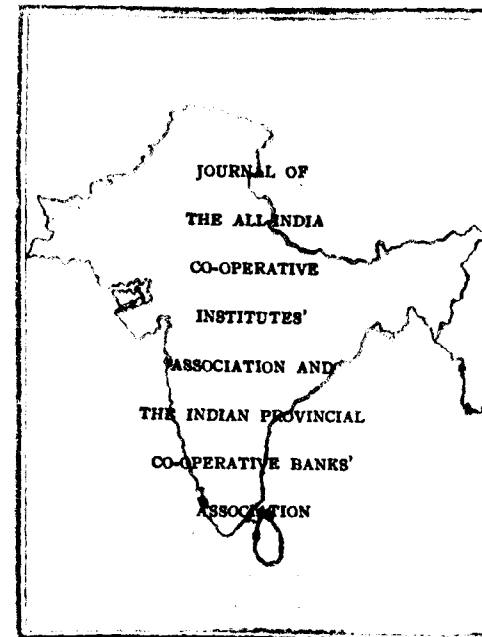


Vol. XII No. 1

JANUARY—MARCH,

The

INDIAN CO-OPERATIVE REVIEW



Published Quarterly

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THE INDIAN CO-OPERATIVE REVIEW

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EDITORIAL NOTES

A C. W. S. FOR MADRAS

The representatives of the District Co-operative Wholesale Stores in the Madras Presidency and the Triplicane Urban Co-operative Society who were in conference at Madras on the 9th and 10th February, 1946, after mature consideration decided to start a Provincial Trading Organisation with a view to centralise and facilitate the purchases of all the Wholesales and obtain supplies from the wholesale suppliers or manufacturing firms in other provinces and countries on better terms. The main consideration which resulted in the decision to start the central agency is that "The twentyone central co-operative stores in the Province do not at present have proper agencies for the purchase of articles from outside the province and India such as pulses, wheat and wheat products, millets, condiments, Burma rice and consumer goods. On the other hand private wholesalers in the districts have their own agents at several important trading centres like Bombay, Calcutta, Karachi, Lahore and in Burma and other foreign countries. At present the central stores have to depend on these private merchants for getting their requirements. They are thereby faced with the double difficulty of not getting all that they want and of having to pay a higher cost than would be the case if they were to get them direct. Further it is not economical for each central store to send its agents to trading centres for purchasing its requirements."

While the utility of a Central Agency to help and promote the trading activities of the various District Co-operative Wholesale Stores in the Province is beyond dispute, we however feel a doubt whether the present times are propitious to start such an agency during these days of rationing of foodstuffs and with restrictions on the movement of food grains from one province to another and even from one district to another and when the Governments of the provinces are contemplating to launch on schemes of purchasing and distributing the food grains themselves. We find that 87 per cent of the trading transactions of the District Wholesales relate to commodities whose prices are controlled by Government and whose allotment to the various District Wholesales is by quota system, while 95 per cent of the turnover of the District Wholesales represent sales of food grains and provisions. With regard to this 87 per cent or more the Central Agency can do very little to help the District Wholesales except to cut into their legitimate profits, by charging 2 per cent as its handling charges. In our opinion the immediate need seems to be strengthening the

weak District Wholesales and make them fit to handle the distribution work which the popular Governments hope to assign to them in the districts more efficiently, so that when normal trade conditions reappear no District Wholesale will be felt as a weak link in the chain of the distributing agencies and the Provincial Wholesale can serve effectively to the lasting benefit of both the consumers and producers.

However, it is gratifying to note that the bye-laws have been framed and approved by the Registrar of Co-operative Societies. According to the draft bye-laws the objects of the Society are :

- (a) to purchase, import, process and produce commodities required by its affiliated societies for sale or distribution among them ;
- (b) to carry on in common for the benefit of its affiliated societies the trade of general wholesalers on co-operative lines ;
- (c) to act as agent for sale or distribution of manufactured or other commodities on a commission basis ;
- (d) to build or own or hire godowns and warehouses ;
- (e) to erect or own processing plants and other machinery and appliances in and outside the province for carrying out its objects ;
- (f) to recruit staff for affiliated societies, conduct training classes for employees for co-operative stores in accountancy, salesmanship, etc. ;
- (g) to convene provincial or regional business conferences of co-operative stores ;
- (h) to publish periodical market intelligence and other bulletins on consumers' co-operation ; and
- (i) to do all such other things as are incidental or conducive to the attainment of the above objects.

The share capital of the Society is fixed at Rs. 10 lakhs divided into 10,000 shares of Rs. 100 each payable 50 per cent on allotment and the balance in one or two instalments as may be decided. The liability of members is limited to the share capital subscribed. Membership is thrown open to the District Co-operative Wholesale Stores, T.U.C.S. and to individuals subject to the condition that the number of individuals at any time shall not exceed half the number of member institutions. The borrowings of the Society are fixed at 10 times the share capital paid up plus reserve fund. The trading policy of the Society is embodied in the following two bye-laws :

"The Society shall carry on wholesale trade mainly as an agent of its affiliated societies on indents or orders received from them, from time to time, or in anticipation of indents from them. It shall sell commodities to its affiliated societies for the present at a cost price plus such rate of commission on the sales as may be fixed from time to time by the Business Committee. The maximum rate of commission shall not generally exceed 2 per cent.

"It shall also be competent to the Society to make out-right purchases on its own account whenever necessary or desirable, in anticipation of sale to its affiliated societies subject to the condition that the funds invested in such purchases shall not ordinarily exceed three times its paid up share capital plus reserve fund, and subject also to such other directions as the Board of Directors may, from time to time, choose to lay down. In respect of goods purchased out-right the Society may ordinarily sell them to the affiliated societies at wholesale market prices. In exceptional cases it shall be open to the Society to sell to others goods purchased out-right for reasons to be recorded in writing."

It will be seen that the age old principles of sound business such as sale for ready money have been rightly embodied in the bye-laws and we are sure the Society has a successful field of business before it. Taking up the business in all the commodities required by the District Wholesales so far as the agency part of it goes is well and good since it involves no risk. But so far as the out-right purchases of the Society are concerned the advisability of restricting the purchases to a few defined commodities in which the quantum of risk or sustaining losses, if any, will be as little as possible, to begin with particularly in view of the present unsteady market conditions and lack of enough previous business experience on the part of the Society is a point that deserves careful consideration of the Management. We are constrained to note that no provision has been made in the bye-laws which ensures the exclusive business dealings of the member institutions with the Society in those articles which it supplies. It is agreed on all hands that a wholesale agency business cannot be carried on with thorough success if member societies are allowed to go and come to the Society when they think proper. That would amount to liberty incompatible with and greatly jeopardise the existence of the Society even. All institutions which join the Society as members should pledge themselves to exclusively deal with it and must be prepared to make some sacrifice, if need be. It should be the sole aim and object of the District Wholesales to secure all their requirements which can be supplied by the Society only through it and there should not be any violation of this salutary principle if a successful functioning of the Society is to be vouchsafed. Instances are not rare to cite where consumers' co-operatives failed, be it a primary or a Wholesale, when the members did not remain loyal. Further, provision for the allocation of a portion of the profits for distribution to member institutions as rebate *pro rata* on the purchases made by them—a principle

discovered by the Pioneers to further ensure the loyalty of members—is not made in the bye-laws. It is said that “as the business of the Provincial Society will in the initial stages consist mostly of trade on a commission basis, the Committee thought it unnecessary at least for some years to come to make provision for payment of rebate on sales.” However, this is a deviation from the orthodox principles of consumers’ co-operation, and the argument advanced in favour of it does not appeal to us since the profits that are expected to accrue will be only from out of the price paid for the most part by the member institutions upon whose loyalty alone the Society seeks to rest. Moreover, “Experience has shown that in any country where a co-operative was to be established the best that man could do was to copy the Rochdale example, whole and simple.”

We wish to draw the attention of readers also to the proportion of membership of individuals which is now proposed to be half that of the number of institutions. Since the Society is mainly a business organisation designed to cater to the needs of wholesale co-operative stores we are of opinion that the membership should be restricted to institutions. If, however, it is felt that co-operation of certain individual co-operators is necessary in the initial stages, the number of individual members shall in no case exceed $\frac{1}{2}$ of the number of institutions.

Last but not the least is the point of linking up the activities of the consumers’ organisations with those of producers’ organisations. Now that the starting of a Provincial Institution to help the successful functioning of the net-work of distributive institutions in the Province is contemplated, we believe that the sponsors of this move have also contemplated to co-ordinate the activities of the Provincial Marketing Society (central agency of the producers’ organisations) with those of the proposed Provincial Wholesale Society. In this behalf we desire to suggest that mutual representation on the Boards of Management of these two Apex Institutions or the constitution of a joint Board may be provided by amending the bye-laws if necessary so that there can be close co-ordination of the activities of the producers’ as well as the consumers’ organisations.

NEED FOR RELAXATION OF DEPARTMENTAL CONTROL

Co-operation is conceived to be a universal social idea and an international movement aiming at economic democracy. It has spread gradually throughout the world and attained various degrees of success in various countries according to the peculiar conditions obtaining and the spheres of economic activity to which it is harnessed. In far advanced countries like Great Britain where the movement is a century and over old it claims to serve about 70 per cent of the population. Even in countries where the movement is of recent origin the movement has made satisfactory progress. If the membership of the movement—from which alone its strength can be measured—in some such countries is considered in relation to its population together with the period of growth, it will be seen that in China where the

movement is considered to be the youngest in Asia, being only 25 years old and yet has shown the most rapid growth, that about 15,841,730 (1944) of a total population of about 424 million are members of the movement. In Ceylon where the movement was inaugurated about 88 years back over 1.1 million (1945) of a total population of about 5.8 million have come into its fold. And in Sweden the movement which was started some 50 years ago claims a membership of 2.4 million (1943) out of a total population of 6.4 million. But what of India? Forty years and more have elapsed since the movement was launched in India under the aegis of the State Acts—Central, Provincial and State—have been passed and permanent departments have been established with an army of officers for the promotion, registration and supervision of the societies constituted under the Law. After all this is done what are the achievements in India in these forty long years? The Indian Co-operative Movement has been able to attract into its fold only 6.7 million (1943) of a total population of 389 million of India. The Comparative figures for the few other countries enumerated above reveal how poor is the progress made in our country which is but a sad compliment to the herculean efforts of coupled with the gigantic expenditure on those who have been policing and regimenting the movement all along. Is it not time enough when one should pause and look back for the reason why the movement has not developed in India, in spite of the much talked of State assistance, supervision, inspection and control, on anything like the scale of its development in other countries?

Time and again it has been brought into the limelight by leading co-operators that the existing Law which seeks to govern the co-operative societies does not provide conducive environment for the healthy development of the movement which is essentially democratic in character. The ideals with which the framers of the Co-operative Societies Acts of 1904 and 1912 started *viz.*, progressive democratisation of the movement so as to make co-operative institutions popular in the sense of their being institutions of the people, for the people and run by the people, have been receding. The universally accepted principle that “government assistance should be to evoke and supplement, but on no account to provide a substitute for voluntary effort” does not appear to find favour. The Provincial co-operative Societies Acts which replaced the all-India Act of 1912 have vied with each other in strengthening official control over and stifling the growth of the voluntary movement, and each Act which followed the other improved upon its predecessor. The Statutory functions of the Registrar of registration, inspection, audit and liquidation, if they are exercised in accordance with the intentions of the framers of the Acts are not only unexceptionable but also helpful. But unfortunately as a natural consequence of the arbitrary nature of the use of power, the department in the exercise of each of the statutory functions, consciously or unconsciously, willingly or unwillingly, tends not only to strengthen its hold by executive rule making power but also to widen the sphere of its control over the institutions. And it is no wonder if the movement is robbed of its

popular character and those for whose benefit the movement is intended have lost initiative and sense of responsibility. Forty years of the controlled regime over an essentially democratic and popular movement and the failure to achieve the economic regeneration of the masses to any appreciable extent or in any one direction should be enough evidence to suggest that the solution lay, not in the further tightening of the control, and in the appointment of ever more and more officials, but in the decontrolling of the movement so that with the absence of unnecessary and perhaps, vexatious interference, a greater sense of responsibility would be evoked amongst the members who by co-ordinated efforts and guidance from their own federations would secure better results. It passes beyond the comprehension of one why the Government do not, even at this hour, take cognisance of the general consensus and suitably amend the provisions of the existing Law that fetter the progress if their intention is to foster the healthy growth of the Indian Co-operative Movement as often declared. Now that popular Ministries have stepped into office in almost all the provinces we hope it is not too much to expect the Governments to declare a policy of progressive relaxation of departmental control over the Movement. Then alone the definite roles that have been assigned to the movement in each of the provinces and States in their respective post-war reconstruction schemes can be expected to be fulfilled. An unbridled movement will be an asset to the Government while a controlled one remains a dead weight.

FUTURE OF LAND MORTGAGE BANKS

From the accounts of the position of co-operative land mortgage banking in various parts of India published elsewhere in this issue it appears that their future outlook is uncertain, except perhaps in Madras and Mysore. This form of credit organization continues to make headway in these two parts of the country. In Madras, the Central Land Mortgage Bank put on the market, during the year, a new series of debentures. Elsewhere in India the work of land mortgage banks seems almost to have come to a standstill. The pressure of old debts, apparently, is not as onerous as it was during the days of depression, and agriculturists, even of moderate means, have apparently been able, out of their increased income, to meet part of their obligations. Hence the lack of a demand for funds for repayment of old debts.

To provide funds for this purpose is, undoubtedly, not the sole object of land mortgage credit. But that has so far been the impression prevalent among the intending borrowers, if not among the lenders. Unfortunately, by their general policy Government have done little to correct this misapprehension. In Bombay, for instance, the authorities of the Provincial Land Mortgage Bank have received no encouragement from Government in their efforts to develop on properly organized lines the work of financing of land improvement. In fact, the Bank has been informed that Government

themselves are willing to finance approved schemes of land improvement, presumably through the machinery provided by the Land Improvements Loans Act. If this is the attitude of other Governments the future of co-operative land mortgage banking is gloomy indeed; because no sound structure of credit can be built up if the activities are to be confined permanently to the taking over of prior debts incurred at higher rates of interest. There must be a limit to the process of such transfer, especially after debt relief legislation becomes fully operative throughout the country and the control over usury is enforced more rigorously than has been the case in the past.

Some Governments seem to be unaware of the fact that in most parts of the world a special machinery has been devised for long term credit based on the security of mortgage of land—mainly if not solely for the purpose of financing land improvement, both of the individualistic and of the co-operative type. This should also be recognized as the proper scope of land mortgage credit in India, and Government should utilise this machinery in the execution of their planned programme of land improvement instead of attempting to lend direct to individual agriculturists. Unless this is done the machinery for land mortgage credit set up in several parts of India may have to be scrapped.

WHAT IS CO-OPERATIVE FARMING?

We find that Co-operative Farming figures prominently among the schemes for the post-war development of agriculture in India. But all who speak of Co-operative Farming do not mean the same thing. This is not, however, peculiar to our country; we find the term used in a variety of senses in foreign countries too. Some apply the term to any kind of Co-operation carried on by farmers—e.g., to credit, supply of agricultural requirements, processing or sale of produce—even if it has no concern with farming as such by members individually or jointly. It is often applied to joint acquisition of land or leasing of land with a view to subdivide it and allot different pieces to different members for individual cultivation as tenants or potential peasant proprietors. It is called Co-operative Farming even though its aim is to help each member achieve an independent status with no obligation to come together and carry on part or whole of the cultivation of land jointly. At the other extreme Co-operative Farming is sometimes confused with Collective Farming of the Soviet type, which does not permit the members to hold any private property in land except a kitchen garden attached to the house, with one or two cows, some sheep and poultry. There is little that is voluntary in this system of farming; individual freedom of action is restricted. Cropping is according to a plan rigidly enforced from above. All this may be necessary in the initial stages of advance of a country situated like Russia, or India. But let us not call it Co-operative Farming. We find this term applied loosely to societies organised for land colonisation in Madras—though there is little of joint

farming done by settlers. It will help clarification of ideas, and proper definition of the term Co-operative Farming, if Co-operators who have studied and thought about the subject, and particularly those who have had any experience of the working of any type of societies, doing or helping Co-operative Farming in any manner will kindly send their contributions for publication in the next issue of this Review.

THE LATE PROF. V. G. KALE

In the demise of Prof. Vaman Govind Kale India has lost a Great Economist and the Indian Co-operative Movement an ardent Co-operator who had been serving it for over 25 years.

As an economist Prof. Kale was famous throughout India. He strived to nationalise the Indian economic thought. Prof. Kale was closely associated with the Co-operative Movement in the Bombay Province almost from its start and evinced great interest in its promotion. For several years he was a director of the Poona Central Co-operative Bank and of the Bombay Provincial Co-operative Bank. He was Vice-President of the Bombay Provincial Co-operative Institute and Chairman of the Central Education Board of the Institute. He edited the Bombay Co-operative Quarterly. He served on many a committee and conducted many an enquiry. He was a member of of the Standing Committee of the All-India Co-operative Institutes' Association and was a prominent personality at its meetings. "His contribution to co-operative literature, both English and Marathi, remains more or less unsurpassed.

With Prof. Kale Co-operation was rather a faith than a system of economic emancipation. In it, he believed strongly, that the key to the solution of the many socio-economic problems that confront the country, lay. It is a misfortune that at a time when India is passing through critical times,—economically, politically and socially—and the co-operative movement is looked upon as the most suitable agency to carry out the economic and social reconstruction programmes of the Government we should have lost the guidance of an expert economist and an eminent co-operator like Prof. Kale.

MORTGAGE BANKS IN THE PUNJAB

BY

KHAN MOHAMMAD BASHIR AHMAD KHAN, M.A., LL.B., M.R.A.S. (LONDON),
Honorary Secretary, All-India Co-operative Institutes' Association.

Although the first Co-operative Land Mortgage Bank in India was organised in the Punjab at Jhang in 1920, the history of mortgage banks in this province is chequered and does not make a pleasant reading. Twelve mortgage banks were organised in the Punjab from 1920 to 1929. The following statement shows the names of the banks with their years of registration :

Name of the Bank.	Year of Registration.
1. Jhang	1920
2. Mianwali	1924
3. Sonapat	1925
4. Gurgaon	1926
5. Lyallpur	1926
6. Tobe Tek Singh	1926
7. Samundri	1926
8. Sheikhpura	1926
9. Gujranwala	1927
10. Shahpur	1927
11. Naraingarh	1928
12. Bhalwal	1929

Objects :—According to the model by-laws the objects of a co-operative land mortgage bank are :

1. To promote the economic interests of its members and more particularly to arrange—

(1) the creation of funds to be lent to its members on mortgage security for—

- (a) the redemption of mortgages ;
- (b) the improvement of land and of methods of cultivation ;
- (c) the liquidation of old debts ;

(2) other measures designed to encourage in the members the spirit and practice of thrift, mutual help and self-help.

Pre-war Position :—The Jhang Mortgage Bank worked successfully for a considerable number of years in its earliest stages. But with the economic depression in 1929 there was a wholesale default by the debtors in the repayment of loans both in principal and interest. This was taken as a signal for stopping the expansion of mortgage banks. No bank was registered after this year.

After 1929 the only business of these mortgage banks, with rare exceptions, has been the recovery of loans already advanced. Practically no fresh loans were advanced after the onslaught of world-wide depression. This was the period in which the help of the mortgage banks was mostly needed by the agriculturists, but they failed to advance a helping hand in this critical time. An impression gained ground that mortgage banks could not succeed in this province on account of the Land Alienation Act (1910) which placed restrictions on the free transfer of land.

It may be stated here that, strangely enough, this was the period when mortgage banks began to take root in other provinces and States, particularly in Madras. They made great strides in these years in Madras and their successful working convinced co-operators all over the country that given favourable conditions co-operative mortgage banks could play a great and conspicuous part in the reconstruction of Indian rural economy.

The ten years from 1929 to 1939 were the most difficult years for mortgage banks in the Punjab. The prices of agricultural commodities were very low and the debtors could not make their both ends meet and thus failed to honour their obligations to the banks. It was generally believed that this default was wilful and the moral obligations about the repayment of debt had disappeared in the rural areas.

Position During War-Time :—But the improvement of prices during the war of 1939-45 and with it the unprecedented recoveries in mortgage banks and credit societies gave a lie direct to this wrong but widely held belief. The repayment of even time barred loans demonstrated the fact that the Indian agriculturist, to whatever class or community he may belong, considers it his moral and religious duty to clear his debt provided he has the means to do so. His default is often beyond his control. There are, of course, always some wilful defaulters here and there. At one time it was taken for granted that there will be heavy deficits in the mortgage banks. The recoveries effected during the war years as shown below and a careful examination of the position of each bank shows that the assets in almost all the banks are greater than liabilities. Thus the danger of heavy losses in these banks has practically disappeared.

On the eve of World-War II in 1939, there were 10 mortgage banks in the Punjab; two banks at Gurgaon and Sonapat were under liquidation. The total working capital of these banks which stood at Rs. 22.86 lakhs in 1929, declined to Rs. 17.10 lakhs in 1936-37, to Rs. 14.10 lakhs in 1937-38, to Rs. 13.40 lakhs in 1938-39 and to Rs. 12.68 lakhs in 1941. On the 31st July 1943 the working capital decreased to Rs. 7.48 lakhs. Loans, which amounted to Rs. 10.11 lakhs in 1941 stood at Rs. 5.75 lakhs in 1943. The working capital went down by Rs. 2.5 lakhs in 1943 as compared with 1942 and the amount of loan decreased by nearly Rs. 3.5 lakhs.

Only two loans were advanced in 1939, one for Rs. 8,000 in Gujranwala and the other for Rs. 300 in Naraingarh. The Registrar in his annual administration report for the year 1938-39 stated "All banks except those at Gujranwala and Bhalwala are really under voluntary liquidation."

The amount recovered in 1939 was Rs. 1.28 lakhs as against Rs. 1.80 lakhs in 1938. Of this Rs. 1.08 lakhs was paid from annual income, Rs. 4 lakhs by mortgage of land and Rs. 0.6 lakhs by sale of land. Execution was started in 190 cases for Rs. 3.18 lakhs. Recovery was Rs. 34,451 at a cost of Rs. 2,657 in 95 cases.

Present Position :—The following account given by the Registrar, Co-operative Societies, the Punjab in his interesting and instructive report for the period from 1-8-1939 to 31-7-1944 details the position of the mortgage banks in the Province :—

"There are 9 registered mortgage banks while those at Gurgaon, Sonapat and Jhang are under liquidation. The bank at Jhang was brought under liquidation during the period under report. The following figures show the position of these banks in 1938-39 and 1943-44 :—

	1938-39 Rs. in lakhs.	1943-44 Rs. in lakhs.
Working Capital	... 13.40	4.58
This is made up as follows :—		
(i) Share Capital	94	.72
(ii) Reserve Fund	94	.66
(iii) Loans from :—		
(a) Punjab Provincial Co-operative Bank...	13.12	4.24
(b) Punjab Co-operative Union	40	.25
(c) Government direct	37	Nil

Working capital, share capital and reserve fund have all decreased as a result of repayment of loans, termination of membership and writing off some debts. Advantage has been taken of fair crops and high prices during the period under report to recover loans. The amount due from members at the end of 1943-44 was Rs. 3,39,192. As a result of large recoveries the profits in 1943-44 were Rs. 75,020; but this does not correctly represent the position as most of these banks are still in a bad way. The banks at Samundri and Toba Tek Singh have cleared the Punjab Provincial Bank's loans and are about to be closed down. Only the bank at Gujranwala has continued to work satisfactorily but even that will have to be closed down as soon as the loans are recovered. The Punjab Provincial Co-operative Bank is now paying the salaries of one Inspector and four Sub-Inspectors for recoveries in these banks subject to the condition that certain minimum amounts are repaid by them every year.

The question of mortgage banking has been discussed at length in Chapter IX of Mr. Wace's report and Government have decided that the matter should be taken up with the new Co-operative Societies draft bill. The present policy however is to cancel their registration as soon as existing loans are recovered. It is felt that under the existing law there is no future for mortgage banks in the Punjab."

In 1944 the 9 mortgage banks had a membership of 3,249 individuals and 177 societies. Their working capital was Rs. 4,52,630.

A brief description of the working of some of the land mortgage banks will illustrate their present position.

THE JHANG MORTGAGE BANK, LTD.

The Jhang Mortgage Bank, the first of its kind in India, was registered in June, 1920. After working for 24 years it was brought under liquidation in 1944. Thus this experimental bank in India terminated its life. Enquiry under section 35 of the Co-operative Societies' Act II of 1912 into the affairs and financial conditions of the Bank was conducted in 1943 with a view to cancel its registration. The Bank ceased on 1-5-44. A special Inspector, Mortgage Banks was appointed as its liquidator with the assistance of a special Sub-Inspector who was previously its manager. The Bank was indebted in 1944 to the extent of Rs. 45,000 in principal to the Provincial Co-operative Bank, Lahore, while Rs. 92,808 both in principal and interest were recoverable from 40 debtors. Recoveries in 1944 amounted to Rs. 10,642 in all against Rs. 62,440 in 1943. The main reason for fall is the wilful default on the part of some big debtors. Their defiant attitude has involved the Bank in litigation. An unfortunate event occurred in connection with this Bank immediately after its registration was cancelled. On 2-5-44 the office of the Mortgage Bank, which was located in the Central Co-operative Bank building, was set on fire and as a result almost all the record of the Mortgage Bank was damaged. The record was prepared afresh in some cases. It is stated that ultimately no loss is expected to the Bank.

The Bank had 31 debtors in 1945 as against 40 in 1944. Last year 9 debtors cleared their entire dues. Recoveries in 1945 amounted to Rs. 6,063 in all i.e. Rs. 5,496 principal and Rs. 522 interest and Rs. 45 lost. The percentage works out to 9.7 against 9.2 of last year. Litigation is proceeding in the case of a big loan of Rs. 35,786 which is to be recovered from an Estate under Court of Wards. The eventful career of this oldest and much advertised Bank ended ignobly. It failed stupendously.

MORTGAGE BANKS IN LYALLPUR DISTRICT

There are three registered Mortgage Banks in Lyallpur.—(1) Lyallpur, (2) Samundri and (3) Lyallpur. It is stated that "under the existing laws of the land, banks of this kind cannot be successful. All the banks are really under voluntary liquidation. No fresh loan has been advanced

and old loans are being collected through persuasion, coercion and conciliation." At the beginning of the year (on 1st August, 1944) Rs. 1,75,268 principal were outstanding. Rs. 58,933 against Rs. 1,11,198 of last year have been collected leaving Rs. 1,17,154 outstanding at the close of the year (31st July, 1945). The percentage of recovery is 33.

At the beginning of the year the arrears of interest stood at Rs. 90,188. Rs. 32,922 against Rs. 82,881 of last year were collected leaving Rs. 66,262 in arrears at the close of the year.

The amounts collected during the year are smaller as the easier cases have been cleared. Much litigation is going on in Lyallpur Bank. The debtors resist to make the payments and some cases have been sent to High Court. The outstanding dues are Rs. 80,273 principal and Rs. 32,215 interest. This bank has taken possession of land in 80 cases involving Rs. 56,325 principal and Rs. 18,414 interest; total Rs. 74,739.

It is considered to be a deficit bank and the amount of deficit is Rs. 32,736 in terms of principal and Rs. 3,800 in terms of principal and interest taken collectively.

Along with coercion 4 cases were compromised during the year. Rs. 13,780 were collected at a loss of Rs. 4,941. The cases were compromised with the consent of the Provincial Bank and approval of the Deputy Registrar. Samundri Bank has repaid the entire Provincial Bank loan.

TOBA TEK SINGH MORTGAGE BANK, LTD.

There is one Mortgage Bank working in Toba Tek Singh tahsil of Lyallpur District. It has got limited liability. The following facts and figures will speak of the progress achieved by it during the last two years :—

Particulars.	1942-43	1943-44
No. of members	...	718
Working Capital	...	Rs. 86,287
Owned Funds	...	Rs. 34,615
Percentage of owned funds to Working Capital	...	40.1
Amount on loan at the close of the year	...	Rs. 84,208
Loans advanced	...	...
Principal recovered	...	Rs. 48,587
Percentage of recoveries	...	36.8
Interest recovered	...	Rs. 44,934
Interest recovered in terms of months	...	91½ months
Total recovery	...	Rs. 93,521

Particulars.	1942-43	1943-44
Overdue interest ...	Rs. 76,445	Rs. 38,950
No. of months to which overdue interest represents ...	156	184
Principal repaid to P.B. ...	Rs. 94,291	Rs. 51,614
Percentage of repayment ...	64.6	100
Number of debtors ...	65	35
Number of defaulters ...	11	2
Average lease money ...	Rs. 548	Rs. 1,028
Profit or loss	Surplus Rs. 31,832	Surplus Rs. 47,372
	Principal. Rs.	Interest. Rs.
Loans :—		Total. Rs.
(i) Amount on loan at the beginning of the year ...	88,446	1,59,891
(ii) Loan at the close of the year ...	47,372	86,322

Recoveries :—

Particulars.	1942-43.		1943-44.	
	Principal. Rs.	Interest. Rs.	Principal. Rs.	Interest. Rs.
(a) Demand ...	48,745	76,445	39,068	3,129
(b) Recoveries ...	48,587	44,934	37,960	37,798
(c) Overdues ...	3,751	76,445	20,944	38,950
(d) Number of defaulters ...		11		2
(a) The Bank has taken possession of the land of one debtor through the court. Area taken is 329 <i>Kanals</i> 15 <i>Marlas</i> and the amount involved is Rs. 922.				
(b) Total amount of owned funds :—				
1. Reserve Fund ...			Rs.	
2. Other Funds ...			12,984	
3. Profits ...			6,909	
			32,860	
			Total ...	52,753

No case of old loan has been got secured during the year. Old loans secured total up-to-date 18 (Rs. 21,316). The Mortgage Bank was indebted to the Provincial Bank to the extent of Rs. 51,614 in 1943. It cleared the entire loan in 1944 and it has now surplus funds amounting to Rs. 58,014. It invested Rs. 29,000 in National Savings Certificates and War Loans during the course of the year. Recoveries during the year 1945 amounted to Rs. 19,365 in principal and Rs. 9,571 in interest. The percentage works out to 40.9 in 1945 against 40.5 in 1944. The reason for the comparatively small recovery is that there is a sufficient number of bad debts in which no recovery can be affected and action is being taken for writing them off. The bank is under virtual liquidation and the recovery of loans with lapse of time is becoming ever more difficult.

In 1945, 43 debtors were made to clear their entire loan accounts reducing the number of debtors to 22.

MORTGAGE BANKS IN RAWALPINDI DIVISION

There are three Mortgage Banks in this division, with headquarters at Mianwali, Bhalwal and Shahpur in Sargodha district. The area of operation of the Mianwali Mortgage Bank extends over the whole of the district, while in the case of the remaining two Mortgage Banks the area of operation is limited to their respective tahsils.

	Shahpur.	Bhalwal.	Mianwali.	Total.
(1) Loans :—				
(a) The amount on loan	Rs.	Rs.	Rs.	Rs.
(i) At the beginning of the year 1st August, 1944 ...	28,229	10,036	50,449	88,708
(ii) At the end of the year—31st July, 1945 ...	21,364	7,136	32,661	61,151
(b) No loan was advanced during the year under report.				
(c) According to by-laws Mianwali Mortgage Bank can advance loans to its members upto the limit of 30 times of land revenue, while Bhalwal and Shahpur Mortgage Banks upto 10 times with the approval of Assistant Registrar and 20 times with the approval of Deputy Registrar.				

No loan has been advanced during the year under report. The amount on loan has decreased by Rs. 27,557 from Rs. 88,708 to Rs. 61,151.

(2) Recoveries :—

	1943-44.		1944-45.	
	Principal. Rs.	Interest. Rs.	Principal. Rs.	Interest. Rs.
(a) Demand				
Shahpur ...	35,524	18,425	11,776	19,722
Bhalwal ...	12,416	8,845	10,036	7,038
Mianwali ...	44,404	46,703	43,082	46,692
Total ...	92,344	73,973	64,894	72,447
(b) Recoveries :—				
Shahpur ...	7,401	6,575	6,869	2,705
Bhalwal ...	2,380	2,484	2,900	2,188
Mianwali ...	3,704	3,890	17,788	12,955
Total ...	13,486	18,949	27,657	17,843
(c) Overdues :—				
Shahpur ...	28,228	11,851	9,258	11,697
Bhalwal ...	10,036	6,861	7,136	5,820
Mianwali ...	40,700	42,814	26,294	32,737
Total ...	78,959	61,026	41,688	49,764

(d) Number of borrowers who defaulted (excluding those for less than Rs. 20.)

	1942-43.	1944-45.
Shahpur	... 24	16
Bhalwal	... 18	13
Mianwali	... 48	34
Total	... 80	63

As is apparant from the above statement, the amount recovered in principal has increased by Rs. 14,072, from Rs. 13,485 to Rs. 27,557, which is more than double the figures of the last year and interest recovered has increased by Rs. 4,894. Recoveries of principal and interest, if taken together, there is an increase of Rs. 18,966. Overdues both in principal and interest along with the number of defaulters have also decreased. Mianwali Mortgage Bank has made remarkable improvement all round, as principal recovered has increased by Rs. 14,084 and interest by Rs. 9,065 while recovery of principal in the Mortgage Banks of Sargodha district nearly equals to that of last year, but interest recovered has fallen by Rs. 4,171 during the year. In Mianwali recovery percentage of principal stands at 25.2 against 6.8 per cent of last year, while Sargodha gives 20 per cent against 25 per cent of last year. During the year Mianwali Mortgage Bank has paid Rs. 8,544 to Provincial Bank out of Rs. 9,623 interest due to the later upto 31-7-1945, while Bhalwal Mortgage Bank in Sargodha has paid off its Provincial Bank loan in total during the year. There is no deficit in any of these banks.

MIANWALI MORTGAGE BANK LTD.

There is only one Mortgage Bank in Mianwali district with headquarters at Mianwali. Its area of operation extends over the whole of the Mianwali district.

Its membership has increased from 329 in 1944 to 334 in 1945, giving a net increase of 5. This is due to the fact that 5 heirs of deceased members were admitted as members during the year under report.

All members are individuals. No society is a member of the Bank.

The following comparative figures will show the progress made, and the work done by the Mortgage Bank during the last two years :—

Particulars.	1943-44.	1944-45	Increase or decrease.
1. Membership	... 329	334	+5
	Rs.	Rs.	Rs.
2. Shares	... 8,669	8,949	-20
3. Reserve Fund	... 4,816	4,816	nil.
4. P. B. Loan	... 51,140	32,151	-18,989

Particulars.	1943-44.	1944-45.	Increase or decrease.
5. Interest payable to P. B.	Rs. 7,385	Rs. 1,079	Rs. -6,306
6. P. C. U. loan	... 1,562	Nil.	-1,562
7. Loan of E. A. Union, Mianwali	... 7	7	Nil.
8. Working Capital	... 66,494	45,928	-20,571
9. Loans due from members	... 50,449	32,661	-17,789
10. Interest recoverable	42,814	32,737	-10,077
11. Profit or loss earned during the year	+723	+8,820	+8,097

The above figures show that membership has increased by 5. Reserve Fund remained the same as last year. The redeeming feature is that the P.C.U. loan amounting to Rs. 1,562 has been paid in full, while P. B. loan has been reduced from Rs. 51,140 of the last year to Rs. 32,151 this year, giving a net decrease of Rs. 18,989. Similarly P. B. interest has been reduced from Rs. 7,385 to Rs. 6,306. P. B. interest due upto 31-7-45 was Rs. 9,623, out of which Rs. 8,544 has been paid leaving a balance of Rs. 1,079 only. Again the amount on loan due from members has decreased from Rs. 50,449 of last year to Rs. 32,661 this year giving a net decrease of Rs. 17,788. Similarly the interest recoverable from members has decreased by Rs. 10,077. The other remarkable improvement is that this Mortgage Bank has earned a profit of Rs. 8,820 during the year under report, as against profit of Rs. 723 earned last year. The working capital has decreased by Rs. 20,571, as P. C. U. loan has been paid up in full, and P. B. loan has been reduced appreciably.

(1) Loans.

(a) The amount on loan :—

	1943-44.	1944-45.
	Rs.	Rs.
(i) at the beginning of the year	... 54,153	50,449
(ii) at the end of the year	... 50,449	32,661
	— — —	— — —
Decrease	... -3,704	-17,788

The amount on loan has decreased by Rs. 17,788 during the year as against the decrease of Rs. 3,704 reported last year.

(b) No loan was advanced during the year under report as well during the last year. In fact no new loan has been advanced since 25.8.30 i.e., during the last 14 years. This shows that the loan business is at a standstill, and the Bank is doing no useful work, and is on its way to voluntary liquidation.

2. Recoveries :—

Particulars.	1943-44.		1944-45.	
	Principal. Rs.	Intt. Rs.	Principal. Rs.	Intt. Rs.
(a) Demand	... 44,404	46,708	43,082	45,692
(b) Recovered	... 3,704	3,890	17,788	12,955
(c) Overdues	... 40,700	42,814	25,294	32,737
Percentage of recoveries ...	6.8	8.9	35.2	30.2

The above statement shows that the amount recovered in principal has increased from Rs. 3,704 of the last year to Rs. 17,788 this year, while the amount of interest recovered from Rs. 3,890 of the last year to Rs. 12,955 this year. Thus the amount of total recoveries (principal plus interest) has increased from Rs. 7,594 of the last year to Rs. 30,743 this year, giving a net increase of Rs. 23,149. Thus the percentage of recoveries in principal has increased from 6.8 of last year to 35.2 this year, while percentage of recoveries in interest has increased from 8.9 of last year to 30.2 this year. On account of this improvement in recoveries the overdues (both in principal and interest) have decreased appreciably.

(d) Particulars	on 31-7-44	on 31-7-45	Increase or decrease
No. of debtors	55	43	—12
No. of borrowers who defaulted	48	34	—14

This shows that the number of debtors has decreased by 12, while the number of defaulters has decreased by 4 but still the number of defaulters is sufficiently large.

This Bank is not a deficit bank either in terms of principal only or in terms of principal and interest taken collectively.

GUJRANWALA MORTGAGE BANK, LTD.

There is only one mortgage bank in the district with headquarters at Gujranwala. The area of operation of this Bank is restricted to the Gujranwala Tahsil. It has got 453 members. All members are individuals.

1. Loans.

(a) Amount of loans :—

(i) At the beginning of the year (1943)	...	Rs. 53,129
(ii) At the end of the year (1944)	...	53,862

(b) No loan was advanced during the year 1944.

(c) The Bank advances loans to its members upto 20 times the land revenue of the land taken in mortgage.

2. Recoveries.

1. Percentage of recoveries :—

	1942-43.	1943-44.
(i) Principal	... 53.9	37.5
(ii) Interest	... 76.5	78.3

2. Demand :—

	Rs.	Rs.
(i) Principal	... 22,214	8,258
(ii) Interest	... 12,898	8,754

3. Recoveries :—

(i) Principal	... 45,763	19,871
(ii) Interest	... 9,869	6,714

4. Overdues :—

(i) Principal	... 1,919	6,589
(ii) Interest	... 3,985	1,860

Recoveries have decreased in case of principal loan from 53.9 per cent to 37.5 per cent giving a net decrease of 16.4 per cent which is mainly due to the fact that loan business has declined. Recoveries are however satisfactory. Percentage of interest has increased from 76.5 of last year (1943) to 78.3 in 1944 giving a net increase of 1.8 only.

(d) Eight borrowers defaulted in 1944 as against 16 in 1943.

The total number of cases in which execution proceedings were started upto 1944 was 54. The amount of principal involved was Rs. 1,01,275 and Rs. 7,817 interest. Out of this Rs. 17,789 principal and Rs. 2,880 interest were recovered. The number of cases in which the Bank took possession of the land of borrowers was 80. The amount of interest and loan involved was Rs. 2,91,484. The area of the land taken in possession was 8,769 kanals. About 300 kanals of land are still in the possession of the Bank. It is a surplus Bank.

Hopeless condition of Mortgage Banks:—The hopeless position of the mortgage banks in the Punjab is having a depressing effect and no serious attempt is now being made to reorganise this long-term form of co-operative credit as it is presumed that in the face of the Land Alienation Act mortgage banks cannot succeed in this Province. They also do not find any place in the post-war plans of the Punjab Government.

LAND MORTGAGE BANKS IN THE CENTRAL PROVINCES AND BERAR

By

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It is just a little over 10 years since Land Mortgage Banking was first inaugurated in this Province. The results achieved so far in the working of the movement are indicative of the success attained and symptomatic enough to show that the movement has come to stay having taken a deep root in the soil and bids fare to grow strong in the future. The object of the present article is not to give exhaustive details about the working but simply to review briefly its working during the last decade.

Early History.—The idea of starting Land Mortgage Banks as a measure of solving the problem of agricultural indebtedness was first discussed in the Berar Co-operative Conference held at Khamgaon in the year 1927 and a Committee, with Mr. C. M. Trivedi, I.C.S., the then Registrar, C. S., was appointed to examine the question and frame a suitable scheme, having full regard to the conditions obtaining in the Province. The report of the committee was published in 1929, which recommended starting Land Mortgage Banks in the Province and submitted a detailed scheme. The first Land Mortgage Banks were opened at Mehkar and Amraoti in 1933-34, but they started actual working towards the close of 1934-35. Banks were established in quick succession one after another at different places, so that by the year 1939-40, there were 21 Land Mortgage Banks working in the Province. It would be of some interest to give the number of banks established in each year since the beginning. Two Banks were started in 1933-34 as already stated above. About 8 others were opened in 1934-35, 4 during 1936-37, 5 during 1937-38 and 2 during 1938-39. Thus by the year 1939-40, the whole of the Province was covered by the movement, excepting Chanda, Damoh and Balaghat Districts which have no Land Mortgage Banks; and it does not seem likely that they will have them in future as the present tendency is more towards amalgamation and elimination of multiplicity of co-operative institutions.

The business of these Banks developed slowly. During 1933-34, there were only 9 borrowers who were advanced Rs. 11,920 from the borrowings from the Provincial Bank, which functions as the Central Land Mortgage Bank of the Province. During the next year the number of borrowers increased to 15 and the amount advanced was Rs. 24,862. Recoveries amounted to Rs. 7,493, thus leaving the outstandings at Rs. 29,289. The movement soon gained momentum and the number of borrowers financed went on gradually increasing. On 30th June 1944, the number of members was 7,346 (up-to-date figures not available) and the

total working capital of all the Land Mortgage Banks amounted to Rs. 18,89,384. Till 30-6-45, the Provincial Bank received from the Primary Banks 2,931 applications for loans aggregating Rs. 33,42,446 out of which 2,399 applications for a total sum of Rs. 24,43,870 were sanctioned and 532 applications for Rs. 7,12,810 were rejected. Loans to 1,777 applicants were advanced to the extent of Rs. 21,12,952. Loan due by the Primary Banks to the Provincial Bank totalled Rs. 11,31,468, while loan outstanding against their borrowers stood as on the above date at Rs. 11,91,854. These loans have been fully secured by first mortgages of village shares and lands of different tenures of a total value of Rs. 47,76,814. It would be interesting to study the figures of the working of these Banks during the year 1943-44 as it would give a fair idea of the business of these Banks. The number of applications for loans received during the year was 248 and the total amount of loan applied for was Rs. 3,00,175. The number of applications sanctioned was 154 for a sum of Rs. 1,58,310 while 149 applications were rejected involving a sum of Rs. 1,31,330. Loans advanced amounted to Rs. 1,32,435 in cash and Rs. 6,023 by adjustment. Recoveries of instalments towards principal amounted to Rs. 65,545 and towards interest Rs. 89,970. Advance principal instalments towards partial repayment of loans was collected to the extent of Rs. 82,876 and full repayment of loans was received for Rs. 80,845. Since beginning loans for Rs. 5,60,591 have been repaid in full. The cost of management of these banks for the year 1943-44 amounted to Rs. 15,794. Out of the 21 Land Mortgage Banks, 19 banks made profits while only 2 worked at a loss. Fourteen banks had realised profits and hence they declared dividend at rates varying from 2 to 6 per cent. The year's working resulted in the total profit of Rs. 30,020 as against Rs. 20,097 of the previous year. There was also considerable fall of overdues from Rs. 1,25,162 (1942-43) to Rs. 46,636 due mainly to the present condition of high prices of agricultural products. There were no overdues against any borrowers of the Bhandara, Drug, Bilaspur, Raipur, Khamgaon and the Betul Land Mortgage Banks. Eleven banks had overdues against borrowers below Rs. 2,500 while 4 Banks *viz.* Narasingapur (Rs. 14,248) Mandla (Rs. 9,833) Jubbulpore (Rs. 5,617) and Seoni (Rs. 5,465) had heavy overdues against their borrowers.

Progress and Development.—There have been ups and downs in the progress of the movement since its inception. There was no doubt steady progress from the beginning; but no spectacular results could be achieved because of the working of the Debt Conciliation Boards and Debt Relief Courts which were already doing the work of scaling down the debts of the agriculturists all over the Province and granting easier instalments of the debts so conciliated, at cheaper rates of interest too. In the year 1935-36 rapid progress was made; and the first L.M.B. Conference was held during the same year at Nagpur under the auspices of the Provincial Bank. The conference deliberated over many problems touching the L.M.B. business. It particularly emphasized the formation of a Central

Land Mortgage Bank as a separate institution from the Provincial Bank to take over the L.M.B. business, with a view to facilitate the working of the movement. It also suggested co-ordination of L.M.Bs and Debt Conciliation Boards which had then started functioning, and further recommended that Government should subsidise the Primary Banks for the first three years, with a view to enable them to stand on their own legs. By the year 1939 the whole of the Province was brought under the fold of the movement and the volume of work of the Land Mortgage Banks increased, all of the older banks having good business during the year. Soon the need for holding a 2nd Land Mortgage Banks' Conference was felt to tackle the new problems that were rearing up. It was held at Nagpur on the 30th September and 1st October 1940. This conference particularly dealt with (1) amending Section 47 of the Indian Registration Act so as to make the operation of a document to commence from the date of registration and not from the date of execution so far as priority of claim is concerned, (2) the question to amend the C. P. Relief of Indebtedness Act on the lines of the Bombay Agricultural Debtors Relief Act of 1939, (3) the problem about the method of valuing the village shares, (4) the proposal to move the Government to issue such instructions as will lead to the charge created by civil court decrees on immoveable property being recorded in the record of rights and others of the like nature. Questions of amending by-laws etc. were also discussed at the meeting and referred to Sub-Committees. The conference however did not think that the time for starting a separate C. L. M. B. had yet arrived and shelved the question. The need for holding another L.M.B. Conference is being felt as new problems have arisen.

Details of working procedure in brief.—So far we have dealt with the early history, progress and development of Land Mortgage Banks in the Province. Let us now examine the details of their working. There are at present 21 Land Mortgage Banks working in the Province as stated elsewhere. Generally the area of operation of a Land Mortgage Bank extends over a whole district but in a few cases it extends over one or more tahsils only. The membership is divided between the borrowing and non-borrowing members. Non-borrowing members are those who sympathise with the aims and objects of the Bank and take interest in its working. The share capital of a Land Mortgage Bank consists of an unlimited number of shares of "A" class of Rs. 5 allotted to borrowing members equal to a share of Rs. 5 for every loan of Rs. 250 or part thereof, and a maximum of Rs. 5,000 similar shares of Rs. 5 each to be allotted to such non-borrowing individuals as may sympathise with the aims and objects of the banks. In addition to this any number of additional shares of "B" class of Re. 1 each may be issued to the persons joining in the execution of the mortgage deed; but any other increase of share capital over the above limit is forbidden. No member shall hold shares the nominal value of which exceeds one thousand rupees or 1/5th of the subscribed share capital. The Board of Directors consists of 9 members. Three of them are the nominees

of the (1) Deputy Commissioner of the District (2) the Registrar, Co-operative Societies and (3) The Managing Director of the Provincial Bank. Of the remaining 6 directors, 2 are elected from amongst the non-borrowing members and 2 from the borrowing members and 2 are nominated by the Registrar, Co-operative Societies from amongst the non-borrowing members. The qualification for being elected a director is the holding of a maximum of shares of Rs. 250. The purposes for which loans are advanced are (1) liquidation of old debts, (2) improvement of lands and (3) purchase of lands and village shares in special cases. As a matter of fact a major portion of loans advanced by these banks is for the liquidation of old debts, though laterly loans for improvement of land are coming in greater proportion than before. The rate of interest on loans charged by the Provincial Bank to the primary banks is 5 per cent while the latter lend the fund so obtained to the ultimate borrowers at 7 per cent. These rates have been fixed since 1940. Prior to that the rates were $4\frac{1}{2}$ per cent and $6\frac{1}{2}$ per cent respectively. The reason for raising the lending rate was that the Provincial Bank floated Debentures in that year at 4 per cent and so the lending rates were put up by half a per cent to maintain adequate margin between the borrowing and lending rates. The value of the security offered in mortgage should be at least twice the loan to be sanctioned. The whole of the security offered in mortgage should, as a general rule, consist of landed property and village shares only but house property situated in big cities such as Nagpur, Jubbulpore, etc. and in rising towns may be taken as part of the principal security in addition to the landed property if the value of the latter alone is less than twice the loan to be advanced, provided the bulk of the security is in the shape of the landed property, and the house property forms only a small proportion of the principal security. In other cases house property can be taken as additional security only, i.e. it is taken by way of ample caution when the principal security is sufficient. The annual instalments are calculated on the equated system of payments and they are based on the repaying capacity of the applicants which is very scrupulously scrutinised. The maximum number of instalments allowed for the repayments of loans is 20 ; but instalments are generally fixed so as to fit in with the repaying capacity of the applicants. The minimum amount of financing has been recently raised to Rs. 300 from Rs. 150 and the proposal of raising the minimum from Rs. 300 to Rs. 500 is still on the anvil as the Central Banks are allowed to take up this business from Rs. 150 to Rs. 500. The maximum of financing has been fixed at Rs. 15,000 but in exceptional cases applications upto Rs. 25,000 can be entertained with the permission of the Registrar, Co-operative Societies. When loans are advanced for improvements the valuer has to certify the improvements made and issue a certificate of the proper utilisation of the loan amount to the Provincial Bank, to that effect. Properties taken in mortgage are revalued after every 2 years.

Government Help.—Government is trying to help the movement in all possible ways. It has passed a special Land Mortgage Banks Act, in

1937 which provides for the proper working of the movement. It has lent the services of the valuers and the Assistant Registrars who audit and inspect the banks periodically and give all possible help and instructions. The banks have received financial support from the local Government in the shape of subsidies for the 1st three years of their establishment. Further the Tenancy Act has been amended so as to confer transferability on ordinary occupancy lands in favour of Land Mortgage Banks. A further facility has been offered quite recently whereunder K. K. and Sir Lands can also be mortgaged with greater ease. Government is approached from time to time for help when occasions arise and it is readily given.

Raising of Funds.—The Provincial Bank functioning as the Central Land Mortgage Bank raises funds for financing the Land Mortgage Banks by the floatation of debentures the principal and interest on which has been guaranteed by Government in pursuance of a Trust Deed and Agreement entered into between the Government and the Provincial Bank and executed on the 7th December 1935. Such guarantee was given to all debentures floated within a period of 10 years from the date of execution of the Trust Deed up to a maximum of Rs. 50 lakhs. The said guarantee thus expired on the 7th December 1945, and Government is being approached for the renewal of the guarantee for another 10 years, for Rs. 50 lakhs. So far 7 series of debentures at rates varying from $3\frac{1}{4}$ per cent to 4 per cent for a total sum of Rs. 16 lakhs have been issued. The 1st series for Rs. 1 lakh at $3\frac{1}{4}$ per cent has since been redeemed during 1943-44 and so the outstanding debentures now stand at Rs. 15 lakhs only. The question of floating another series of debentures is engaging the attention of the Bank; but it has been postponed till government guarantee is renewed. The period for which the debentures are issued is 25 years, but generally they are redeemable after 10 years from the date of issue. Only the 2nd series is irredeemable. All series are redeemable to the extent of principal collections even during the period of irredeemability that may have been fixed. Out of the total debentures of Rs. 15 lakhs, those for Rs. 7 lakhs are at 4 per cent another Rs. 4 lakhs are at $3\frac{1}{2}$ per cent and the balance at $3\frac{1}{4}$ per cent. These debentures are secured by tangible assets in the form of 1st mortgages of lands and village shares assigned by the primary banks to the Provincial Bank. The Registrar, Co-operative Societies has been appointed the Trustee for the debentureholders. At present debentures have to be presented every half year for recording the payment of interest in the cages provided therein. This is rather a troublesome affair for the debentureholders and the expenses connected with such presentation are heavy. So the question of amending the debenture form so as to do away with the above necessity is under consideration. The Bank has however offered the facility to the debentureholders of accepting free of charge their debentures for safe-custody and it is gratifying to note that a large number of the debentureholders has availed of this facility.

Amortisation of Debentures.—The question of providing for the amortisation of Debentures either by the formation of the Sinking Fund or the Debenture Redemption Fund was under consideration for quite a long time. The Provincial Bank was in favour of the Debenture Redemption Fund. But finally on the advice of the Reserve Bank of India the Sinking Fund was adopted of course with the approval of the Department and the sanction of the Government was also obtained. It may, however, be casually remarked that the Sinking Fund under the scheme of Land Mortgage Banking has to be worked in actual practice on the lines of the Debenture Redemption Fund with certain modifications and thus differs materially from the Sinking Fund constituted in the case of other Joint Stock companies. The Provincial Bank has set up Sinking Funds in the case of all the series of Debentures floated by it. As on 31st June 1945, the fund amounted to Rs. 3,45,646. Practically the whole of it has been invested in long dated gilt-edged securities. As the Fund is constituted on the basis of the annuity calculated at the rate of interest at which the Debentures are floated and as the yield on securities in which it is invested is generally less, the fund is valued every year on 30th June and any deficit found to occur therein is made good. It is thus maintained up-to-date. The fund in case of all the series will be available for redemption of Debentures at least 5 years earlier than the date of maturity of the debentures, as they are floated for a period of 25 years while the fund is constituted for a period of 20 years. So as to synchronise with the period of the loan a/c, earmarked for the series. The interest earned on the fund was, in the earlier years, credited to the fund itself and shown separately as a liability in the Balance sheet. But recently on the advice of the Reserve Bank of India and as it is practically unavoidable under the Land Mortgage Banking scheme, the interest earned on the investments of the Sinking Fund is adjusted towards profit and securities equal to what the fund should amount in a particular year are earmarked for the fund. If this was not done interest accumulations in the fund would have to be shown in the Balance sheet as an additional reserve only to be adjusted ultimately towards losses being added up from year to year as under the Land Mortgage Bank scheme interest on loans alone would not suffice to meet the establishment charges and payment of interest to the Debenture holders etc. throughout the whole period of the loan. To sum up the Debentures are ultimately redeemed wholly out of the principal collections even with the formation of the Sinking Fund.

Overdues and the coercive machinery provided under the Act.—The movement had to face the problem of recovery of overdues; but thanks to the timely measures taken by the Honorary workers and the department the evil of the spread of overdues has been arrested in good time and checked effectively. The Land Mortgage Bank Act of 1937 provides for the recovery of defaulted instalments and foreclosed loans, without the intervention of the court by means of coercive machinery set up thereunder.

Section 10 of the Act provides for the distraint and sale of produce and standing crops, while under section 14 loan accounts can be foreclosed and property sold to recover the dues without the intervention of the court. Experience has shown that actual distraint and sale of crops or of property has to be resorted to in exceptional cases only. Generally overdues are recovered by the service of notice under these sections. The coercive machinery provided under the Act has thus proved to be very effective for the recovery of overdues. The Provincial Bank has also appointed a Standing Committee for the periodical review of overdues. The overdue position of such of the primary banks as have heavy overdues outstanding is reviewed by the Committee in its meetings held from time to time and suitable action is recommended to the bank concerned. If that bank fails or neglects to take any action drastic steps are recommended. It is however gratifying to note that the primary banks themselves try to recover overdues by all possible means such as dunning, persuasions etc. and the coercive machinery is resorted to only if the borrower proves to be a wilful defaulter, and would not pay unless forced to do so.

The problem of overdues assumed rather a serious form in the year 1940-41. The Provincial Bank, therefore appointed an Overdues Sub-Committee on the 27th September 1941 to go through the question of overdues. The Committee reviewed the general position and recommended prompt and rigorous action for the recovery of overdues. The Banks have now become very vigilant and the evil of overdues has been almost irradiated.

The Overdues Sub-Committee further laid down that a Land Mortgage Bank should be closed down unless it satisfied the below mentioned minimum tests prescribed by it:—

- (1) Development of a minimum business of Rs. 50,000.
- (2) Membership of 50.
- (3) Ability to stand on its own legs without any outside financial help.

The committee recommended closure of 3 Land Mortgage Banks in the Province which did not fulfil the above conditions.

Amalgamation of Land Mortgage Banks with Local Central Banks.—The Registrar, Co-operative Societies again reviewed the general conditions and the financial position of these banks in 1943-44 and recommended amalgamation with the local Central Banks of such of the Land Mortgage Banks which did not come up to the prescribed standards of the Sub-Committee. The Provincial Government approved of the amalgamation scheme and agreed to the amalgamation of 7 Land Mortgage Banks to begin with. The scheme will be applied to other banks in course of time. The question of amalgamation of the banks in Berar will be taken up

when the Central Banks come out of section 42-B of the Co-operative Societies Act of 1912.

Some of the problems now facing the movement.—The slow progress of the Land Mortgage Bank movement is due to several causes. The main problem confronting the Land Mortgage Banks to day is the paucity of fresh business and reduction, on a precipitous scale in the existing loan outstanding due to advance repayment of principal as a result of the war-time prosperity of the agriculturists. The ryots now-a-days do not take new loans on the one hand and pay off old ones on the other either by selling a portion of the hypotheca as land values have gone up, or by means of the increased earnings. The Debt-Conciliation Boards and the Debt Relief Courts latterly set up (which have now ceased to function) liquidated a major portion of agricultural indebtedness and indirectly circumvented the scope of the Land Mortgage Banks. This was however good for the agriculturists themselves. Government has also followed a vigorous policy of Debt Legislation with a view to wipe out past debts of the agriculturists and check their growth and further accumulation in future. Government has also covered part of the field as it has come forward to advance loans to the agriculturists under the "Grow More Food Campaign" on very attractive terms. The Reserve Bank of India advised as a measure of precaution to lower the maximum limit of financing with a view to restrict credit and avoid overfinancing during war-time which might give rise to serious problems, when war and the temporary war conditions come to an end. The Provincial Bank, therefore, lowered the maximum limit of financing to Rs. 5,000 only, as a temporary measure. This has resulted in a further shrinkage of new business as the range of borrowers was lowered thus practically eliminating the big borrowers.

Another serious problem which the Land Mortgage Banks and the Provincial Bank also have to face is the question of advance repayments of principal, which are coming in larger proportion, than ever before. In the first instance they have reduced the loan outstanding and curtailed the income of the banks. The Provincial Bank had to invest surplus principal collections in securities and carry them as general investments. As the yield on securities is considerably less than the interest rate on Debentures which the Bank has to pay, this proved to be a drain on the resources of the Bank. The Bank, therefore, approached the Registrar, Co-operative Societies to permit it to utilise advance principal collections in reloaning which was readily granted, and the loss on this account was thus minimised.

One of the reasons why the Land Mortgage Bank has lost attraction to the agriculturists as an institution offering relief for their indebtedness is the fact that the interest rates at which Land Mortgage Banks can advance loans to the agriculturists is very high. (7 per cent is the prevailing rate of

interest). Private money-lenders are willing to advance loans to them at lower rates of interest. The rate of interest at which Land Mortgage Banks lend was fixed at a time when money was comparatively scarce. The war has overhauled these conditions. Money has become increasingly cheap and there is surfeit of credit even at 4 to 5 per cent. The lending rate of Land Mortgage Banks to the borrowers should be more competitive if they have to hold their own against the indigenous money-lenders. In these days at any rate it should not be more than 6 per cent at least.

Even if competitive and lesser rates of interest were to be offered by the Land Mortgage Banks, the agriculturists as experience has shown are not very eager to resort to them for loans owing to the hindrance caused by administrative technicalities and other formalities; and the production of documents etc., on which the banks insist, takes too long a time and tires out the patience of the applicants, as they cannot get the much needed loan in proper time. The long delay taken for sanctioning loan applications is thus another drawback in the working of Land Mortgage Banks.

Their solution.—All efforts are being made to overcome the difficulties and find out solutions for the problems now facing the movement. The present conditions in which the movement has been stranded is only a passing phase, and soon normal conditions will be restored. The problem of advance principal collections has been solved as the Provincial Bank has been following the policy of reloaning principal collections. It is not possible in this Province at any rate to further reduce the interest rate on loans to the ultimate borrowers. A major portion of the Debentures floated by the Provincial Bank are at 4 per cent and therefore, it is not possible to make funds available to the primary banks at less than 5 per cent as a margin of 1 per cent is the minimum required by the Provincial Bank for managing the land mortgage business and a further margin of 2 per cent is meant for the primary banks to cover their expenses. Delays have been reduced to the minimum. All unnecessary technicalities and formalities have been eliminated so far as practicable in order to attract the applicants. The maximum of financing has been recently raised to Rs. 15,000, and applications even up to Rs. 25,000 can be entertained with the permission of the Registrar, Co-operative Societies. All avenues of new business are being probed into and the activities of the banks are being extended. 2nd loans are being advanced on the remortgage of the same property where the residual security is sufficient to cover the 2nd advance in addition to the 1st loan with a view to avoid loan accounts being closed in case borrowers are in need of 2nd loans and would have to borrow, in the alternative, by creating outside liabilities. A policy of popularising loans for purposes of improvements is being vigorously followed. Loans for intermediate terms *i.e.* for periods from 7 to 12 years are being advanced. All attempts are thus made to overcome the difficulties and set the movement on right lines again.

Conclusion.—It may be said that the land mortgage banking movement in the Province has made fairly good progress though it has failed to achieve the expectations entertained about it by the promoters. Land Mortgage Banks fill up a legitimate place in the agricultural economy of the country and as such they have good prospects in the post-war economic planning of the future. These banks should be reorganised and made to work on business like methods. They should not be allowed to fall back and recede into the back-ground in the credit structure of the country. Government help should be sought in formulating schemes for colonisation, projects of irrigation, reclamation of waste land, development of fruit growing and dairy farming etc. which will widen the scope of the business of these banks. In the words of the late Hon'ble V. Ramdas Pantulu "Land Mortgage Banks can if properly organised play a very important role in the transformation of our agricultural economy which is now a deficit economy into a surplus economy and in increasing the income and raising the standard of living of the agriculturists". Let us hope that Land Mortgage Banks occupy their right place in the economy of the country and fulfil the expectations entertained about them.

LAND MORTGAGE BANKS IN BOMBAY PROVINCE

By

B. N. DESAI

Manager, Bombay Provincial Co-operative Land Mortgage Bank, Ltd.

The question regarding formation of land mortgage banks in the Province was first considered at the Gujarat Divisional Co-operative Conference held in April 1923. In the year 1926 J. A. Madan, Esqr., I. C. S. (now Sir) the then Registrar of Co-operative Societies, submitted a scheme to Government for the formation of land mortgage banks. Government subsequently approved of the registration of three land mortgage banks as an experimental measure. These three land mortgage banks were established at Dharwar, Broach and Pachora by the year 1929.

These experimental banks were financed by the Bombay Provincial Co-operative Bank, Ltd., out of the funds raised by the issue of debentures. The membership of these banks was restricted to borrowers and intending borrowers only. The functions of the Board of Directors of these banks were merely advisory and every loan recommended by the Boards of these banks was required to be finally sanctioned by the Bombay Provincial Co-operative Bank, Ltd., and the Registrar. The maximum limit of individual loan was fixed at Rs. 10,000.

The period which followed the organisation of these land mortgage banks was one of severe economic depression since the year 1930. The fall in prices

of agricultural produce reduced the income of agriculturists and increased the burden of agricultural debts. The demand for long term loans for redemption of old debts and for land improvement increased in number and volume. Government, therefore, in the year 1933 appointed a Committee to examine the question of development of land mortgage banking, primarily with a view to relieve agricultural indebtedness. This Committee which was presided over by K. L. Punjabi Esq., I. C. S., the then Registrar of Co-operative Societies, Bombay Province, recommended in its report the establishment of a Central Land Mortgage Bank and extension of land mortgage banks' movement in the Province.

As a result of the recommendations of the Land Mortgage Committee, Government permitted the registration of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., and ten primary banks in the Province in the year 1935. Later by the year 1940 four more primary banks were allowed to be registered. Thus at the end of the year 1940 there were 17 primary banks in the Province, of which 14 were under the new bye-laws and the three experimental banks were under the old bye-laws. The three old primary banks also, later, adopted new bye-laws and their liabilities to the Bombay Provincial Co-operative Bank, Ltd., were also gradually transferred to the Bombay Provincial Co-operative Land Mortgage Bank, Ltd. Of these 17 primary banks, two banks were amalgamated into one in the year 1945 and now the number of primary banks is 16. Of these 16 primary banks 8 are in Gujarat, 5 in Karnatak, 3 in Maharashtra, 3 in Khandesh and 2 in Konkan Division.

The bye-laws of the primary banks provide that loans are to be advanced for redemption of old debts, improvement of land and in special cases for purchase of lands for facilitating economic cultivation. There are two classes of membership. 'A' class membership is open to borrowers and non-borrowers, while 'B' class membership which does not carry any right of voting is open only to co-parceners and other persons interested in the property of borrower. The non-borrowing members are required to hold at least 10 shares each and the borrowing members to the extent of five per cent of their borrowings from the Bank. The face value of 'A' class shares is Rs. 5 and that of 'B' class shares is Re. 1. The authorised share capital of each of the primary banks is fixed at Rs. 1,00,000 made up of shares of class 'A' and class 'B'. The Board of Directors of a primary bank consists of seven Directors of which, two are elected from borrowing members, two from non-borrowing members and of the remaining three, one is nominated by the Provincial Land Mortgage Bank, one by the Registrar and one by the District Central Bank or the financing institution operating in the area of the bank. The maximum limit of loan to an individual borrower is fixed at Rs. 10,000 but this limit can be exceeded in special cases with the permission of the Registrar. Loans are secured on the first mortgages of immoveable property of at least double the amount of loan, offered as security by the borrowers. The loans are made repayable

by equated instalments including principal and interest within a maximum period of twenty years. The primary banks are required under their bye-laws to invest their share capital and reserve fund in deposit with or shares of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., or in any securities specified in section 20 of the Indian Trust Act. The amount required for advance of loans to borrowing members is drawn by the primary banks from the Bombay Provincial Co-operative Land Mortgage Bank, Ltd. Each primary bank has got a Land Valuation Officer appointed by the Registrar. The duty of this Land Valuation Officer is to estimate properly the valuation of the lands offered in mortgage as security by an applicant for loan, to assess the repaying capacity of the applicant and to scrutinise the debts to be repaid by the applicant. The title of the applicant to the lands offered in mortgage is examined by the legal adviser of the primary bank. After this is done the Board of Directors of the primary bank considers the loan applications and forwards them with their recommendations to the Bombay Provincial Co-operative Land Mortgage Bank through the Assistant Registrar, Land Mortgage Banks. The loan applications received by the Provincial Land Mortgage Bank are then scrutinised by that Bank and placed before its Board of Directors for sanction. The loans sanctioned by the Board of Directors are then communicated to the primary banks concerned. The debts of the applicants to whom the loans are sanctioned by the Board of the Provincial Land Mortgage Bank are then required to be conciliated by the Conciliation Boards of the primary banks and the amount of loan sanctioned, as required in each case is requisitioned by the primary bank concerned for disbursement to the applicants according to the conditions laid down by the Provincial Land Mortgage Bank.

The main functions of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., which is a central financing agency for the provision of long term credit, are to finance primary banks and to supervise and inspect their working. The Bank is authorised to raise long term funds by issue of debentures on terms and conditions approved by Government. The debentures are floated on the security of the assets of the Bank and of mortgages of immoveable property assigned to the Bank by primary banks. The membership of the Bank is open to individuals, co-operative societies and primary banks. At the end of the year 1944-45, 580 individuals, 97 co-operative societies and 16 primary banks were members of the Bank, the total paid up share capital held by them being Rs. 5,00,780. The Bank has so far floated three series of debentures of the total amount of Rs. 35 lakhs which have been fully subscribed. The first series of debentures of Rs. 20 lakhs at $3\frac{1}{2}$ per cent redeemable after 20 to 25 years, were floated in the year 1938. The second series of debentures of Rs. 10 lakhs at $3\frac{1}{2}$ per cent redeemable after ten to fifteen years were floated in the year 1940. The third series of debentures for Rs. 5 lakhs at $3\frac{1}{2}$ per cent redeemable after 15 to 20 years were floated in the year 1942. The

Registrar of Co-operative Societies, Bombay Province, has been appointed by Government as a sole Trustee for debenture-holders under the provisions of the trust deed executed by the Bank for each of the three series of debentures. The debenture trustee exercises all control over the affairs of the Bank and has to see that the Bank fulfils its obligation to the debenture holders. In addition to the statutory reserve fund which is built up from the profits of the Bank, the Bank is required to maintain a separate sinking fund for the purpose of providing for the redemption of debentures on maturity. The Board of Directors of the Bank consists of 15 members, five of whom are elected by primary banks and six by members other than primary banks. Registrar is Ex-Officio member on the Board. One Director is nominated by the Bombay Provincial Co-operative Bank, Ltd., and two Directors by the Registrar from the share holders with the approval of Government. For administrative convenience certain duties of the Board are delegated to an Executive Committee consisting of not more than seven members of the Board. The applications for loans received from primary banks are scrutinised by the Manager of the Bank and placed before the meeting of Executive Committee or Board for consideration of sanction and the amounts sanctioned in each case are communicated to primary banks concerned for drawing them after complying with the conditions laid down thereon. If the sanctioned loan is not drawn by a primary bank within a period of four months from the date of communication, the sanction is revoked. This revoked sanction is however, revived by the Board on the primary bank applying for the same with reasons for delay in drawing the loan. The rate of interest on loans to primary banks varies from $4\frac{1}{2}$ per cent to 5 per cent and the rate of interest charged by primary banks to ultimate borrowers varies from 6 per cent to $6\frac{1}{2}$ per cent. The loans are made repayable by annual equated instalments within 10, 15 or 20 years according to the repaying capacity of the borrowers and 31st May is fixed as date of repayment of loan instalments every year. Repayments received from primary banks during the course of the year are credited to a separate account called suspense account for advance recoveries and the balance in this account is adjusted to loan accounts on the due date according to the instalments of loans falling due. The total loans outstanding with 16 primary banks at the close of the year ending 30th June 1945 amounted to Rs. 29,00,514 and no part of this amount was in arrears with any of the primary banks.

The land mortgage banks were established in Bombay Province mainly with the object of giving long term cheap finance to agriculturists for redeeming their old debts and for enabling them to avoid the loss or sale of their valuable lands. The land mortgage banks did their work admirably in the beginning as will be seen from the following figures of loans advanced for redemption of old debts:—

LAND MORTGAGE BANKS IN BOMBAY PROVINCE

	Total loans granted.		Of which, loans for debt redemption.	
	No.	Amonnt.	No.	Amount.
		Rs.		Rs.
1935-36				
1936-37				
1937-38	1,547	21,14,290	1,486	20,32,490
1938-39				
1939-40	443	6,07,450	428	5,92,250
1940-41	442	5,92,350	398	5,61,150
1941-42	377	5,54,055	350	5,11,530
1942-43	298	3,94,370	266	3,61,920
1943-44	169	2,27,450	150	1,91,800
1944-45	280	3,61,825	256	3,28,425

With the passing of the Bombay Agricultural Debtors Relief Act in the year 1939 and its application to certain areas in the Province in the year 1941, the demand of loans for debt redemption disappeared from the areas in which the Act was applied and was also on the decline in other parts. Further on account of the conditions created by war there was a steep rise in the prices of agricultural produce and agricultural lands. The repaying capacity of agriculturists increased and not only did the demand for fresh loans for debt redemption decline but there was full repayment before maturity of several loans advanced by land mortgage banks. Thus on the one hand there was a progressive fall in the demand of loans for debt redemption and, on the other, an increase in the repayment before maturity, of loans advanced. This has been the position confronting the land mortgage banks since the year 1941. It is a position radically different from the one which brought about the establishment of the Provincial Land Mortgage Bank and the primary land mortgage banks. Now that the war is over, this position may not continue long. A fall in prices is not an unreasonable post-war possibility and the need for the services of the land mortgage banks may be felt in the post-war period.

CO-OPERATIVE LAND MORTGAGE BANKS IN BENGAL

By

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In my article on the co-operative Land Mortgage Banks in Bengal published in the *Year-Book and Directory of Indian Co-operation* on page 215 I have outlined the origin and history of the scheme for establishment of Co-operative Land Mortgage Banks in the province of Bengal.

I have explained the difficulties of the growth of the same on account of the prevalent Zamindari System based on the Permanent Settlement and the special system of land tenure, that is found in this province, which makes it definitely risky to advance long term loans against properties, which may be sold out at rent sales—with the incidence that the purchaser gets the property “with power to annul all encumbrances” created by the outgoing tenant without the sanction of the landlord except the so called “protected interests” of which the most important is the interest of an occupancy ryot.

I pointed out that the recommendations to the Bengal Provincial Co-operative Bank, Ltd. were amongst others :

- (1) that a Central Co-operative Land Mortgage Bank should be established in Calcutta which will float necessary debentures as required from time to time by the primary Land Mortgage Banks,
- (2) that the Local Government must guarantee both principal and interest on these debentures and the Government of India should be moved to undertake the necessary legislation so as to convert these into Trustee Securities by the amendment of the Indian Trusts Act,
- (3) that the Government of Bengal do grant all the facilities and privileges that the Madras Government had allowed in that Province to the Madras Central Co-operative Land Mortgage Bank, Ltd.

Thirteen years have elapsed since these recommendations were put forward. As yet no attempt has been made to organise a Co-operative Central Land Mortgage Bank in Bengal. The Bengal Provincial Co-operative Bank is even now financing the Primary Co-operative Land Mortgage Banks direct.

The funds for these advances are received from the Government as advances for 5 years to 15 years carrying interest at the rate of $8\frac{1}{2}$ per cent per annum.

It may be observed that these advances obtained from the Government are recoverable from the general assets of the Bengal Provincial Co-operative Bank, Ltd., and the charge is not confined to the assets of the Primary Land Mortgage Banks nor to the mortgage securities exclusively. In other words if there be losses in the Primary Banks and the mortgage securities be depleted—the ultimate liability will have to be shouldered in its entirety by the Bengal Provincial Co-operative Bank, Ltd.—the Government will be entitled to realise its entire dues with stipulated interest at the rate of $3\frac{1}{2}$ per cent from the reserve and other funds of the Bengal Provincial Co-operative Bank, Ltd. This was against the policy which was accepted by the Provincial Bank when it agreed to advance these long term loans temporarily till the establishment of a full fledged Co-operative Central Land Mortgage Bank, Ltd.

Moreover, the mortgage securities themselves have not been transferred to the Bengal Provincial Co-operative Bank, Ltd., but remain in the Primary Banks.

On account of the laws regarding revenue sales under the Bengal Revenue Sale Law and rent sales of agricultural lands under the Bengal Tenancy Act, it is all the more incumbent that extreme caution should be exercised. The rent position of everyone of the borrowers should always be kept in the forefront both in the Primary Banks as well as in the Financing Bank *viz.*, the Bengal Provincial Co-operative Bank, Ltd. So far as I am aware no such register is being maintained. This should be started without further delay. In the audit notes of the primary bank the auditor should devote special attention to this and make thorough scrutiny on this head.

There are at present nine Primary Co-operative Land Mortgage Banks in Bengal of which five are of more than 10 years standing *viz.*, those at Mymensingh, Pabna, Comilla, Jessore and Birbhum and four are of recent growth *viz.*, those at Khusa, Burdwan, Rajsahi and Dacca.

Each of these banks is located in the headquarters of a district. Out of 27 districts we have Land Mortgage Banks in only nine of them.

The total number of members as on 30th June 1945 are only 2,692 and the total working capital Rs. 6,85,259.

The total share capital was Rs. 66,651 and the total amount of Reserve Fund was only Rs. 10,324.

On the preceding year's working only Mymensingh and Pabna showed on paper a profit of Rs. 21 and Rs. 61 respectively. The total losses in the year 1944-45 are Rs. 18,828.

On the working of the preceding year *viz.*, 1943-44 only in 3 Banks there were small profits aggregating to Rs. 522 while the sum total of the losses in the other six amounted to Rs. 16,645.

I am attaching herewith in the Appendix I and Appendix II the results of the operations of the Land Mortgage Banks in Bengal for the years 1944-45 and 1943-44.

The former I have got from the Registrar of Co-operative Societies, Bengal and the latter from the Manager, Bengal Provincial Co-operative Bank, Ltd., who have been kind enough to supply me with these figures.

It will appear from these Tables that the Government charges the Provincial Bank interest at the rate of $3\frac{1}{2}$ per cent—the Provincial Bank charges interest at the rate of 5 per cent on the old loans and on new loans at the rate of $4\frac{1}{2}$ per cent. The rate of interest charged to ultimate borrowers as shown in Appendix II is in the majority of cases $8\frac{3}{8}$ per cent and in some cases $9\frac{3}{8}$ per cent.

The rate appears to be too high and is probably the primary cause why the solvent cultivators, who are eligible for a loan from the Land Mortgage Banks, do not come forward for membership in these institutions.

The maximum rate of interest which the Provincial Bank allows to its depositors at present is $2\frac{1}{2}$ per cent. The Government is making a special profit by charging interest at $3\frac{1}{2}$ per cent. It appears to be unwarranted in the present condition of the money market. The Government rate should be always less than the maximum rate allowed on deposits and should be at once reduced to 2 per cent. The Provincial Bank should see that the benefits it is getting on account of the surplus funds and the reduced rate of interest are transmitted to its constituents and through them to the poor taxridden peasantry of Bengal. As yet no steps had been taken in this direction both in the general department where the Central Banks are still being charged interest at the rate of 5 per cent on old loans and $5\frac{1}{2}$ per cent on crop loans and also in the case of Land Mortgage Banks who are charged interest ranging between $4\frac{1}{2}$ per cent to 5 per cent as stated above.

The Adviser to the Government of Bengal in the Co-operative Department, Sir Hugh Hood, K.C.I.E. who is appointed a Director of the Bengal Provincial Co-operative Bank, Ltd., by the Registrar of Co-operative Societies, Bengal and has assumed charge of the same as its chairman, ought to see that the co-operative movement in general and the Provincial Bank in particular are not exploited by the Government for fiscal purposes.

The rate of interest charged to the Primary Banks by the Provincial Bank should be reduced to $3\frac{1}{2}$ per cent if not to 3 per cent and that charged to ultimate borrowers should not exceed 5 per cent in the maximum. The margin in the primary banks appears to be too wide. The audit fee should

be reduced throughout the movement and in case of deficit banks should be abolished or special exemption should be granted.

The best way to help these co-operative institutions is not to thrust on them too highly paid officials but to make them self-supporting by reducing the overhead charges like the heavy establishment charges and the compulsory levy of heavy audit fees and by allowing them to develop under far less costly non-official management.

The Government has placed in these banks very highly paid Government staff not warranted by the financial strength and working of these Banks and the result is a net loss on the year's working of most of these Banks as the annexed tabular statements will show.

These should be taken off and replaced by local men of known integrity to be appointed by the local committee of management.

The fact that these banks are showing increasing losses from year to year in spite of the net increase of working capital and the wide margin of borrowing and lending rates might also be due to the fact that the primary banks might be paying interest out of their own collection of principal thus reducing their income earning capital while they are liable for the entire recurring interest on the outstanding loans and the progressively increasing establishment costs.

This matter as well as the rent figures require thorough and searching investigation. The Government figures do not show these.

I am told that there is no default in the books of the Provincial Bank but that fact alone is no criterion at all that everything is quite all right in the movement. The authorities both of the Bengal Provincial Co-operative Bank, Ltd. and of the Primary Land Mortgages should always be on the alert with regard to these long term loans—specially the cases of deceased members and the defaulters—and should always work on the principle that in each of these primary banks there should be *earned realised profits*.

Under Section 78 of the Bengal Co-operative Societies Act (1940) sub-clause (g) it is the incumbent duty of the auditor to include in his audit note a certification of "*realised profits*" as distinguished from "*book profits*."

The Bengal Registrar has by a circular directed to have these *realised profits* calculated.

The Government should direct the Registrar to publish in the annual reports this figure of *realised profits* which will give the Government as well as the public a far clearer perspective of the working of these co-operative institutions.

APPENDIX II.—Operation of Co-operative Land Mortgage Banks & Societies in Bengal, 1943-44.

District.	Number of Banks or Societies. (2)	Loans made during the year to—			Loans repaid during the year by—			Loans (at the end of the year) due by—			Share capital paid up. (11)	
		Individuals.		Banks and Societies. (5)	Individuals.		Banks and Societies. (7)	Individuals.		Banks and Societies. (9)		Of Which Over due* (10)
		(4)	(3)		(6)	(8)						
Mymensingh	1	Rs. 7,575	650	Rs. 31,957	Rs. 1,42,064	Rs. 1,01,714	...	Rs. 14,027	Rs. 15,480			
Pabna	1	10,700	504	21,573	1,01,714	98,262	...	6,619	10,297			
Comilla	1	...	557	28,827	20,562	39,063	268	9,791	13,877			
Jessore	1	3,550	573	...	15,345	69,998	...	2,211	6,290			
Khulna	1	2,100	11	...	...	2,100	...	20	169			
Birbhum	1	8,409	407	...	...	84,630	...	265	10,585			
Burdwan	1	18,690	...	...	...	18,401	...	...	1,310			
Rajshahi	1	11,240	...	...	...	10,950	...	...	770			
Dacca	1	2,380	20	...	...	2,380	...	19	558			
Total	9	64,644	2,763	23,827	1,07,383	29,053	268	32,952	59,266			

District.	Borrowings held at the end of the year.				Reserve Fund. (17)	Other funds† (18)	Working Capital. (19)	Profit (+) & Loss (—) for the year. (20)	Usual rate of dividend. (21)	Loan by Bengal Provincial Co-operative Bank as on 31-12-1946. (22)	Most usual rate of interest on—	
	Loans from.		Debentures.								Borrowings. (23)	Per cent. (24)
	Individuals (12)	Banks and Societies. (13)	Public. (15)	Govt. (16)								
Mymensingh	Rs. 1,31,710	Rs. 1,04,686	Rs. 89,586	Rs. 78,138	Rs. 2,476	Rs. 7,427	Rs. 1,57,093	Rs. +190	...	Rs. 1,19,641	5	8½
Pabna	267	89,586	...	...	101	2,059	1,17,073	+837	...	1,06,410	5	8½
Comilla	...	73,557	2,525	...	6,407	3,316	1,13,453	+281	...	61,178	5	9½
Jessore	...	1,940	...	...	...	1,106	83,478	-1,845	...	81,252	4½	8½
Khulna	...	78,138	...	...	197	945 (a)	89,865	+51	...	20,783	5	8½
Birbhum	...	19,534	...	...	320 (b)	21,164	21,164	-3,500	...	1,17,913	4½	8½
Burdwan	...	9,000	...	...	...	213	9,983	-3,568	...	63,498	4½	9½
Rajshahi	...	3,000	...	...	...	...	3,558	-2,700	...	58,813	4	8
Dacca	...	...	...	...	...	...	...	...	...	2,600	...	...
Total	267	5,11,151	2,525	...	9,181	15,386	5,97,776	+522 -16,645	...	6,32,058	5	8½

* The term "overdue" means loans due for payment which have not been paid and for which extension has not been granted by competent authority.
† Owned funds outside the Statutory Reserve. Admission fee is not included.

(a) Excluding admission fee fund of Rs. 988. (b) Excluding admission fee fund of Rs. 131.

LAND MORTGAGE BANKS IN MADRAS

A BRIEF STUDY

By

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The lack of banking facilities to meet the credit requirements of the agriculturist and his inability to extricate himself from the usurious money-lender with his slender resources, were the basic causes for the organisation of co-operative credit societies in India at the beginning of this century. Soon after the passing of the Co-operative Credit Societies Act in 1904, credit societies were formed in the Madras Presidency with the main object of providing credit for productive purposes and for encouraging thrift among members. In the initial stages no distinction was made between short and long-term credit, and loans were granted even upto a period of a decade for the redemption of old debts. As the funds for the primary societies were provided by the central banks from their short period deposits, usually not exceeding two years, it was soon realised that the finances so pooled should not be utilised for the issue of long-term period loans and an alternative device had to be evolved for raising long-term deposits. In 1919 a scheme was suggested for floating of debentures secured by mortgages of unencumbered immovable property, taken from the members of credit societies. Although it was considered, at first, that the co-operative credit societies could be used for issuing short and long-term loans, the Government of Madras decided in 1925 to organize separate institutions for supplying long-term credit, following the model of Jhang Co-operative Mortgage Bank of the Punjab and the first of its kind was organized at Conjeevaram in January 1925. During the subsequent four years the progress of the movement was not rapid and in spite of the aid granted by the Government in purchasing a part of the debentures, these institutions found it difficult to procure the necessary funds. The need was then keenly felt for a central financing agency to collect funds required for the primary banks by floating debentures following the recommendations¹ of the Townsend Committee (1927) and the Registrars' Conferences (1926 and 1928), the Central Land Mortgage Bank was organized in December 1929.

Although only five out of the 21 existing banks were actually functioning when the Central Land Mortgage Bank was ushered into existence, a rapid growth in the number of primary banks ensued and within a short period of a decade the figure reached 119. All the districts were covered by these banks and their volume of business increased steadily till the outbreak of war. By the end of 1938-39 a total amount of Rs. 235.26 lakhs was issued to members as loans by the primary banks and Rs. 189.18 lakhs was held by them as loans from the Central Land Mortgage Bank. All

¹ The Royal Commission on Agriculture also stressed the need for a central organization for the issue of debentures.

these banks are constituted on the limited liability basis and loans are issued only upto 50 per cent. of the value of mortgage property. The main functions of the unit bank have been to scrutinize the applicant's title offered as security and the genuineness of the purpose for which the loan is required, and after assessing the value of the hypotheca with the aid of the officials of the co-operative department, forward the application to the Central Land Mortgage Bank and disburse the amount after it has been granted by the central bank. Loans issued are recovered at equal instalments covering over a period, not exceeding 20 years.

The drastic fall in commodity prices as a result of the great depression in the thirties synchronized with the organisation of the Central Land Mortgage Bank and consequently, during the first few years of its inception considerable difficulty was felt in securing the required funds through debentures. Interest rates had to be raised to $6\frac{1}{2}$ per cent to attract investments. But the situation improved by 1933-34 due to the easy conditions of the money market and the recognition of the debentures as Trustee Securities. Meanwhile the Government permitted the local bodies and municipalities to invest in twenty-year debentures of the Central Land Mortgage Bank and the continued favourable conditions of the money market aided the Bank in floating debentures at low rates. By 1936-37 interest rates were brought down even to 3 per cent. Due to a steady increase in the volume of business the Government reinforced the guarantee of debentures from 150 to 200 and then to 250 lakhs of rupees by the end of the co-operative year 1939. A separate redemption fund for each of the series of debentures from the 24th has been maintained by the Bank and at the time of the outbreak of war, debentures of the value of Rs. 160.56 lakhs were in circulation. The passing of the Debt Relief Act in 1938, which provided for the compulsory scaling down of rural debt, further stressed the need for an institution to supply credit. Ever since the establishment of the Central Land Mortgage Bank the demand for loans gradually increased and a maximum was reached by 1938-39. Consequently the bank was constrained to raise the rate of interest from $4\frac{1}{2}$ per cent to 5 per cent for the primary banks. According to the advice of the Reserve Bank, the Central Land Mortgage Bank decided to issue debentures twice in a year when the money market was favourable, securing temporary accommodation from the Government. But such issue was not possible due to the rapid changes in the money market brought about by the war and following the usual practice, they were issued in dribbles. Till the outbreak of war, the development of mortgage banking can be characterised as one of expanding business and the Central Land Mortgage Bank, since its inception, concentrated its attention mainly on providing sufficient funds for the primary societies by floating debentures. But the war brought about radical changes and the banks had to adapt themselves to these new conditions.

The money market was stringent immediately after the outbreak of hostilities; later on conditions were favourable and no difficulty was felt

in securing funds. But there was a collateral development in the form of a considerable reduction in the volume of business and simultaneous increase in repayments. Consequently the banks had to face the problem of exploring means to expand their business.

As the mortgage banks are mainly intended for providing long-term credit to the agriculturist, it is essential to study the changes in the working of the primary land mortgage banks during war time. Throughout this period the number of banks remained at 119. Column (2) of Table I indicates the total amount of loans issued and column (3) the loans outstanding by the end of every co-operative year, for all the unit banks. The amount of loans repaid by the members to the societies is

TABLE I
Primary Land Mortgage Banks

Year	Loans Issued	Loans Outstanding	Loans repaid	Advance Repayments	Percentage of arrears to demand
(1)	(2)	(3)	(4)	(5)	(6)
	Rs. LAKHS.	Rs. LAKHS.	Rs. LAKHS.	Rs. LAKHS.	
1939-40 ...	42.57	222.08	12.97	4.68	18.04
1940-41 ...	42.17	246.90	17.36	7.26	10.80
1941-42 ...	40.40	263.78	23.52	13.01	8.81
1942-43 ...	24.81	250.59	37.98	25.89	5.31
1943-44 ...	18.31	230.30	35.80	22.61	3.46
1944-45 ...	24.81	228.90	26.72	14.70	8.06

shown in column (4). There is a steady fall in the loans issued reaching a minimum of Rs. 18.31 lakhs in the year 1943-44, although a slight increase can be noted during the last year under consideration, whereas the loans repaid indicate a maximum in 1942-43 and a steady decline is visible later. But repayments exceeded the loans issued from this year and the difference between them is seen to be a maximum for the year 1943-44 being Rs. 17.49 lakhs. Consequently there is a steady decrease in the volume of loans outstanding from 1941-42. Column (6) of the Table shows the percentage of arrears left over every year to the demand on principal. These figures indicate a steady fall throughout this period showing the increasing ability of the borrower to repay loans in due time. Another important feature is the steady increase of advance repayments upto 1942-43, shown in column (5) of Table I, followed by a fall in the subsequent years. Compared with the position in 1939-40, the advance repayments increased by 542.0 per cent and 488.1 per cent in the years 1942-43 and 1943-44 respectively, whereas the loans issued decreased by 58.3 per cent and 43 per cent for the same periods. All these indicate that the war has created facilities for the agriculturist not only to repay debts in proper time but also to redeem them in advance.

It is necessary to study the factors that contributed to improve the financial position of the agriculturists. With the rapid rise in prices following the outbreak of the war, the income of the agriculturist increased and the margin left over his expenditure would have been utilised to repay debt. Column (2) of Table II¹ shows the index numbers of working

TABLE II

Year	Average cost of living Index	Average Wholesale Price Index		Year to Year Variation in		
		Food Articles	Non-Food Articles	Cost of Living	Food Articles	Non-Food Articles
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1939-40	105	...	...	...	...	...
1940-41	110	113	127	5	...	...
1941-42	121	134	171	11	21	44
1942-43	157	234	253	36	100	82
1943-44	196	268	249	39	34	-4
1944-45	218	263	245	22	-5	-4
January 1946	230	285	245	...	...	...
February 1946	231	299	245	...	...	...

class cost of living for the Madras city² and columns (3) and (4) the average wholesale price indices³ of food and non-food articles for the Madras City. The working class cost of living index cannot be taken to represent that of the agriculturist and also slight differences may exist between the wholesale prices of different commodities in the City and in the mofussil but as no proper statistics are available, these are utilised to indicate the extent of rise in wholesale prices relative to cost of living in war years. The index numbers of cost of living show a steady increase whereas the wholesale price indices of food articles indicate a maximum for 1943-44 and that of non-food articles for 1942-43. The year to year increase shown in other columns of the Table, both for food and non-food articles indicates a maximum for the year 1942-43. The difference between cost of living index and the index of prices (food and non-food articles taken together) reached the peak in this year. Since repayment of loans and also advance repayments are maximum in 1942-43, the rise in prices must be considered as the primary cause for improving the financial position of the agriculturist.

The heavy repayments of mortgage loans are also attributed to the sale of land, as the debtors took advantage of the land boom to get rid of the

¹ The base period is chosen as the month prior to the outbreak of the war for all indices.

² These are formed by taking the average of index numbers for the month of June every year.

³ The average of monthly figures are used as representative for the year, although seasonal variations exist in prices during the year.

debt incubus. Instances of fresh borrowing from other sources where facile credit can be had at low rates of interest with a view to wiping out the accumulated debts contracted in the past, are also not lacking

Although repayment of loans from the increased surplus left over the expenditure by the sale of produce indicates a clear sign of prosperity, the sale of land or incurring of fresh loans are injurious to the progress of the agriculturist. By selling a portion of the land to clear his debt the agriculturist is "frustrating his original plan of repaying the debt from his income and retaining the entire land in tact for the family." A recent investigation¹ into the sources of advance repayments of 54 primary banks has disclosed that 45 per cent and 55 per cent of such repayments were effected by the sale of produce, whereas 42 per cent and 36 per cent were due to the sale of land during 1942-43 and 1943-44, respectively, the two years in which repayment of loans was particularly heavy. Though no estimate is available of the extent of borrowing made to clear debts, considering the existence of alternative facilities for securing cheap credit, this can also be taken as responsible to some extent for the heavy repayment.

Similar trends are also reflected in the transactions of the Central Land Mortgage Bank during the period under study. Column (2) of Table III

TABLE III

Central Land Mortgage Bank

(Amount in Lakhs)

Year	Loans Issued	Loans Outstanding	Loans Collected	Advance Collections	Debentures in Circulation	Net Profits
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1939-40	42.82	218.81	18.19	5.29	194.8	1.20
1940-41	40.78	241.49	18.10	8.58	243.8	2.41
1941-42	40.32	258.84	22.97	12.12	274.0	1.99
1942-43	23.65	244.65	37.85	24.44	295.3	1.82
1943-44	18.25	227.57	35.33	25.31	285.6	1.06
1944-45	24.77	226.27	26.07	14.73	302.1	2.84

gives the figures of loans issued. There is a steady fall showing a minimum of Rs. 18.25 lakhs in 1943-44. Although the loans collected, shown in column (4), indicate a maximum in 1942-43, the difference between loans issued and repayments made is a maximum for the year 1943-44. The figures of advance collections made from the primary banks was at its maximum in the year 1943-44.

¹ Conducted by the Registrar of Co-operative Societies, Madras.

With the outbreak of the war, the stringent conditions of the money market and the desire to retain a margin of 3 per cent between the rate of interest charged from the ultimate borrower and the rate of interest on debentures, led to the stepping up of the interest rate to $5\frac{1}{2}$ per cent for loaning funds to primary banks. But that was purely a temporary phase and even with a reduction in the rate of interest to 3 per cent from $3\frac{1}{2}$ per cent in the following year there was a brisk demand for the debentures. The rate of interest was reduced by half per cent and the ultimate borrower was charged 6 per cent. Consequent on the fall in the issue of loans and heavy repayments no debentures were floated in 1943-44. Column 6 of Table III gives the figures of debentures in circulation for all the years.

The cumulative effect of all these changes was a rapid fall in the Central Bank's profits which reached a minimum of Rs. 1.06 lakhs in 1943-44. In spite of the representations made by the Central Land Mortgage Bank the Government ordered that the banks should be quiescent and no attempt should be made to expand the business till the prices become more stable. But after repeated requests in 1943-44, it was agreed to enhance individual credit limit from Rs. 10,000 to Rs. 15,000 and to issue second loans for land improvement. As a result 32 loans amounting to of Rs. 26,190 were advanced for land improvement in that year. The loan transactions in the last year indicate a slight recovery which is due to the increase in the costs of cultivation and to the narrowing down of the margin between prices and cost of living. But there is still a wide scope left over for the mortgage banks to expand their activities.

The war has created an opportunity for these banks to explore various means of increasing their business which will be in keeping with the prosperity of the agriculturist. A considerable reduction in the rate of interest will deter the agriculturist from seeking other sources of cheap credit. The existing rate of 6 per cent is fairly high. Further, the bye-laws provide not only for the issue of loans for redemption of debt and for improvement of land or methods of cultivation but also, purchasing land to round off the holding. But till now all the loans issued are only for liquidating old debts. The activities of the banks can be expanded by extending loans for productive purposes. At present short term credit for a period below 3 years is provided by the co-operative credit societies and the mortgage banks confine themselves to long-term loans extending over a period of 20 years, and as such, there is no organisation for supplying medium term credit. The present resources of the land mortgage banks can profitably be utilised for giving loans over periods extending from 5 to 10 years.

A bold policy of expansion accompanied by a reduction in the rate of interest will incidentally increase the volume of business while alleviating the condition of the agriculturist of the province. The land mortgage banks have withstood the swing from slump to recovery and the abnormal

condition of induced inflationary rise in agricultural prices and land values during the war period. As such, while caution is the necessary key-note of any comprehensive plan of approach to the problem of rural credit, there is no need for undue hesitation for widening the scope of operation of land banks in the Madras Presidency.

LAND MORTGAGE BANKING IN ORISSA

By

S. A. CHOUDHURY,

Secretary, Orissa Provincial Co-operative Land Mortgage Bank, Ltd.

Land Mortgage Banking in Orissa is carried on perhaps in a more centralised form than in any other Province in India. There are no primary Land Mortgage Banks in this Province. The entire operation of mortgage banking is controlled by a single central institution, the Orissa Provincial Co-operative Land Mortgage Bank, Ltd, with two branches at present, one at Cuttack and the other at Berhampur. The detailed procedure is different from that in vogue in Madras. The Orissa Provincial Co-operative Land Mortgage Bank, Ltd., created under a special statute. The Orissa Co-operative Land Mortgage Bank Act, 1938, is still in a state of infancy. It started work in the year 1939-40 under the guidance of an experienced officer from the Madras Co-operative Department who was specially deputed for the purpose. The registered office of the Bank was originally at Cuttack but has since been shifted to Berhampur. The objects of the Bank are :—

- (a) to promote the economic interests of its members and more particularly to arrange for funds to be lent to its members on mortgage security for—
 - (i) the redemption of mortgages on agricultural lands or estates,
 - (ii) the improvement of agricultural land and of methods of cultivation,
 - (iii) the discharge of other prior debts,
 - (iv) the purchase of land in special cases so as to enable the member to round off his holding and work it more economically ; and
- (b) to encourage in the members the spirit and practice of thrift, mutual help and self-help in such ways as may be decided upon from time to time.

In practice however the Bank is functioning as an agency for debt relief.

Share Capital and Membership.—The authorised share capital of the Bank at present is Rs. 2,25,500 made up of :—

- (1) 1,250 A class shares of Rs. 100 each.
- (2) 9,000 B class shares of Rs. 10 each.
- (3) 10,000 C class shares of Re. 1 each.

Half of the value of A and B Class shares is paid on allotment, the remaining half being kept in reserve for future calls. C class shares are payable in full. Of the A class shares, 500 were allotted to the Government of Orissa and rest to individuals and Co-operative Institutions in the Province. B class membership is open only to individuals competent to contract and every borrowing member shall hold at least one share for every Rs. 100 or part thereof borrowed from the Bank. Coparceners and other persons interested in the property mortgaged are required to hold one C class share each so as to make them eligible to join in the execution of the mortgage bonds along with the borrowing members. The number of members of all classes and the amount of paid-up share capital as on the 30th June 1945 are shown below :—

Class.	No. of members.	Number of shares.	Amount paid up. Rs.
A	42	1,042	52,100
B	444	3,040	15,206
C	821	821	821
Total	1,307	4,903	68,127

Management.—The general management of the Bank vests in a Board of Directors consisting of 12 members including the Registrar of Co-operative Societies, Orissa, as an *ex-officio* member. Five members are elected from among A class members and four from B class and the remaining two are nominated by the Government of Orissa. Subject to the control of and delegation from the Board administration of the Bank is carried on by an Executive Committee consisting of 7 Directors of whom the President, the Vice-President and the Registrar of Co-operative Societies shall be *ex-officio* members. A local committee consisting of five members appointed by the Board (of whom not less than two shall be B class members of that branch) controls the working of the branch. Subject to the control of the President and the Executive Committee, the executive administration of the Bank is carried on by a paid secretary who is a Government officer lent by Government and appointed by the Registrar of Co-operative Societies as Trustee of the Bank.

Borrowings.—The by-laws of the Bank provide for the issue of debentures with the previous sanction of the Trustee for periods not exceeding 25 years. The debentures are guaranteed by Government both in respect of principal and interest. Owing to the slow growth of business of the

Bank debentures have not been floated yet and the Government as a provisional arrangement are placing necessary funds at the disposal of the Bank in the shape of loans carrying interest at 4 per cent. Short term deposits are also accepted for the immediate needs of the Bank. The total borrowings of the Bank on account of loans and deposits as on the 30th June 1945 amounted to Rs. 2,20,000. An application made by the Bank for sanction to the issue of debentures is under consideration by the Government. It is hoped that the Bank will be able to float its first series of debentures early the next Co-operative year.

Loans to Members.—Loans are granted to B class members on the first mortgage of agricultural lands upto 40 per cent of their pre-War market value subject to a maximum of Rs. 5,000 and a minimum of Rs. 800 for each member. Uptill now only first class irrigated lands have been accepted as security for loans. To accelerate the progress of the Bank it has recently been decided that some relaxation may be made in this respect with the result that garden, rainfed and dry lands will also be accepted as security along with irrigated lands subject to the proviso that the value of unirrigated land should be not less than 50 per cent of the entire value of the hypotheca. Loans carry an interest of $6\frac{1}{4}$ per cent and are repayable in 20 equated annual instalments. The total outstandings on 30-6-45 under loans advanced to 352 members were Rs. 2,51,679 of which no part was overdue. Since the starting of the Bank and up-to-date there has been no instance of a loan which has fallen overdue.

Investigation of Applications for Loans.—The Secretary of the branch receives loan applications and forwards them to the Supervisors concerned. The Supervisor makes preliminary enquiries, inspects the lands offered as security and submits a preliminary report in a prescribed form. He also arranges for the remittance of the initial share capital, legal and survey fees. There upon the Secretary of the branch obtains a certificate of encumbrance from the Sub-Registrar's Office for 23 years prior to the date of such application and forwards it to the Supervisor who then completes his investigation and submits his final report with all the relevant documents regarding the title of the applicant. The file is then placed before the Legal Adviser of the branch for an expression of his opinion in writing. The file with the legal opinion is then forwarded to the Sub-Assistant Registrar (Government Officer) for Land Mortgage Bank working in the Branch, whose duty it is to investigate independently into the title, repaying capacity and indebtedness of the applicant. He also inspects the lands and after verifying the village land records, fixes the value with reference to the pre-war sale statistics and submits the file with his report to the Secretary who after scrutiny places it before the Local Committee. Lands or estates proposed to be mortgaged for loans for sums exceeding Rs. 500 are also inspected by a member of the Local Committee besides the Sub-Assistant Registrar. The loan application with the recommendation of

the Local Committee is then examined by the Deputy Registrar of Co-operative Societies, Orissa and then placed before the Executive Committee for its final orders. It has been found necessary to adopt a loan policy involving such a thorough scrutiny in order that a timely recovery of the loan instalments may be fully ensured.

Disbursement of Loans.—No cash transactions are permitted in the Bank. Disbursement of loans are made by means of cheques and collections are received through Current and Savings Bank accounts maintained in Co-operative Banks and the branches of the Imperial Bank of India. Loans are disbursed through cheques either by the Secretary of the Bank directly or through the Secretary of the Branch concerned as may be found necessary. Parties are invited to be present at places as near their residences as possible where a banking account can be maintained so as to minimise their travelling expenses. In disbursing loans care is taken to see that the spirit of the provisions of the Orissa Money Lenders Act, 1939 is not deviated from.

The progress made from year to year in loan advances since the inception of the Bank is noted below :—

Year	Amount disbursed	Amount collected	Advance collections	Amount out-standing at the end of the year
	Rs.	Rs.	Rs.	Rs.
1939-40	53,621	53	—	53,568
1940-41	33,007	2,673	—	33,902
1941-42	55,647	4,877	—	1,34,802
1942-43	74,358	11,594	5,498	1,97,566
1943-44	37,938	23,388	14,730	2,12,122
1944-45	55,350	15,792	8,673	2,51,679

The slow growth of the business indicated by these figures is not difficult to explain. The phenomenal rise in the prices of commodities and the consequent rise in land values has done away with much of the incentive on the part of the agricultural debtors especially of the upper classes to seek recourse to Land Mortgage Banks. Another reason for the slow progress of the Bank has been the policy of excessive caution and perhaps rigidity that has been adopted in the matter of advancing loans. In a province where the advantages of the Co-operative movement have not received adequate recognition it has been considered necessary to scrupulously abide by principles which make for sound business. The authorities of the Bank have no doubt been guided by the motto "safety and security first rather than speed" but the number that could be helped on such standards would naturally be fewer and confined to the comparatively better off agriculturists. Although the Orissa Co-operative Land Mortgage Bank Act is applicable to the whole of the Province, the actual area of operations of the Bank has for the present been limited to five taluks of Ganjam district, selected area in the Sardar Sub-division of the Cuttack district

which is protected from frequent ravages of floods and selected villages from the Khurda Sub-division of the Puri district which command unfailing irrigation facilities. This also accounts for the tardy progress of the Bank.

Facilities Allowed by Government.—The Government of Orissa aided the Bank with a subsidy of Rs. 8,000 a year for three years towards the cost of management. In the fourth year the subsidy was reduced to Rs. 4,000 and in the fifth year a sum of Rs. 2,390 was granted to cover the estimated deficit in the Bank's budget. Thereafter all financial aid has been stopped.

Besides the loan of the services of a Sub-Assistant Registrar to the Bank to act as its Secretary Government employ at their own cost two Sub-Assistant Registrars solely for work connected with the Bank. The Registrar and the Deputy Registrar of Co-operative Societies, Orissa have been helping the Bank with their advice and guidance. Government allow the Bank the following concessions :—

- (1) Exemption from fees for registration of documents.
- (2) Exemption from fees for searches for encumbrances made in the Registration Offices.
- (3) Free access to the settlement records in the District, Sub-divisional and Taluq Offices and also to the records with the village officers in Government villages.

LAND MORTGAGE BANKS IN MYSORE

By

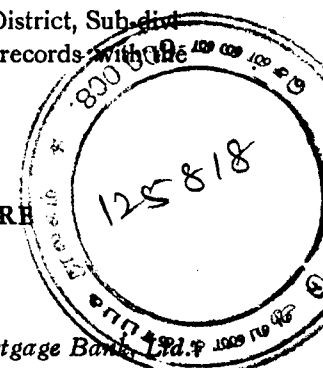
H. KRISHNAMURTHI, M.A.,

Assistant Secretary, Mysore Central Co-operative Land Mortgage Bank

The establishment of Land Mortgage Banks in Mysore is the outcome of one of the recommendations of the Malnad Improvement Committee of 1925 appointed by the Government of Mysore. A Select Committee constituted by the Government in 1927 examined in detail the question of relieving the indebtedness of the agriculturists and improving their economic condition. As recommended by this Committee, the Central Land Mortgage Bank was registered in November 1929 after amending the Mysore Co-operative Societies Act so as to bring within its purview the Central Land Mortgage Bank and also the Primary Land Mortgage Banks through which the Central Land Mortgage Bank is to operate.

The lending operations of the Bank were in the first instance limited to four Taluks, namely, Tumkur in the Maidan and Sagar, Koppa and Manjarabad in the Malnad. The Scheme has been gradually extended to 77 Taluks and Sub-Taluks out of 82 Taluks and Sub-Taluks in the State.

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The jurisdiction of the Primary Banks has been kept as compact as possible and one Primary Bank has been formed for each Taluk or Sub-Taluk. There are now 75 Primary Land Mortgage Banks in the State.

The Central Land Mortgage Bank has a membership of 291, a paid up share capital of Rs. 2,70,000 and a Reserve Fund of Rs. 87,604. It has also built up other reserves amounting to Rs. 26,886. The Bank's outstanding debenture borrowings and loan lendings amount to Rs. 20,00,000 and Rs. 22,50,810 respectively.

The Bank raises all the capital it requires for the issue of loans by means of debentures whose principal and interest are guaranteed by the Government. The Bank has so far floated seven series of debentures and borrowed Rs. 24,08,000. The first three series of the debentures amounting to Rs. 4,66,100 have been redeemed after a period of 10 years from the date of their issue. The Government has been approached for permission to issue the 8th series of debentures for Rs. 10 lakhs and orders are awaited. The debentures issued by the Bank are negotiable and are declared as Trust Securities. They are also exempted from stamp duty. The first five series of debentures were free of income-tax. The several concessions granted by the Government have made the debentures very popular and they were issued generally at a premium.

The object of the Bank is to lend long term loans to agriculturists for relief of their prior indebtedness and also for improvement of lands. The Bank has so far been advancing loans only for liquidating prior debts and is now contemplating to issue loans for improvement of lands. It also advances short term loans to its long term loan grantees for their current agricultural needs. The short term loans are admissible to the extent of 10 per cent of the long term loans borrowed or half the estimated value of the crop of the borrower and these are repayable in one year and in exceptional cases in 18 months.

The Bank has so far sanctioned loans amounting to Rs. 32,63,000 and has disbursed Rs. 30,44,000. The Bank lends to the Primary Banks at 6 per cent interest and the Primary Banks charge 7 per cent interest to their borrowers. The Bank has been granting a rebate of 1 per cent in interest which has enabled the ultimate borrower to get loans at 6 per cent. The lowering of the rate of interest by 1 per cent is engaging the attention of the authorities of the Bank.

The instalments on loans due to the Bank from the Primary Institutions have been recovered in full for the past 3 years. The overdue loan instalments to the Primary Banks was negligible at the end of 30th June 1945 and the Primary Banks with their sound management have been striving to strengthen the business morale of the borrowers.

Though the Bank advanced a few loans direct at its inception it has given up the practice of lending direct after the establishment of Primary Land Mortgage Banks. The loan applications which are presented to the Primary Banks are scrutinised by the Secretaries and the records completed by obtaining all the necessary references. After the preliminary scrutiny and completion of the records by the Secretary the applications are referred to two local Directors and the Inspector of Co-operative Societies of the Circle for investigation, and report. The local Directors and the Inspector may either give a joint report by conducting the investigation jointly or separate reports if the investigation is not conducted jointly. The report or reports of these investigating officers are considered by the Committee of Management of the Primary Banks and applications are either recommended or rejected. If the application is recommended, it will be forwarded to the Central Land Mortgage Bank where it will be examined and circulated among the members of the Executive Committee who record their opinion either for sanction or rejection of the loan. In case of difference of opinion among the members of Executive Committee, the case will be discussed thoroughly at a meeting of the Executive Committee. The decision at the meeting will be final.

The administration of the Central Land Mortgage Bank vests in a Board, consisting of 18 members of whom 4 are nominated by the Government. Of these 4 nominees of Government, 2 represent the debenture-holders of the Bank. The President of the Bank is also one of the 4 nominees of Government. The rest of the 14 members of the Board are elected from among the members of the Bank. Five seats on the Board are allotted to Individual Members and ordinary Co-operative Societies and nine representatives are elected from among the affiliated Primary Banks at the rate of one for each District. The Board meets once in two or three months and the day to day disposal of the business of the Bank is attended to by an Executive Committee consisting of 5 Directors of the Bank including the President.

The Comptroller to the Government of Mysore is appointed as Trustee of the Bank. All the monies raised by means of debentures are deposited with him for issue of long term loans and monies are drawn for issue of loans on Bills preaudited by him and passed for payment at the several Government Treasuries in the State. After the disbursement of the loans, the mortgage and other title deeds are deposited with him for safe-custody.

The Bank has been receiving valuable assistance from His Highness' Government for working the Land Mortgage scheme sponsored by them for the amelioration of the indebted agriculturists. In addition to the concessions enjoyed by the other Co-operative Institutions, Government have in their solicitude for the welfare of the agriculturists, been pleased to grant further concessions to the Land Mortgage Bank by way of guaranteeing

both the principal and interest on the debentures issued¹ by it and by exempting it from the payment of stamp and registration charges and the mutation fees both in the Preliminary and Maintenance stages of the Record of Rights. They have also been generous in sanctioning subventions to the Bank year after year since its inception, the total subventions so far sanctioned amount to Rs. 1,03,000. This very materially enabled the Bank to meet its working expenses during the first six years when the Bank's transactions had not developed sufficiently as also to find a portion of the amount required for the grant of rebate in interest to grantees of loans since the year 1937-38. The help of the Departmental Inspectors for investigation and other work connected with this Bank and for about four years, the appointment of a special staff of Inspectors exclusively for this purpose has greatly helped the expansion of the Scheme. Facilities have also been afforded for the securing of close co-operation of the officers of the Revenue and Registration Departments of the Government by permitting them to function as Presidents and Secretaries, in a large number of the Primary Banks. The Secretary of the Bank has been a lent officer of Government since the year 1935. The several concessions granted by Government have gone a long way in increasing the business, utility and popularity of the Bank.

The Primary Banks which form the pivot of the entire organisation had a paid up share capital of Rs. 2,25,000, a Reserve Fund of Rs. 12,000 and their loan outstandings amounted to Rs. 20,60,000 on the 30th June 1945. There is close co-ordination between the Primary Banks and the Central Bank. They are required to send to the Central Land Mortgage Bank returns relating to their working. The Primary Banks are subject to the control and supervision of the Central Land Mortgage Bank and they cannot raise funds from any other source except from the Central Land Mortgage Bank. All the long term loans have to be sanctioned by the Central Land Mortgage Bank and the funds required for advancing these loans should be obtained from the Central Land Mortgage Bank. The Primary Banks should at intervals revalue the mortgaged properties and report the results to the Central Land Mortgage Bank.

The keen interest and satisfaction evinced by the Government and the Royal family in the working of the Scheme cannot be better described than by quoting the following extract from the speech delivered by His Highness the Maharaja of Mysore at the opening of the new building of the Bank on 19th June 1944.

"I should not fail to give expression to the feelings of satisfaction which my Government share with the share-holders and constituents at the efficient manner in which the affairs of the Bank are being conducted under the able guidance of Rajasevasakta Mr. C. S. Kuppuswamiengar. He has shown great public spirit by his disinterested labours in the field of co-operation ever since the mantle of un-official leadership of the movement

fell on his shoulders on the retirement of Mr. K. R. Srinivasiengar. As yet the operations of the Mysore Land Mortgage Bank have only touched a small percentage of the total indebtedness. In saying this, I do not for a moment mean to minimise the extent of the relief that the Bank has already afforded to agriculturists, but I do feel that a development of fifty times the volume of its operations would still be short of the needs of the vast rural population. I should very much like to see in the coming years a substantial increase in the activities of the Bank for relieving the indebtedness of the ryots and helping them to undertake agricultural improvements for bettering their economic position, and I need hardly assure you that my Government will be glad to afford you all legitimate help in this direction."

THE COCHIN CO-OPERATIVE LAND MORTGAGE BANK

By

K. NARAYANA MENON, M.A., C.H.D., (*Manchester*),
Secretary, The Cochin Co-operative Land Mortgage Bank.

The idea of starting a Land Mortgage Bank in this State was expressed by Sir R. K. Shanmukham Chetty, K.C.I.E., Diwan, in his opening speech in the State Legislative Council on 29th July 1935 as follows:—

"Government have therefore come to the conclusion that the only solution of the problem is to establish a Land Mortgage Bank to undertake the work of advancing loans to agriculturists. We have invited some experts who have experience of the working of Land Mortgage Banks, to give us the necessary advice and to prepare a scheme for the starting of a Bank in the State. Sir M. Ramachandra Rao, the President of the Central Land Mortgage Bank of Madras and Rao Bahadur C. Gopala Menon, Treasurer have kindly agreed to visit the State in this connection and help me in making a scheme. It is hoped that in the next few months it would be possible to establish a Land Mortgage Bank which will take over the work (work under the Special Loan Scheme). Government will no doubt be prepared to stand behind the Bank and afford every possible assistance, financial and otherwise. It is possible that when this scheme is ready, you would be asked to pass the necessary legislation and inaugurate the Bank."

Sir M. Ramachandra Rao's health did not permit him to visit the State. But Rao Bahadur Gopala Menon came to the State on the 10th of August. Government deputed Mr. A. R. Mahadeva Iyer, B.A., Deputy Secretary to the Government, as special Officer and subsequently as Secretary of the Bank. Government asked Mr. Iyer to study the details of the working of the Madras Bank and myself, who was then the Registrar of Co-operative Societies, to tour the Madras Presidency to study the working of Land Mortgage Banks there.

So Mr. Mahadeva Iyer and myself went to Madras, attended the Central Land Mortgage Bank for a number of days, studied the files in the office of the Registrar and visited a number of Land Mortgage Banks in the Presidency in the company of Mr. (now Rao Sahib) M. G. Padmanabhan, M.A. Deputy Registrar of Land Mortgage Banks. At Madras, we took detailed instructions from Sir Ramachandra Rao and Rao Bahadur Gopala Menon and drafted a piece of Special legislation and a set of by-laws.

On our return to the State, a conference was held, presided by Sir R. K. Shanmukham Chetty, Diwan, of the Secretary to the Government, Advocate General, Rao Bahadur Gopala Menon, Mr. Mahadeva Iyer and myself. As a result of the conference an emergency L. M. Bank Regulation (VI of 1111) was passed under Section 15 of the Cochin Legislative Council Act *i.e.* as an enactment which would be an Act, if approved by the Legislative Council within six months. And Rao Bahadur Gopala Menon was nominated as an expert member of the Cochin Legislative Council for this purpose.

By this time, the Bank was registered as a Co-operative Society and it started work by taking over the function of the Special Loan Department, specially created to relieve Economic distress in the State. Thereby the Bank took over all the mortgages executed in favour of the Government to the tune of Rs. 2,30,000 under the Special Loan Scheme.

The bill fathered by Rao Bahadur Gopala Menon was with suitable changes passed by the Legislative Council as the Cochin Land Mortgage Bank Act XXV of 1111.

The Act followed more or less the L. M. B. Act of Madras. It provided for the appointment of the Registrar as the Trustee, for the floating of debentures, of which the Principal and the Interest were to be guaranteed by the Government, the distraint and sale of produce and sale of the mortgaged property, appointment of Sale Officers by the Bank, delivery of possession, appointment of Receiver, summoning of documents from creditors etc. It also provided in the light of the Tenancy Act, to limit the duration of any lease granted by a mortgagor to five years after the execution of the mortgage deed and also that improvements made by the lessee would be treated as accession to the mortgaged property to be available to the Bank for realisation of the mortgage amount.

The by-laws of the Bank provide among other things for an authorised share capital of the Rs 5 lakhs of which however only one lakh could be issued for the time being ; for the transfer of shares ; for issue of debentures to be guaranteed by the Government ; for a Board of Directors of eleven of whom five are to be nominated by the Government, five to be elected and Registrar to be Ex-officio ; for an Executive Committee of five of whom the President (nominated by the Government), Vice-President (elected by the Directors) and the Registrar to be Ex-officio members and for Local Advisory Committees consisting of five members each, nominated by the Government for each Taluk of the State.

Under the by-laws Government could nominate the first Board of Directors for 3 years. Accordingly a fully representative and influential Board with Rao Bahadur Sir C. V. Ananthakrishna Iyer Kt. Retired Judge of the High Court of Madras as President, was nominated.

The formal inauguration of the Bank was performed by H. H. the Maharajah of Cochin when, the Agent to the Governor-General, the Diwan, Director and many distinguished persons were present.

Government contributed a sum of Rs. 10,000 towards the working expenses of the Bank.

The above brief account will show under what excellent auspices the Cochin Land Mortgage Bank came into existence.

The constitution of the Land Mortgage Bank here has a few special features which are intended to obviate the difficulties that often beset Co-operative Societies. In effect these features combine harmoniously democratic control with close official supervision.

Membership is open ; but share value can only be transferred and not repaid. Government hold 5,000 shares to the value of Rs. 50,000 which they have paid in cash. The General Body has the final voice in all matters subject to the approval of the Government.

The nomination of five members of the Board including the President and the Ex-officio membership of the Registrar give Government supreme control in the management of the Bank. The by-laws also give the President the power to keep in abeyance any resolution passed by the Board or the Executive Committee, if it is in his opinion against the interests of the Bank, till Government reach a decision, which will be final.

Government appoint the Secretary and the entire staff, all of whom are Government servants. The Secretary is responsible for the executive administration of the Bank and he is also the Treasurer. The Bank contributes one-twelfth of the total salary of its staff to the Government towards pensionary contribution and the officers of the Bank are taken to and from among the State Civil servants.

It may seem to the readers that the Cochin Bank is a Department of Government and scarcely a co-operative institution. To them I may say that all the nominations and control by the Government are done by an elected and responsible Minister. Hence it can be said that Cochin Land Mortgage Bank is one of the most efficient and democratic Co-operative institutions that can be thought of.

There are 2,717 members in the Bank holding 8,588 shares fully paid up, making a total share capital of Rs. 85,880. Of this Rs. 50,000 was as I said before contributed by Government.

Government have also allowed an overdraft of Rs. 5 lakhs, on which account the Bank can operate with all the State Treasuries. The Bank has to pay 8 per cent. interest on the amount actually utilized out of the Overdraft. Government have also guaranteed debentures of the Bank up to Rs. 40 lakhs. But so far the Bank had need only to float debentures for Rs. 20 lakhs.

Loan applications are in the first instance sent to the Bank Inspectors who assess the value of the properties to be mortgaged, the repaying capacity of the borrowers and submit a detailed report about the history of the debt and the hypotheca. This report is sent to the Bank Supervisor who verifies all the details. The verified report is then sent to the Local Advisory Committee and then to the Legal Adviser *i.e.*, any Advocate from a panel of 10 practising in the Courts of the State. By this time a notice to the oral mortgagees is published twice in the Government Gazette calling for claims on the scheduled properties to be mortgaged and the Secretary summons all relevant documents from creditors. The Bank Inspector also applies for encumbrance certificate for 24 years from the District Registrar concerned. When all available information and all title deeds relating to the hypotheca are received they are placed before the Executive Committee which sanctions or rejects the loan application. It may be noted in this connection that the Act has conferred powers, just as under the Civil procedure Code, to summon documents from creditors. When the loan is sanctioned by the Executive Committee, the Bank makes direct payment to the creditors on production of the necessary receipts or releases.

The Bank has now completed ten years of useful service in the State. It was started at a time of great economic distress, due among other causes to the abnormal fall in the prices of land and agricultural produce, to give relief to the ryots to save their lands from being sold for their debt. This purpose was well served by the Bank. The Bank has enabled the ryots to discharge their debts and save them from the clutches of their creditors. It has to-day a paid up share capital of Rs. 85,880 and a Reserve Fund of Rs. 80,098. It is lending money at 5 per cent and has in fact more funds than there is demand. It has disbursed in all loans to the tune of more than Rs. 24 lakhs and indirectly its very establishment has placed a check in all grabbing creditors.

The success of the Cochin Land Mortgage Bank is due mainly to the great interest the Government of His Highness took in it. The Bank was started to meet a real and urgent situation. Prior to its organisation Government attempted to tackle the same problem by the creation of a special loan department. Very soon the Government found out that a Department of Government, like the one they had created, was not either elastic or potential enough to be of use to the people for all time. The mistakes and the remedy were found out by the practical wisdom and business acumen of Sir R. K. Shanmukham Chetty.

The Bank enjoys all the privileges enjoyed by Co-operative Societies. It is exempt from the use of Stamp Paper, from payment for registration of bonds or production of encumbrance certificates. The Bank Inspectors and Supervisors have free access to the records of Registry and Village Offices. The officers of the Revenue Department help the Bank free of charge for identification of properties and issue of certificates. The Bank enjoys the full privilege of the use of the State Treasuries for remittance, transfer and withdrawal of its funds. Money due to the Bank is paid into any of the Treasuries of the State.

The grant of an overdraft of Rs. 5 lakhs, the guarantee given to the debentures of the Bank, the nomination of Local Advisory Committees by the Government for all the Taluks of the State, the nomination of 5 members of the Board of Directors including the President, their status and influence and the numerous other facilities, have made this institution one of the best of its kind. The Bank has practically no overdues because the Bank Staff are empowered to sell and distrain the property and produce of the borrowers. The efficiency of its working has given the public faith in it, so much so that loans on the mortgage of immovable property have become easy and cheap in this State. There is no limit to the Bank's ability to lend, though at present, there are very few new applicants for loan. The rise in the prices of agricultural lands and produce has considerably reduced the transactions of the Bank, as many of the borrowers have taken advantage of the situation by paying up instalments far ahead of the time and even repaying the whole loan by selling a portion of the mortgaged property at the increased price.

With the experience that we have gained so far, the Government and the Board of Directors are just at present considering ways and means of making this institution more useful and popular.

LAND MORTGAGE BANKS IN BARODA STATE

By

N. S. SHINDE, B.A., D.S., F.L.A., F.A.S. (PARIS)

Registrar of Co-operative Societies, Baroda.

In the beginning of the period of the co-operative movement, it was thought that the ordinary credit co-operative society would be able to tackle the problem of agricultural indebtedness and would be able to meet all the financial requirements of its members. It was practically presumed that it would replace the money-lender soon and that the agriculturists would have to deal only with his village credit society. But soon the limitations of the ordinary credit society were realised. It was found that it was beyond the

pale of the village society to deal with the problem of long term finance. The credit societies get only funds on a short term basis and they work mainly on the principle of capitalising personal credit. They could not meet and efficiently carry even this ordinary short term credit business on account of the lack of co-operative spirit and organisation amongst their members. Moreover the credit societies could not liquidate the heavy old ancestral debts of their members owing to want of sufficient resources. The slender profits of agriculture could scarcely suffice to remove the heavy burden of old mortgaged debts of the cultivators. It was also realised that there was no salvation of the poor agriculturists unless they are redeemed of their old debts of heavy interest, and are made free from the clutches of the money-lenders to whom their property was mortgaged. Moreover the farmers require also large sums for carrying out permanent improvement on their lands or for digging wells, putting power-pump, installing heavy machinery and for the betterment of their economic position by the improvement of their agriculture. Hence arrangements of some kind or other had to be made for mitigating the burden of old heavy debts of high interest and for advancing sufficiently large sums on long term basis for the improvement of agriculture. The solution of this problem was felt in the organisation of land mortgage banks on the model of Germany with wider and sufficient resources, which could grant the cultivators long term loans at a low rate of interest repayable by easy instalments based on the repaying capacity ranging from 15 to 20 years.

Before the organisation of Land Mortgage Banks, the Government realising the necessity of long term credit gave financial help and facilities to the Agricultural Pedhis and Central Banks and asked them to undertake the work of liquidating the old debts of the cultivators. During the period from 1922-23 to 1928-29 Rs. 3,67,593 were advanced to the co-operative banks which lent to good societies to enable their members to pay off their old debts.

After a fair trial to the scheme of long term finance through the existing primary societies for the liquidation of the old debts of the members, it was felt that a separate agency was necessary for the supply of long term loans for the liquidation of past debts and improvement of land. The Government appointed a land mortgage bank committee in the year 1925 and according to its recommendations, the Government started the first Land Mortgage Bank for the Baroda district in the year 1933. Subsequently a second Land Mortgage Bank was organised for the Navsari District in the year 1939. Both these banks advanced loans amounting to Rs. 11.44 lakhs mainly for the purpose of liquidating the past debts to the extent of Rs. 13.48 lakhs, the debts having been scaled down to Rs. 2.03 lakhs.

Financial position and the progress of these banks may be seen from the following table :—

Financial position of the Land Mortgage Banks.
(Figures are in lakhs of Rs.)

Year. (1)	Paid up Share Capital. (2)	Deposits held at the end of the year. (3)	Reserve and other funds. (4)	DEBENTURES.		Working Capital. (7)
				Govt. (5)	Public. (6)	
1938-39	1.26	1.42	0.15	1.30	1.69	5.84
1939-40	1.51	1.96	0.23	1.30	2.10	7.12
1940-41	1.60	2.50	0.38	1.30	2.69	8.48
1941-42	1.83	1.46	0.51	1.30	3.69	9.01
1942-43	2.16	1.26	0.62	1.30	3.69	9.40
1943-44	2.19	0.15	0.77	...	6.00	9.57
1944-45	2.21	0.73	0.89	...	6.00	9.84

It can be seen from the above table that the banks have raised their funds by debentures and shares. Deposits at the end of the year 1943-44 were only Rs. 0.15. The banks have repaid the debentures purchased by Government and the debentures purchased by the public amounted to Rs. 6 lakhs at the end of the year 1943-44. The following table shows the position of loans at a glance.

The position of loans. (Figures are in lakhs of Rs.)

Year. (1)	No. of Members taking loans. (2)	Loans Advanced. (3)	Loans repaid. (4)	Loans due at the end of the year. (5)	Per Capita loan per member. (6)
1938-39	105	1.74	0.31	5.16	
1939-40	75	1.29	0.56	5.89	
1940-41	119	1.73	0.43	7.19	
1941-42	99	1.49	0.79	7.87	
1942-43	39	0.44	1.05	7.27	
1943-44	21	0.48	0.90	6.85	
1944-45	56	1.06	0.70	7.20	

From the above table it is clear that the number of members to whom the loans are advanced from year to year is dwindling down to a great extent. Only 21 cultivators took loans to the extent of Rs. 0.48 lakhs in the year 1943-44. The repayments of loans show highest pitch in the year 1942-43 when the prices of agricultural produce and that of lands were at their height when members paid in excess of their stipulated instalments. Loans due by members also decreased from Rs. 7.27 lakhs in the year 1942-43 to Rs. 6.85 lakhs in the year 1943-44.

It would be interesting to take a note of the number of applications for getting loans from the banks and to see how many of them were rejected and how many sanctioned, by the banks. The total number of applications received by the Baroda District Co-operative Land Mortgage Bank since

its inception was 1,052 for a total loan of Rs. 21,63,301 of which 556 applications for a total loan of Rs. 9,85,775 were sanctioned while 426 for a sum of Rs. 9,56,836 were rejected. This clearly shows that about 52 per cent. of loan applications were sanctioned while the rest about 48 per cent were practically rejected. This rejection was due to the applicants not having enough assets to offer and that their debts were excess of the value of the property they had to offer as mortgages to the Banks. This leads to the conclusion that there is about 50 per cent of the cultivators whose redemption of past debts do not come within the scope of Land Mortgage Banking. In some cases the applications were rejected on account of the impossibilities of effecting conciliation and compromise with their creditors *sowkars*. It has also been found that there was a large class of cultivators who could not approach the Land Mortgage Banks for the redemption of their debts on account of their heavy indebtedness which was far in excess of their landed property and their repaying capacity. Applications had to be rejected because the applicants did not possess sufficient security or did not have repaying capacity. It is clearly realised now that these banks can only help the solvent agriculturists who bear a small proportion to the total number of indebted farmers. It is seen therefore that a comparison of the total amount advanced by these banks with the total estimated agricultural indebtedness does not give a fair picture of their progress. The same trend to a lesser degree is noticed also in the working of the Navasari District Co-operative Land Mortgage Bank. Of the total number of loan applications received by the bank since its inception amounting to 353 for a sum of Rs. 4.89 lakhs, 201 Rs. 2.56 lakhs were sanctioned and 129 for Rs. 1.71 lakhs were rejected.

The phenomenal rise in the prices of agricultural produce and that of the value of land during the war period had its effects on the repayments of the Land Mortgage Banks. It was observed that the borrowing cultivators took advantage of this boom period and paid their instalments far in excess of those stipulated for them. The number of loan applications received by the banks for debt redemption etc., has also been dwindling down from year to year. The following table will go to prove the above statement.

The statement of loans and repayments in excess of the stipulated instalments in the Baroda District Land Mortgage Bank, Ltd.

Year.	No. of borrowers.	Loans advanced.	Loans repaid in excess.	Total recoveries.	Loans due at the end of the year.
(1)	(2)	(3)	(4)	(5)	(6)
		Rs.	Rs.	Rs.	Rs.
1939-40	61	1,07,050	35,727	90,497	5,67,491
1940-41	54	94,811	17,970	77,863	6,20,817
1941-42	47	79,825	44,093	77,593	6,29,340
1942-43	10	17,250	67,532	1,11,088	5,52,241
1943-44	10	19,100	46,061	1,07,043	4,98,858
1944-45	27	60,000	32,448	89,840	5,04,639

It can be seen from above table that large repayments in excess of those stipulated are made by the borrowing members and the repayments in the year 1942-43 of the Baroda District Co-operative Land Mortgage Bank amounted to Rs. 67,532 which practically constituted 50 per cent of the total recoveries during the year. Some of the borrowers completely wiped off their old debts of this Bank. The fresh applications for new loans have come down from 61 for Rs. 1 lakh in the year 1939-40 to 10 for Rs. 19,000 in the year 1943-44. Hence at present the Bank is faced with a proposition of how to utilise the large advance repayments. Debentures cannot be redeemed before the stipulated period. If however the entire amount of principal collected is put into the sinking fund account and invested in Government Promissory Notes, the net yield on the investment would be less than 3 per cent which is not sufficient even to meet the interest on debentures. It would be well to utilise the surplus collections in issuing medium term loans to the agriculturists who require medium term credit for the purchase of home-steads, dwelling houses, cattle sheds etc., and for other productive purposes.

The main purpose for which loans were granted by these Land Mortgage Banks was for debt redemption. The Banks were intended to grant loans at a low rate of interest for installing plant and machinery and for carrying permanent improvement of lands over and above the primary purpose of redeeming old debts on mortgages of immoveable agricultural property. The following table gives an idea of the purposes of loans of the Land Mortgage Banks.

Year.	No. of borrowers.	Loans advanced for debt redemption.	Loans advanced for improvement of agriculture etc.	Total loans advanced.
(1)	(2)	(3)	(4)	(5)
		Rs.	Rs.	Rs.
1941-42	39	1,26,605	18,920	1,45,525
1942-43	39	41,900	3,050	44,950
1943-44	10	18,469	531	19,000
1944-45	27	55,175	4,825	60,000

Apart from the utility of these banks as powerful agencies of debt relief, the Banks have an important role to play in the organisation and improvement of agriculture. All permanent improvements, such as irrigation facilities, bunding, fencing are necessary for increasing the productivity of the soil. These improvements can be facilitated by the provision of long term credit by the Land Mortgage Banks. The cultivators need long term finance for adopting measures such as the sinking of wells, installing agricultural plant, machinery, and power pumps, bunding for stopping erosion and soil conservation etc., and the Land Mortgage Bank should not undertake this work of finance. It would be well if the land mortgage banks place themselves in touch with the departments of Irrigation, Public Works,

Agriculture and find out what improvements they encourage and finance. In doing this they would be rendering useful service to the cause of the improvement of agriculture on which 70 per cent of population depend itself for livelihood.

At present there are only two Co-operative Land Mortgage Banks in the Baroda State. The importance of the Land Mortgage Banks for redeeming the old debts of cultivators need not be emphasised. It is of utmost importance to start the Land Mortgage Banks in the other two districts of Mehsana and Amreli as the peasant class in these two districts is also equally heavily burdened with the load of old debts and there is equally a pressing need for long term credit for the improvement of agriculture.

LAND BANKS IN U. P., ASSAM, AJMER AND SANGLI

[Co-operative land mortgage banks exist also in the United Provinces, Assam and Ajmer-Merwara in British India and in Sangli State, though in an undeveloped state. Having failed in our attempts to get detailed and upto-date information regarding their working, we give hereunder the information available to us from other sources, though not up-to-date, with a view to enable a complete study of the subject. —Editor.]

United Provinces.—According to the *Statistical Statements Relating to the Co-operative Movement in India* (1942-43) there were five land mortgage banks in the United Provinces with an aggregate membership of 869, paid up share capital of Rs. 32,432, reserve and other funds amounting to Rs. 13,994 and working capital of Rs. 2.08 lakhs. They advanced loans during the year to the extent of Rs. 15,550 to individuals and Rs. 24,702 to banks and societies. The banks do not issue any debentures. The amount of deposits and loans from banks and societies held at the end of the year amounted to Rs. 78,650 and Rs. 82,681 respectively. The finances for these banks are derived for the most part from the local district co-operative banks at 4 to 5 per cent while they charge to their members at 7 to 9 per cent. In other words the land mortgage banks in the United Provinces are financed by short term credits. The period of repayments is usually more than 15 years. At the end of the year 1942-43 outstandings of these banks against individuals amounted to Rs. 1,86,537 of which Rs. 19,062 was overdue. During the year under report they worked at a profit of Rs. 5,423.

Assam.—On the 30th June 1942 there were four land mortgage banks in Assam with a membership of 1767, paid up share capital of Rs. 85,895, reserve and other funds amounting to Rs. 83,176 and a working capital of Rs. 3.82 lakhs. The amount of borrowings held at the end of the year comprised loans from individuals to the tune of Rs. 1.75 lakhs; loans from banks and societies to the extent of Rs. 600 and debentures subscribed by

Government of a value of Rs. 37,600. The amount outstanding against members at the end of the year was Rs. 2,30,850 of which Rs. 26,363 was overdue. The assets of these banks are said to have been frozen in lands of defaulting members. Though no new loans are being given an amount of Rs. 3,850 was advanced during the year 1941-42.

Ajmer-Merwara.—There were three land mortgage banks and nine societies in the province at the end of the year 1942-43 with a membership of 1,282, paid up share capital of Rs. 6,851, reserve fund of Rs. 6,626 and a working capital of Rs. 74,483. The amount of loans outstanding against individuals at the end of the year was Rs. 70,904.

Sangli.—There is one land mortgage bank in Sangli State. On the 31st May, 1943 it had a membership of 40 and a working capital of Rs. 6,593. Its owned funds amounted to about Rs. 6,000. The amount of loans outstanding against members was nearly Rs. 4,000. During the year 1942-43 it advanced loans to the extent of Rs. 600. The rate of interest charged by the Bank on lendings is 6 per cent.

CONSTRUCTION CO-OPERATIVES IN ITALY

By

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The post war development plans of the Central and Provincial Governments in India include vast schemes for the construction of highways, hydro-electric and irrigation plants, dams, buildings, etc. The common aim of these schemes is not only to develop the resources of the country, raising in such a way the standard of living of huge masses of workmen, but more particularly to provide adequate opportunities for the full employment of the demobilised service personnel and discharged war-workers, helping their resettlement in civil life.

These schemes will act as anti-slump measures and will increase the national wealth giving at the same time opportunities for the investment of private and public funds on projects of national interest. Apart from their values as productive undertakings, their benefits can be shared not only by the beneficiaries, but also by the workers engaged in the construction, if suitable measures are allotted in order to give the proceeds and profits of the works to the men employed therein. It is here that the examples of the Construction Co-operatives in Italy have a great lesson for India.

Of all countries in Europe it fell to the special genius of the Italian people to promote and organise this type of co-operative enterprise. As an Italian and an Engineer by profession I am proud of the achievements of

my country in the line of Architecture and Engineering, but my countrymen not only planned and executed great projects but also planned the Human aspect of Engineering, namely, the organization of man-power. The twenty years of Fascist rule could not destroy the work of the pioneers of co-operative movement in Italy; so deeply the idea of co-operation was rooted in the mind of every workman.

My association with the Construction Co-operatives began early in my career as an Engineer. I must remind readers that the Co-operatives in Italy have always an Engineer who manages their affairs paid on per cent basis, and, if the Co-operative has not its own Engineer, the Federation, that is the association of all the Co-operatives of Production and Labour of a region, dispatches one of its own engineers to assist and direct the works. In Italy it is the contracting agencies who are responsible for the execution of public works; and any contractor, if he is not an Engineer himself, has to employ one. The Co-operatives are treated on the same footing as are ordinary contractors, excepting certain financial concessions such as, exemption for the first ten years from payment of deposit money and from tax on business and profit—and so they too must have an Engineer who is responsible for the technical side of the contract. It is not like India where the contractors are for the majority merely suppliers of labour and materials, while the P.W.D. provides all the technical direction and supervision.

About the end of the last war, 25 mechanical workmen, employed in Engineering firms in Naples, decided to quit their service under capitalist employers and bind themselves as a co-operative. There were of course at that time in Naples, other co-operatives and a well organized Federation, but this co-operative, that remained till the last a strong hold against Fascism, is worthy of mention for its achievements and because I had there my first contact with the co-operative movement and with a great social worker—Bruno Buoizzi.

Bruno Buoizzi, who later became General Secretary of the Federation of Italian Mechanical Workmen and member of Italian Parliament, before it was dissolved by Mussolini, was a continuous example of selfless service and active organization of co-operatives and of Industrial workers. Concentration camps and prisons could not bend his will or his noble soul. Being freedom-loving he was killed by the Nazis a few days before the liberation of Rome. But his teaching and, more, his example remains in the heart of every man that had the good fortune to be associated with him.

The 25 workers gave to their organization the name "Avanti" which in English means "Forward". They were all highly skilled workmen but under the Capitalist system they had very little opportunity, being more cogs in the wheels of the factory machine.

The early history of the "Avanti" Co-operatives was one of continuous struggle against the opposition of big industrialists. These 25 members, without cash, had only their skill and Buoizzi's organizing brains. The first lathe that was installed in a local building rented to them by the Trade Union of Mechanical Workmen, was an old one in very bad condition, given as a sarcastic present by an Industrialist. And that lathe as well as an old drill and a plane did miracles. When new and modern machinery was installed, the committee decided to keep in their places these three machines as souvenirs and there they remained till when, by order of Mussolini, a squad of Black-shirts set fire to the building and destroyed all the machinery.

By dint of devoted perseverance the "Avanti" Co-operative established itself in the hearts of the people. The worker of the "Avanti" started making autocar spare parts and selling them at cheap prices since their overheads were small and they were content with taking only half the usual wages, giving the other half to the reserve fund of the Co-operative. Soon the market was won, because the articles manufactured by "Avanti" were decidedly better than those of other manufacturers, its members being all highly skilled workmen. They also worked over-time in order to increase the output. The spirit which inspired this movement affected also the ordinary workmen in other industrial concerns. They saw in this movement a hope for their own liberation from the thralldom of Capitalist employees who exploited their labour, and freely they gave their evening hours in the service of the Co-operative.

All these factors helped the "Avanti" to get established in the course of a few months. Then the men not only got their normal wages but also a third more as bonus. All the taxi-drivers in the town as a class patronised the products of the Co-operative and to them, as fellow workmen, the facility of credit was extended. In course of time the "Avanti" had a membership of 300 skilled workmen. Each member could subscribe from one to 10 shares of 50 liras each (Rs. 10) by instalments from out of their wages. Soon the premises became insufficient to provide work for all the members and the committee opened a new branch for repairs of ships and steam-boats. That branch gave new ideas to the management who started a new business, purchasing condemned and salvaged ships at a cheap price and instead of sending all the parts to the melting furnace, they turned the majority into useful articles such as shovels, tools, horse-shoes, etc.

The "Avanti" Co-operative started evening classes in order to give technical education to the workers. The classes were open to everybody and to this school came a number of masons from Pozzuoli, a town near Naples. These masons got interested in co-operative organization and asked to be united in a co-operative. The mayor of Pozzuoli, Signor Grobert belonged to the Labour Party. He had prepared a plan for the construction of a new housing colony in order to give good houses to the industrial and railway workmen living in the town. The municipal

Engineers and I worked out the details of the plan, the municipality gave the land, and the Government a loan. But the estimate was too low according to the ideas of the contractors and nobody sent offers for the tender. The newly formed masons' co-operative then came out offering to do the work at the rates fixed by the municipal engineers. The mayor accepted their proposal, and the building of the colony started. In order to save money, all the timber work was entrusted to the "Aurora" (Dawn) carpenters' co-operative, that had very good machinery to work timber; all the steel and sanitary fittings was entrusted to the "Avanti" co-operative and the power-driven machinery such as compressors, mortar and concrete mixers, cranes etc. were all secured from the Federation of Co-operatives (Consorzio delle Co-operative di produzione e Lavoro) on payment of hire.

The basic unit in the Italian Co-operative system is the co-operative itself whose membership ranges from ten to three hundred members. Two or more co-operatives of the same or akin trade form an union, two or more unions a federation. The union controls and co-ordinates the work of the co-operatives and helps them with technical assistance; the federation controls and co-ordinates the unions' work, assisting them financially, technically; undertakes big contracts, works quarries through co-operatives at its direct dependence; owns big building necessary; represents the co-operatives in the board of the "Banca Nazionale del Lavoro", that finances practically all the co-operatives in Italy.

While in Pozzuoli the colony was being built, the masons organized a scheme for a colony for themselves which they completed during their leisure hours. The land for their own colony was bought from the municipality at a nominal fee, and so these workers not only built a model colony for their towns people, but also houses for themselves, where for the first time was studied the project of the minimum houses with sliding walls in order to make more rooms for parties, feasts, and receptions. What a difference between contractors' coolies and co-operative free workers!

The metal for the construction of the roads, the stone for door steps, lintels and pillars were furnished by the "Stone Workers' Co-operative"—La Fierente—(The Blossoming).

In the past these articles were sold by contractors organized in strong concerns in the villages situated at the foot of Mount Vesuvius. The solidified lava provided and provides a special type of grey-blue stone which yields to good finish. From the lava are made reefs for breakwater and other maritime works, big stones for a special type of pavement called "Basolate", used from the Roman times. In a word the Vesuvius lava is very good for every kind of work where strong stone is required resisting to wear and tear.

The village workmen for centuries prepared these articles to merchants and contractors, themselves earning miserably low wages. The

struggle against the capitalists facilitated the spread of co-operative spirit in their surroundings. A new life was born amongst them, and amongst the workmen in the province of Campania, whose capital is Naples, when they binded themselves in a co-operative.

The quarry workmen all the world over live under very depressed conditions and are sweated by their employers who are mostly middle-men merchants. Not being able to bear any more low wages, the workmen of the Vesuvius lava, went on strike. The industrialist declared a lock-out, thus trying to cow the workmen by hunger. But the men began to feel that they could secure all the profits of this industry to themselves by organizing a co-operative along with the stone workers. At that time an engineer by name D'Ambrosio, gave them the necessary assistance and leadership. As already mentioned according to the Italian law no payment of earnest money is necessary for the first ten years of the life of a co-operative, and so the newly formed quarrymen co-operative was able to bid and secure quarrying rights from the Government. Not possessing costly machinery in the initial stages, the quarry and stone workers' co-operatives prepared such articles like pillars, door-steps, gargoyles, etc. which required workmanship by hand for shaping and polishing and which also fetched a good price in the market.

The quarrymen and stone workers' co-operatives were the first nucleus around which the "Consorzio delle Co-operatives di produzione e Lavoro della Campania" was formed.

After completing the "Case popolari" (houses for the people) the masons' co-operative of Pozzuoli took a big contract for the construction of a flying boat base. Wherever required this co-operative admitted additional workmen as non-members but these were also given the same advantage as members in the matter of wages, bonus etc.

The technical skill required for carrying out such undertakings was possible because, as already pointed out, the co-operative employed expert engineers as managers and secured machinery from the federation of co-operatives which kept a pool and supplied the required machinery along with technical personnel to operate them. This personnel forms a special co-operative under the direct control of the federation.

The federation also helped the construction co-operatives by bulk purchase of materials. Small tools and implements for daily work were bought and owned by the men themselves and these tools were for the majority manufactured by the "Avanti" co-operative.

It will thus be observed how from very small beginnings the organisation has been built in different directions and with an interlinking of service and responsibility.

The federation of co-operatives "consorzio" plays a considerable part in the promotion and development of the affiliated co-operatives. Finding a

suitable market for their products at advantageous prices, securing financial assistance, providing technical experts for supervision and as mentioned before hiring out heavy machinery and some light equipment are the principal objects of the federation which also undertakes big contracts that technically and financially could not be taken by a single co-operative. The federation also maintains hospital benefits and provides insurance in the field not covered by the Government. Co-operative stores are also organized by the federation. Such federations are formed practically for each region and for the whole country there is a confederation of federations.

To assist financially the co-operative movement in Italy, Luazatti in the second half of the last century, founded the "Banca della Co-operazione" (Bank of Co-operation) that later on became "Banca del Lavoro," (Bank of Labour).

This bank has been of great assistance in financing the operations of different types of co-operatives. In its central committee sits a representative of the confederation of the co-operatives; in each regional branch sits a representative of the local federation, and *vice-versa*, in the confederation of co-operatives sits a representative of the bank as well as in every federation. In this way the financial aspect of each contract proposed to be taken up by the federation or its auxiliaries is examined from the business point of view.

There is a great movement for the education of the members of the co-operatives both in technical and general lines. Training classes are also held for apprentices and for those taking higher technical studies.

In special branch of the federation is the Building Co-operatives' Union whose aim is to build houses for the members with payment by instalments in 25, 30, 40 years, combined with a special insurance policy. As result, the monthly payment has been in the average 40 per cent less than the ordinary rent for a similar type of house.

Before I conclude this article a word should be said on the attitude of the State towards the co-operative movement in general and the construction co-operatives in particular. This movement among the workmen has had a spontaneous growth and the labourites and socialist leaders gave all assistance to the organization. There was all round sympathy for the co-operatives; but during the early part of Mussolini's rise to power, he crushed the co-operatives by his inveterate opposition to the founders of the movement and by his general fear that the existence of any democratic organization, such as the co-operatives, would stand against his building the totalitarian State. However, when he felt that the big industrialists might overthrow him, in order to balance their power, he assisted the so-called Fascist co-operatives to establish themselves under State auspices, framing decrees to help them and giving them priority for the execution of public works.

But contrary to the fundamental principles of co-operation namely :

- (1) Open membership ;
- (2) One vote for each member, and
- (3) Political and religious neutrality,

the Fascist co-operatives had close membership, no vote, carrying only the orders of the local Fascist Chief, and no political and religious neutrality.

Anyway the construction co-operatives in Italy have done a great good job and to them credit is due for several monuments of public works and such as land reclamation, irrigation, town planning, housing colonies, houses for the people, industrial workshop and even a big pharmaceutical concern, etc.

There is a great deal for India of the future to learn from Italian co-operatives. If post-war planning is really to benefit the masses and the large body of unskilled and skilled labourers, co-operation is the only way; otherwise the sweating of labour as in pre-war and war-time periods will continue in post-war period also and the men to benefit will be the middlemen, contractors and capitalists, and all political talk of the coming era of Peace and prosperity under any scheme of National Government will be only a mirage.

CO-OPERATIVE EDUCATION IN THE PUNJAB

By

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Co-operation necessarily requires sound organisation of human efforts for some economic end. The organisation must be based on the principles of Co-operation and the end aimed at must be gained through Co-operative Method. Co-operation seeks to eliminate contradictions inherent in Capitalism. It strives to create among its adherents unity of purpose and tries to harmonise their actions. Such a movement which builds economic edifice on moral foundations must be preceded, if it is to establish itself successfully, by an intellectual revolution. Both the organisers and the organised must of necessity receive thorough education and training in the principles and the methods of Co-operation. And the matter should not stop there knowledge, if allowed to stagnate, becomes stale and as it were rusted. It loses its value for ever changing life. Teaching, therefore, should be continuous. Memories of Co-operators should be refreshed and their knowledge received as often as possible.

The supreme importance of educating the co-operators and imparting thorough training to the staff organising and supervising the societies has

always been recognised in the Punjab. Organised efforts to introduce a system of training the staff can be traced to as far back as 1920 when an Educational Inspector was appointed and Inspectors' Training Class started at Gurdaspur. Gurdaspur has since been the Educational Centre of the Department and the training class of Inspectors has taking place there every year. During the decade 1921-30, classes for the training of Secretaries, Office-holders of primary societies. Secretaries of the Banking Unions were also introduced. These were financed by the Punjab Co-operative Union, Lahore for many years. The educational branch was extended in 1935 when it was possible with the help of the Government of India Grant to appoint a separate Educational Assistant Registrar, with 3 Educational Inspectors and 3 Assistants for this purpose. From that year onwards the educational activities have been gradually increasing and have resulted in the ultimate expansion of educational staff as well.

In 1945, there was a further increase in the staff and now there are two Educational Assistant Registrars, 10 Educational Inspectors and 10 Assistants. A portion of this staff is paid by the Punjab Co-operative Union, Lahore.

Post-War Reconstruction Plans have added another item to the Department's list of educational activities—the training of soldier-instructors for imparting instruction to the Punjabi Soldiers before they are demobilised.

Now some facts and figures about the actual work done during the last year 1944-45 may be given.

Sixty five classes of Secretaries attended by 758 secretaries were held during the year. These classes acquaint the secretaries with the real aim and objects of the movement and the methods of account-keeping for the primary credit societies. The secretaries, thus armed with the elementary knowledge of Co-operation, become efficient agents for the propagation of these ideas among co-operators.

Next come classes of office-holders of primary societies. These numbered 65 and were attended by 1,850 office-holders. Successful classes of this kind, as a matter of fact, are a part of adult education and to a great extent broaden the outlook of the isolated villagers often cut off through illiteracy from the dynamic world of changing ideas and forms.

As for the staff, two classes were held for training Sub-Inspectors candidates. The trainees in these classes totalled 74. Study-tours formed a special feature of these classes. Apart from the regular instruction given to them in Rural Economics, Co-operation and Co-operative Law, debates, gardening, games, lectures by the representatives of other beneficent departments were regularly arranged to raise the standard of their physical as well as mental efficiency.

A class of Sub-Inspectresses consisting of five women candidates exclusively was also conducted and training was imparted to them on lines similar to those of Sub-Inspectors with necessary alterations demanded by the specialised task which they are required to do.

An Inspectors' class with 26 candidates, including two from the Punjab States, was held as usual. The standard of the class is very high. An elaborate syllabus is prescribed for Inspector Candidates which aims at not only adding to their academic qualifications but also making them well fitted for arduous task of curing the economic ills of the rural masses.

Military training classes were the main feature of this year's work. A series of classes took place at Hoshiarpur. These classes were meant to train soldier-instructors for the Army. A two month's course with an additional month of extensive touring in the province to study the working of various branches of Co-operative activity, was prescribed for them. Three batches were trained during the year. Later on the item of one month's tour was dropped from the programme. At Gurdaspur centre, an advanced course of Co-operative training for the Viceroy's Commissioned Officers and N.C.Os. was started towards the end of the year and this is still going on.

Besides these regular classes, the staff of the educational branch attended the refresher courses of the field staff infusing in them fresh blood of new ideas and recent developments of the movement coming into existence at home and abroad. At the same time full advantage was taken of all available opportunities to disseminate first-hand knowledge of the movement among the educated through delivering lectures in Schools and Colleges.

Although much is being done it bears no proportion to what is yet remained to be achieved in the Province for the co-operative movement by way of co-operative education. The Punjab Government has definitely recognised the important place which co-operative education should occupy in the post-war reconstruction plan, therefore we may reasonably hope that the creation of a Co-operative College for the province will not further recede into distant future and the movement would no longer be allowed to suffer from the lack of a permanent and well-established living educational centre. Indeed co-operative education has to take a brilliant part in the reconstruction of the Rural Punjab.

CO-OPERATIVE MILITARY CLASSES AT HOSHIARPUR

By

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From the beginning of the Calender Year 1945, Vocational Co-operative Training Classes for the Soldier Instructors are being held at Hoshiarpur. The underlying idea of these classes is that the trainees who qualify themselves in these centres may be appointed as Instructors in their parent units to impart instruction and give teachings in Co-operation and Consolidation of Holdings to the demobilizing forces so that they may go to their homes full of new ideas and thoughts with regard to Rural Reconstruction. The duration of each course is three months; for two months the trainees attend regular lectures and in the 3rd month the party will have an extensive tour throughout the Province to see the actual working of different types of Co-operative Organisations. Immediately after the expiry of the term of a class another batch comes to have training in the class. The approved number of the personnel for each course is 80. They are either Viceroy's Commissioned Officers or of other ranks. It has been stressed on the Military Authorities that only educated people—not less than the VIII Class standard—may be sent to the class, so that they may not have any difficulty in following the subject-matter of the lectures and take advantage of the teachings given to them.

The Educational Inspector, in charge of the class lectures in Law and Co-operative Law and Theory while the Assistant imparts instruction in Co-operative Practice. The trainees meet in a hall, especially reserved for the purpose, daily from 8 a.m. to 12 a.m. except on Mondays and Thursdays. On these two days in a week the class is taken out to be shown the actual working of different kinds of Co-operative Societies in Jullundur and Hoshiarpur Districts.

Only the first two batches had an extensive tour on the Districts of Rawalpindi, Jhelum, Lyallpur, Montgomery, Lahore, Amritsar, Ludhiana and Ambala and were shown the actual working of different types of Co-operative Institutions.

Debates on different economic topics of the day on every Sunday is another interesting feature of the class. Every rank is to participate, without any exception, in these debates and thus the trainees develop the art of speaking and power of debate which is so very essential for an Instructor.

Syllabus for these courses has been chalked out and has been approved by the Registrar. The prescribed syllabus is fully covered by each group attending the course. Every trainee jots down notes, in a rough note book, of the lectures delivered and these notes are written by them in a fine note book and the same are corrected by the Instructors every evening.

An examination is held on the last day of the term and results are communicated to all concerned.

During the period from January to August 1945, 122 persons (V. C. Os 12, Seargents of the Indian Air Force 3 and other ranks 107) have attended these courses in 4 batches. They all appeared for the examination held each time the results were :—

1. Passed the course with distinction : 22
2. Qualified : 31
3. Failed : 38

The batch under training consists of 31 trainees.

The representatives of beneficent departments are invited to address the personnel on the activities of their own departments.

THE BOMBAY AGRICULTURAL DEBTORS' RELIEF ACT AND BHAGDARI AND NARWADARI ACT

By

RAO SAHEB PRANVALLABHDAS H. BANATWALA.

The Bombay Agricultural Debtors' Relief Act is intended to ameliorate the condition of the debtor who is within its scope and for this purpose provisions for ascertaining and scaling down his debts are made in the Act. As soon as this is done, award is made for all his debts and they are made payable either by equated instalments or in a lump sum through the Land Mortgage Bank under certain conditions. This all is dependant on the value of the property of the debtor, which is mainly his immovable property. Section 50 of the Act makes provisions as to how the value of the debtor's property is to be ascertained. Property or assets which are not attachable under the provisions of the Civil Procedure Code of 1908 are excluded. In this connection the position of the debtor holding an unrecognised portion of the Bhag or Narwa land, may be necessary to be considered, as the same is also not attachable apart from the Bhag or Narwa. The question becomes all the more important as the Act is now extended to the whole of the Wagra Taluka of the Broach District including old Amod Taluka, where a large number of villages are Bhagdari and the people are holding portions of Bhag land either as original owners or as transferees. According to Section 1 of the Bhagdari and Narwadari Act (Bombay Act V of 1862) such a portion as is not recognised as Bhag or Peta-Bhag is not liable to attachment and sale. Under Section 3 of the said Act alienations made after the Act are also void. How is the value of such property of the debtor to be ascertained? As a matter of fact, it cannot be valued and it will have to be excluded while considering the value of the debtor's immovable property. If this is done, it may at once be said without any fear of contradiction that a large number of genuine debtors under the Act will be deprived of its benefit and the very object of the Act is likely to be frustrated. Cannot the Government see its way to relaxing the rigours of the Bhagdari and Narwadari Act in order that the benefit of the special Act be taken by the holders of such lands?

REVIEWS

POVERTY AND SOCIAL CHANGE, BY TARLOK SINGH; *Longmans, 1945*; pp. 200—Rs. 3-8-0.

In this carefully worked-out thesis, the author, who is a member of the Indian Civil Service with an uncommon insight into and close contact with the peasantry of the Punjab, has analysed the problem of poverty in India arising in the main from the growing disparity between stationary, nay deteriorating, resources in land and steadily rising population for whom food and work have to be found. He offers as solution a scheme of reorganisation of rural economy on lines which would more than interest all students and workers in the co-operative field.

Mr. Tarlok Singh is of the view that increasing sub-division and fragmentation of land is the fundamental evil defying all attempts at technical improvement of agriculture. This cannot be arrested to any significant degree by the stray, and at best temporary, consolidation of holdings on co-operative lines, of which the Punjab was the pioneer. Equally futile would be 'consolidated farming' which does not disturb ownership of occupancy rights but aims at persuading, or failing that coercing the large number of small cultivators on scattered plots to adopt a saner system of cropping in lieu of the existing medley of crops of all kinds and at various stages of growth, not found even in the old open-field system of Europe.

The author puts forth a bold and constructive, but at the same time a cautious and conservative, scheme of reorganisation of our rural economy and of joint village management of land, by which all pieces of land in the village, except those of large holders who cultivate themselves, will be pooled and re-aligned on rational lines so that every farm is an economic unit, fully engaging the labour of a farmer and his family and yielding an income much above the means of subsistence, which it was hard to wrest from the old uneconomic holding. The vital difference between this scheme and the system of collective farming, which is often recommended, is that the right of ownership or occupancy in land is to be respected to the extent that such owners or other right-holders will be entitled to a share of the total net income arising from all lands, based on the valuation of their lands by the community which collects from every working farmer the customary (half or more or less) share of produce on land as rent. From out of the rents in kind thus collected and evaluated, a share will go as land revenue to the State, or as 'rent' to the Zamindar, who will have no direct dealings with his ryots and be saved the trouble of collecting his dues. Expenses of cultivation and of improvement of land will be the next charge on the receipts. Increasing amounts will be spent on objects of common welfare—such as health, water-supply, sanitation, communications and education. It is only the balance left after these necessary and beneficent deductions that will be distributed as dividends to owners and other right-holders in proportion to the value of the land contributed by each to the common

pool. Valuation of this will be undoubtedly difficult, but not insuperable judged by the experience in Provinces where consolidation of holdings has been actively promoted.

The economic unit to begin with should be the work-unit based on the plough and bullock technique—i.e., it should be a holding that could be managed by a farmer with a plough and a pair of bullocks and the help of the labour available in the family—except for operations like weeding and harvesting of some crops; when casual labour would have to be hired at wages to be decided by the Village Community. This body should be constituted and managed democratically so as to include representatives of not merely owners and occupiers of land but also all classes of artisans and labourers—so that the interests of none could be ignored. Not only would rents and wages be decided by them but also the expenditure on land, and on objects of social welfare. Details of administration including some judicial work would be entrusted to Committees, while broad policies would be laid down by the general body.

Our author envisages an almost endless spiral of services that the reorganised village community can render in course of time including joint cultivation of some if not all crops, investment in and management of some industries, especially the processing industries which could be decentralised with the advent of electric power and absorb some of the surplus labour on land, the number of whom has been estimated province by province from the imperfect census figures. Problems of education, health, insurance, etc. are bound to be tackled by and by.

The author considers that the prospect of application of power to agriculture is poor—because of want of oil. Electricity, however, is invading agriculture in part of the country and raising the size of the farm that could be managed by a plough and pair of bullocks under well-irrigation. Our author would welcome such machinery and implements as would raise the productivity of labour and not displace it. The difficulty is to discover such machinery and implements, as almost every improved implement results in considerable reduction of labour required—e.g., bullock-hoe, bund-former, ridge-plough and chaff-cutter.

There are other doubts and difficulties that arise in the mind of the sympathetic reader, who is captivated by the eloquence and enthusiasm of the author. Would rights of individual control of cultivation, so long enjoyed if also abused by owners, be willingly surrendered for an attenuated income in the shape of dividend by any but the absentee landlords? Are customary rents paid by share-croppers a fair basis for fixing the contribution by working farmers to the common pool? Are they not in most cases exploitative, and therefore better superseded by more moderate fixed leases, which according to theory offer greater incentive to improvement by cultivators, if security of tenure is assured? Are not fruit, vegetable and poultry farms more responsive to individual ownership and cultivation than

joint ownership and control—as in the case of dairy farming? Is this not the opportune time to buy off the superior rights of the Zamindars and others by means of long-term bonds, instead of prolonging their existence and safe-guarding their rights, in however harmless a manner? Would really factions fade away with the decentralised family farms or even be “reduced to natural and manageable proportion”? In fact success depends on the spirit of mutual goodwill and the will to improve individual and social life that can be generated among villagers, not by mere planners but by active workers, in the countryside. We are indeed tempted to exclaim, as F. A. Nicholson did fifty years ago as regards the essential condition of success of Raiffeisen societies, “Find Tarlok Singh”—if not one in every village, atleast one in every district where experiments are to be tried.

Finally we would suggest the avoidance of the use of the term ‘co-operative farming’ which, as the author himself points out, has been used in a variety of senses—ranging from a stray co-operative activity by farmers (such as credit, joint purchase or sale occasionally) to the most complete collective farming amounting to communism, of which several experiments have been tried in Europe and America, though none really succeeded. In view of such associations it is better to avoid the term ‘co-operative farming’ and stick to joint village management.

This scheme of reorganization is undoubtedly a challenge to orthodox Co-operators who are still wedded to the voluntary method in spite of the feeble and fitful progress made under it in the last four decades. Mr. Tarlok Singh has shown how Indian rural economy requires a more drastic remodelling, and he has succeeded admirably in sketching out a scheme, taking the line of least resistance to start with. But it would seem to require more co-operative spirit to initiate and sustain it than has fallen to the lot of co-operative enthusiasts in our country.

K. C. R.

Nature is Co-operative.

“It has been said that nature is red in tooth and claw. This is the philosophy of the survival of the fittest, but it is fundamentally erroneous. Co-operation, more than competition, is the chief factor in survival. Nature at its best is co-operative. We see it in the human family, the primary unit of society. Here the natural instincts of man come out. The father and mother, brothers and sisters are not guilty of gouging, chiseling, and exploiting one another. Here we see exemplified the principle of all for each and each for all. This is his human nature instinctively at work.

“Can we extend this characteristic, so well exemplified in the family, to the whole nation? Co-operative mutual self-help associations both in the economic and social field do just this. The whole community is made a family. All communities, through co-operation, can make the nation a family. Co-operative nations can make the world a family.”—*The Social Significance of the Co-operative Movement* by Dr. M. M. Coady.

—Co-op. Magazine, Chicago,
December 1945.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

THE PUNJAB

Extracts from the Report on the working of Co-operative Societies in the Punjab for the period 1-8-1939 to 31-7-1944.

The following table shows the growth in the number of societies and members and of working capital during the period under report :—

	Societies.		Members.		Working capital.	
	38—39	43—44	38—39	43—44	38—39	43—44
					Rs. lakhs	Rs. lakhs
Provincial Bank	1	1	12,359	11,928	148	308
Central Credit	120	120	24,264	24,728	657	876
Central Non-Credit	66	65	9,640	10,340	15	28
Agricultural	10,401	20,884	7,26,419	8,29,480	723	553
Non-Agricultural	4,734	5,898	1,92,833	2,45,122	171	183
Total	24,322	26,968	9,65,515	11,21,598	1,714	1,948

There is a net increase of 2,646 societies, 1,56,083 members and Rs. 234 lakhs in working capital. Agricultural credit societies of the unlimited type have increased slightly from 17,095 to 17,139. Even this is creditable considering large scale cancellations in the last two or three years, in pursuance of the policy of weeding out unsuccessful societies. Societies for stock-breeding, better farming, consolidation of holdings and Veterinary First Aid Centres have increased a great deal. (Societies for Cho Reclamation and anti-erosion come under better farming). Non-agricultural societies have increased from 4,734 to 5,898 the increase being most noticeable in the case of thrift and savings, better living and Public Health and Medical Aid Societies. Supply societies also increased from 13 to 83. Towards the end of the period under report four societies among persons plying lorries and buses on the roads were started. This is a new type of society started on an experimental basis. There is a net decrease of about 11,500 in the membership of agricultural credit societies. The only circles which show an increase are Montgomery, Ambala and Hoshiarpur. Increase in total membership is therefore due to organization of new non-credit societies both agricultural and non-agricultural. Our drive for recoveries has in many areas resulted in members paying their debts and leaving societies. The urge to join societies has also not been strong because of fairly good crops and high prices coupled with additional sources of income from the Army etc. On the whole therefore the increase in membership is encouraging.

Working capital shows an increase from Rs. 17.14 crores to Rs. 19.48 crores (Working capital in 1942-43 was higher being Rs. 21.48 crores). In agricultural credit societies there is a large decrease in working capital because repayments have been good while fresh lending has gone down. This reduction however has been more than made up by the large amounts received by central institutions in the form of deposits. The Provincial Bank and central co-operative banks have had their share if the investment of large surplus funds in the hands of the public.

Loan business in agricultural credit societies has gone down steadily. In the year 1943-44 agricultural credit societies advanced to their members Rs. 112.11 lakhs as against Rs. 111.50 lakhs in 1938-39. Advances by non-agricultural credit societies to their members in 1943-44 were Rs. 58.57 lakhs as against Rs. 71.46 lakhs in 1938-39. Recoveries in agricultural societies have increased considerably though certain areas have still not gone beyond the 20 per cent stage. The amount due from members in agricultural credit societies at the end of 1943-44 was Rs. 865.62 lakhs as against Rs. 616.40 lakhs at the end of 1938-39 a net reduction of Rs. 250.78 lakhs. Similarly, the amount on loan in non-agricultural credit societies has decreased from Rs. 88.24 lakhs to Rs. 72.99 lakhs during this period.

Default has certainly decreased on account of fair crops and good prices in so far as people in the past defaulted because they had no money with which to pay their debts.

Defaulters who in the past did not pay, not because of inability to pay but because of unwillingness to do so, have, however, not improved to any large extent. In their cases strong action has had to be taken. Such action, however, was not taken systematically in certain areas, e.g., Sargodha, Mianwali and Sialkot, with the result that those areas have shown little or no improvement.

The decrease in amount on loan and increase in recoveries are no doubt very satisfactory, but recovery work has largely been done by departmental officials. The department has shouldered this burden very competently for some years in order to get the movement out of the rather desparate position in which it found itself and it is high time societies and their office-bearers pay the same attention to recoveries as they apparently do to giving loans. The movement cases to be co-operative if Government staff is to convert itself into recovery-helpers for all time to come.

HYDERABAD

Extracts from the Government Review of the Annual Report of the Co-operative Department for the year 1942-43.

SUMMARY OF PROGRESS.

551 new societies were registered as compared with 544 in the previous year. The new societies include one Central Bank, 376 Thrift and Credit Societies, 4 Rural Banks, 12 Rural Reconstruction Societies, 136 Grain Banks, 10 Salary Earners' Societies, one Urban Bank and 11 Societies of miscellaneous character. One cancelled store was revived and 16 dormant societies were cancelled. At the close of the year there were 5,302 working societies with a total membership of 2,14,017. The working capital of the societies was Rs. 3,45,67,936, as against the owned capital of Rs. 1,51,11,545. The working capital in the previous year was Rs. 3,13,00,661.

CENTRAL CO-OPERATIVE UNION.

The number of affiliated societies increased to 4,452 and that of individual members remained as before. The Union collected Rs. 12,250 in subscriptions from members and received Rs. 15,000 as grant-in-aid from Government.

Education and propaganda work was carried out by six propagandists who held training classes at 8 centres; 66 members of village societies attended the classes. Training classes of supervisors were held at Aurangabad, Warangal, and were attended by 121 candidates, of whom 45 were declared successful. 138 candidates attended a training class for Departmental Officers at Hyderabad and 29 passed the examination. Twenty-two primary school teachers received instruction at the Rural Reconstruction class at Patancheru.

In addition to the above educational activities, the Union supervised the activities of village societies with the assistance of 138 supervisors, 16 supervising accountants of Rural Banks and 7 relieving supervisors, at the cost of Rs. 85,072. This expenditure was met by levying a supervision fee on the working capital of the societies.

PATANCHERU RURAL DEVELOPMENT CENTRE.

The Centre continued to receive as before Rs. 15,000 from the Industrial Trust Fund. Its sphere of activities covered 16 villages with 8 credit societies, one rural bank, 9 grain banks, 1 egg grading and marketing society and 1 co-operative weavers' society. The working capital of the credit societies amounted to Rs. 44,817 and the membership has risen to 389. The Rural Bank finances those cultivators who are not members of the credit societies. The Grain Banks collected 17,108 lbs. and the profit of 2,640 lbs. earned during the year will be reserved as the working capital. The membership of the Egg Grading and Marketing Societies is 104. 36,675 eggs were sold during the year.

9,124 lbs. of improved seed of paddy, 6,504 lbs. of groundnut and 567 lbs. of wheat were distributed by the Centre. 129,240 fruit and flower seedlings were distributed in the villages affiliated to the Centre.

The monthly rural reconstruction journal, 'Gaon Sudhar,' was issued regularly in all the four mulki languages, *viz.*, Urdu, Marathi, Kanarese and Telugu. Copies were supplied to all the societies free of cost.

HYDERABAD CO-OPERATIVE DOMINION BANK.

Deposits received by the Bank amounted to Rs. 42,64,985 from individuals, and Rs. 4,77,080 from co-operative societies and banks. The total amount held in deposits at the close of the year was Rs. 25,85,362 from individuals and Rs. 6,44,904 from co-operative institutions.

Loans advanced to co-operative banks and societies totalled Rs. 10,45,347, while recoveries amounted to Rs. 7,17,644, leaving a recoverable balance of Rs. 14,69,482 at the end of the year. Fresh loans to the extent of Rs. 1,68,261 was advanced to Government employees for house-building purposes. Recoveries under this head amounted to Rs. 3,50,452 leaving Rs. 6,05,675 outstanding at the close of the year.

The financial stability of the Bank is evident from the reserves of the Bank which have now risen to Rs. 10,48,618 almost double the share capital of Rs. 5,60,750. It is interesting to note that the Bank is attracting deposits even at the reduced rate of 2 per cent. The lending rate in all cases of advances to co-operative societies has been reduced to 4 per cent.

CENTRAL CO-OPERATIVE BANKS.

With the registration of a new Central Bank, the total number of such banks rose to 45 with a membership of 5,512. The owned capital of the central banks increased to Rs. 30,67,977 and the working capital to Rs. 79,48,104.

The banks received Rs. 12,16,390 as deposits from individuals and Rs. 21,46,528 from societies. Their liability under this head, at the close of the year was Rs. 18,46,343 to individuals, and Rs. 10,22,038 to societies.

The loan due to the Dominion Bank outstanding at the end of the year, was Rs. 10,13,048. Loans advanced to members and societies amounted to Rs. 37,99,540, while recoveries totalled Rs. 33,38,440 leaving a balance of Rs. 55,90,534. It is highly satisfactory to note that the nine central banks for which Government had sanctioned a total loan of Rs. 15,00,000 have repaid Rs. 5,54,638.

Gold Savings Deposits.

Introduction of this attractive measure for savings, is a great step forward in the field of banking. This is only a form of fixed deposits for 3 years, when the depositor has the option of asking the Bank to give his gold at the prevailing market rate on the expiry of the period instead of cash at 3 per cent interest. Care should be taken to see that at least two-thirds of these deposits, form part of the gilt-edged investments and the liquid resources of the banks.

VILLAGE THRIFT AND CREDIT SOCIETIES.

The number of societies rose to 512 with a membership of 65,272. At the close of the year under review, the working capital of the societies stood at Rs. 88,74,549, giving a slight decrease of Rs. 23,236 as compared with the previous year. Village Thrift and Credit Societies made good progress. Recoveries and repayments to their creditors from their members increased considerably showing that every advantage was taken of the high prices obtained for agricultural commodities. 771 village thrift and co-operative societies were operating with an owned capital of Rs. 23,00,199 and a membership of 24,704. Out of these, 7 are working without interest and the remaining have reduced the rate of interest on loans to 6 per cent. The members are fully alive to the advantage of increasing their own capital.

Rural Banks.—These banks show an all round improvement and the increase of more than a lakh of rupees in the working capital is a healthy sign. The number of banks, has, however, only increased by 4, and the membership by 1,702.

Grain Banks.—Grain banks increased to 136 during the year under report. They have shown marked progress in the enrolment of new members and in collection of grain by way of shares. The number of members stood at 16,591 at the close of the year and the quantity of grain held by them amounted to 4,51,076 seers, as against 3,75,826 seers in the previous year. The profit on loans advanced to members was 2,30,682 seers which was added to their shares as a rebate. These societies are undertaking the distribution of improved seeds along with their credit business. Grain Banks are a comparatively new feature of the co-operative movement and their utility to the agrarian classes cannot be over-exaggerated. It is therefore desirable that closer attention should be paid to the formation of such societies. It is gratifying to note that their working has so far been satisfactory, but nevertheless constant attention is necessary to maintain their standard of efficiency.

NON-AGRICULTURAL SOCIETIES.

Salary Earners' Societies.—Excluding the societies that were cancelled, the number increased by 7 and the membership by 1,300. The working capital rose to Rs. 37,98,980 from Rs. 37,72,614 showing an increase of Rs. 26,000 during the year. The progress made by the free of interest society of the Settlement and Land Records Department, is satisfactory, and speaks well of the interest taken in its affairs by the management.

Urban Banks.—The number of Urban Banks decreased by one but their membership rose by 1,545. It is satisfactory to find that while the working capital showed an increase of Rs. 1,36,043, the owned capital went up by Rs. 74,625. It is very desirable that Urban Banks should extend their activities to the business generally conducted by Joint-Stock Banks, particularly at places where the latter do not function. This would add to the strength of the movement.

Sale Societies.—There was no increase in the number of Cotton Sale Societies, though their membership rose to 2,029 and their working capital to Rs. 2,86,476. Societies doing business in the sale of general commodities other than cotton increased by three. Their membership reached 2,300 and their working capital was Rs. 4,89,417. Government is pleased to note the satisfactory transactions carried out with the Commercial Corporation to the extent of thirty-five lakhs on a basis of 1 per cent commission.

Co-operative Insurance Society.—This society issued 1,938 new policies and assured a sum of Rs. 26,37,086. The number of policy-holders increased to 8,739 and the total amount assured under the policies amounted to Rs. 90,89,545. The society received Rs. 3,51,797 in premiums including renewals and first payments. A net profit of Rs. 6,694 was earned and a dividend of 4 per cent declared. Claims from survivors of 32 policy-holders amounting to Rs. 13,497 were paid in full.

Co-operative Medical Aid Society.—The registration of this society with 294 members at Kolha village in Parbhani District opens a new avenue in the field of co-operation. 25 villages situated within a radius of 6 miles have been affiliated to the Society. A subscription of Rs. 1,500 p.a. from these villages will be supplemented by a grant of Rs. 1,500 by the Rural Welfare Trust Fund to run a rural dispensary. The Society has already raised a subscription of Rs. 500.

INDORE

Extracts from the Annual Administration Report of the Co-operative Department, Holkar State, Indore, for the year 1943-44.

Despite adverse effects of legislations such as the Indore Debt Conciliation Act on the working of the Co-operative movement and its growth and without necessary equipment of the Department and the Central Co-operative Institutions, the trend of the Co-operative movement is towards expansion, though modest, not only in respect of number of societies but in respect of membership and working capital too.

During the year under report, the total number of societies increased from 891 to 905 and their membership increased from 32,621 to 33,734. The total working capital of the

movement also increased from Rs. 90,05,216 to Rs. 92,99,166 of which 34 per cent formed its owned capital. The working of the Agricultural Co-operative Movement showed very substantial progress in respect of repayment of loans.

The recoveries of the Central Co-operative Banks during the period of last 5 years have shown very substantial and steady progress, even in respect of long term and medium term investments. The recoveries during the year under report were better than the recoveries during the previous year and are the best during the period of last 5 years. Improvements in recoveries is much better than what is warranted by rise in prices of agricultural produce. The cash recoveries from the old societies of Indore District with heavy overdues rose from Rs. 48,354 in the year 1939-40 to Rs. 1,63,748 in the year 1943-44. The cash recoveries from the Depalpur tract in Indore District, known to be the worst from point of co-operative indebtedness and in which about half of the frozen investment of the Indore Premier Co-operative Bank is locked up, rose from Rs. 10,344 in the year 1939-40 to Rs. 99,250 in the year 1943-44. Recoveries from the tract of medium term loans amounting to Rs. 32,692 in the year 1939-40 have risen to Rs. 56,829 in the year 1943-44. Recoveries from the Kannod District, the worst tract of the State, rose from Rs. 2,037 in the year 1939-40 to Rs. 26,560 in the year 1943-44 i.e. more than 13 times.

Several old heavily indebted societies with worst reputation and even those whose morale was previously bad, have arranged to pay off the debts within two years or so, which otherwise were expected to be recovered with difficulty, within a period of 20 years or so. The societies have gone further in showing corporate life as societies, in taking action against their recalcitrant members who dishonestly did not agree with the societies in the scheme of repayment of the old debts on the revised basis, after being scaled down.

Out of about 400 societies owing long-term and medium term loans, about 200 societies have become independent of the Central Banks, in respect of outstanding loans. Out of them about 100 societies have even gone further and have encashed their reserves. The total amount of reserves so encashed so far, comes to Rs. 92,462. Besides these, about 100 societies have reduced their debts to less than one-sixth of their net immovable assets or to less than Rs. 30 per Samad (about 20 acres).

This shows the innate strength of the movement and brings out that morale of the constituents in general is good and that the movement is sound at the core.

The working of urban co-operative movement from banking point of view is improving. Maintaining fluid resources, giving loans and making investments on sound lines i.e. ensuring sound banking and also arrangement for assessment of financial position of societies and their improvement are attended to.

With realization of the utility of co-operative movement for war-time activities such as purchase, store and distribution of food and other controlled articles, the tendency for expansion of consumers' co-operation is getting evident. In addition to the typical societies viz., the Swadeshi Co-operative Stores, the Mahila Vastra Bhandar of the Apali Sahakari Sanstha, a women's society, the Boys' stores of the Maharaja Shivijirao High School, Indore, which have been working since long, a consumers' stores dealing in food-stuffs started by the Kayastha community and 3 more consumers' co-operative societies started for the working class population were registered. The Indore Paraspar Sahakari Pedhi is also running a shop supplying food and other controlled articles to its members. In addition to these, there are 29 societies which have come into existence and are working on co-operative basis. The question regarding their registration under the Indore Co-operative Societies Act is being tackled. The total quantity of food stuffs sold by these societies during a period of 8 months ending June 1944, amounted to 49,536 maunds which gives an idea of the service rendered by these societies.

ADVANCE OF CO-OPERATION ABROAD

CHINA

According to the latest data, June, 1944, there were altogether in China 178,328 co-operative societies, with a total membership of 15,191,823 and an accumulated share capital of Chinese \$ 501,517,132. They are mainly of four types—Credit (50 per cent), Consumers' (11 per cent), Marketing (34 per cent), and Producers' Co-operatives (5 per cent).

The development of the Co-operative Movement in China is only a matter of 25 years. The first co-operative—People's Co-operative and Savings' Bank—was organised in Shanghai in 1919 by Professor Hsueh Hsien-Chow, together with a number of his colleagues and students of the Fudan University. Professor Hsueh studied for many years in Germany and was much impressed with the German Co-operative Credit Movement, which was started in Germany around the 60's of the 19th century, ten years after the Rochdale Pioneers, and later became a very strong movement spreading over cities and countryside. However, Professor Hsueh's Co-operative Bank in China did not last very long, and closed with his death a few years later. Hsueh wrote many books and also published a paper called the *People's Weekly*, which expounded co-operative principles and reported co-operative achievements abroad. Though Professor Hsueh was not able to accomplish much himself, the co-operative seed was sown for later development and growth.

In 1924 Farmers' Co-operative Credit Societies were organised in Hopei, a province of North China, with the help and direction of the China International Famine Relief Commission. The Commission is a combination of a number of relief organisations in North China which helped to tackle the most serious famine of 1920 as a result of drought for two succeeding years in the provinces of Hopei, Shansi and Suiyuan. In 1921 there was a good harvest and the relief organisations joined together and formed a permanent relief body, the CIFRC, with the object of devising ways and means of preventing any further repetition of famines. One of the first steps taken by the new Commission was the promotion of Co-operative Organisations among the farmers. By granting them small loans at very low interest rate for productive purposes through Co-operative Credit Societies the Commission aimed at freeing the farmers from the exploitation of the money-lenders, and re-equipping them with cattle, tools, seeds and fertilisers necessary for their farm work. The number of Co-operative Credit Societies increased steadily from 1922 and in 1930 over 900 societies were established, mostly in the Province of Hopei, with a total membership of 25,000.

Meanwhile in the years after 1928, when the Nationalist Government was established in Nanking Co-operative Organisations were spreading far and wide in central China, principally in the two provinces of Kiangsu and Chekiang. Two Farmers' Banks were established in Kiangsu and Chekiang in 1929 with the sole object of financing the Co-operative Credit Societies. In 1934, after five years of promotional work under the provincial authorities of these two provinces, over 3,000 societies came into being with a total membership of 60,000. Later a National Farmers' Bank was established and co-operative works were extended to nearly all the provinces under the National Government. In 1935 a National Co-operative Conference was called by the Executive Yuan and resulted in the promulgation of the Co-operative Law. A Central Co-operative Bureau was established under the Ministry of Industry for the registration and promotion of Co-operative Organisations throughout the country with branch offices attached to the Provincial Governments. Later the Bureau was re-organised into the present Central Co-operative Administration and placed under the direction of another Ministry, the Ministry of Social Affairs.

A number of educational and social institutions such as the Mass Education Movement, University of Nanking, Nankai Institute, Rural College in Choping National Christian Council, North China Farm Products Marketing and Research Committee, together with a number of private and commercial banks, were all taking an increasing interest in the promotion and financing of the Co-operative Movements. Some of them were making most valuable experiments and carrying on a great deal of educational work such as the training

of co-operative students and organisers. Up to 1937 the Movement had not been able to extend to any considerable degree beyond the scope of credit and agricultural marketing. The Consumers' and Producers' Movements were not able to take root until after the start of the war with Japan in 1937. They are thus a growth of the last seven or eight years. The statistics for 1937 show that there were altogether 16,983 Co-operatives of various kinds in the whole of China, with a total membership of well over 2 million.

During the last few years of war the Movement in the occupied territories must have suffered greatly but statistical data shows that the war gave new impetus to the development of the Co-operatives in China. A great number of Consumers' Societies were established in the cities. They were mostly attached to Government offices and public organisations; they were sometimes trusted by the Government to undertake the distribution of controlled goods, such as sugar, cloth, salt and other articles. Many of them were not real Co-operatives, due to the fact that the members were usually not taking very active part in the running of the co-operative businesses. The management was often in charge of people directly appointed by the administrative heads of the organisations concerned. All the same these Co-operatives sometimes rendered very useful services to the members in obtaining for them a fair share of daily necessities at controlled prices which otherwise would have been rather difficult to obtain. Of course there are exceptionally good and really democratically controlled Consumers' Societies such as the Sa Ping Pa Society in Chungking. They are, however small in number and the bulk of the Consumers' Movement reveals clearly a general lack of understanding of the co-operative principles.

Another line of co-operative achievement during the war was the organisation of the Chinese Industrial Co-operatives. The Association for the Advancement of the Industrial Co-operatives was established in Hankow in 1938. It was a semi-governmental organisation under the leadership of the Chairman of the Executive Yuan with four regional headquarters situated at strategical points in the various provincial cities undertaking the promotion and financing of the Industrial Co-operatives. Due to the shortage of all kinds of manufactured goods in the interior of China, and with the active participation of hundreds and thousands of refugee labor and skilled workers as the result of the evacuation of the coastal provinces, the Movement grew very rapidly during the four years from 1938. According to the data of the CIC Association the number of Industrial Co-operatives in 1942 was a little below 2,000, with a total membership of around 30,000. The actual number must be considerably higher since very many societies were established spontaneously by the workers themselves—following the examples of the working of other co-operatives in the neighbourhood—which were not necessarily receiving financial help from the CIC Association. In 1944 there were well over 5,000 Industrial Co-operative registered under the Ministry of Social Affairs. These Co-operatives have done a great deal during the years of war in the mobilisation of all available man-power and natural resources, and have manufactured innumerable articles to meet civilian and military needs. The Co-operatives were owned and run by the workers themselves and formed a number of federations through which joint business and educational activities were carried on very successfully. Indeed these Industrial Co-operatives have achieved something more than just helping the national cause. They have demonstrated to the ordinary working-class people a new form of life by which they get practical lessons in the workings of democracy and learn to become masters of their own destiny.

Besides the Consumers' and Industrial Co-operatives there have been organised throughout China during the last few years a large number of Multiple Purpose Co-operative Societies, the so-called "hsiang" (village) and "chen" (town) co-operatives. According to the new system of local government administration, the villages and country towns in China should be divided into a number of chias and paos. A chia consists of ten families and a pao of ten chias, i.e., one hundred families. Under this new system the Co-operative is regarded as the basic economic organisation of the villages and towns, so with the enforcement of this new law each chia must have a Co-operative and there should be a Co-operative Federation for each pao. A number of these pao federations will form themselves into a country co-operative federation and a number of country federations will in turn form provincial and

then national federations. A great number of chia and pao co-operatives have come into being, undertaking various kinds of activities—sometimes productive, sometimes they are simply run like ordinary consumer stores, while quite often they are just ordinary co-operative credit societies. Some are single businesses whereas in most cases they undertake several businesses with multiple purposes. Though exceptionally successful cases are not completely lacking among these groups, they are not sound co-operative business organisations.

—*Review of International Co-operation, Feb. 1946.*

UNITED STATES OF AMERICA

These circumstances have contributed to the advancement of Co-operation. The exploitation of the consumers by the high prices of a voracious profit system, the ever-present threat of poverty confronting the masses, and the continuous expansion of economic functions in the hands of the government have brought out the natural co-operative capacity of the people. A hundred years ago, during the Rochdale period, the industrial workers promoted Co-operation. William Bryan, at one time treasurer of the Brighton Co-operative Society of England, started a Co-operative Store in New York in 1829. A group of German working men in Boston opened a Co-operative Store in June, 1845. It was from this Society that the Co-operative Store Movement in Germany got information and its impetus.

While there were many Co-operative Societies throughout the United States there was no Co-operative Movement until 1916. Before that date the Societies were isolated and unfederated. Each went its way alone. There was some propaganda but no organised co-operative education. The Co-operative League was established in 1916 for the purpose of promoting education and federation. At first it was composed of Societies of industrial workers, but gradually the farmers' associations became members, until now it is predominantly an agrarian organisation of co-operative consumers. In 1921 it became a member of the International Co-operative Alliance with representation in the Central Committee of the Alliance. Its delegates have participated in all the Alliance's Congresses since that date.

There has been no period when there was a saltant burgeoning forth of Co-operation in the United States. The movement has been gradual and fairly consistent at all times. An increase of membership and turnover of business during the past twenty-five years has been at about the rate of 20 per cent a year. That means that the Movement is five times larger now than twenty-five years ago.

There are two classes of Consumer Co-operatives. First, there are about 2.5 million members of Societies who are connected with the World Co-operative Movement and are familiar with the meaning of Rochdale methods. Second, there are some 10 million members of Societies which are not aware of the co-operative nature of their activities, and are not included in any national federation connected with the I.C.A. The first are the Societies in The Co-operative League and National Co-operatives, Inc. The second are the purchasing and marketing co-operatives using co-operative methods largely in the interest of commercial profits.

During the past five years, the Consumer Societies have increased their turnover 30 per cent each year. There are 54 Regional Federations. Sixteen of these are Co-operative Wholesales in membership with The Co-operative League; 17 are members of National Co-operatives Inc., the National Wholesale. The Societies in National Co-operative did a business of \$151,205,317 in 1944; they are composed of a total of 3,248 local Societies with 1,166,650 members; their total business in 1939 was \$48,338,000.

There are 6,000 Societies supplying commodities, with 1.5 million members and \$600 million volume of business. They conduct stores and oil service stations, and distribute farm supplies. There are 18,000 Consumer Co-operatives for supplying services such as banking, insurance, housing, electricity, telephone service, medical protection, burial, and college campus needs. The Consumer Co-operatives during the past three years have drilled

or bought 50 oil wells, and constructed or purchased over 400 miles of oil pipe lines. They now own more than 1,000 miles of pipe lines; they have over 800 oil wells in operation and more are being drilled.

One of the Regional Wholesales before the war was sending petroleum products to the Co-operative Wholesales of Estonia, Bulgaria, Sweden, Holland, Scotland, and several other countries. The Co-operatives of the United States during the past three years have built or acquired 11 gasoline refineries having a total capacity of 60,000 barrels of oil a day or over a million gallons of gasoline. More than 20 per cent of the petroleum products used on farms in the United States are supplied by Consumer Co-operatives.

This oil business began in 1921 in a small way with a retail Co-operative Oil Association. When the first co-operative gasoline refinery and the first co-operative pipe line in the United States were built in 1940 at Phillipsburg, Kansas, the great oil trust shut off the supply of crude oil and threatened to close the business. The purpose was to destroy the co-operative oil associations. It was this experience that drove the Co-operatives to the ownership of oil wells.

Rural electrification has resulted in the development of 825 Co-operative Electrical Supply Associations providing light and power to 1,210,000 farms.

Co-operative insurance is highly successful, and now covers about a third of the insurance on the 25 million automobiles in the United States. Co-operative fire insurance provides protection to the amount of \$12,500 million through 1,900 Co-operative or Mutual Fire Insurance Associations. Some 1.7 million farmers are protected against windstorm to the extent of \$5,000 million.

About 500,000 farmers own 2,000 Co-operative Telephone Associations with a total investment of \$25 million.

The 2,500 Mutual Irrigation Associations, with 200,000 farmer members, have assets of over \$250 million. The 150,000 members of 500 Co-operative Cold Storage Locker Plants are rapidly expanding their membership and number of associations.

The number of co-operative manufacturing plants is steadily increasing. At the present time there are 112 co-operative manufactories. These include 15 fertiliser factories, 12 feed mills, 4 seed mills, 4 lumber mills (with forests), 2 paint factories, 3, canning factories, and 1 milking machine factory. The savings accruing from these productive businesses are enough to pay for themselves in from one to three years. The commercial banks of the United States are so overwhelmed with money on hand that they now come to the Co-operatives, tell them where a manufactory is for sale, and offer to lend the Co-operatives the money to make the purchase. The money is borrowed at a low interest rate and paid back in an astonishingly short time. Thus the farmers, without money, each year are patronising themselves into the ownership of millions of dollars worth of mills and factories and other productive businesses.

The 10,500 Co-operative Banks, or Credit Unions, have 3 million members and \$300 million capital. The membership is mostly town and city people. The 11,000 Farmers' Marketing and Purchasing Co-operatives did a business of \$2,900 million in 1944. They ship to Europe large quantities of wheat, dried fruits, vegetables, eggs, milk products, cotton, and seeds.

Two hundred colleges have co-operative organisations among the students for supplying housing, food, books, clothes, sports goods, &c.

While the business of the Co-operatives seems large, it is but a small fraction of the \$140,000 million income of the country. The United States remains the bulwark of the capitalistic profit business way of economy.

—*Review of International Co-operation, November—December, 1945.*

SOUTH AFRICA

The Act provides for four main types of co-operative organisation. Farmers Co-operative Societies and Co-operative Companies are entitled to do all kinds of business normally undertaken by an agricultural producers' organisation, specially the marketing of produce and the purchase of requirements. The third type of agricultural co-operative organisation, the Farmers' Special Co-operative Company, does not differ from the other two types by the character of its functions, but by their extent. While the two former types are virtually confined to their membership in their marketing and purchasing dealings, the Special Company can extend its business to non-members up to 50 per cent of its total trade. The difference between "society" and "company" is that the former is based on the unlimited liability of its members while in the latter liability is limited. The "unlimited liability" type is, however, rapidly becoming obsolete, so that among the farmers' co-operative organisations the scene is now dominated by "companies."

In addition to the three types of Farmers' Co-operative Societies which are practically all organisations engaged in trading transactions, there is the Co-operative Trading Society with limited liability which supplies consumers' goods to its members and, if it so wishes, to non-members also up to 50 per cent of its total trade. It is, however, not allowed to supply agricultural requirements to its members nor to market their products. If such a Society intends to trade with members only it must, in accordance with the Amendment of 1944, declare itself a "closed Society" (the same applies to the farmers' special co-operative company) in order to benefit from certain taxation provisions, for instance, the freeing of purchase dividends up to 10 per cent from income tax. An open Co-operative Trading Society that deals with non-members in the limits allowed by the law is subjected to income tax even as regards the dividends paid to members. This provision is the more unjust as discounts paid by retail traders are not subjected to income tax. As a result of this taxation injustice the "closed" Society is the type preferred by the Consumers' Societies—the Pietermaritzburg Society, for instance, declared itself a "closed Society" last year.

Two more outstanding features of South African Co-operation are the almost complete absence of Credit Co-operative Societies and delivery compulsion introduced by statutory regulation in almost all Marketing Societies. It is partly due to this regulation, which is sanctioned but not imposed by law that the Co-operative Marketing Associations have achieved such a strong position on the market for agricultural products in South Africa, and that marketing is to-day by far the best developed branch of co-operative activity. For a marketing organisation to maintain a strong position it is essential to secure an even flow of goods in good and in bad times, when prices are high and when they are low. To achieve that even flow through co-operative channels a great deal of discipline is required on the part of the individual members when private traders try to outbid co-operative prices.

The achievements of co-operative marketing are reflected in the turnover figures as compared with general production figures, as well as in the membership figure of Agricultural Co-operative Associations as compared with the total number of farms. Of the total turnover agricultural marketing accounted for 85 per cent in the 1942-43 season (1st July to 30th June), the last for which trade statistics are available. Total co-operative trade that year was £43,378,662. The 207 Agricultural Producers' Associations, with a membership of 122,982, were responsible for £41,022,836 of that total, almost 95 per cent. The 60 Consumers' Societies with 47,752 members accounted for the remaining £2,355,826. The composition of the turnover of the Producers' Associations was as follows:—Produce Sold; £37,043,209; Agricultural Requirements Supplied; £3,748,898; Services Rendered to Members; £230,729.

The Marketing Associations usually specialise in one particular product or group of products: wool, maize, wheat, dairy products, eggs, tobacco, citrus fruit, grapes and wine, meat and virtually all other agricultural products are handled by specialised Co-operative Associations. (These however, must not be confused with the Farmers' Special Co-operative Company as a legal form of co-operative enterprise.) This co-operative specialisation of

marketing functions makes it necessary for farmers to belong to two or more Co-operative Associations if they do not specialise. It is, therefore, very difficult to say how many of South Africa's approximately 100,000 European farmers are co-operatively organised, but with the membership of the Agricultural Co-operative Organisations standing at about 140,000 in 1944 it is estimated that at least 75—80 per cent of all farmers are connected with the Co-operative Movement. In the last decade this figure has doubled; it was 72,300 in 1934; 81,100 in 1938; 122,600 in 1943; and 138,200 in 1944.

Sales of Agricultural Co-operative Associations are estimated to represent 35—40 per cent of the production of European farms in South Africa, while the supplies of farming requisites reaching the farmers through co-operative channels constitute 20—25 per cent of the total farm supplies turnover of the country.

No such spectacular success can be claimed by the Consumers' Movement whose share in the retail trade is very small. Nevertheless, Consumers' Societies have made good progress. After a stagnation lasting about a decade, their membership has increased from 14,700 in 1936 to 59,000 in 1944. Turnover shows a similar advance—from £559,600 in 1935—36 to £1,786,900 in 1941—42, and £2,355,800 in 1942—43; while part of the increase is due to the rise in prices, it must be remembered that the sale of a number of consumers' goods has been cut down by shortages and various forms of Government restriction during the war. Of the 54 Consumers' Societies (with 43,900 members) operating in 1941—42, 9 were Societies of non-Europeans, but these were all very small organisations with total membership of 1,100 and trade of £18,000.

There is no doubt that the Consumers' Movement has great possibilities in the Union of South Africa, specially in the large cities and among the broad masses of the native population which has so far hardly been reached by the message of Co-operation. Even the biggest Societies to-day have only a few thousand members; however, they seem to be gaining in strength. Pietermaritzburg Society, for instance, admitted over 700 members in the business year which ended on 21st January, 1945, which brought the total to 81,172. The share capital of the Society within one year rose from £21,600 to £36,000. Side by side with the development of old Societies new ones are being formed every year in spite of the very cautious policy of the Registrar who, according to the Memorandum referred to above, refuses numerous applications. Nevertheless, the number of Consumers' Societies has increased from 60 in June, 1943, to 85 in June, 1945, among them a dozen non-European Societies.

One of the essential needs for the Co-operative Movement in South Africa seems to be the establishment of a strong Central Organisation. At present there are a number of central marketing organisations for agricultural products, there is a federal company for the import of farming requisites, which is affiliated to the Overseas Farmers' Co-operative Federations, Ltd., with headquarters in London. A new Co-operative Wholesale Society—Groothandel (Kooperatief) Beperk—has been formed with headquarters in Johannesburg, which is still endeavouring to develop wholesaling. There is also a central organisation for publishing—The Co-operative Press of South Africa, Ltd., Cape Town—which publishes the two-language Journal *The Primary Producer—Die Primere Producent*. But there is no Union yet which embodies and represents all sections of co-operative activity.

—Review of International Co-operation, November—December, 1945.

CEYLON

The progress attained by the Co-operative Movement during the three years from May 1, 1942 to April 30, 1945 has been epochmaking. Whether the epoch that has been made will continue itself into an era of sustained achievement is another question, but every effort, both official and un-official, is being directed towards securing that end.

At the end of April, 1945, after 80 years of gradual advance, the Movement consisted of just over 2,000 Societies, with a membership of 92,000 and a working capital of

Rs.* 7,000,000. At the end of April, 1945, the statistics were (again in round figures) 6,400 Societies, 1,100,000 members and Rs. 26,000,000 of working capital. From 1938 to 1945 the average rate of increase had been 200 new Societies per year. In 1943 the increase was 980 Societies, in 1944 it was 2,930 Societies and in 1945 the present total was reached with 480 new Societies. The Co-operative Movement now permeated to every conceivable corner of the country.

The following Table compares the general progress made during the past three years.

Type of Society.	Number of Societies.		Number of Members.		Working Capital.	
	1941-42.	1944-45.	1941-42.	1944-45.	1941-42.	1944-45.
Central Banks ...	3	4	1,322	2,121	Rs. 1,323,645	Rs. 2,714,061
Banking Unions ...	4	6	115	306	32,343	285,665
Credit Unlimited ...	1,519	1,697	41,217	49,638	2,036,023	2,777,307
Credit Limited ...	103	114	4,606	4,789	600,445	710,300
Thrift ...	164	195	15,661	17,009	1,557,391	2,044,466
Stores ...	52	4,004	17,600	1,010,575	245,920	15,187,886
Marketing and Production ...	71	160	(Under "other types")	15,387	...	...
Unions ...	59	105	1,015	2,787	...	...
Other types ...	51	98	10,552	3,931	1,193,066	2,327,152
	2,036	6,383	91,938	1,106,573	6,988,833	26,046,836

CREDIT SOCIETIES.

The principal comparative statistics relating to the working of the societies are as follows:—

	Unlimited liability.		Limited liability.	
	1941-42.	1944-45.	1941-42.	1944-45.
No. of Societies ...	1,519	1,697	103	114
No. of Members ...	41,217	49,638	4,479	4,789
Loans granted ...	Rs. 2,432,136	Rs. 3,076,802	Rs. 664,572	Rs. 762,867
Loans recovered ...	2,557,297	2,778,544	594,395	718,374
Percentage of overdue loans ...	24%	16%	15%	11%
Working Capital ...	2,036,023	2,777,307	600,445	710,300
Reserve Funds ...	571,915	854,844	103,965	155,767
Share Capital (paid-up) ...	...	...	297,424	172,797
Deposits:				
(1) Members ...	299,305	818,493	...	...
(2) Non members ...	72,947	150,418	...	...
(3) Total ...	372,252	968,911	71,905	306,818

CENTRAL BANKS & BANKING UNIONS.

The records of all four Banks show remarkable increases of business, especially during the last two years. The finance of Co-operative Stores, and more especially of Wholesale Unions, has been the cause of the increases, while Colombo and Jaffna have also lent much money to Marketing Societies.

Below is a comparative statement of the more important statistics pertaining to the Banks.

	Loans granted.		Loans recovered.	
	1941-42.	1944-45.	1941-42.	1944-45.
Jaffna Central Bank ...	Rs. 309,714	Rs. 8,403,205	Rs. 929,543	Rs. 8,210,073
Colombo Central Bank ...	128,878	5,849,890	111,083	5,009,471
Kandy Central Bank ...	218,161	878,269	218,083	543,929
Batticaloa Central Bank ...	...	83,935	...	78,812

* Note (for foreign readers): 1 rupee = 1s. 6d.; or £1 Sterling = Rs. 18-83.

	Reserves (all kinds) and paid-up Share Capital.		Deposits.	
	1941-42.	1944-45.	1941-42.	1944-45.
	Rs.	Rs.	Rs.	Rs.
Jaffna Central Bank ...	57,176	78,565	522,373	6,466,190
Colombo Central Bank ...	52,200	58,600	73,448	711,002
Kandy Central Bank ...	9,472	21,481	85,975	281,556
Batticaloa Central Bank ...	39,180	52,265	...	279,827
	19,406	25,409		
	28,690	51,890		
	...	...		
	...	12,274		

There are now 6 Banking Unions as against 4 in 1941-42. The total membership of all six Unions is 349 Societies. The total lendings of the six Unions last year amounted to Rs. 543,766 and the total recoveries to Rs. 102,557. There were no bad and doubtful debts in any of the Unions, although a small sum of Rs. 9,600 was overdue in the Katugampola Hatpattu Union. The total reserves amount to Rs. 5,476, of which Rs. 3,336 belongs to Katugampola Hatpattu. The total paid-up share capital amounts to Rs. 21,922. The six Unions held in deposits some Rs. 115,000 between them last year. The lending rate of the Fund to Unions is 4½ per cent.

THRIFT SOCIETIES.

The total number of Thrift Societies has increased to 195 from 164 at the end of April, 1942. The total membership has increased to 17,009 from 15,661. The total savings amount to Rs. 2,023,986, representing an increase of nearly 6 lacs over the total recorded in 1942. The average amount saved per member is Rs. 120, as compared with Rs. 91 three years ago.

The total of loans granted by Thrift Societies in 1944-45 is Rs. 413,323, which shows a considerable (and commendable) decrease of nearly a lac compared with the total for 1941-42. The proportion of loans to savings is 20 per cent.

MARKETING AND PRODUCTION.

In 1942 there were 71 Societies under Marketing and Production. The number has more than doubled itself and is now 160. Their membership is 15,400, and their total sales last year amounted to Rs. 6,676,000, yielding a total nett profit of over Rs. 190,000. In 1944 there were 135 Societies, with sales amounting to a little over Rs. 2,240,000 and nett profits of Rs. 68,000. Several of the Societies command their own motor transport and have increased their efficiency thereby.

CONSUMERS' SOCIETIES.

At the end of April, 1942, there were 88 Co-operative Stores, with 17,675 members. Today, three years later, the picture is very different. At the end of April, 1945, there were 4,004 Stores, with a total membership of 1,010,575, and at the time writing (December, 1945) the numbers have increased to 4,032 Stores and 1,033,228 members. There is now practically no village and no town, small or big, that does not have its "Co-op." or is not within the sphere of influence of one.

The total sales of Societies for the year 1942-43 amounted to Rs. 3,700,000. In the following year the figures was Rs. 44,680,000, and last year it has risen to Rs. 119,317,000. The very satisfactory increase of business shown has been due mainly to Societies undertaking the sale of textiles last year. It might also be mentioned here that sales are strictly for cash at Co-operative Stores. The net profits made were Rs. 206,500 in 1942-43, Rs. 1,270,000 in the following year and well over Rs. 3,000,000 last year. The paid-up share capital stood at nearly Rs. 6,000,000 in April, 1945, and the total working capital was a little below Rs. 15,000,000.

There was a total of 75 Wholesale Unions registered at the end of April, 1945. Of them 45 had commenced trading by then and their total sales fell just short of Rs. 8,000,000 (the period in most cases did not cover five months). The amount of profit realised has not been ascertained, although it is known that most Unions had already made profits.

The greatest single problem of the Unions has been transport, their heaviest expenditure being on this item. Arrangements have, however, been made to provide them with their own transport, and several of them have already been successful in procuring lorries.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT.

The Co-operative Wholesale Establishment ("C.W.E." for short—and, it is hoped, in affection!) was inaugurated at the end of January, 1943.

The C. W. E. is a departmental organization. It was a branch of the Registrar's Department until April, 1945, when, owing to the size it had attained and the responsibilities it had assumed, its administration was transferred to the new Department of Co-operative Development as its main charge. It has a transport service consisting at present of 144 motor lorries. Its purchases for the Financial Year ending September 30, 1944, amounted to a little below Rs. 41 million, and its sales to a little over Rs. 37½ million. The corresponding figures for the following year have been Rs. 67 million and Rs. 63½ million. No profit was made in the first year (which was a portion of one), but a satisfactory profit has been disclosed in the second year's accounts.

The object of the C. W. E. is to supply everything that a Co-operative Store needs. It does not, however, handle rice, flour, sugar and chillies for the present. These are supplied to the Co-ops., either direct or through the Wholesale Unions, by the Deputy Food Controllers in the Districts, but they will be taken over by the C. W. E. when Food Control has ceased. In respect of all other goods, however, the C. W. E. is the principal supplier, and the list covers an extensive range, from peas and potatoes, currysutts and condensed milk, to haberdashery, hardware, tinned foods, toilet requisites, textiles: the lines are constantly increasing in number, although, in present circumstances, not much in volume. As regards foodstuffs, the C. W. E. receives its due share from the imports of the Food Commissioner. Other goods are bought in the open market, from importers and local manufacturers. The C. W. E. is probably the largest single buyer in textiles in Ceylon. Its purchases for the Financial Year, 1944-45, came to over Rs. 10 million.

—Report on the Working of Co-operative Societies.

Farm Accounting in India.

Although it is on the establishment of a proper parity between prices and costs that the profitability of agriculture and the well-being of the land worker depend, too little is known today about a cultivator's costs. The reasons for this lack of information are ascribed to the facts that (1) agriculture is, in the first place, carried on mostly as a routine of life rather than as a commercial concern, (2) that the farmer seldom thinks of evaluating his returns in terms of money or profit and loss, (3) that the farmer has generally neither the education nor the time to keep elaborate accounts, (4) that the return from agriculture is dependent on natural forces such as seasons, pests and diseases; and (5) that agriculture has been, in the past, carried on for ages for subsistence only and there was very little trade in agricultural produce owing to lack of communications and means of transport, as well as absence of continuous peace and security. Conditions are very different today. Agricultural produce is in demand, there are communications and means of transport, and for the post-war period, one has to think in terms of parity, e.g., parity between costs of production and realizable prices. So, for more reasons than one, it is necessary to have some accurate information about the movements of a farmer's costs.

—Indian Farming, October 1945.

CO-OPERATIVE CONFERENCES AND MEETINGS

SIXTEENTH CONFERENCE OF LAND MORTGAGE BANKS IN MADRAS.

27th January 1946.

Extracts from the Presidential Speech delivered by Dewan Bahadur C. S. Rathnasabapathi Mudaliar, C.B.E.,

In Western countries Land Banks have interested themselves in finding long term finance for processing and dairy industries. In order that the agriculturist may derive the full benefit of his labours it is necessary that the produce should be processed and made ready for the market by producers' societies. This is an aspect of activity which has to be explored and taken up by Land Mortgage Banks for the benefit of the agricultural population.

When we last met a fervent appeal was made to the Government to permit the Bank to reduce the margin between the borrowing and the lending rates from 3 per cent to 2 per cent. The Government were addressed giving full details of the strong financial position of the Bank, and its ability to carry on its activities efficiently and earn a decent profit even after reducing the margin to 2 per cent. Instances of agricultural credit institutions in England and America where the lending rate was reduced at the behest of their Governments to rates as low as 3½ per cent, while the debentures were issued at rates ranging from 3 to 5 per cent, were taken to the notice of the Government. I had hoped that the urgent necessity to put agriculture on a profitable basis and to encourage the agriculturist to increase his production would influence the Government to accede to the very modest and reasonable request made by the Conference. Much to our disappointment and to the detriment of the agricultural economy of the country, the Government have not acceded to our request. The "Agricultural Finance Sub-Committee" appointed by the Government of India on the recommendation of the "Policy Committee on Agriculture etc.," considered this question very recently and came to identical conclusions which we have been advocating for a very long time. The Committee went a step further and recommended that to enable Land Mortgage Banks to lend to the Agriculturist at lower rates of interest, Government should grant liberal subsidies as is being done in Western countries.

I make no apology for extracting the following from that report:

"We, however, feel that the rates of interest charged by these banks (Land Mortgage Banks) are too high and the agriculturists are not likely to make much use of their finance unless the rate is reduced to 4 per cent. This can be possible only through Government subsidies. In this connection we would refer to the Agricultural Mortgage Corporation of London which is able to charge only 4 per cent on loans, while itself paying 4 per cent to 5 per cent on debentures because of the subsidies granted by the State which amounted to £ 50,000 in 1943-44. The Stock Exchange Gazette, dated the 30th June 1944, reported that Clause 2 of the Agricultural (Miscellaneous Provisions) Bill which was at the time before Parliament extended financial assistance to the Corporation so that it might make advances at an interest rate of 8½ per cent. We suggest that long term finance to agriculture in India should be made available at a rate not exceeding 4 per cent, and recommend that Government should subsidize land mortgage banks to enable them to do so. This will induce cultivators to make an increasing use of long term finance for agricultural developments and will lead to an expansion of the business of land mortgage banks."

With the addition to the Reserves from the profits of this year, the owned capital of the Bank will exceed 10 per cent of the borrowed capital and the ground of objection to reduction in the margin so long taken by the Government will cease to exist. It is, therefore, hoped that the Government will give the matter a fresh consideration and fall in line with the general opinion on this important subject.

There are at present 119 Land Mortgage Banks working in the Province. The last bank was started before December, 1939. Since then due to war conditions no new Bank has been started. The Viziaraghavachariar Committee on Co-operation has recommended that there should be a Five-Year Plan during which period the whole Province should be

covered with 200 Mortgage Banks. Now that the war is over, it is time the organisation of Land Mortgage Banks in areas not served so far is taken up. A portion of the area to be brought under the jurisdiction of Land Mortgage Banks consists of unsurveyed mitta or zamin lands. Before Mortgage Banks can begin their operations in these areas it will be necessary to have the lands surveyed. This should be treated as an urgent item of post-war rehabilitation of agriculture and survey undertaken by Government as the existing provisions in the Estates Land Act in regard to survey are not adequate.

In zamindari areas where Land Mortgage Banks are functioning their progress is considerably impeded by lack of adequate facilities for grant of pattas and subdivision of holdings. The Conference has repeated its request for the Government undertaking special legislation to remove this difficulty. But this has not been done. Much valuable time had been lost to the detriment of the zamin ryot. The present provisions of the Estate Land Act are too inadequate. The amendment need not be made to wait the solution of much larger issues and I hope Government will take suitable action without delay.

I cannot leave this matter without referring to the position of banks working at a loss whose number on 30th June this year was 24. Some of these will be able to make much headway if the legislation indicated above is undertaken by Government. Meanwhile the Board has decided to adopt measures for improving the business of these banks. The Committee appointed by the Conference to go into the popular difficulties of the West Coast Banks has recommended to add some more tenures to the list of acceptable securities for granting other facilities.

In order to effect a general improvement in the working of these banks the Board has provided in the budget for the year a sum of Rs. 10,000. A detailed scheme will soon be worked out and implemented to put all these banks on a sound financial basis.

I am glad to say that our debentures have proved very popular with the investor. The last two series of debentures viz., 37th and 38th series were heavily oversubscribed and only partial allotment had to be made. Many an investor is feeling disappointed as he is not able to buy these debentures. The amount of debentures at present in circulation amount to Rs. 327 lakhs. This is only a small fraction of the amount of Government Securities in circulation. A study of the holding of our debentures discloses that they are held by genuine investors who require long term investment and who do not speculate in the Stock Exchange. This and the comparatively small amount of debentures account for the small number of transactions in the stock exchange. Unfortunately, however, the Reserve Bank of India have taken the attitude that these debentures are not readily marketable and have refused to grant accommodation on their security. Our experience as a buyer in the market of these debentures and that of investors has been that they are not available. I have not come across one case in which any debenture holder found any difficulty in disposing of his debentures. While the Imperial Bank of India and other scheduled banks have been freely lending on their security the unhelpful attitude taken up by the Reserve Bank of India authorities is inexplicable. I hope that the Reserve Bank of India will realise the strong position that these debentures occupy in our economy and change their attitude.

There is a misconception in some quarters that the war has brought prosperity to the rural population. It is true that the prices of agricultural produce have appreciated. But the costs of production have increased enormously and the prices of other articles of consumption which the agriculturist requires have gone much higher, thus offsetting the advantage on account of increased prices of the produce. Most of our agriculturists are small scale farmers whose average holding is said to be 4.91 acres. This class of ryots will have very little surplus produce to sell. He has not, therefore, derived much benefit from increased prices. The maintenance of the prices of agricultural produce at a remunerative level is of primary importance not only to the agriculturist but to the country as a whole as the prosperity of the country is to a large extent dependent on the prosperity of the largest industry in the country viz., agriculture.

EXTRACTS

THE I.C.A. AND U.N.O.

Collaboration with the Economic and Social Council.

The General Assembly of the United Nations Organisation, at its closing session on 14th February, granted the claim of the International Co-operative Alliance for "effective relations with the United Nations Organisation through participation in the deliberations of the Economic and Social Council"—also the claims of the World Federation of Trade Unions and the American Federation of Labour. This decision was taken by the adoption of the following recommendation of the First Committee:—

"In connection with the requests of the World Federation of Trade Unions, the American Federation of Labour, the International Co-operative Alliance, and other non-governmental organisations, that their representatives shall be allowed to take part in the work of the Economic and Social Council, and in accordance with Article 71¹ of the Charter providing for the carrying out by the Economic and Social Council of appropriate consultations with non-governmental organisations.

The General Assembly Recommends—

(a) That the Economic and Social Council should as soon as possible adopt suitable arrangements enabling the World Federation of Trade Unions and the International Co-operative Alliance, as well as other international non-governmental organisations whose experience the Economic and Social Council will find necessary to use, to collaborate for purposes of consultation with the Economic and Social Council.

(b) That the Economic and Social Council should likewise adopt as soon as possible suitable arrangements enabling the American Federation of Labour, as well as other national and regional non-governmental organisations whose experience the Economic and Social Council will find necessary to use, to collaborate for purposes of consultation with the Economic and Social Council."

The voting was 32 for, 6 against, 11 abstentions and 2 absent.*

The decision of the General Assembly of U.N.O. signified a major success for the International Co-operative Movement.

¹ Article 71—"The Economic and Social Council may make suitable arrangements for consultation with non-governmental organisations which are concerned with matters within its competence.

"Such arrangements may be made with international organisations and, where appropriate, with national organisations after consultation with the Member of the United Nations concerned."

*For: Argentina, Australia, Bolivia, Brazil, Canada, China, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, Greece, Haiti, Honduras, India, Liberia, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Philippine Commonwealth, Union of South Africa, Turkey, United Kingdom, United States of America, Uruguay, Venezuela.

Against: Byelorussia, Czechoslovakia, Poland, Ukraine, U.S.S.R., Yugoslavia.

Abstentions: Belgium, Chile, Colombia, Egypt, France, Iran, Lebanon, Mexico, Saudi Arabia, Syria.

Absent - Costa-Rica, Guatemala.

—Review of International Co-operation, February, 1946.

CO-OPERATIVE FARMING IN INDIA

Bengal

The first attempt to start co-operative farming in Bengal was made by Mr. S. K. Dey, I.C.S. Mr. Dey while Collector of Nadia organized three farming societies in the district of Nadia in the year 1940. These were at Jahangirnagar in the Sadar Sub-division, Raipura in the Meherpur Sub-division and Garaberia in the Chuadanga Sub-division. All these three farms actually started working in April 1940, before they were registered under the Co-operative Societies Act. The Jahangirnagar and Raipura farms were registered under the said Act in November 1940. But for want of sufficient interest on the part of its members, the Garaberia Society was dissolved before registration.

The other two co-operative farms have been functioning. Their accounts are given below.

The Jahangirnagar Co-operative Farming Society

There are 43 members in the Society and the farm comprises 235 *bighas* of lands. It has a share capital of Rs. 1,185 which represents the then market value of the lands pooled together for joint farming. The Society has just completed the fourth year of its existence. But the result, so far achieved, does not seem to be encouraging. It incurred a loss of Rs. 940 in the 1st year (1940-41). In the 2nd year (1941-42) also it sustained a loss of Rs. 309. It was in 1942-43, i.e. in the 3rd year of its working that it could earn a profit of Rs. 1,660. Though the final accounts for 1943-44 are not ready at hand, a profit of Rs. 1,000 or so is expected this year. But the prices of all kinds of agricultural commodities were exceptionally high during the years 1942-43 and 1943-44.

The following table shows the position of the various crops grown in the farm with reference to the yield as also the total areas under cultivation of each crop:

Year	Crop	Land under cultivation (<i>bighas</i>)	Total yield (Md.)	Yield per <i>bigha</i> (Md.)
1940-41	Aus paddy	83	415	5
	Gram	61	160	2.6
	Jute	127	237	1.8
1941-42	Aus paddy	73	300	4
	Winter paddy	27	144	5.3
	Sugarcane	41	7477	182
1942-43	Aus paddy	64	189	3
	Winter paddy	22	27	1.2
	Sugarcane	66	5016	76
1943-44	Aus paddy	60	247	4
	Winter paddy	39	120	3
	Gram	28	40	1.7
	Sugarcane	64	2725	42.6

The outturn of crops of every kind is far less than the average outturn of the neighbouring areas. The normal yield of paddy and jute in the locality is 6 md. per *bigha* and that of gram is 4 md. per *bigha*.

The Raipura Co-operative Farming Society

This society has a total membership of 51 and a farm comprising an area of 108 *bighas* of land, with a share capital of Rs. 1,240 representing the then market value of lands pooled. This farm could not make any substantial profit, but did not incur any loss. It earned a profit of Rs. 51 in 1940-41 (the 1st year of its working), Rs. 831 in 1941-42 and Rs. 439 in 1942-43. A loss is, however, apprehended in 1943-44. The very low outturn of jute and

gram during the year will largely contribute to this loss. The yield of Jute has been 2 sr. per *bigha* while that of gram has been less than $\frac{1}{2}$ md. per *bigha*.

A table showing the various crops grown on the farm with areas in each case and the yield is given below:

Year	Crop	Land under cultivation (<i>bighas</i>)	Total yield (Md.)	Yield per <i>bigha</i> (Md.)
1940-41	Paddy	40	118	3
	Gram	61	160	2.6
	Jute	60	154	3
1941-42	Paddy	72	278	3.9
	Gram	72	154	2.1
	Jute	18	55	3
1942-43	Paddy	10	20	2
	Gram	20	30	1.5
	Jute	15	30	2

The average yield in every case was sub-normal.

Failure to make headway

The experiments of co-operative farming undertaken on a limited scale in the district of Nadia have not so far produced a creditable record. The primary object of these Societies was to improve production but the result has been otherwise. The following reasons may be attributed to the failure of the Societies to make a headway:

(i) The members do not take genuine interest in the working of the farm. They own other lands outside the farm and concentrate their attention on them. They consider that their duty is ended by transferring their lands to the Society which they look upon as an institution imposed upon them.

(ii) The members do not like to work as labourers on the farm. The Society has to depend upon outside labour which is not always timely available which hampers agricultural operations. Lands cannot be tilled, sown and weeded at the right moment.

(iii) The managing committee does not take an active interest in the affairs of the Society. The management, in practice, is left with only one illpaid supervisor of the farm.

(iv) No proper arrangement exists for storage of the farm produce which is stocked in private houses.

(v) The individualistic outlook of the members is responsible for want of adequate interest in the joint undertaking. They are extremely conservative and even entertain a certain amount of suspicion about the venture. This can only be slowly removed by means of sustained propaganda.

—Indian Farming, October, 1945.

Bihar.

The experiment of co-operative farming was taken up only very recently in two areas in Muzaffarpur district. The first experiments are being made at places where cane-growers' co-operative societies are fairly well established, viz. Bithouli and Silout. Generally the old members of the society or Societies volunteer to have the experiment made with their plots and where there are intervening plots belonging to non-members, these are also included in the scheme, but with their specific consent. Under the existing bye-laws all agriculturists can come in as members of the society.

These societies have formed a sub-committee to carry on this experiment of co-operative farming under the guidance of departmental officers. At Bithouli 45.76 acres of land in one bloc and at Silout 44 acres in two blocs have been voluntarily placed at the disposal of societies for cultivation purposes. The growers, both members and non-members, have signed a contract to this effect and they have retained their right to ownership over those plots as before. They have further agreed not to make any change in their right over those plots without the consent of the society. The Society through the sub-committee, will carry on cultivation in the best possible manner with the full co-operation and assistance of the growers concerned. The help rendered by the growers will be duly accounted for and suitable return will be given to them out of the produce which will be debited towards the cost of cultivation. The members have agreed to contribute on this basis. The marketing of produce will be done just like sugarcane if desired by the members concerned and cash will be paid to them.

The Funds of the societies have been placed at the disposal of the sub-committee to finance this experiment and they have been also advised to borrow both short-term and long-term loans either from their own Central Marketing Union or the Provincial Co-operative Bank or the Government. The Joint Registrar has been pleased to sanction them Rs. 200 each out of Rs. 1,000 placed at his disposal for meeting the initial expenditure and the Government have been further approached by Joint Registrar to place 1.62 lacs of rupees which represents the saving in the compensation fund, at his disposal for the purpose. The societies are not in a position to incur heavy capital expenditure at present and that is why the Government is being approached for necessary financial help. The immediate needs in these societies are for wells for irrigation and constant and regular supervision by the officer of Agriculture Department.

The sub-committee and the managing committees of the societies will actually supervise the operation of this scheme in close contact with the Government staff of the cane-growers' co-operative societies in charge of the area. One supervisor of cane-growers' co-operative societies has been deputed at each of the two societies specially for this work.

The two societies are reported to be carrying on marketing of sugarcane for some years in the past on co-operative line most successfully.

The land has been surrendered to societies by growers for cultivation which is being done on behalf of the societies on co-operative basis. To democratise the individual possession of each member-grower, the entire bloc has recently been surveyed by an amin and a map of each individual holding together with the necessary details these plots has also been prepared for guidance in future.

Labour is paid for at the market rate in cash if so desired or the same is credited to the account of the person concerned. The surplus resources of the growers both in man power and cattle, or implements or even farm yard manure, etc. are given preference over the ordinary hired labour of outside growers who are only required to make up shortage, if any.

After meeting the cost of cultivation and paying the charges of rent or revenue over the land, a provision has been made for depreciation and the repayment of loan by instalments which might be 10 to 20 per cent of the saying. The rest of the produce will be shared by the grower members on the basis of their land areas proportionately in kind or if it is to be sold and the cash value to be appropriated by the members, the sale will be effected co-operatively.

Besides these two societies of Muzaffarpur, three cane-growers' co-operative societies of Champaran, viz. Churiharwa, Pandey-tola and Jhakra, have also started this experiment of co-operative farming in 98 acres, 9 acres and 10 acres of land respectively.

About measures to be adopted to accelerate consolidation of holdings and to prevent fragmentation in future, the author may mention that an attempt was made in the past to of the Government Estates, viz. Khurda and Bettiah. The experiments were failures and the consensus of opinion was that consolidation of holdings was not possible under the existing

Tenancy Laws and the conservatism of the agriculturists. The biggest obstacle is anticipated from the landlords. It may be argued that even if some of the landlords agree, there is no justification for the Government to spend money on staff as there is no return. From the Punjab, it is reported that consolidation of holdings has materially improved the areas and consequently the produce. The Government took advantage of this at the next settlement; the increased revenue made up for the money that was spent. But in a permanently settled area, like Bihar, the Government cannot get anything out of the increased revenue. The author is of opinion that once multi-purpose whole-village societies are organized and are run in a healthy condition, we might try consolidation as an experiment in suitable areas.

—Indian Farming, Feb. 1946.

MILK PRICE IN INDIA IS THE HIGHEST IN THE WORLD

Mr. Robert Pepperall, the Chief Regional Marketing Officer to Britain's Milk Marketing Board has recently made an investigation lasting four months into the production and distribution of milk in India and his report was submitted to the Government of India.

The report begins by criticising the practice of keeping cattle in confined places in India's large cities.

"The city stables offend every principle of hygiene," it says, "and upon humanitarian ground, amongst a community with so tender a conscience towards the preservation of life they should but do not evoke the utmost horror. Starvation of stock, squalor, filth, ignorance or indifference towards hygienic principles, revolting personal habits allied to official apathy combine to produce in a Western mind feelings of disgust, and possibly of despair, at the prospect of affecting any appreciable improvement."

Of a visit to a Bombay stable housing the stock of several owners, the Report says that there were large manure heaps inside the shed and a dead buffalo outside being picked by crows, and adds: "Standing with his back to this incident was an official of the Dairy Department."

Asked whether it was not his business to ban the sale of the milk, he replied: "No. I have no jurisdiction over such matters. The purpose of my visit is to count the animals for a rationing scheme." During the absence of a milker, the crows flew from the carcass they were picking and slaked their thirst with milk.

In Calcutta, conditions are no better, they may even be worse. The Corporation of Calcutta do not treat milk as highly valuable food subject to easy contamination.

Of milk adulteration, the Report states: "Integrity is not unfortunately a feature of Indian commercial or social practice."

THIRTEEN EVILS OF MILK SUPPLY.

The thirteen evils confronting India, according to Mr. Pepperall, are:

Livestock is in a state of semi-starvation, animal management very poor; milk production is steadily decreasing; human population is increasing rapidly; producers are mostly illiterate, indebted and poverty-stricken; the price of milk is the highest in the world; the average income of the population is amongst the lowest in the world; there is widespread adulteration of milk; the total ignorance of sanitation and complete indifference to hygienic standards; corruption and a low standard of integrity is very common in India; the general public is apathetic; there is serious neglect of their duties by the public bodies; and dairy equipment is almost non-existent.

Mr. Pepperall's report to the Government of India gives a clear policy by which these evils can be cured. They are summarised under six principal headings:

Better management of cattle by the provision of adequate fodder; the fixation of a reasonable price for the producer, which will be as low as possible for the consumer; a considerable improvement in hygienic standards; a ban on the export of oil seeds to provide

more food for Indian cattle; the immediate provision of administrative machinery under a Director of milk in each Province with a central body making decisions for India as a whole; and the concentration of milk production in the fertile areas of India, and those scheduled for irrigation schemes.

PROBLEM OF MARKETING.

Mr. Pepperall amplifying these points said: "If anything is to be done to safeguard the country's milk supply and the nation's health, there must be an immediate pronouncement on the lines suggested in my report. At present there is no one in India capable of supervising the proposed reforms, but some one might be loaned from England for this purpose. England is the only country in the world where the marketing of milk has been carried out on a national scale, and to make a temporary appointment of a Director from England would mean that India would avoid all the mistakes made in milk-marketing in this country during the past twelve years.

It would not be a good policy to send Indians in this country (England) to be taught the theory of our methods because of the delay and the profound difference in the methods which would be involved. It would be for better for them to learn the principles of milk marketing in their own country under the supervision of an Englishman.

"One of the first essentials to a healthy milk industry in India is to reduce the cattle population from 219 million—the present figure—to 140 million within ten years. Obviously this must be a job for an Englishman, who would not have to contend with religious prejudices.

SCHEMES FOR DEVELOPMENT.

Outlining schemes for development the Report reads: "Before the Bombay stables can be eliminated, it will be necessary to tap fresh areas of supply. Gujarat and the Tapti Valley between Bhusawal and Chaliagaon are suitable for immediate development and areas for milk production on a large scale should be allocated in irrigation tracts at Nasik, Amednagar, Poona and Baramati. The one serious drawback at present is the lack of railway facilities to transport milk from production areas to the city and success will depend entirely upon the provision of a special rail service to lessen the time occupied on the journey."

Another opinion expressed by the Report is that it would be highly dangerous to place the slightest dependence on the protection derived from so-called pasteurised milk even when delivered in a sealed bottle in a country like India.

The report recommends that simple items of dairy equipment should be produced in India with standardised churns and milking pails to keep costs at a minimum.

The other recommendation is that the Punjab should retain its cattle and arrange to send evaporated milk in tins to Bombay or Calcutta rather than export cattle that are usually slaughtered within a few months and replaced at great cost.

—The Hindu, February 20, 1946.

Milk is a Prophylactic and a Medicine.

Milk is a mysterious fluid containing 101 substances, combined in a suitable proportioned mixture. It cannot be synthesised. It has therefore no effective substitute and some of the nutritious compounds of whole milk are not yet identified. In its 8 proteins, there are 19 amino acids, in its butter 11 fatty acids, 6 vitamins, 8 enzymes, 26 minerals, 1 sugar (lactose) 4 phosphorus compounds, 14 nitrogenous substances and some more unknown compounds, some sustained and some dissolved in the natural contents.

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