 20 years.

As a result of the present world-war a keen demand for consumers' societies, particularly in urban areas, was made by the public. As the previous experiment was not encouraging, therefore a cautious policy was adopted in the organising of these societies.

In the year 1938-39 there were 13 store societies in the Province with an annual sale of about 1.26 lakhs of rupees. The number of these societies is now 16. Their detailed figures are not available for want of the annual reports, which have not been published after the year 1939 due to War, but there has been no material change in store societies. These societies purchase different commodities in the market on wholesale and supply them to their members, *e.g.*, dal, ghee, rice, wheat, etc. Most of them are in Criminal Tribes Settlements and are doing fairly well. The stores in schools and colleges supply stationery and books while others supply all sorts of necessaries. The goods are sold at the market price and the profit is divided as dividend on shares and rebates on cash sales to members. The stores also sell to non-members.

Victory Co-operative Store

Efforts have been made in recent years to start Consumers' stores here and there in the Province. A new store—The Victory Co-operative Store—was started at Lahore in May, 1943. The Store carried on its business for over a year and was registered on 16th June, 1944. The assets and liabilities of the unregistered Store were decided to be taken over in toto as they stood on 30th June, 1944.

The Store has a membership of 51. Its area of operation extends over the whole of Lahore. Its objects are to promote the economic interests of its members and more particularly to arrange:

(*a*) for the purchase of necessaries of life for retail to members, the carrying on in common for the benefit of the members of the society of the trade of general dealers and establish and conduct on co-operative principles of such other lines of work or department of business as may, from time to time, be resolved upon by the Managing Committee of the Society;

(*b*) for the dissemination of the knowledge of co-operative principles and realising them as far as practicable;

(*c*) to encourage in the members the spirit and practice of thrift, mutual help and self help, and

(*d*) to do all such other things as are incidental or conducive to the attainment of the above objects.

The capital of the Store consists of an unlimited number of shares of Rs. 10 each. The subscribed and paid up capital as on 31st July, 1944 stood at Rs. 510 divided into 51 shares of Rs. 10 each.

The liability is limited. Members are jointly and separately liable for all debts incurred and all loans and deposits taken by the Society in pursuance of its stated objects to the extent of three times the value of their shares. All sales are made in cash or against specific deposits made by members for the purchase of goods. The Store has a cash credit limit of Rs. 10,000 with the Punjab Provincial Co-operative Bank, Lahore. The staff of the Store consists of a Manager, an Accountant (part-time) and a Weighman and most of the work is done honorarily by the Board of Directors.

The Store is working for the last 1½ years. During the short period of its existence it has attempted to meet the genuine needs of its members. At the time when wheat was not easily available in the market, the Store purchased wheat worth Rs. 10,000 and distributed it among its members. The Store is dealing in all kinds of household necessaries and has earned a normal profit of Rs. 200 during the first year of its working.

When the rationing was introduced in Lahore in July, 1944, the business of the Store was extended to the distribution of rationed articles—wheat, sugar and wheat flour—and it is serving as a retailer in this respect. It is meeting the needs of over 500 families. The honest and successful working of the rationing branch of the Store has created a demand for the distribution of rationed articles on co-operative basis.

There is a vast scope for developing the business of the Store in Lahore and it is hoped that with its experienced and enthusiastic directorate it will soon make a name for it and serve as a beacon-light to other stores in the Punjab.

Co-operative Store for Government Servants

The need for a Co-operative Store for Government Servants working in Lahore was keenly felt for a considerable time. On account of inflation of money and scarcity of goods in the present abnormal times the prices of commodities have gone up very high. This has necessitated State control of goods so that people of limited means may be in a position to keep their body and soul together. The "Controls" have driven the articles to the black market. Therefore Government Servants are unable to get adequate supply of the necessities of life. This causes them worry and they cannot apply themselves to Government work whole-heartedly. Therefore it was decided that a Co-operative Store managed by the consumers themselves may be organised for giving relief to Government employees in these difficult days.

A Central Co-operative Store for Government Servants has been started in Lahore. It was registered on 12th February, 1945. Its registered address is "The Lahore Government Servants Co-operative Store and Supply Society Ltd" The objects of this store are to promote the economic interest of its members and more particularly to arrange:

(a) for the purchase of the necessaries of life for retail, the carrying on in common for the benefit of the members of the Store of the trade of general dealers and the establishment and the conduct on co-operative principles of such other lines of work or department of business as may from time to time be resolved upon by the managing committee of the store;

(b) for the dissemination of the knowledge of co-operative principles and their realisation as far as practicable;

(c) to encourage in the members the spirit and practice of thrift, mutual help and self help;

(d) to do all such other things as are incidental or conducive to the attainment of above objects.

Every member of this Store must be an employee of Government (Government of India, Punjab Government or any other provincial Government stationed at Lahore).

Every member has to pay an admission fee of As. 8. Every member has to purchase at least one full share and no member can purchase shares exceeding Rs. 1,000 or 1/5th of the total share capital actually subscribed.

Value of share shall be paid by the members in the following way:

(1) Members drawing less than Rs. 25 as their monthly pay. Rs. 1 p.m.
(2) Members drawing between Rs. 25 and 50 pay ... Rs. 2 p.m.
(3) Members drawing between Rs. 50 and 75 pay ... Rs. 5 p.m.
(4) Members drawing above Rs. 75 pay shall pay full value of a share or shares.

Interest at Rs. 9-6-0 per cent per annum shall be charged on overdue instalments of shares.

A member may be expelled for:

(1) failure to pay the share money or debts due from him to the society;

(2) conviction of a criminal offence involving dishonesty or resulting in his imprisonment for three months;

(3) bankruptcy or application for bankruptcy;

(4) any action which may be held by the managing committee and a general meeting to be dishonest or contrary to the stated objects of the society or to the interests of co-operation.

Members are jointly and severally liable for all debts incurred and all loans and deposits taken by the Store in pursuance of its stated objects to the extent of three times the value of their shares.

The managing committee shall consist of at least five members of the Store over the age of 21, including a president and one or more vice-presidents. The members shall be elected for one year and shall be eligible for re-election provided that if for any unavoidable reason a general meeting could not be held at a suitable time within the year, the existing committee shall continue to hold office till the election of a new committee; but such election shall in no case be held later than 18 months after the election of the previous committee.

A member of the committee shall cease to hold office if he

(1) ceases to be a member of the Store;
(2) applies for insolvency or is declared insolvent;
(3) becomes of unsound mind;
(4) is convicted of any offence involving dishonesty or is imprisoned for three months;
(5) holds any office or place of profit under the society or receives any honorarium;
(6) resigns and his resignation is accepted by the committee.

All sales to members or non-members shall be made in cash or against specific deposits made by them for the purchase of goods. A rebate on cash purchases or the debit of specific deposits made for making purchases, provided such purchases shall represent not less than a total sum of Rs. 50 during the year at a rate to be determined by the General meeting, shall be divided among members according to the amount of purchases made by them during the year.

After carrying at least 25 per cent of the net profit on the working of the year to the Reserve Fund the balance may be divided for the payment of a dividend on shares, for allocation to any fund admissible under the rules and a rebate on purchases.

The Store is a new venture and liberal help from the Government is necessary to give it a satisfactory start. The margin of profit for some years is expected to be small and therefore the Store might not be able to meet the cost of supervision and management. Moreover the times are abnormal and the risks are relatively great.

And for these reasons the Government has been pleased to sanction one post of Inspector, one camp clerk, and two peons for the supervision and inspection of the Store. As for its management the Government has been approached to sanction the following further staff at 50 per cent of the cost in the first year, $\frac{1}{3}$rd in the second year and $\frac{1}{4}$th in the third year:—

(1) One Manager at Rs. 140 p.m.
(2) One Storekeeper at Rs. 50 p.m.

(3) Two salesmen	at Rs. 50 p.m.
(4) Two peons	at Rs. 15 p.m.
(5) Building rent	at Rs. 300 p.m.

More than 300 Government Servants have already joined the Store as members. About Rs. 4,000 have been collected in the form of share money and admission fees. The maximum credit limit of the Store has been fixed at three times its owned funds and therefore its present credit limit is Rs. 12,000 with the Lahore Central Co-operative Bank.

The foundations of the Store have been well and truely laid, but its success will depend on the loyalty of the members and their co-operative spirit.

Khalsa College Co-operative Society

Another Society may be described. This is the Khalsa College Co-operative Store, Amritsar. Its membership consists of 1,138. There are 13 members from the college staff and the remaining 1,125 are students of the school and College. Student members are required to have at least one share of Rs. 2 each, while the staff members have to pay Rs. 10 each for one share. The latter are entitled to a dividend, but not the student members. The total working capital is Rs. 4,650. There are three departments—one deals in provisions, the other in stationery, while the third, which is the feeder of the two, deals with general foods.

The stationery branch used to deal with the supply of stationery and books, but at present the business of this branch has been entrusted to a contractor who pays Rs. 600 to the society and works under the instructions of the president.

The Society purchased goods worth Rs. 28,000 in 1943-44 and sold articles of the value of Rs. 28,000.

The Society has its own building in the College premises.

Distribution of Food Grains.—The Co-operative institutes here and there have taken up distribution of food grains and other necessaries of life on account of the present abnormal conditions. But the Sargodha Central Co-operative Bank has won particular distinction in this matter. The Bank rendered praiseworthy services to the public and the district authorities during the traders' hartal days in 1942. This enabled it to come into the field once again when in August 1943 owing to hoarding and profiteering activities of dealers and stockists it became difficult for the public to secure supply of essential commodities. A beginning was made with the purchase and supply of sugar and thereafter other controlled articles, such as kerosine oil, salt, coal, match boxes, standard cloth were added. Depots were opened in different parts of the City for the convenience of the Public to ensure easy and equitable supply to the satisfaction of the authorities

concerned. The Bank purchased and sold goods worth Rs. 10 lakhs in 1943, which included sugar, wheat, wheat-flour, salt, coal, standard cloth, match boxes, kerosine oil, etc. It further extended its business in 1944 and handled commodities of the value of Rs. 30 lakhs as against Rs. 10 lakhs in 1943. Sugar of Rs. 18 lakhs, standard cloth of Rs. 25,000 and salt of Rs. 8,000 were sold in 1944. The Bank has recently been given a monoply to distribute the district quota of fine cotton cloth in its area of operation. The Store branch worked quite successfully and this has convinced the authorities and the public of the utility and importance of the Co-operative Bank in making fair and equitable distribution of commodities. It is a matter of satisfaction to note that this spirit of co-operation and service has brought in a good return to the Bank, thereby enabling it to improve its financial position considerably. It is no mean achievement that the losses of the previous five years, which amounted to Rs. 64,000, were all made up by the gains from the Store within one year. The Bank earned a profit of Rs. 27,200 in 1943, after defraying all expenses directly connected with the Store, and depots and including a contribution of Rs. 1,000 towards Red Cross Fund. The position improved still further in 1944 and the Bank was able to declare a profit of Rs. 50,000 this year.

There has been a marked improvement in the general working of the Bank on account of this new enterprise of selling controlled articles to the public. The reputation of the Bank has gone up, necessitating reduction in the rate of interest on deposits from $3\frac{1}{2}$ per cent to 2 per cent but apparantly this had no adverse effect on the increased inflow of deposits, the volume of which continues to rise. There has been an unprecedented increase in deposits from Rs. $12\frac{1}{2}$ lakhs to Rs. $16\frac{1}{2}$ lakhs. The working capital of the Bank has increased from Rs. 20 lakhs to Rs. 25 lakhs in one year.

The unprecedented success which the Store Branch of the Bank has achieved is due in no small measure to the sympathetic attitude and keen interest of the Deputy Commissioner of the District, who is its Chairman. But the main credit for this, however, goes to its indefatagable, foresighted and public-spirited Honorary Secretary, K. B. Malik Noor Mohammad Khan and its capable and intelligent Manager, Khan Nazar Mohammad Khan and the co-operative staff.

An interesting and instructive note of the Registrar, Co-operative Societies, Punjab written for the 14th Conference of Registrars held in August 1944 states that

" During the first two or three years of the war the co-operative movement in the Punjab was not directly concerned with the distribution of foodstuffs to consumers in the province to any large extent. In the last two years, however, when consumers' goods became difficult to obtain and a large number of articles were controlled the co-operative movement started to take an active part in the distribution of consumers' goods. Some central banks, unions and societies started depots for selling controlled articles to their members and some of them were given agencies for this work by the Deputy Commissioners. The articles dealt with were mostly controlled articles such as sugar, kerosine, standard cloth, etc. In certain areas some other articles such as salt were also distributed. Deputy Commissioners have now been requested to give more agencies to co-operative institutions for the distribution of such articles. Most central banks and unions have the necessary funds for this work. Detailed orders laying down the safeguards under which this work should be taken up by co-operative institutions will be issued in the very near future. It is hoped that the co-operative movement will take a much more prominent part in this work than has been the case in the past. This will also incidentally help the co-operative institutions concerned in more profitable use of their funds. The task of purchasing large quantities of wheat etc. as an emergency reserve for the urban areas was however entrusted to it in 1941. The quantity purchased that year was increased in 1942 and 1943. In 1942 and 1943 the Punjab exported very large quantities of wheat and other food grains, oil seeds etc., to other parts of India and ultimately in the beginning of this year it was decided to centralize all purchase arrangements for requirements of the rationed towns in the Punjab as well as for export outside the province in a Government agency. A good deal of staff from the Co-operative Department has now been sent on deputation to the Food Purchase, the staff being 10 officers, 4 inspectors, 60 supervisors and a good deal of clerical and accounts staff. The Co-operative Department has therefore played a very vital part in the supply and distribution of foodstuffs in the province and in the deficit areas of the country."

The Registrar has now permitted co-operative societies to take up the work of supply of consumers goods under the following well-considered safe-guards :—

(1) Societies with surplus funds can take on the work of dealing in controlled commodities, in particular standard cloth, kerosine oil and sugar They can also deal in other articles, with the previous approval of the Deputy Registrar concerned. This permission to do such business is *only given to societies with surplus funds.*

(2) Co-operative institutions can invest in such business upto a maximum of half of the total of their share capital plus reserve fund. The reserve fund must have been built up from realised profits and not merely book profits.

(3) & (4) All purchases and sales to members and non-members must be in cash and separate books must be maintained. Accounts regarding this work must be separate from accounts regarding other work, credit or whatever else it may be.

(5) Generally only two such societies should be started in each tahsil, but the number can be increased upto 5 by Deputy Registrars in their discretion.

The question of the consumers' co-operatives and the procurement and distribution of controlled articles through the co-operative agency were considered at the meeting of the All-India Co-operative Institutes' Association and also at the Conference of the Registrars of Co-operative Societies in August 1944 and the resolutions adopted are reproduced below :—

(a) *Consumers' Co-operation.*—" This meeting of the All-India Co-operative Institutes' Association records with satisfaction the growth of the consumers' co-operative movement, particularly in the Provinces of Madras and Assam in the last few years, and recommends that in all Provinces and States where the number of consumers' and supply societies have been organized on proper lines, their agency should be fully utilized by the authorities of the Civil Supplies Department for the procurement and distribution, both in wholesale and in retail, of various controlled articles. It further expresses the hope that both in rural and urban areas full efforts will be made to place the movement on a permanent basis by increasing the owned capital, extending the range of the articles to be supplied, arranging for the joint purchase of supplies from wholesale or marketing societies, organizing the local production of the consumers' goods, providing special arrangements or concurrent audit and lastly building up close relations with members. In the opinion of the meeting, in achieving these objects, a central wholesale society can in some cases play an important part and such a wholesale society may, therefore, be organised wherever necessary.

(b) This meeting urges on those Provincial and State Governments, which have not fully utilised the co-operative stores for the purchase and distribution of foodstuffs in areas, where these exist, to entrust to them the work of distribution of controlled commodities and to encourage for this purpose the organisation of co-operative stores in areas where they do not exist.

(c) The meeting recommends that Government should extend and develop the practice of utilising the agency of co-operative credit, multi-purpose and supply societies, financing agencies and other types of co-operative organisations for the sale of controlled commodities in rural areas."

"This Conference of Registrars of Co-operative Societies recommends that :—

(1) Strong efforts should be made to place the consumers' co-operative movement which is expanding rapidly on sound permanent basis.

(2) Where co-operative stores are considered by the Registrar to be efficient and are willing to take up the work, they should be given preference for obtaining and distributing both in wholesale and in retail foodstuffs and other controlled articles and should be appointed as procurement

agencies by Government. Where such co-operative stores do not exist similar facility should be given to other co-operative organisations selected by the Registrar.

(3) In order to strengthen their position co-operative stores should have adequate share capital and reserves and adopt sound business practices.

(4) The staff required for the direction, supervision and guidance of these societies should be provided by Government who should also give such subsidy as is necessary for staff entertained by the stores.

(5) Consumers' co-operative stores should be linked up wherever practicable with co-operative marketing unions."

BANK SURPLUSES IN THE PUNJAB

By

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The recent rise in prices of agricultural produce has had a revolutionary effect on the economic life of the farmer in the province and consequently on the financial position of the banks which finance him. Not very long ago, paucity of funds and huge overdues were thought to be the bane of the co-operative movement and as a result of these, the movement was at a stand-still except in the Punjab, Madras and Bombay which showed a little better record than other provinces. According to the statistics relating to British India, the total outstanding loans of co-operative banks in 1934-35 were Rs. 24½ crores of which Rs. 10¾ crores were overdues. Even this figure, the Bank thought, was an under-estimate on account of the practice of granting renewals, fictitious repayments and the procedure followed in one province (Punjab ?) in fixing demands every year and counting as overdues only such sums as fall short of the demand. The conditions were so bad that according to the figures compiled by Mr. Darling, 24 per cent of the total societies in British India had been put into liquidation and another 28 per cent were classed as D and E which were practically good for nothing, the percentages for the Punjab being 15 and 13.5 respectively. In fact the Reserve Bank took shelter behind these figures for refusing financial accommodation to the co-operative banks at a time when they needed it most and for issuing its sermons to them to put their house in order before expecting any financial help from the Reserve Bank. Thanks to the extraordinary rise in prices, the last two years have seen a complete change in the situation. Paucity of funds has given place to surpluses. Deposits have mounted up even at low rates of interest offered by the co-operative banks and repayments of the outstanding loans have been extraordinarily. This has created a new problem for the co-operative institutions

in the province. The surplus funds are proving as vexatious today to our bankers as the paucity of funds was before the war.

The extent of these surpluses would differ from bank to bank according to the local conditions of agriculture, the handling of the debtors by the bank authorities and extent of the confidence that bank enjoys in the investing public of the locality. But that the phenomena exists in a rather pronounced form will be seen from the following table giving figures of the increase in deposits, increase in investment in the Government Securities and decrease in loans of 9 Central banks of the province.

	Deposits (all kinds)			Investment in Government Securities			Loans		
	1940-41	1941-42	1942-43	1940-41	1941-42	1942-43	1940-41	1941-42	1942-43
	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs)
Mianwali ...	8.26	11.28	3.80	1.27	1.27	1.42	6.91	6.15	5.46
Hissar ...	9.60	8.37	8.40	1.70	0.77	3.95	8.62	7.65	5.44
Attock ...	7.41	8.91	10.27	0.95	1.40	1.40	6.25	5.60	4.70
Rawalpindi ...	6.33	6.59	7.71	1.74	1.78	2.00	6.32	5.28	4.18
Gurgaon ...	13.51	13.21	6.31	2.35	2.36	2.44	13.16	12.87	9.12
Gurdaspur ...	10.67	12.95	17.50	4.20	5.51	7.80	8.59	7.63	5.45
Jullundur ...	2.30	2.62	39.33	8.50	11.80	15.71	8.68	7.51	4.10
Amritsar ...	19.71	25.00	30.00	8.79	9.27	21.35	14.76	10.25	10.42
Lahore ...	60.60	25.00	86.60	24.90	26.90	49.24	21.10	19.90	15.40
Total ...	138.39	159.43	209.92	54.48	61.05	104.81	94.39	82.84	64.27

It will be seen from this table that the deposits of these banks rose from Rs. 138.39 lakhs in 1940-41 to Rs. 159.48 lakhs in 1941-42 and to Rs. 209.92 lakhs in 1942-43. During the same period investment in Government Securities showed a rise from Rs. 54.43 lakhs to Rs. 104.81 lakhs while loans declined from Rs. 94.39 lakhs to Rs. 64.27 lakhs. The Provincial Bank figures are even more significant. The deposits rose from Rs. 105 lakhs in 1940-41 to Rs. 265 lakhs in 1942-43 or an increase of more than 150 per cent. Increase in investment in Government Securities during the same period was still more remarkable. From a total of Rs. 65 lakhs it rose to Rs. 259 lakhs. The loans to co-operative societies and banks on the other hand declined to Rs. 22 lakhs from a total of Rs. 79 lakhs.

It is, however, by no means confined to co-operative banks alone. Our commercial banks in the country have almost to tell the same tale except in the case of loans. And that is an important exception for an inflationary rise of prices as we have now in India, is always accompanied by an extension of trade and industry and consequently more demand for bank credit while no such opportunity exists in the case of co-operative banks. Agriculture in this country is a small scale industry and excepting the rise in the profit of the agriculturists, there has been very little expansion of the agricultural operations. The farmer, especially the peasant proprietor has found it possible now as a result of rise in income to provide circulating capital for his operations from his own pocket and thus dispense with the short term loan from a society. Thus while the commercial banks can look out to expanding trade and growing industry for the investment of their surplus funds, the problem appears to be a difficult one for co-operative banks which have to look within the frame work of our agricultural economy to find outlets for their investments.

So far as I am aware, the policy so far followed by the central institutions in this province to deal with the problem has been the investment of all surpluses in Government Securities. This course, though obviously the least risky, is yet none too business-like for the yield on the Government Securities in the present conditions of the money market is so low that many of the banks do not get on these investments even as much interest as they have to allow to their depositors on fixed deposits. This has resulted in reduction in profits of many a bank and if the tendencies which have been at work, continue to operate for some time more, balance sheets of some of the good banks even may show a loss on the working of the bank. A stage has now been reached therefore, when we must take stock of the whole position and see if something could be done to save the situation.

Fortunately the problem is not insoluble. It appears to me that the possibilities of co-operation have not been fully realised by those who talk of surpluses. It is rather unfortunate that the emphasis laid on the credit side in the initial stages of the co-operative movement has continued to cling

to us upto this day. Provision of short term loans to the farmer for agricultural operations ought to have been only one of the objects of the societies that we have set up. Essentially the movement aimed at improvement of the lot of the agriculturist by making him carry on his business in common with his fellow beings, thus avoiding middle man charges. The framers of the Co-operative Societies Act had in their view the purchase of raw materials, sale of agriculturalists' products (agricultural or industrial), production, purchase of foodstuffs and house-hold requisites wholesale for sale to the members, acquisition of implements for agriculture or industry and construction and acquisition of dwelling houses, wells, tanks etc., as the legitimate fields of operations for co-operative societies.[1] In a word, a primary society, besides credit, may take up any other activity which may aim at the betterment of the lot of its members. Once this is realized and practised, many of the problems which seem perplexing at present would be solved automatically.

With the financial resources at our disposal, we could encourage the starting of new sale societies in selected areas or make the existing credit institutions to take up this business as well. Co-operative sale societies have been started in Madras Presidency and they have proved a great success. The capital for building warehouses was provided mostly by the Government and partly by the members forming the society. But the working capital in all cases came from central banks which in their turn borrowed from the Provincial Bank.

The banks have earned from 4 to 5 per cent on this capital and the investment has been very safe. The procedure that is followed is this. A member brings his produce to the society and is given from 60 to 75 per cent of the estimated value of the produce immediately. The funds for granting of these loans against the security of produce are raised by drawing Bill of Exchange against the produce and getting it discounted from the central bank. When produce from all members has been collected or when it is thought to be a good time for sale, the sale of the total produce is effected by the society. After sale, each member who has deposited the produce is paid the balance due to him. The accounts are thus finally settled after the sale and the society retains only a small commission to meet its expenses. Sale societies of the type have a great future in this province where we have a pretty good surplus of produce for sale. They should be doubly welcome in these days when the Government is on the look out for setting up some procurement agencies for distribution of foodgrains to the urban areas and to the deficit provinces. Better agencies for the purpose could not be imagined. They should also solve the problem of lack of agricultural paper against which accommodation can be obtained from the Reserve Bank. Once a start in this direction has been made and agricultural paper created, it will ensure to the movement the cheap

[1] Calvert: *Law and Principles of Co-operation.*

unlimited credit at 2 per cent from the Reserve Bank under the scheme recently announced by it. A more propitious time for starting of these societies or making the existing societies undertake this business could not be found than the present one.

The purchase of foodstuffs, implements, seeds, cattle, house-hold necessaries and things to members at reasonable prices is equally important a problem these days. The farmer has found it difficult to obtain his supplies of some of the essential goods at any price and for others he is paying exorbitant prices. If the co-operative societies could be got interested in this aspect of the life of the agriculturist, it would be a great boon to him not only because it will ensure to him the supply of the goods required by him but will also provide them cheaper. And to the central institutions, it will provide a good outlet for the investment of their surpluses. Prices of cattle have gone up heavily and the societies could surely help their members in bringing cattle within their reach of low prices by co-operative sale. Attention could be paid to the provision of salt, matches, kerosine oil, sugar, cloth and other necessaries of life to its members. The Banking Union of Kodinar in Baroda State provides an object lesson to those who are concerned with the welfare of the farmer to concentrate their attention on this aspect of the business activity of the farmer if they mean to achieve any success in their mission. The idea of multi-purpose society could never be advocated with greater force and put into practice with greater advantage in this province than at the present time.

Apart from these lines of general policy which might be pursued by any and every bank, each bank could think of some of the specific problems of the area it serves and give a lead to the people in the area to solve their problem at a time when money was available in plenty and at cheap rates. Some of common land and even agricultural holdings in the villages in Hoshiarpur, for instance, are threatened by *chos*. The societies, emulating the example of Panjawar Union in that district could be made to take up measures to prevent damage to the village land by the *chos* and soil erosion and work for development of the waste land. Societies could be formed in some of the canal colonies for tackling the problems of waterlogging. In those villages where there are difficulties in obtaining clean drinking water, better living societies could be started. The possibilities are numerous and an intelligent manager and energetic directorate should not lack fields for investment of funds lucratively if they could only arouse among their constituents the idea of betterment of their conditions on these new lines.

I think I should not be suggesting anything beyond the purview and scope of the present Co-operative Societies Act, if I suggest the establishment of industrial societies in villages and small towns by the farmers and artizans which may be financed by our central banks in the same manner in which ordinary agricultural societies are financed. A beginning has already been made and industrial societies at Ludhiana, Hoshiarpur, Jullundur etc.

are working successfully. Supply Department has given huge orders to the small scale manufacturer during this war. The artizan with little capital could not take advantage of these orders as long as he remained unorganized. A little guidance on the part of the Industries Department could produce these results. What the co-operative banks who can place not only high ideals of organization before the artizan but can also place at his disposal large capital can achieve can better be imagined than described.

To talk of surpluses is therefore to admit our defeat. It is to admit that the movement has come to a standstill, that it cannot hope to do anything more than to provide 3 per cent of the credit needs of the agriculturist at 8 or 9 per cent rate of interest, that the benefit of co-operation cannot be extended to more than 15 per cent of the population and that the societies cannot promote the welfare of its members, in any other matter and thus help in making our villages brighter, healthier and prosperous. The possibilities of rural organisation and uplift are so vast in the country and the financial resources of our existing banks are so meagre in comparison that I cannot envisage a stage in the near future when our banks should be able to satisfy all the credit needs of the farmer. To an impartial observer of the movement, the story of bank surpluses appears to be fantastic for unless the movement has come to stagnation and is dead, there would be found numerous channels of investment which would not only provide fields of investment for banks' money but should prove of great value in raising the standard of living of the masses.

Our banks should aim today at following an agricultural programme which should have a dual purpose of improving the lot of the farmers and of increasing the bank loans—a programme which has always been the corner stone of the policy of American Co-operative Bank. That this can be done is proved by the successful working of the co-operative institutions on these lines in America, Holland, Belgium and nearer home in Burma, Kodinar and Panjawar. What is required is some imagination and enthusiasm for the work on the part of our managers and directorate to provide that guidance which is so necessary for the farmer to organize himself on these lines. One practical way of providing that guidance would be the issue of periodical bulletins giving information and suggestions about the new lines of investments for the farmer. This is an important part of the activities of American banks and is being slowly taken up by the Joint Stock banks in this country Why could our co-operative banks not do the same to help the farmer and to increase their own profits is beyond my ken.

Some amount of self examination and internal organization, especially in the matter of investments may also be desirable on the part of several banks to solve the problem. Instances are not lacking in this province at least where banks borrowed from Imperial Bank in the overdraft account at $4\frac{1}{2}$ per cent and have kept on the loan while they have been purchasing Government Securities yielding 3 per cent with their surpluses or keeping heavy deposits in current accounts yielding no interest and fixed deposits with Provincial Bank getting 3 per cent. Some banks in their enthusiasm to go in for Defence Bonds have actually borrowed money for the purpose at 1 to 1½ per cent higher rate of interest than what they get on bonds. Such anomalies should not be allowed to continue any more. The Department should give guidance promptly to any bank which may desire in the matter, in proper investment of its funds. Interlending among co-operative banks could also be encouraged by the Provincial Bank as also by the Department and thus while some banks would be provided with an opportunity of finding safe outlet for the investment of their surpluses, others would get cheaper credit than they do at present from the Imperial Bank. The Imperial Bank should be the financier of the last resort for Co-operative Banks. They should learn to co-operate between themselves before they can hope to spread the ideal of co-operation to others.

LAW OF LIMITATION AND THE AWARDS PASSED BY THE ARBITRATORS UNDER THE CO.OPERATIVE SOCIETIES ACT

By

RAO SAHEB PRANVALLABHADAS H. BANATWALA.

The general opinion of all the persons working in co-operative field is that the provisions of the Limitation Act (1908) do not apply to proceeding before an arbitrator appointed under the Co-operative Societies Act. The view that prevailed in cases of private arbitration was also the same, until the decision of the Privy Council in Ram Datta *vs.* E. D. Sasoon and Co.[1] Their Lordships of the Privy Council in that case laid down that although the Indian Limitation Act (1908) does not in terms apply to arbitration, its provisions extend by analogy to arbitration proceeding. They further held that in the mercantile arbitration it is an implied term of the submission that the arbitrator must decide the dispute according to the existing law and that every defence (including a defence under any statute of limitation) which would have been open in a Court of Law can be equally proposed for the arbitrator's decision unless the parties have agreed to exclude that defence. This pronouncement of the highest tribunal indeed carried considerable weight and the trend of judicial decisions took a turn.

It may be recalled that the English Arbitration Act (1889) (52 and 53 Vic. C. 49) did not mention anything about the applicability of the Law of Limitation to arbitration proceeding and the Indian Arbitration Act of 1899, which was enacted on the line of the English Arbitration Act, was also silent on the point; but Their Lordships considered and emphatic dicta, based on English cases raised a point of great importance and when the

[1] *Vide* 31 Bom. L. R., p. 741.

English Arbitration Act of 1934 (24 and 25 George 5 Ch. 5) was passed, sec. 16, cl. (i) was inserted by which statutes of limitation were made applicable to arbitration proceeding as they applied to proceeding in Court. Similar provisions are now made by enacting sec. 37, cl. (i) when consolidating and amending Indian Arbitration Act (X of 1940). The new section says that the provisions of the Limitation Act are applicable to all arbitrations under the said Act. The matter is thus settled by statute so far it concerned the private arbitrations.

The position under the Co-operative Societies Act was not much in controversy as the Rules under the said Act provided that the arbitrator shall decide according to Justice, Equity and Good Conscience. This impliedly made the arbitrators to take the view that they are not bound by the rigid Rules of the Limitation Act. This view was also shared by the Registrar of Co-operative Societies (Bombay) and in practice awards are passed ignoring these provisions.

Two of the awards passed under the Co-operative Societies Act came in for the scrutiny of the Rangoon High Court in the case of Ukyam *vs.* Co-operative Town Bank of Henzada[1]. In this case a suit was filed challenging the awards principally on the ground among others that the arbitrator has passed the awards ignoring the provisions of the Limitation Act. The Lower Court dismissed the suit on the ground that it has no jurisdiction to question the award. Their Lordships in appeal held that surely an arbitrator cannot be said to have decided according to the Justice, Equity and Good Conscience if he has allowed himself to ignore the laws of the land applicable to the matters before him and reversed the judgment of the Lower Court. They also referred to the Ramdutt case in support of their view. In the Letters Patent Appeal in the said case Roberts, C.*J.* and Blagden, *J.* held that tribunal appointed under the Co-operative Societies Act must come to a decision, which is a quasi-Judicial decision or must make an award which has been arrived at after proper considerations of the case. They further said that if the allegations are that the arbitrators ignored the Limitation Act, a suit will atleast lie to set aside the award on such allegations. They did not, however, decide the vexed question as to how far the arbitrator should consider the Law of Limitation as they thought it was the matter for the Trial Court to decide and dismissed the appeal[2].

In a Calcutta case[3] a ground was taken that the arbitrator under the Co-operative Societies Act ignored the Law of Limitation and therefore the award was bad. The Bench of the High Court consisting of Mukherjee and Roxburg, *JJ.*, however, held that the decision of the arbitrator may be wrong in fact or in Law but that is not a ground which would entitle the Civil Court to interfere in the matter.

[1] *Vide* A. I. R. 1940 Rangoon, p. 107.
[2] *Vide* A. I. R. 1941 Rangoon, p. 104.
[3] *Vide* I. L. R. 1940 I Cal. p. 82.

These different views of the different learned Judges of the different High Courts have raised considerable doubts on the question of the applicability of the provisions of the Limitation Act to proceeding before the arbitrator under the Co-operative Societies Act and it is high time now that such an important matter be allowed to be kept doubtful any longer.

It may be said that sec. 37 of the Arbitration Act of 1940 does not apply to statutory arbitrations. In fact they are excluded from its operations by sec. 46 of the Act[1]. This however does not come in the way of the arbitrator if he does or does not ignore the provisions of the Limitation Act in matters before him and it is therefore, all the more necessary that suitable provisions be made in the Co-operative Societies Act by necessary amendments to remove existing doubts on the subject at an early date.

REVIEWS.

OUR ECONOMIC CONDITION—Data Compiled by the Economic Research Committee, B. R. College, Agra; *Edited by Dr. Baljit Singh, M.A., LL.B. Ph. D.*; **Price Rs. 4**: pp. 159 (1944).

The Book under review is a collection of statistical data on our main economic problem: our economic resources, industry and agriculture, trade and transport, currency and banking, finance and occupation and occupations and incomes. A grasp of our problems of industrialisation, the creation of a balanced economy and the raising of the standard of life of our masses obviously needs a factual basis and the compilers of this book have attempted to provide it. The task attempted is too vast to be covered in this slender volume. The sources from which information has been gathered are both official and unofficial.

The conclusions to which the authors arrive are that in the field of industry development is possible and in the period of post-war reconstruction the basic industries of iron and steel should receive priority as also the development of electricity; that for agriculture we need to adopt a crop plan with a regulation of imports and exports of food grains and oil seeds; that we must plan to change the composition of our foreign trade and should not fight shy of an unfavourable balance of trade. One further conclusion is that economic reconstruction which is the great need of the country to-day cannot be undertaken effectively except by a National Government.

The data collected here is meagre in one or two respects. for example in the chapter on Factories and Currency and Trade and Prices. Perhaps that could not be helped. Nor would it appear that the conclusions which the authors draw are the only ones that could be drawn from the figures presented. But the effort of the authors is a very laudable one. The book should interest students of Indian Economics, especially those who are not initiated into the mysteries of modern economic theory and stimulate discussion of our vital problem.

N. SRINIVASAN.

[1] *Vide* I. L. R, 1943 2 Cal. p. 431.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE BOMBAY PROVINCIAL CO-OPERATIVE MARKETING CONFERENCE

24th October 1944

Extracts from the Presidential Address by Dewan Bahadur Hiralal L. Kaji, M.A., J.P., I.E.S. (Retd.) President, Bombay Provincial Co-operative Marketing Society, Bombay.

In recent years, urban credit is fast seeking to disassociate itself from rural credit and is demanding with vigour a distinctiveness in formation, working and control. It is however being increasingly recognised and realised that if the co-operative principle is to be the basis of India's economic regeneration in towns and villages, credit must cease to be our obsession and that our vision must centre on other manifold problems of the agriculturist, wherein the true approach to his salvation lies.

With us, there is an ancient proverb, which places agriculture as the best of occupations, commerce as a middling one and service as the lowest. It would appear from the facts as they obtain today that the proverbial superiority of agriculture over all other occupations is a myth and that commerce and service each outweighs agriculture in the yield. The basis however of the myth lies in the superiority of Production, signified by agriculture, over Distribution, as signified by Commerce, and over Service represented by Consumption, and thus merely lays down but an elementary truth of Economics. But Agriculture today in our country has fallen very low; it is not production for profit, not production for use, but production for subsistence. Uneconomic and fragmented holdings, primitive tools and implements, vagaries of the monsoon, perils of frosts, locusts and floods and an economy which permitted exploitation of the ignorant and illiterate agriculturist—exploitation in finance exploitation in supply of requirements for agriculture and for domestic consumption, exploitation in the sale of the produce, and injudicious expenditure on wedding feasts and funerals—all created a hopeless burden of indebtedness, which rendered the cultivator helpless. A deficit economy made him impervious to the cry of Co-operation for saving and thrift, a cry in the wilderness; a deficit economy led to squabbles and quarrels and increase of litigation; a deficit economy brought down his standard of life to a perilously low level; a deficit economy produced backwardness and stagnation, which could admit of no effort towards progress. The stimulating impact of western culture, which throbbed ever more and more in the towns and cities could not penerate the armour of listlessness and apathy which had encased the village folk and India produced the queer phenomenon of a modernised efficient urban population co-existing with an ancient unprogressive rural population. Under such conditions, a great and vigorous drive earnestly led by the State and followed up as earnestly and vigorously by the urban intelligentsia was called for. The co-operative principle was requisitioned and harnessed into service forty years back. Applied to agricultural finance, the movement grew rapidly, so that we have, in numbers of societies, membership and in working capital, a very vast organisation of primaries and central financing agencies. Finance however to be fruitful has to be made available to the intelligent and efficient; in the hands of the hopelessly indebted agriculturist, it becomes merely an additional source of borrowing, an expedient so favoured by debtors, but which never converts them into creditors or give them a balanced budget. Loans can hardly be prudent when the repaying capacity is practically non-existent, unless the land is mortgaged and sold off, and if this is to be so, one might well ask, why should the loan be then necessary at all. It is increase in the income that is urgently wanted, and increase in the income is only possible by greater production, or by better distribution, so as to bring into the cultivator's hands as large a part of the price paid by the consumer as possible. Greater production is associated with intensive scientific farming, which involves much greater finance and specialised training and control, and is therefore a matter which the State has to take upon itself. But better distribution, elimination of the ruinous and expensive agency of the middlemen, is a matter which the people concerned themselves can take in hand immediately. Herein lies the great importance of co-operative marketing of agricultural produce in the great drive which the State is now putting forth for the reconstruction and regeneration of rural economy.

Organisation of co-operative marketing institutions, so that the fruits of production may remain with the producer and may not percolate to the middlemen and that agriculture may again become the supreme occupation, along with great industries in towns and cities.

Realisation of the importance or recognition of the imminence of the great drive for developments in co-operative marketing are however not enough. Planning and action are ever so much more necessary.

Marketing societies may be simple bargaining associations like the sugarcane development and sale societies of the United Provinces, or may be a commission agency like the Provincial Marketing Societies of Bombay and Madras, or may be marketing societies performing many or most of the marketing functions, such as assembling, storing, financing, standardising, grading and selling, according to the stage of their development. Of this type are the Southern Gujarat Co-operative Cotton Sale and Ginning Societies' Union and the Farmers' Co-operative Ginning and Pressing Society of Surat. The difference between these types is a matter of degree, and the different types are but stages in the process of evolution. While the ultimate aim is therefore to build up a full marketing organisation, even the organisation of societies of the first two types, functioning more or less as agents of their members would be very desirable since it is likely to show its benefit in hard cash immediately to the primary producer and is therefore the best medium for demonstrating to the villagers the benefits of the Co-operative Movement in a manner they can easily appreciate.

The proper development of Co-operative Marketing involves the problem of linking credit with marketing. Loyalty of the members to their sale organisations must be fostered and the recovery of loans must be secured likewise by linking credit with marketing. Schemes of controlled credit shall have to be adopted and legislation will have to be resorted to, to ensure that the money is advanced on the express condition that the crop for the development of which it is used will be disposed off through the co-operative organisation. The member cannot go to any other purchaser; the realisations are cent per cent and the danger of bad debts is practically eliminated; the marketing society deducts the dues of the credit society from the sale proceeds. Marketing finance required to pay cash to the cultivators for their produce shall have to be obtained by the marketing societies from the central financing agencies on the security of the goods stocked in their godowns.

The question of storing and godown facilities is a vital problem in co-operative marketing. Storing is usually considered beneficial to the producer as it enables him to hold back his produce immediately after harvest if the prices are low then. Of course, there is the other side of the question too. For, storing means cost and risk of fall in prices and damage and these might more than counterbalance the problematic higher price that may be anticipated. Yet, there is no doubt that godown facilities must be provided and Government shall have to come forward to assist in a variety of ways in their construction at an early date. What really is wanted is not temporary godowns for storing but warehouses, which should have arrangements for pooling, sorting, grading and inspection and which should be licensed, so that their receipt may be legal and acceptable collaterals for loans taken from the banks. Licensed warehouses and the creation through them of reliable and negotiable documents of title to goods are a veritable necessity for the proper development of co-operative marketing and we would invite the attention of Government to the need for a 'Warehouse Act' in course of time.

It is a truism to say that the full benefits of co-operative sale of agricultural produce cannot be obtained, unless all the marketing functions were undertaken by the sales organisation, such as assembling, storing, financing, insuring, standardising, selling and transporting; but it would not be much sense to say that unless sorting and grading, packing and repacking and processing of the produce too as far as possible are undertaken, co-operative marketing should not be pushed on. Let us get on; let us begin the work, be it the preliminary stages yet; and the fuller development will come sooner than we may expect. Yet, grading and processing must be kept in the foreground and Government shall have to step in to provide finances and skilled staff to enable these functions to be taken up by our societies at an early date. This is apparently most urgently called for in cases where co-operative sale organisations are handling produce of any one kind in bulk, while cotton, paddy and groundnut are instances where processing work could be undertaken with great advantage.

Another important direction to which our attention must be directed is the problem of transport. Transport is of the essence of trade and war conditions have so dislocated transport that agriculturists and their organisations are experiencing great difficulties in transporting their produce to market centres and in transporting consumers goods to rural areas. It is a problem for you to discuss, whether or not it would be practicable to start co-operative transport societies in Bombay and upcountry, with the support and assistance of Government. So far as the City of Bombay is concerned, it should be possible to solve this problem to some extent by the Provincial Marketing Society undertaking this service and for that purpose purchasing through the kind offices of Government a small fleet of motor lorries. But for village, taluka and district service, co-operative societies for transport seem to me to offer the only correct solution of the difficulties caused by inadequate and tardy transport facilities.

THE TWELFTH COORG PROVINCIAL CO-OPERATIVE CONFERENCE

Extracts from the Report of the Reception Committee.

The working of the co-operative Societies, I am glad to state that the movement is working on sound lines. A comparative statement of the working of the movement for the last one decade will give an idea of the progress the movement has made in this little province.

Year	No. of Societies	No. of Members	Share Capital Rs.	Reserve Fund Rs.	Working Capital Rs.	Net Profits Rs.
1934 ...	257	15,704	3,13,556	3,27,829	13,92,393	25,500
1944 ...	352	30,347	5,46,579	5,23,584	27,72,439	75,611

In the field of credit the province has made great headway. The rate of interest has been brought down from a 100 per cent in 1905 to an average rate of interest of 8 per cent while some societies charge as low as 5 per cent. The percentage of collection of loans on 30th June 1944 was 86. Some of the bigger types of rural credit societies which were converted as multi-purposes societies did useful work. The service rendered by the 80 grain banks during the war period is an example to other provinces.

The Coorg Provincial Co-operative Marketing Federation which came into being only a year ago played a very important part in the procurement and supply of paddy, agricultural implements and ammunition and the sale of standard clbth amounting in all to about Rs. 25 lakhs. The necessity of having such a co-ordinating body was long felt. This central organisation has given a great fillip to the various paddy and cardamom marketing societies, provision and cloth stores. Though this federation and its member societies have received some centralised institution for the purpose is absolutely essential for producing skilled officials and leaders who will see to it that the members of co-operative societies are equipped with the necessary knowledge of the fundamental co-operative principles. The organisation of the central institution should be on the same lines as any other educational institution for professional training like the Medical College or the Engineering College. I am at one with the suggestion made by the Madras Committee on co-operation that only as a Government managed institution can the central college secure the services of talented teachers with a public spirit untrammelled by extraneous interference.

In this connection reference may be made to the subject of Government control of the Co-operative Societies. It has been contended by some renowned sponsors of co-operation that if non-official initiative and enterprise are not to be discountenanced official control must be relaxed. Co-operative freedom alone can enthuse and enkindle a keener sense of responsibility among the non-official co-operators. While I proclaim myself as an ardent votary of democratic idealism in co-operation, I am firmly of conviction that the extent social conditions such as the ignorance, the apathy and the reluctance of the rural population require a certain amount of governmental supervision and control, more in the nature of a spontaneous co-operation with the non-official agencies. There should be a harmonious correlation of their work that will be to the best interests of the movement. In course of time, with the dissemination of the co-operative ideals through adequate education among the people, the need for official control will be less felt. So then on the one hand it is incumbent upon the non-officials to canalise their efforts in the direction of educating the illiterate agriculturists through lectures and propaganda in order to inculcate in them a proper sense of appreciation of the value of co-operation. On the other it is equally incumbent upon the officials to popularise the movement more and more and at the same time be argus-eyed so as to stamp out ruthlessly dishonesty, misappropriation, and favouritism wherever it may exist.

Co-operation and Post-War Reconstruction

Post-war reconstruction has come to occupy the foremost place in all public discussions to-day. After the last gun has ceased to fire, when the war-time economy requires to be adapted for peace-time uses, numerous problems would arise that would require immediate solution if an economic catastrophe of post-war slump is to be averted. That is why even now when final victory of the United Nations is in sight, national as well as International planning for reconstruction and rehabilitation is engaging the serious attention of governments and the people. It is of fundamental significance that any such scheme of post-war reconstruction must be based on sound economic principles. Unfettered private enterprise must be avoided as much as complete and through going regimentation of economic activities by the state. Basic and heavy industries may require vast capital, the development of which may be undertaken by the state or by private capitalists under strict state control. But small scale industries should not be kept in an unorganised condition. It is in the encouragement of such industries co-operation has a great role to play. In Japan 60 to 70 per cent of the industrial workers are employed in domestic industries, each factory employing only about 10 persons. The scope for organising industry on this pattern is wide and unlimited in Coorg as well as it is in the whole country.

Among the post-war problems agricultural and industrial regeneration deserves to be given a top place. The minutely subdivided and fragmented condition of agriculture is widely deplored; this curse of Indian agriculture can be eradicated only by the introduction of co-operative farms. Hence inclucation of the spirit of Co-operation in matters of production and sale should be more widely diffused than it is at present. The administration should work in this field with a pioneer and missionary zeal and all the departments of state—agriculture, veterinary, public works and finance—should co-ordinate in the uplift of agriculture from its present and predicament. The widely felt shortage of food in this country and the prevailing high price level have supplied a favourable psychological set up among the agriculturists of this country. This congenial attitude of the agriculturists towards constructive effort must be fully utilised by a vigorous reorganisation of agriculture.

It is common knowledge that the agriculturists are faced with involuntary idleness for more than six months in a year. No scheme of reconstruction can afford to leave this vast amount of human resources in idleness. Proper utilisation of this human material must be an important plank in any programme. But the obstacles in the way are lack of organisar tion, dearth of capital and shortage of technical skill, all of which can be overcome by means of co-operation and state help. Organisation, co-operation can supply; capital must be forthcoming in the form of Government subsidies and technical skill must be given in special regional institutes located in towns accessible to the villagers. In this connection such of the demobilised soldiers who are acquired technical skill can be of service.

After the formulation of these broad principles involved in the utilisation of the co operative ideal in the post-war reconstruction planning, I may now point out some of the small scale industries that may be profitably started in Coorg In the adjacent province of Madras, co-operation has made some headway in the promotion of small scale industry. To-day we find there cotton spinning and weaving, dyeing and printing, manufacture of fancy articles and toys, fibre, glass and bangles, mat and metal industries. oils, soaps and perfumes, wood carving and cabinet making and wool industry organised to a limited extent on co-operative basis. Your area is rich in wood, lac and other forest produce which can supply raw materials for the setting up of cabinet making, wood carving and bangles and toy industries. Oils can be extracted; soaps and perfumes can be manufactured. The prospect of wool and silk industry is also bright. The establishment of all these industries all over Coorg will give a corrective to the economic structure which is now too much based on agriculture and plantation. It will result both in diversification of industries and in harnessing the idle resources of Coorg that go to waste now.

In achieving this end, the state has to evince a direct interest. Finance, supervision, regulation, direction and control will have to come from the Government in the initial stage. The people must be so well educated in the blessings of these subsidiary industries that they may themselves generate the necessary momentum to carry on the work independently and without state aid. Further the Government should provide cheap power in the form of electricity in which case every home in Coorg will hum with productive activity, bringing prosperity and good cheer to every individual in the society.

The state must also provide the cottage industrial co-operatives with cheap mechanical appliances. For this purpose, the establishment of co-operative workshops by the demobilised soldiers with technical skill must be widely encouraged. In that case the technical personnel would also not relapse into unskilled workers due to lack of exercising their recently acquired faculties but also provide the subsidiary industries with the necessary tools. Wood is plentiful here; iron can be imported from the adjacent state of Mysore. Not only small workshops manufacturing simple instruments and implements but also repair shops must be set up all over the area. In starting these work and repair shops, the state will have to supply finance as well as other facilities.

Lastly I do not want to close without referring to the potentialities of women's co-operative societies. They can very usefully engage themselves in tailoring and needlework, embroidery, preparation of pickles, making of pappadams, doll-making, crochet, lace-making, and stitching of leaf plates.

In all these endeavours, co-operation has a distinct part to play. From the Indian Industrial Commission of 1916-18 down to the authors of Bombay Plan, all public committees and private individuals have harped on the valuable service that can be rendered by co-operation in the economic regeneration of this country. Let me also add my feeble voice to the chorus of opinion on the significance of co-operative enterprise on the national economy.

THE FIFTEENTH CONFERENCE OF LAND MORTGAGE BANKS IN MADRAS

10th February 1945

Extracts from the Address of Dewan Bahadur C.S. Ratnasabhapathi Mudaliar, C.B.E.

We have been repeatedly pleading for a reduction in the margin with a view to reduce the rate to the agriculturist. Sir Hugh Hood, in his opening address at the last Provincial Co-operative Conference, referred to this as a controversy and said "The Land Mortgage Banks are for the benefit of ryots and it is desirable to lend to ryots as cheaply as possible. But if that Bank fails the ryots will get no help at all and if it just totters along, its reputation will not permit of its borrowing at the lowest possible rate, so again the ryot suffers. That Bank must be in an unassailably sound financial position. Otherwise the ryots will not get the best advantage from it." I agree with what has been stated above. But when he goes on to observe that for this purpose it is necessary that the Central Land Mortgage Bank should maintain a 3 per cent margin and that too after 15 years of its working and building up of large capital and reserves, I am constrained to differ from him. Whatever might have been the justification for keeping the margin at 3 per cent in the part, it no longer exists. The owned capital of the Bank which was 9.07 lakhs in 1938 is nearly 25 lakhs now bringing in a steady income. The transactions of the Bank are large and its outstanding loan amount of 2¾ crores fetches an average return of 1.67 per cent. (excluding 1 per cent. allowed to primary banks). The income that the Bank derives from the existing business and its owned capital is adequate to meet the necessary expenditure and leave a substantial amount to be added to the reserves every year. The burden of indebtedness is found to weigh hard on the small holder with 5 acres and less. In our Province the average holding is reported to be 4.91 acres. As stated by Sir Hugh Hood himself, Land Mortgage Banks function for the benefit of the ryot and it is their primary duty to see that the burden that the ryot is called upon to bear is as light as possible.

The agriculturist is able to borrow from private parties at less than 6 per cent. which is out present lending rate. Some of our borrowers are clearing their loans by contracting new debts from individuals. Agricultural credit in our country has for a long time been in the hands of money-lenders with its inevitable evil consequences. Institutional credit has been introduced in order to free him not only from high rates but also from the other consequences of private credit. It should, therefore, be our aim to finance agriculture at rates lower than those offered by individuals in order to attract and keep the agriculturist within the fold of the co-operative institutions which have been started for his benefit. Statistics for the year 1941 collected in the U.S.A. revealed that the average rate of interest on farm mortgage loans by Commercial Banks was 5.55 per cent. by individuals 5.17 per cent. by insurance companies 4.46 per cent. while the rate on loans by Federal Land Banks was 4 per cent which again was reduced to 3½ per cent. by an Act of the Congress. If it is necessary in an advanced country like the U.S.A. to keep the lending rate of agricultural credit institutions at a comparatively lower level the need to keep the rate low is all the greater in our country where the money-lender has still a strangle hold over his victims.

Agriculture, being the basic industry of the Province, has a right to be maintained at a high level of efficiency with the whole-hearted support of the Government. Credit plays a dominant part in every industry and in agriculture its part is predominant. If in our country, agricultural industry has not been the success that it is in other countries, it is due among other reason, to want of a sound agricultural policy, including provision of cheap credit facilities. While other industries are able to borrow at 2½ per cent to 4 per cent, it is not right the agriculture should be made to pay much higher rates.

It is thus a recognised principle that agricultural credit should be made available at the lowest possible rate of interest, the State bearing the necessary financial responsibility to ensure the success of such a liberal policy. But unfortunately, in our province in spite of the fact that the Bank is borrowing at 3 per cent and is willing to advance loans at 5 per cent, the

Government do not permit it and insist upon the 3 per cent margin being maintained. It is highly desirable to re-examine old decision in the light of new facts. The financial position of the Bank is stronger to-day. Its owned capital is 9.4 per cent. of its borrowings. As already observed some of the agriculturists are repaying the loans by borrowing from individual money lenders, as they can get the loans cheaper and without delay, trouble and expense inevitable while borrowing from Land Mortgage Banks. This state of affairs, if continued, is bound to nullify the good work done by our banks in the last 15 years, and I most earnestly urge upon the Govenment to immediately re-examine the matter and permit a reduction in the margin from its present level of 3 per cent to its original level of 2 per cent.

It has been said that Land Mortgage Banks have concentrated their attention on redemption of prior debts to the exclusion of loans for productive purpose. Though the loans were issued for redemption of prior debts, some of them were originally incurred for productive purposes like improvement of land. From statistics collected, it is seen that out of Rs. 380 lakhs lent up to 31-12-43 to pay off prior debts, a sum of Rs. 17.4 lakhs only had been orginally borrowed for improvement of land. During the last two years, vigorous attempts were made to secure applications for land improvement loans. The primary banks have carried on propaganda in the villages advising agriculturists to take loans for improving their lands. The response, however, has not been encouraging. If the rate of interest is reduced we can expect a better response.

The great need for provision of irrigation facilities in dry areas cannot be over emphasised. In the more fortunate areas the main irrigation canals fed by rivers or tanks are provided by the Government and water is made available for irrigation at certain rates. In the less fortunate areas, where the only way of providing water for purposes of irrigation is the construction of wells, the agriculturist is left to make his own arrangements, Of course, through the Takkavi loans, the Government have been, to a small extent, financing ryots for constructing wells. When the ryot in the more fortunate area is provided with irrigation works, constructed at the cost of the Government, it is but reasonable, to expect them to extend similar help to the less fortunately placed. We have been anxious to lend moneys in dry areas for construction of wells for irrigation purposes, but have not been able to do much as the agriculturist is afraid to undertake such work, as it might end in his ruin, should the well prove a failure. It will not be asking too much of the Government to have a comprehensive plan to make subsoil water available for irrigation purposes. Government may give free use of the services of expert water diviners and engineers and the free use of power drills bearing also the charges of their working in deserving cases and thus help agriculturists to ascertain the possibilities of subsoil water before actually embarking on the construction of wells for irrigation purposes.

The Post-war Reconstruction Committee on Agriculture suggested that wherever possible, well digging should be accompanied by facilities for pumping by engines or by electric power. This is in line with the resolution passed at the last conference by which Government were requested to supply power to the agriculturists for pumping water for irrigation purposes. This does not seem to have received at the hands of the Government the attention it deserves.

I wish to emphasise that in the interests of the agricultural industry it is necessary that the Government should maintain a stable and remunerative price-level for the produce from the land. Otherwise, with the termination of the war, there is bound to be a great fall in the prices, bringing about great distress amongst the agriculturists of the province. They have hardly recovered from the evil effects of the last depression and it would be cruel to expose them to a spell of another depression even before they had time to recover. The fall in the prices of agricultural commodities is bound to affect adversely all other sections of the community as a agriculture is the back-bone of our country. Finally I wish to stress that the policy of Government helping the agriculturists in all possible ways should be considered not in terms of money spent or lost but in terms of life and death.

In my address last year to the 14th Conference of Land Mortgage Banks, I referred to the advantages of investing surplus principal collections in the bank's own business, instead of continuing to invest the amount in the Sinking Fund account. We have not received the Government's orders on the subject. In the meanwhile the large surplus collections received during the last year have been invested in Government securities. The position of the Sinking Funds at the end of the last co-operative year was that instead of a sum of Rs. 27.53 lakhs as required in the Trust Deed, actually a sum of Rs. 78.20 lakhs was invested. At least a part of this excess could with great advantage have been utilised in the Bank's own business. I trust Government will pass early orders on the subject.

Extracts from the Opening Speech delivered by Sir Norman Strathie, K.C.I.E., Adviser to His Excellency the Governor of Madras.

Ever since those early days, though I have never had any connection with the Central Land Mortgage Bank, nor with my other child, the South India Co-operative Insurance Society, *I* have watched their progress with pride and satisfaction. I know that this bank of yours is passing through difficult times at the moment, through shortage of loan applications and advance repayments. But I am not seriously distressed. Through the wise policy adopted in the past, the bank is in a very strong position, able to stand a good deal of buffetting yet. Even in a year of poor business such as you are now considering, the year 1943-44, it has been able to put Rs. 42,000 to statutory reserve and to pay the maximum dividend of 4 per cent. You need not complain. You were created to wipe out agricultural indebtedness. Theoretically, from the very start it was obvious that if the bank succeeded, it must die, and the quicker it succeeded, the sooner it would die. All that has happened is that other factors, *viz.*, the high prices obtained for agricultural produce are expediting the process of redemption It is by no means certain that these factors will continue indefinitely to operate with the same force. When they cease to operate, the banks' business will expand again. I would, therefore, advise that you can face the future with equanimity. There is no need yet to get unduly alarmed.

He has again urged, as was urged at this time last year, that the margin between the borrowing and lending rates should be reduced from 3 to 2 per cent. You know the position at present. The bank is borrowing at 3 per cent and lending at 6 per cent. Diwan Bahadur says that the agriculturist is now borrowing from private parties at less than 6 per cent and he wants to reduce the bank's lending rate. Frankly, I beg leave to doubt whether the agriculturists are really borrowing on any large scale at less than 6 per cent. I know that your President's statement is based on material collected by the Sub-Registrars attached to the primary banks. But subsequent detailed enquiry by the Registrar showed that material was not reliable. In 866 cases examined, 134 were stated to be of less than 6 per cent that is 15 per cent, of the cases examined, but of on these 131 it was found that in some cases, though 6 per cent., was shown in the bonds, there was an understanding that interest should be paid at 8½ per cent. In other cases, the creditors were insisting on execution of mortgages with possession or were leasing lands, calculating the lease amounts so as to get even 15 per cent. I personally feel quite sure that there are very few agriculturists getting loans nowdays at 6 per cent and that a reduction in the bank's rate to 5½ per cent would not result in my appreciable increase in loan applications. The present level of prices encourages repayment, rather than borrowing and no reduction in the bank's rate, within the range of practical politics, will alter that position.

The Dewan Bahadur has urged that in view of the bank's strong position, there is no need to maintain this ratio of difference. It is true that you have now an owned capital, *i.e.*, share capital plus reserves, amounting to Rs. 9.4 per cent of your borrowings. But you are still short of 10 per cent limit which the Reserve Bank of India suggested as the criterion of stability. It is doubtful whether in the immediate future you will be able to build up reserves at the same rate as in the past. I would, therefore, advise that it is very desirable to hold on to your present margin for a little time longer till you have reached the 10 per cent, recommended by the best experts we have,

Assuming that you do accept the position that your reserves must be build up a little more, I do not see how you can do it with a smaller margin, unless indeed the Government contribute more to the bank—a point with which I shall deal shortly. I see no opportunity for any great economy in staff or in working expenses. You might certainly reduce the dividends a little. The shareholders are lucky in getting 4 per cent on what is practically a guilt edged security. But this reduction would, by itself, not enable you to reduce the lending rate.

The Dewan Bahadur has referred to the need for a better supply of power drills to ascertain the possibilities of sub-soil water before ryots embark on the construction of wells. We have an Industrial Engineering branch of the Department of Industries and Commerce with this very object. Thousands of borings have been made all over the Presidency and advice is being given to agriculturists. Bore hole maps have been prepared for various districts and the results have been tabulated with the survey conducted by the Geological Department of the Government of India. We would gladly extend these facilities, but at present the number of boring sets is limited and there is a great demand for them to investigate schemes connected with the "Grow More Food" Campaign and the colonization proposals for demobilised soldiers. We are doing our best to increase the supplies of necessary equipment.

Reference has also been made to the desirability of increasing the facilities for electric pumping for irrigation. I can assure you all that the Chief Engineer for Electricity is fully aware of the need for this. He has done and is doing all he can but he is hampered by short supplies of plant and equipment. He has been receiving many applications especially since the price of draught bulls rose so high and he is doing his best to supply that. He has definitely stated that no one is refused electric supply if it can possibly be given.

Lastly, I would refer to the request that you should be given powers to invest advance collections on fresh loans instead of taking them to the sinking fund and investing them on Government securities earning a lower rate of interest. On this point, the Registrar has reported that there is likely to be little demand for such short term loans. The problem is not an easy one. The Government hope to be able to issue orders on your request shortly.

Speech delivered by Mr. S. V. Ramamurthi, I.C.S., C.I.E., Adviser to His Excellency the Governor of Madras, on the occasion of the unveiling of the portrait of the late Hon'ble Mr. V. Ramadas Pantulu on 10-2-45.

It is kind of the Co-operative Central Land Mortgage Bank, Madras, to have invited me to unveil the portrait of the late Mr. V. Ramadas Pantulu. For the greater part of the last quarter of a century, Mr. Ramadas dominated co-operation in this Presidency, both as President of the Provincial Co-operative Union and the Provincial Co-operative Bank. He was the acknowledged unofficial leader of Co-operation in this Province. The progress of the movement bore largely his impress. He became further the recognised leader in all India Co-operation, loved and revered outside Madras under the generic title of Mr. Pantulu. His guidance was sought by many a Province and State. He edited the Indian Co-operative Review. His eminence in India was acknowledged in International Co-operation. Truly Mr. Ramadas has won his title as a great Co-operator of India.

The co-operative movement in Madras owes much to lawyer-co-operators. I would mention four such leaders—Mr, Ramadas and Mr. M. Ramachandra Rao from the north and Mr. T. Ramalingam and your own Chairman Mr. C. S. Rathnasabapathy from the south. It seems to me natural that lawyers should develop as co-operators. Law and co-operation are akin to each other and correct each other. Both seek a balanced life. Their appeal is universal and not partisan. Law works through the cold intellect. Co-operation works through the warm emotions. Law is static. Co-operation is dynamic. Law and co-operation have the same vision of society. But to this vision, Co-operation adds faith and action.

Co-operation indeed has the union of the three yogas—Jnana, Bhakthi and Karma, Vision, Faith and action. Lawyers who feel dissatisfied with the cold life of law find satisfaction for both head and heart in co-operation. Hence perhaps we can understand the almost religious fervour which we find in the true co-operators. Such fervour was certainly found in Mr. Ramadas. He gave up his lucrative practice in law for his co-operative career. He gave up even political leadership and while he remained a congressmen by persuation, he was a co-operator in active life.

How do men become leaders? Leadership grows in two ways—from within and from without. The former is of the nature of immanence, the latter of transcendence. The sanctioned for the former is truth; that for the latter, power—be it of position or personality. In India, the traditional growth of leadership is of the former variety. Leaders lead because of their quality, their nature, the truth that is in them. They express some of the contents of our own selves. Each of us is a world of instincts and concepts, memories and longings. A Leader incarnates some common measure of ourselves. What is it in India that Mr. Ramadas as a co-operative leader incarnated ?.

Co-operation needs two to co-operate. Yet the two operate as if they were one. Co-operation has thus a dual nature—diversity and unity. This duality is at the very basis of human life. Both in body and in mind, men have two sides. The duality of human nature finds its reconciliation in co-operation—of man with man, of all men with each man. Like co-operation, democracy too have a dual nature. Democracy is not merely the freedom of each man but even more, it is the reconciliation of the freedom of each with the freedom of all. Each and all are two sides of the same concept. In the union of co-operation and democracy, we shall perhaps find an idealogy which suits the Indian genius more than individualism or communism. India needs a modern form for its ancient concept of Dharma which is neither individual right nor social duty but a synthesis of both. In the progress of co-operation and democracy in India, I see the reincarnation of an Indian concept in a modern European form. It seems to me that Mr. Ramadas has won his place as a great leader because he was a pioneer of this reincarnation.

It has often been said of the co-operative movement in India that it is largely a credit movement. But credit societies have been the nurseries for raising co-operative seedlings. Co-operation bids fair to cover broad fields of economic life in India. The Government of Madras have adopted with success the co-operative principle for land tenure. Land is assigned to co-operative societies, so that its members who retain their rights while they function as members of the society, get a right to the use of the land but not a right to the land itself. Function thus takes the place of status. Co-operation has been under the influence of War been applied to procurement of food. Co-operative Marketing Societies have begun to work with success and on a large scale in several districts. In distribution, the development of co-operative stores societies have been remarkably rapid in the last two years. In industry, co-operation has been applied to cottage industries. But it bids fair to be applied to large industries too, where public control and private enterprise may function together to mutual advantage.

It is thus a large visit which co-operation in which Mr. Ramadas was a pioneer and great leader opens up for India. With conflicting ideologies taking up a militant stand in the world, it needs courage and faith on the part of India to pin its hopes to an ideology true to its own genius. Men who establish this faith in modern forms are among the makers of an India, old yet new.

In Mr. Ramadas, Madras and India generally have had the good fortune to find such a leader. May his portrait serve long as an inspiration to co-operators.

The following resolutions, among others, were passed at the Conference:

"This conference is of opinion that in view of the easy availability of money in rural parts at cheaper rates of interest and on easier terms, the rate of interest on loans to the ultimate borrowers should be reduced to 5 per cent".

"This conference resolves that the cost incurred on the Government staff employed for Land Mortgage Banks' work should not be collected from the Central Land Mortgage Bank or the Primary Land Mortgage Banks, as it is a legitimate charge on the Provincial revenues".

"This conference recommends that second loans may be freely given to members on additional security for all purposes, provided the security offered, valued on the basis of prewar values, and repaying capacity, are adequate. Second loans may also be given to the extent of repayments made by borrowers on the original hypotheca, obtaining encumbrance certificates as is done in Bombay and Central Provinces".

"Resolved that the Government be requested to compel owners of unsurveyed estates to have them surveyed to enable tenants to obtain loans from Land Mortgage Banks".

"The Government may be requested to register the mortgage bonds and assignment deeds free of cost for loans of Rs. 2,000 and below, as is allowed for issue of encumbrance certificates".

"Resolved that in areas where Sub Registry offices have been burnt and records destroyed and where it is not possible to obtain prior encumbrance certificates, the Government should help the agriculturist by undertaking legislation on the lines of the Torrens system recommended by the Committee on Co-operation".

"Refund of share capital in primary banks—whether the existing provision to refund is satisfactory in as much as the capital invested in the Central Land Mortgage Bank is non-withdrawable". "Referred to the Board".

"Resolved that Land Mortgage Banks may be permitted to undertake business allied and helpful to agriculturists and thereby increase their business".

NEWS AND NOTES

The Government of India have set up a committee to draw up a plan for the future development of the co-operative movement in pursuance of the recommendation of the fourteenth conference of the Registrars of Co-operative Societies that the development of co-operative movement should be properly planned so as to form an integral part of the plans formulated for the economic development of the country. The committee will also include in its scope of work questions relating to the resettlement of demobilised soldiers. The personnel of the committee is as follows: Mr. R. G. Saraiya (Chairman), Rao Bahadur J. C. Ryan, Sir Madhao Rao, G. Deshpande, Mr. A. B. N. Sinha, Mr. M. R. Bhide, Mr. S. S. Hasan, Mr. S. M. Ikram, Diwan Bahadur Hiralal L. Kaji, the Director, Re-settlement Directorate, G. H. Q., Sir Abdul Halim Ghuznavi and Mr. Sher Jang Khan (members); Mr. Sher Jang Khan, Officer-in-charge, Agricultural Credit Section, Reserve Bank of India, Bombay, will act as Secretary, and the office of the Committee will be located at the Reserve Bank of India, Bombay.

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The Government of Madras have appointed a committee consisting of Rao Sahib Dr. B.V. Narayanaswamy Naidu. M.A., Ph.D., B. Com., Bar-at-Law, Sri T.A. Ramalingam Chettiar, and Sri R. Suryanarayana Rao among others to enquire into the state of the co-operative movement in Rayalaseema and suggest suitable steps to ensure its steady progress on right lines. The committee have issued an exhaustive questionnaire; the terms of reference are wider than those ordinarily referred to such committees in view of the peculiar conditions of the tract and the desire to bring about conditions favourable for the proper utilisation of the various measures of economic rehabilitation proposed and secure maximum benefit.

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