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EACH FOR ALL AND ALL FOR EACH

Journal of the Madras Provincial Co-operative Union, Esplanade, Madras.

SEPTEMBER 1947. No. 3, VOL. XXXIX PRICE 8 As. N

The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month.

The Shape of Things.

Growth of Co-operation:

The Reserve Bank of India has rendered distinct service to the co-operative movement by publishing statistical statements, with particular reference to progress made during the years 1943-44 and 1944-45. The statements reveal that the aggregate number of co-operative institutions which was at the end of 1909-10 only 1,926, rose to 11,786 by the end of 1914-15. The progress continued to be steady and by 1941, the figure rose to 145,424. In 1943-44, the number of societies aggregated to 155,706 and to 159,633 by 1944-45. The number of societies per 1 lakh population rose from 42.9 in 1943-44 to 43.6 in 1944-45. The number of members also rose from 161,910 in 1909-10 to 8,355,180 in 1944-45. The working capital too rose to Rs. 1,46,63,38 in 1944-45. The number of agricultural and non-agricultural societies was 136,647 and 21,924 respectively. The number of financing banks was 613 with a working capital of Rs. 60,40 lakhs. These figures are not only imposing but also indicative of the important place occupied by co-operation in the rural economy of India including Indian States.

Illustrated Supplement:

Under the caption "Thirty years of Co-operation in India, 1914-15 to 1944-45" the Reserve Bank's Agricultural Credit

Department has also issued an Illustrated Supplement. This Supplement assists the lay reader to understand and appreciate the part played by the Movement in the rural economy of the country and the general uplift of the community. The pictures and graphs enhance the value of the publication. Taking individual provinces for comparison, one notices that Madras, the Punjab, the United Provinces and Bengal are ahead of others. We commend both the publications for the information of our readers for the wealth of information they contain as also for the manner of presentation of the materials so well gathered and sifted to bring out the real contribution the Movement has made.

Well Done, Tinnevelly !

It is always a source of sincere pleasure to co-operators to read and appreciate good work done in the co-operative field. The achievements of the Tinnevelly District Co-operative Central Bank as indicated below will be noted with interest. May we hope its example will be emulated so that we may have the pleasure of reviewing good work done. Is it any wonder that the Registrar of Co-operative Societies speaks of the splendid achievement of Tinnevelly and sends his congratulations to its President, Sri M. D. Kumaraswami Mudaliar, and his colleagues on the Board of Management? Here are the figures which are more eloquent than words :

Year.		Demand. Rs.	Collection Rs.	Balance. Rs.
		PRINCIPAL.		
1942-43	...	5,94,359	5,84,857	9,502
1943-44	..	5,14,036	5,14,036	Nil
1944-45	...	5,07,101	5,07,101	Nil
1945-46	...	4,88,341	4,88,341	Nil
1946-47	...	5,56,338	5,56,338	Nil
		INTEREST.		
1942-43	...	50,221	50,221	Nil
1943-44	...	83,739	83,739	Nil
1944-45	...	96,309	96,309	Nil
1945-46	...	61,266	61,266	Nil
1946-47	...	1,53,563	1,53,563	Nil

Useful Contribution :

Co-operators and co-operatives of Trichinopoly have earned our sincere gratitude for the handsome donation of Rs. 11,175 given

to the Rajaji Tuberculosis Sanatorium on the occasion of the visit of His Excellency the Governor. It is gratifying to note that a sum of Rs. 6,000-0-6 is the contribution of the Trichinopoly Central Co-operative Stores, Ltd., for the construction of a hall to be named the Trichinopoly District Co-operators' hall. This spontaneous response for a cause worthy of every support is one more evidence, if such is needed at all, that the co-operatives are actuated by service-motive in their dealings. We hope co-operators in other districts will also respond to the extent possible to institutions in their districts engaged in promoting public welfare. Regulated charity has always distinct advantages and that too when it is done in a co-operative spirit. Trichinopoly has set a worthy example for other districts to follow.

Reduction of Margin :

It may be remembered one of the recommendations of the Rayalaseema Co-operative Enquiry Committee is that the margin between the borrowing and lending rates of urban banks might be reduced so as not to exceed 2 per cent. The Committee made this suggestion after examining the working of a number of Urban Banks and found except in Tirupati and Chittoor the lending rate was not less than 7½ per cent. In making this recommendation, the Committee was anxious, among other things, to increase the transactions of the urban banks and to provide opportunities for the profitable utilisation of surplus funds. The observations of the Registrar of Co-operative Societies on this recommendation are reproduced below without any comment for the information of our readers:

> "It is understood that joint stock banks in Cuddapah District lend at rates ranging from 4 to 6 per cent on gold, silver agricultural produce, Government promissory notes, etc. The rates at which such banks in Kurnool District lend vary from 4½ to 9 per cent. The joint stock banks in other districts of Rayalaseema charge between 6 to 9 per cent interest. After the introduction of the Agriculturists Relief Act in which the maximum rate of interest of loans to agriculturists was fixed at 6¼ per cent., Co-operative Societies, though exempt from the provision of this Act, have been adhering to the principles of the Act. On a similar recommendation of the Madras Committee on Co-operation (39—40). Government observed that, in the matter of fixation of lending rates, the prosperity and safety of Co-operative Banks should be the principal consideration. The co-operative bank is a

business organisation and it should have adequate margin to meet working expenses, to pay reasonable dividend and to build up reserves. Ordinarily a margin of 2 per cent will be enough; but no hard-and-fast rule can be laid down in these matters. It should, however, be the endeavour of the co-operative urban banks to lend at a rate not exceeding 6¼ per cent. The Deputy Registrars are requested to bring this to the notice of the urban banks and advise them to keep this in view in securing deposits and carrying on their business."

Integrated Development:

Our readers are aware that a conference of co-operators was held recently, for evolving an integrated plan of development of the co-operative movement in the Province. Exigencies of space prevent us from publishing in this issue the speech of the Hon'ble Sri K. Chandramouli delivered on the occasion of the inauguration of the conference. We hope to do so in our next issue. Meanwhile, we are publishing the decisions arrived at the conference on various topics for the information of our readers. Comments or criticisms will be welcomed as they will be certainly helpful to Government in formulating their policy on the various aspects of the Movement. These resolutions read with the speeches of the two Joint Registrars of Co-operative Societies reproduced in this issue will surely provide the necessary background for discussion and formulation of an integrated plan of development.

Food Debate:

In both the Houses of the Legislature there was free and frank expression of views on the critical food situation which face the province. When food-grains are in short supply, equitable distribution is a very important task. It is gratifying to learn that the co-operatives have by their conduct justified the confidence reposed in them. Except for a voice here and there which was unduly critical of the work of the co-operatives, there was on the whole greater appreciation of the part played by the co-operatives even in regard to procurement. Well done, Co-operators!

Resolutions.

Resolutions passed at the Co-operative Conference held on the 12th and 13th September 1947 at Madras.

Subject I. Reorganisation of the Co-operative Department, separating Audit from Administration.

Resolution No. 1.—The Conference accepts the principle that audit should be separated from administration and the proposals on the agenda are generally approved subject to the observation that the bigger societies should be put completely under the Regional Auditors, Mr. Simhachalam Pantulu alone dissenting.

This Conference also endorses the proposal to re-organise the Co-operative Department with Joint Registrars on a functional basis but it considers that for the time being the number of Joint Registrars may be limited to four including the two existing Joint Registrars, and that the question of appointing a fifth Joint Registrar may wait till housing schemes develop.

Subject II. Formation of Rural Banks.

Resolution No 2.—This Conference is of the opinion that the proposal to form rural banks should be dropped.

Subject III. Rural Credit Societies—strengthening of the supervisory staff and the grant of subsidy for the strengthening of Village Credit Societies.

Resolution No. 3.—(*a*) This Conference considers it necessary that the supervisory staff employed by the Central Banks in every district should be strengthened at the rate of one supervisor for every 15 societies and two supervisors to be kept as leave reserve in every Central Bank area and that the total cost of supervision in order to give effect to this resolution will have to be met by the Government in full for the first five years.

(*b*) This Conference is of the opinion that wherever a Rural Co-operative Credit Society proposes to discharge additional functions other than credit as provided in its bylaws and employs a qualified paid manager, this Conference recommends that Government should bear half the cost of such a manager. This Conference also desires that the provision for the payment of honorarium under bylaws 30 and 55 of Agricultural Co-operative Credit Societies may be deleted in such cases.

Subject IV. Establishment of Cottage Industries on a co-operative basis.

Resolution No 4.—This Conference is of the opinion that for an intensive organisation of cottage industries including weavers' societies and the Khadi scheme with a systematic and sustaining effort, there should be a Provincial Council and an Additional Joint Registrar assisted by field staff to study localities. organise societies and arrange for their working. A Provincial Council to lay down the policy and guide the work is necessary. All the expert staff working in the Industries Department should be brought under this scheme. Women Officers should be appointed to organise cottage industries societies for women. Local Advisory Committees may be formed in districts to assist the officers.

Subject V. Weavers' Societies.

Resolution No. 5.—(*a*) This Conference subscribes to the principle of indirect compulsion of weavers by the denial of yarn to those who do not join weavers' societies within a specified period and suggests that this may be given effect to in select districts.

(*b*) This Conference is of the emphatic opinion that no part of the cost of the staff maintained by Government for weavers' societies should be recovered from the societies.

Subject VI. Marketing of Agricultural Produce.

Resolution No. 6.—This Conference generally endorses the proposals contained in the note on this subject.

Subject VII. Milk Supply Unions and Societies.

Resolution No. 7.—(*a*) Co-operative Milk Supply Societies and Unions should be given complete exemption from the levy of sales tax because ordinarily individual suppliers of milk do not come under taxable limits. A levy on Co-operative Milk Supply Societies and Unions will retard their progress which is essential for the well-being of both producers and consumers of milk.

(*b*) The proposals indicated in the note as already under the consideration of the Government and the Department are strongly supported.

Subject VIII. Co-operative Housing Schemes.

Resolution No. 8.—This Conference does not consider that there is a need for a separate Joint Registrar for Housing Schemes until they develop.

Subject IX. Co-operative Land Mortgage Banks.

Resolution No. 9.—(*a*) The guarantee now given to the Central Land Mortgage Bank debentures must continue in the interests of agriculturists and Goverament should guarantee additional debentures that may be floated. The question of withdrawal of the guarantee should be dropped.

(*b*) This Conference has read the Reserve Bank of India's letter No. A.C.D. 1489/A.C. 144-47, dated 23rd August 1947 to the Secretary of the Madras Provincial Co-operative Bank and to the Registrar of Co-operative Societies, Madras, and recommends that the loans issued on the security of the Central Land Mortgage Bank debentures should not be restricted to an emergency but that these debentures should be treated on a par with Government securities in regard to floatation and grant of advances.

(*c*) The question of the recovery of the cost of the three Deputy Registrars for Land Mortgage Banks and their staff should be reconsidered by Government and no such cost should be recovered by them. The question of the recovery of the cost relating to the Co-operative Sub-Registrars for Land Mortgage Banks may be reconsidered in 1950 as already ordered by Government.

Subject X. Consumers' Societies.

Resolution No. 10.—(*a*) This Conference, while recognizing the need for the organization of a Wholesale Consumers' Society at Madras to assist the Central Stores in the procurement of articles, is of the view that the present time is not opportune for the formation of the society and suggests that the registration of the society may be deferred.

(*b*) This Conference is also of the opinion that no part of the cost of the staff maintained by Government for Co-operative Stores Societies should be recovered from the latter.

Subject XI. Levy of Audit Fees.

Resolution No. 11.—(*a*) This Conference recommends that Rural Credit Societies should be completely exempted from paying audit fees.

(*b*) The existing concessions regarding audit fees allowed to certain types of societies should continue, subject to the condition that audit fees under the existing scale may be levied by Government if any such society is able to declare a dividend of 3 per cent in any year.

(c) The cost of staff maintained by Government for purposes other than audit in respect of all institutions, whether Stores or Weavers' Societies, should be borne by Government themselves. Any levy made by Government should be only for purposes of audit.

Subject XII. Co-operative Farming.

Resolution No 12.—This Conference agrees to trying the experiments in co-operative farming on the lines indicated in the notes on the agenda.

Subject XIII. Distribution of Manures and Iron and Steel implements.

Resolution No 13.—The distribution of controlled articles like manure and agriculturists' requirements like cart-tyres, iron and steel, etc., should be transferred from the Agricultural Department to Co-operative Societies and the allotments should be regulated by the Co-operative Department. This Conference authorises Messrs. T. A. Ramalingam Chettiar, B. Venkataratnam and K. V. Ramaniah Naidu to wait on deputation on the concerned Ministers for this purpose.

Subject XIV. Public Carrier Permits for lorries owned by Co-operative Societies.

Resolution No. 14.—This Conference is strongly of the opinion that Co-operative Institutions owning motor lorries should be permitted to have a public-carrier licence to enable them to help sister co-operative institutions and others and urges the Government to reconsider the orders already passed by them refusing to do so and order the issue of public carrier licences for such lorries owned by co-operative institutions.

Co-operation in Madras.*

By Rao Sahib Sri A. Palaniappa Mudaliar, M.A.,

Additional Joint Registrar of Co-operative Societies, Madras.

I am indeed thankful to the office-bearers of the Students' Union, the Hood Co-operative Institute, Ltd., Tanjore, for having given me an opportunity of meeting you this afternoon and saying a few words to you. I was to have come earlier and spoken to you at the inaugural meeting of your Union, but, due to unavoidable circumstances, I was not able to do so and I hope you will excuse me for the disappointment caused to you. When I came to Tanjore, however, I did not expect that I would be called upon to address you and when the Secretary of your Union wanted me to come and say a few words to you, I accepted the invitation more because I did not want to miss an opportunity of meeting the budding co-operators, than because I had anything to say, either special or new to you. You should not, therefore, feel disappointed, if you do not hear from me today anything which is really interesting or new.

You are the future co-operators. Some of you may join co-operative institutions as paid employees; some of you may join the Co-operative Department; some of you, and I hope that will be a very few, may enter other walks of life. But all of you will, I am sure, either as an official or a non-official, whether in a paid or an honorary capacity, be a co-operator. The training which you now receive in the Institute will doubtless equip you with the necessary knowledge in carrying out your duties as employees either in Government or in co-operative institutions; but a much greater purpose of the training is that you should become a true co-operator—whatever position you may occupy in your life, you should first and foremost be a co-operator, a true and sincere worker in the co-operative field.

Economic democracy is as much important as democracy in the political field. In the attainment of this economic democracy, co-operation has a great part to play. I consider that a correct appreciation of the fundamental principles of co-operation is necessary for a proper application of the co-operative method to different aspects of life. Co-operation has been hailed as a panacea for economic evils. It has been welcomed as a happy compromise between Socialism on the one hand and Capitalism on the other—the perfect mean

* An address delivered before the Hood Co-operative Institute Students' Union, Tanjore.

between Capitalism, marred as it often is, by greed for profit with a wide gulf between capital and labour, and State-socialism with frequent lack of incentive among the workers for earnest endeavour and progressive efficiency. It is held out as a logical economic system for transacting business based upon all that is fundamentally good in human nature. It is a perfect democracy in action and is capable of developing into one of the foremost powerful confederacies which can successfully resist and overcome the opposition of organised vested interests. At the same time, it may be stated that Co-operation has its own limitations. It can succeed only in fields where associations into groups is of greater advantage than individual action. It is not the proper agency in fields where certain services must be rendered to every citizen, as the case with sanitation or education. Again, Co-operation is only a method. If the plan for which it is used is unsound, and if such a plan fails because of its own inherent defects, it will not be the fault of the co-operative method used to implement it. A grasp of the fundamentals of co-operation as well as a careful study of its growth in the past is essential to equip yourself for the performance of the tasks that may be entrusted to you in your future careers. I shall, therefore, deal briefly with the principles of co-operation and give you a bird's-eye-view of the progress of the movement in the past and indicate the broad lines of its future development.

Fundamental Principles of Co-operation.

You would have been taught that Co-operation is a form of organisation in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests. I should like you to remember three fundamentals in this definition of co-operation. First and foremost, co-operation is a voluntary association of persons. Compulsion in any form is alien to the concept of co-operation; and compulsory co-operation has been defined, correctly I think, as a contradiction in terms. Secondly, the persons forming a co-operative organisation join together on a basis of perfect equality which finds expression in the dictum 'One man, one vote and not one share, one vote' which applies to capitalistic concerns. Thirdly, a co-operative society is an organisation for doing business in a strictly businees-like manner, and not a charity house doling out help to the poor and the needy. Though co-operative ventures are characterised by high moral purposes and profit seeking is not their ulterior motive, co-operative organisations are primarily business concerns and should be run as such.

As co-operation is a method of doing business, its scope is as wide as business itself. It has been employed to secure different inds of economic advantages, such as securing cheap credit, distri-n of the necessaries of life, marketing of produce, etc. It has been applied, with success, to several other kinds of activities like milk supply, land colonisation, agricultural improvement, provision of dwelling houses, etc. Of late, co-operation has come to be recognised as the most suitable medium of socio-economic planning in that it reconciles conception of large-scale economic planning by the State to individual enterprise and initiative, so commonly associated with the policy of laissez-faire. Co-operation is a form of economic democracy in action, and has come to occupy a foremost place in schemes of national planning; because no plan of the State will succeed unless it is accepted by the people as part of their ideology; and co-operative agency alone can achieve this by enlisting the full support of non-officials. But planning necessarily implies State direction and there seems to be an apparent contradiction, between planning and co-operation inasmuch as there is an element of compulsion inherent in any kind of planning. But planning in co-operation does not mean a departure from the voluntury principle governing the membership of co-operative society and that nobody should be compelled to join a co-operative society against his will. This question was considered at length by the recent Conference of Registrars of Co-operative Societies held at Madras and the Conference recommended that when the larger interests of the community required it a resolution passed by a co-operative society should be made binding on non-members provided that a substantial majority of the economic group affected by it accept the resolution.

Historical Retrospect.

Having briefly explained the fundamental principles governing co-operation and its suitability as an instrument of State policy and action in spheres of economic advancement, I should like to make a very brief survey of the co-operative movement which is nearly four decades old in our Province. All of you may be aware that the co-operative movement began as a credit movement in our province, which is not to be wondered at, considering that our province is predominantly agricultural and that the needs of agriculturists came foremost for consideration by Government and Co-operators. I need not dwell at length on the slow progress of the movement, in the first two decades of the country, the spirit of activity which characterised the movement during the 'twenties and which coincided with a steady rise in the level of agricultural prices, the set-back in the working of credit societies in the wake of the great economic depression of the early 'thirties, following a crash in agricultural prices and the gradual emergence of the credit movement in a chastened rehabilitated form just before the outbreak of the last war, having shed its weaker links. At the end of the year 1938-39, there were in all nearly 14,000 societies with a membership of 10,41 lakhs and a working capital of about Rs. 23 crores. On the credit side, the problem of overdues and frozen assets was still in the forefront. Experiments were made with non-credit co-operative societies with varying degress of success. A beginning was made in the establishment of co-operative loan and sale or marketing societies which numbered about 130 on 30-6-39. An attempt was also made towards the marketing of fruit on co-operative basis. The problems of the cottage industrial workers were also tackled on co-operative lines and the most important among such societies were weavers' co-operative societies, which numbered about 170 at the close of the co-operative year 1938-39. The record of consumers' co-operatives till then had nothing to inspire, with the notable exception of the Triplicane Urban Co-operative Society. There were only 85 stores societies with an annual sales turn-over of Rs. 23 lakhs at the outbreak of the war. This, in brief, was the progress of the movement when the last great war broke out in 1939.

War-time Developments.

Effects of the war on the credit structure.

As you are all aware, the last war had a profound effect on the economic structure of all countries and the co-operative movement in this province is no exception to this. On the credit side, agricultural classes, taking advantage of the rise in the price of agricultural produce, repaid their loans in increasing numbers and amounts. The years of the war have recorded a continuous and marked decline in arrears. The percentage of balance to demand (principal) in respect of loans due by primary societies to central banks was 6.22 at the end of the year 1945-46 as against 6.9 at the end of the previous year. The percentage of arrears in village credit societies showed a similar decline being 29.09 at the end of the year, the lowest on record for the last 25 years. The percentage in the pre-war year, *i.e.*, 1938-39 was 61. Another feature that characterised the war-time credit co-operation is the comparative absence of pressure for money on the

part of the agriculturists with the result that there was a shrinkage in the loan transactions of credit societies. The lowest amount of loans outstanding against members in village credit societies during the quinquennium ended 30th June 1939 was Rs. 317.80 lakhs at the end of 1936-37 while the lowest figure reached in the 6 years war period ended 30-6-45 was only 260.76 lakhs. There was also a progressive rise in the deposits held by village societies which indicated a welcome change in the economy of the agriculturist. The amounts of deposits held by credit societies were as follows:—

	Rs.		Rs.
1940-41 ...	23.87 lakhs.	1943-44 ...	39.40 lakhs.
1941-42 ...	26.92 ,,	1944-45 ...	43.08 ,,
1942-43 ...	36.92 ,,	1945-46 ...	49.12 ,,

In the field of long-term mortgage credit, the same tendencies were noticed and the Madras Co-operative Central Land Mortgage Bank was faced with the problem of surplus funds arising from advance repayments. Coming to the financing banks—both Central and Provincial—it has to be stated that with commendable promptitude, they adopted themselves to the changed conditions and suffered no set-back in their business. Though the demand for money from agricultural credit societies decreased, this was more than off-set by the demand from non-credit societies such as stores, weavers' societies, etc., which have remarkably expanded their business during the recent years.

Effects of War on Non-Credit Co-operation.

The effects of war were more impressible on the non-credit side. Co-operative marketing societies, no doubt, received a set-back in their working on account of the introduction of movement controls, the fixation of ceiling prices for foodgrain and the compulsory procurement through agents of Government, as the ryot under this system stood to gain nothing by holding over his produce awaiting a better market. These societies, however, took up the distribution of seeds, manure, compost, agricultural implements, etc., in the "Grow More Food Campaign". The total sale of agricultural requisites made by them amounted to Rs. 7.48 lakhs during the year 1945-46. Consumers' co-operative societies, on the other hand, recorded unprecedented progress during the war period. Their phenomenal increase in numbers, membership, share capital and turnover are directly due to the conditions created by the war which rendered innocuous some of the factors which in the past militated against the development of consumers' societies. At the close of the war there were about 1,300 primary stores and 21 district co-operative central stores with an annual turnover of about 25 crores of rupees. The magnitude of their services can be realised when it is remembered that 20 per cent of the number of ration shops in all the municipal towns where statutory rationing is in force is run by co-operative societies. The war also gave an impetus to the handloom industry in general and weavers' co-operative societies have recorded an era of fine progress. The Provincial Handloom Weavers' Co-operative Society, which had accumulated large stocks of cheap cloth and many primary weavers' societies which had large unsaleable stocks, took advantage of the scarcity of cloth and disposed of the stocks advantageously. The war helped the Provincial Handloom Society and many primary weavers' society to stabilise their financial position and expand their activities. There were on 30-6-'46, 336 societies with 65,286 members and a paid-up share capital of 26 lakhs. The number of looms brought into the co-operative fold was about 40,000. Production and sales during the year 1945-46 were Rs. 347.69 lakhs and 373.09 lakhs respectively. The influence of the war in other spheres of non-credit co-operation has been equally marked. Milk supply societies and unions made notable progress. On 30th June, their number was 274 with a membership of 3.78 lakhs. The sale of milk amounted to Rs. 69.59 lakhs. The growth, expansion and working of milk supply societies and unions, fruit growers' societies, etc., have been vitally shaped by the war-time conditions and these societies, taken as a whole, played an impressive role in the war-time economy of the Province.

Post-War Plans of Developments.

I should like to refer briefly to the post-war plans of developments which aim at conserving the war-given gain by the formulation of a sound plan of development.

Rural Banks.

On the credit side, there is the proposal for the formation of rural banks. In this connection, I should like to emphasize the great contribution that our rural credit societies have made to the admittedly difficult problem of rural credit and the services they have rendered for over four decades to the agricultural community. It is admitted that though the volume of credit supplied by co-operative societies is not considerable when compared to the total requirements of the agricultural classes, rural credit societies have brought down

the rate of interest in the countryside and have by sheer force of their influence exercised a salutory effect on money-lending in general. Further, our rural credit societies have brought about a general consciousness among the rural folk for greater co-operative effort in directions other than credit, by familiarising villagers with co-operative principles and practices, training them in the running of co-operative institutions and acquainting them with the system of co-operative accounts. If the villagers of to-day is more co-operative-minded than his forefathers, it is not a little due to the working of rural credit societies in their midst which have served as propaganda and training centres. These achievements should not, however, make us oblivious to the fact that co-operative credit has but touched the fringe of the problems of rural credit and that the working of a large number of credit societies is characterised by lack of vitality and vigour.

The scheme of rural banks aims at the performance of efficient credit services of various kinds coupled with the marketing of agricultural produce. The chief idea behind it is to make a credit organisation an economic unit. It is proposed to form rural banks on limited liability basis with jurisdiction extending over 4 to 5 villages. These rural banks will provide all types of credit facilities to rural folk, such as loans on mortgage or personal security loans on the pledge of crops or jewels, cash credit facilities on tangible securities, etc. They will also tap local resources, inculcate the habit of thrift, and educate the villagers in modern banking methods and practices. Their enlarged business turnover will, it is hoped, provide them with sufficient margin to employ trained and well-paid staff. To begin with, it is proposed to organise these rural banks on an experimental scale and watch their working.

Cattle Breeding and Milk Supply Unions.

Government have been affording various kinds of assistance to co-operative milk supply organisations such as interests-free advances for the purchase of milch animals, staff for supervision, etc. During the year 1947-48 the Government have placed a sum of Rs. 4.90 lakhs at the disposal of the Registrar of Co-operative Societies for this purpose. It is now recognised in all hands that the problem of urban milk supply is intimately connected with the question of animal husbandry and Government have proposals for encouraging Co-operative Milk Supply Societies and Unions to improve the breed of cattle by supplying them breeding bulls. Government have also under consideration a scheme for the distribution of cattle feed to milkmen in the City of Madras at subsidised rates. A three-year plan for the development of urban milk supply which provides for the expansion of co-operative milk supply organisations on a province-wide basis with the necessary technical and the supervisory staff, has been submitted to Government and is under their consideration.

Development of Cottage Industries.

Government are considering the constitution of cottage industries committees in each district under the auspices of the District Co-operative Central Banks. These committees will be on the lines of the Regional Promotional Agencies recommended by the Co-operative Planning Committee and accepted by the recent Registrars' Conference. The Committee will administer the funds given to it by co-operative organisations and Government, employ instructors, and assist cottage industries workers in securing raw materials and in marketing their finished products. Well-established industries such as leather goods manufacture, coir goods manufacture, mat and carpet weaving, basket making, carpentry, blacksmithy, weaving, weaving and spinning, ceramics will be taken up and about 100 centres selected in the province for the organisation of co-operative societies for these industries at suitable places. These societies will, in their initial years, be assisted by Government by free grants for capital equipment and a monthly subsidy towards meeting recurring expenditure.

Expansion of Weavers' Co-operative Societies.

On the recommendation of the Provincial Advisory Committee, Government have decided to bring as far as possible all the active looms in the province into the co-operative fold by enlarging the membership of the existing societies and by organising new societies wherever necessary. They have also sanctioned a special staff for this purpose to give effect to this policy. The number of weavers' societies has now risen to about 730, controlling about 91,000 looms which forms about 20 per cent of the number of active looms in the Province. Government are also considering the question whether it is desirable to compel all weavers to join co-operative societies by denying supplies of yarn to non-members, as such a scheme will promote the economic interests of weavers and also tend to eliminate black marketing and other malpractices usually associated with the trade in handloom textiles.

Government Housing Scheme.

Government have also taken up housing schemes on co-operative lines in order to relieve housing scarcity in the Province. Co-operative House Construction Societies have been formed at Madras, Tanjore, Tinnevelly and Trichinopoly and such societies will be organised in important municipal towns where housing scarcity is acute. For smaller municipalities, and panchayat unions, a hundred houses unit scheme has been prepared. Government have constituted local committees in Municipalities and major panchayats to select suitable sites for house construction and on receipt of their reports Government will select the centres where co-operative housing societies will have to be organised. Government have constituted a Provincial Housing Committee to consider the numerous problems confronting the provision of housing to relieve the shortage both in urban and rural areas. To facilitate the expansion of housing schemes Government have now under consideration the question of reducing the rate of interest on State loans to Building Societies, the measures necessary to speed up land acquisition proceedings, the supply of building materials such as iron and steel, timber, cement, etc., on a priority basis.

Co-operative Marketing.

In order to promote the co-operative marketing of agricultural produce, the Government are considering a five-year plan for the development of co-operative marketing organisations. It is well known that on account of the presence of too many middlemen in the present system of marketing, the producer gets only a small share of the consumer's price. The scheme aims at ensuing a better return to the producer. The provision of the adequate godown facilities, technical and supervisory staff, etc., has been made in the scheme. If Government decide to fix the ceiling and the floor prices for agricultural produce, co-operative marketing organisations can act as agents of Government for procuring and holding buffer stocks.

Long-term Credit.

On the side of long-term mortgage credit it is proposed to organise new land mortgage banks wherever necessary. Recently Government have permitted the Madras Central Co-operative Land Mortgage Bank to reduce its margin between its borrowing and lending rates from 3 to 3½ per cent with a view to bring down the lending rate to the ultimate borrower to 5 per cent. There has been a steadily increasing demand for land mortgage loans and the loans for permanent improvement of lands are progressively on the increase. The Central Land Mortgage Bank, pending a review of all conditions, has fixed the lending rate to the ultimate borrower at 5½ per cent. If conditions in the money market improve, it will be possible to reduce the rate to 5 per cent. The rate of interest for development finance recommended by authoritative committees is 4 per cent and it is hoped that before long, our land mortgage banks will be able to reach this ideal. But it may be noted that the rate of interest charged by the land mortgage banks in our province is the lowest in the whole of India.

Consumers' Co-operatives.

Most of you are aware of the valuable services rendered by co-operative stores during the years of the war and thereafter. With the gradual removal of controls and State regulations, these societies may have to face competition from normal trade channels and one of the measures suggested for the stabilization of the stores societies is the formation of a Provincial Co-operative Wholesale Trading Society. The District Co-operative Wholesale Stores do not have proper facilities for the purchase of agricultural commodities like grams, pulses and consumer goods, etc., which are imported either from other Provinces or State or from abroad. As it will be uneconomical for each District Co-operative Central Stores to send its representative and make its purchases, it has been suggested that a provincial agency may be formed at Madras and that it may pool the indents of all District Co-operative Central Stores and bigger primaries and arrange for bulk purchases. All the District Co-operative Stores, the Triplicane Urban Co-operative Society and a few of the bigger primary stores will be the members of the Provincial Society. It is proposed to a start the society at a very early date. When it begins to function, it will greatly facilitate the working of the District Co-operative Central Stores and generally promote the consumers' movement in the Province. It will function more or less as a co-operative wholesale stores for the Madras Province.

The Provincial Advisory Council.

The Government of Madras have recently constituted a Provincial Advisory Council to advise the Government on matters concerning co-operative societies or schemes referred to it by the Registrar, or the Government. The Minister in charge of Co-operation will be the Chairman of the Advisory Council, which will be

composed of the Registrar of Co-operative Societies, the President of the Provincial Co-operative Union, the President of the Provincial Co-operative Bank and an Economist and two other leading co-operators nominated by the Government. The Joint Registrar will act as Secretary to the Council. The Council will meet at least once a quarter. This arrangement is in line with the recommendations of the All-India Planning Committee (1946) that each province should provide itself with a Provincial Co-operative Council, which will continuously prepare projects of economic development and devise co-operative methods for their implementing and establish close and continuous association between Government officials in the Nation Building Departments, co-operative workers and leading non-officials. At the 15th Conference of the Registrars of Co-operative Societies held at Madras, the Conference considered the recommendations of the Planning Committee and recommended that a Provincial Co-operative Council should be established in each province as a deliberative and advisory body and the Provincial Government should give it financial assistance to carry out such items of development as considered necessary; and that the non-official element in the co-operative movement should receive adequate representation on the Executive Committee of the Provincial Co-operative Council. The Provincial Council set up by the Madras Government is purely an advisory body. It is sincerely hoped that this Provincial Co-operative Council will serve as a very useful link between the non-official co-operators on the one hand and the officials on the other in the formulation and initiation of several co-operative schemes intended to bring about the amelioration of the condition of the people in the towns and in the villages.

The Role of Co-operative Employees in the development of the Movement.

From what I have said just now, you might have seen that we have before us a programme of expansion which, if given effect to, will tend to make a far greater proportion of the people co-operative-minded and enable the movement to play a greater and nobler role in the plans for the economic development of the province. Our country needs a band of workers, not only honest, selfless and public-spirited workers, but paid workers as well. I would like you to realise that the paid employees of co-operative institutions are as much essential to the success of the movement as the band of honorary office-bearers, who are attracted to the movement from a sense of public service. Each, in his sphere, has a part to play in the ultimate success of the movement. You can take it from me that paid employees like you can be as good co-operators as anybody else, if they discharge their duties with that due sense of responsibility that is expected of them. After all, who is a true co-operator? He is one who places society before self, service before profit, and endeavours in his own humble way to better the social and economic condition of his fellow-beings through corporate endeavours. Though the foundations of the movement have no doubt been laid out on the basis of voluntary honorary service and the movement owes a deep debt of gratitude to the large body of public-spirited non-official gentlemen, who are giving their time, energy and resources in the cause of Co-operation, I think the time has come when, next to the efforts of honorary workers, the stability of co-operative institutions depends on the efficiency, honesty and loyalty of their paid employees. In the many spheres of specialised activities now brought under the ambit of co-operation, such as stores, house construction, land colonisation, co-operative dairying, co-operative marketing, co-operative distribution, etc., each one of which is a special art by itself, the need for fully qualified and trained employees to attend to the day to day administration of the societies, is clearly obvious. While honorary directors can lay down the policy, its execution has necessarily to be left to paid employees and ultimate success of the programme will largely depend on the zeal, enthusiasm and loyalty with which employees discharge their functions.

Gentlemen, I should like to impress on you that as co-operative employees you have a two-fold function to perform. For instance, a salesman in a co-operative stores has not only to distribute goods with the same efficiency and courtesy as those of any other trader, but in the process he has consciously or unconsciously to spread the gospel of co-operation. It is necessary for me to emphasise that the functions of co-operative employees go beyond their allotted tasks or duties. There are certain obligations attached to co-operative employment. The Co-operative movement is a Peoples' Movement aiming at the improvement of the peoples' standard of living through an economic organisation which places the satisfaction of need and performance of service before profit. Its ideals, principles and methods are different, as I said at the outset, from ordinary capitalistic enterprise. It, therefore, behoves you to develop a certain outlook and standards totally different from other employees. You should not consider your employment only as a career or means of livelihood; but you must be imbued with the spirit of co-operation and actuated with missionary zeal in all your dealings. I am sure, that if you cultivate such an outlook even from the beginning of your career, many of you who now seek to enter co-operative service as a career for your livelihood, will end, as true co-operators, true to the training which you will have undergone in the Institute, you will then be true to yourself and to God.

Gentlemen, once again I thank you for the opportunity you have given me for meeting you all and for having patiently heard me. I wish you all success in your studies and your future career.

Co-operative Land Mortgage Banks—Their Progress and Problems.

BY RAO BAHADUR K. SUBRAHMANYAM.

Joint Registrar of Co-operative Societies, Madras, (at the Conference of Supervisors and Co-operative Sub-Registrars in charge of Land Mortgage Banks held at Rajahmundry on 24-8-1947).

I am grateful to the Vice-President and the Secretary of the Central Land Mortgage Bank for having given me the opportunity of opening the first Conference of Supervisors and Co-operative Sub-Registrars in charge of co-operative land mortgage banks in the North Circle. Regional Conferences for discussion of matters affecting the working and development of mortgage banks and for exchange of views are, I consider, very welcome and will help to ensure high standards of efficiency and to promote the sound growth of these banks. The Supervisors and Co-operative Sub-Registrars constitute, so to say, the pivot of the system, and it is their sound methods of examination of loan applications, scrutiny of titles, valuation of lands, estimates of income and repaying capacity of applicants that ensure the ultimate success of the land mortgage banking movement. For this reason alone, periodical regional conferences are necessary and useful, and, I believe, this Regional Conference will be the first of many others which we hope to see in the future.

2. I recollect the days when Sir M. Ramachandra Rao was spending restless days, giving shape to every detail concerning the working of these banks and as Personal Assistant to the Registrar, I had to do my part of the job in dealing with the problems which, in their formative years, the banks presented to all those who were concerned with them. As Secretary to the Committee on Co-operation, I had another opportunity of studying the subject in some detail. Though I have been keeping up my touch with the working of mortgage banks, I propose to approach the subject today more as a student of rural credit. I request you then to take my discoursive talk more as an expression of my stray thoughts on some broad aspects of the working of land mortgage banks than as a statement of official opinions on matters with which I propose to deal.

Origin and growth of land mortgage banks.

3. It is too late in the day to trace the history of the land mortgage banking movement in our Province. Quite early in the career of agricultural co-operative credit societies it became evident that it was impossible to provide long-term capital for discharge of prior debts, redemption of mortgages or for land improvement through these societies. A village co-operative credit society depending as it does upon short-term funds

borrowed from a financing bank or in rare cases, on short-term deposits taken from members or non-members, cannot afford to tie up its slender resources in a form of security which cannot be easily realised. The main business of a village credit society lies in small looms for short periods with prompt recoveries. The utilisation of short-term deposits for long term purposes is opposed to sound banking principles. The Panchayats of village societies are hardly competent to examine titles to land or other documents connected with mortgages. While the need for discharge of prior debts or redemption of mortgages was obvious, the inability or unsuitability of village credit societies for this purpose was equally evident. Land mortgage business which is the necessary basis of long-term credit cannot for obvious reasons appeal to the ordinary joint stock bank. Nor has the Land Improvement Loans Act of 1883 been used or found quite suitable for the purpose. I need not go into the reasons here. It is an appreciation of the limitations of village co-operative credit societies, of the unsuitability of other agencies and of the need for a separate long-term credit agency that constitute the justification for the formation of co-operative land mortgage banks in this Province.

4. The land mortgage banks date back to 1925. The first few banks were formed in some of the delta districts. They were given the power of floatation of debentures and Government undertook to take debentures themselves to the extent of Rs. 50,000 in each bank upto a total of Rs. 2¼ lakhs. The Registrar of Co-operative Societies was made the Trustee for the debenture-holders. Though success attended two or three individual banks, it was soon found that the debentures floated by them did not command sufficient market and that competing issues of debentures proved to be a source of weakness. The Townsend Committee on Co-operation and the Royal Commission on Agriculture in India both favoured a centralised issue of debentures by a central agency with a decentralised machinery for dealing with individual applicants for loans, for valuation of lands, for assessing the repaying capacity, for disbursement and recovery of loans. These recommendations led to the formation of the central co-operative land mortgage bank at Madras towards the end of 1929 and the success that has attained the land mortgage banks in this Province is ample justification of the soundness of the structure that has been built up. For, be it remembered that the primary banks originally had to float debentures at 6½ and 7 per cent and to lend at about 8 per cent. The centralised issue of debentures by the Central Land Mortgage Bank coupled with Government guarantee of debentures both in respect of principal and interest have had a profound effect upon the rates of interest at which the bank commands credit in the market and the rate at which money has been passed on to the ultimate borrower. Government

guarantee, provision of adequate staff for inspection and valuation of lands, inclusion of debentures in the list of trustee securities under the Indian Trusts Act, statutory facilities through a special Act of the legislature have all contributed to the sound growth and success of land mortgage banking in this Province. It is often said that these banks are only 'quasi-co-operative' and depend to a large extent on Government support. But as Sir Malcoln Darling whose authority to speak on the subject is, in my opinion, unquestioned, so aptly points out "Without this assistance the banks could not have established themselves, and this is likely to be the case with any land mortgage institution, however constituted, which seeks to deal with the small or medium holder".

5. To-day the Central Land Mortgage Bank has the distinction of floating debentures at 3 per cent and supplying long-term money to the ryot at 5¼ per cent—an achievement which is unique in the history of the co-operative movement in India. Since the formation of this bank, it has lent out Rs. 504 lakhs to the primary banks and including the loans issued by the latter from their own resources, about Rs. 6 crores have been so far lent out to the ryots for the discharge of old debts, redemption of prior mortgages or land improvements. In consideration of the fact that the Central Land Mortgage Bank has been in existence for about 17 years and the first few years being years of preparation and economic depression and the last five or six years being boom years, the business turned out by the bank cannot be considered small.

Problem of Rural Indebtedness.

6. When I say this I do not suggest that all that can or should be done, has been done. The problem of rural indebtedness in this Province, as anywhere else in India, has been persisting through ages and investigations by experts have shown that during the last half a century it has been on the increase. Sir Frederick Nicholson put the total mortgage debt somewhere between Rs. 18 and Rs. 20 crores and the total rural debt at about 45 crores at the end of 1895. The Madras Provincial Banking Enquiry Committee's estimate was Rs. 150 crores and Dr. Thomas put the estimate in 1934 at Rs. 200 crores. Mr. Satthianadhan's enquiries led him to estimate the total agricultural debt of the Province at Rs. 210 crores. Recently Dr. B. V. Narayanaswami Naidu conducted investigations to ascertain how far the rise in agricultural prices exerted influence on the volume of agricultural indebtedness and his conclusions are:

(i) the total rural debt of the Province in 1939 was 272 crores;

(ii) there was a net fall in the debt during the war period to the extent of Rs. 54 crores though the gross reduction of debt during the war years was about 82 crores;

(iii) the real burden of the present debt of Rs. 218 crores is considerably less than what the figures convey owing to inflation and productive borrowing during the war period (which he estimates at Rs. 27 crores); and

(iv) the reduction in real debt between 1939 and 1945 might have been brought about by many causes such as sale of land, the operation of the Agriculturists Debt Relief Act and the rise in agricultural prices.

Debt Relief Legislation.

7. It would be too much for me to attempt a general survey of the measures taken or recommended for the liquidation of rural debt. The world economic depression which started towards the end of 1929 brought the gravity of the situation so forcefully to the notice of Government and the public that it became necessary to take legislative action to afford protection and relief to agricultural debtors. The Madras Debtors' Protection Act of 1935 for the protection of small debtors, the Agriculturists' Loans (Amendment) Act, (1935), for distribution of State loans to agriculturists for the redemption of prior debts, the Madras Debt Conciliation Act (1936), for voluntary and amicable settlement of debts by Debt Conciliation Boards through composition arrangements with the creditors and the Madras Agriculturists' Relief Act (1938) which aims at compulsory reduction of rural debts are the legislative measures which Government took to meet the situation. You may remember that the Committee on Co-operation has made a number of recommendations for affording greater relief and protection to agricultural debtors—an amendment of Section 14 of the Madras Debt Conciliation Act for compulsory conciliation of debts in accordance with the terms of the Debt Relief Act, for disclosure of debts by creditors within a prescribed time and provision for repayment of reduced debts in instalments, enactment of a simple Rural Insolvency Act and setting up of insolvency tribunals for dealing with rural debtors who are either actual or potential bankrupts and whose liabilities far exceed their assets or incorporation of suitable provisions relating to rural insolvency in the Debt Conciliation Act, exemption from attachment and sale of homestead and a minimum agricultural holding in the enforcement of a creditor's claims against agricultural debtors, legislation for extinction of existing usufructuary mortgages of agricultural land after 25 years and automatic redemption of future mortgages within twenty years, legislation for the control of money-lenders and regulation of money-lending, prohibition of compound interest, etc. These recommendations are based on modern principles and conception of social and economic justice and the admitted need to protect the agricultural debtors against acts of foolishness and improvidence which is the result of their ignorance or illiteracy.

Is Debt Relief Legislation necessary or Justified ?

8. May I digress for a while? The problem of debt relief or protection of agricultural debtors has two aspects. One is that the agriculturist, ignorant or uneducated as he is, is 'so prone to misuse his credit that he must be either protected against himself or educated in the use of money'. Education is the only lasting remedy, but it takes time. It is because of the realisation of this fact that legislative measures have been undertaken in many Provinces for the protection of the agriculturist and restriction on his right of alienation, etc. Money-lenders' legislation is another form of protection. The second view is: "It is possible that the measures taken for the scaling down of debts, whether through debt conciliation boards or compulsorily, have largely served their purpose. Such measures are not normally conducive to a healthy relationship between debtor and creditor, on which the improvement of rural credit facilities, in the last resort, depends. It is no longer necessary, nor in the public interest, that the expedient of the compulsory scaling down of debt should be repeated. The lesson to be drawn from the debt relief legislation in the past decade, therefore, is that the conditions which made it inevitable should not be permitted to arise again."

The recommendations made by the Committee on Co-operation (1939-40) in respect of these matters could not be implemented owing to the intervention of the war. I am sure now that we have the popular ministry in office again, they will undertake legislation which the changed conditions since the Committee made its recommendations, may justify and which too will no doubt be based upon an appreciation of the criticism of such legislation in the past.

Contribution of Land Mortgage Banks towards Debt Relief.

9. Some of these measures may secure relief by way of scaling down or compulsory conciliation of debts or of future protection. Unless there is a machinery which will help the agriculturist to pay off or take over the reduced debt on reasonable or cheap terms, mere scaling down may not be of considerable help. It is also the case that all agriculturists are not in debt. There are at one end of the scale, those bigger land-holders who are free from debt and at the other end there are small tenants and agricultural labourers, many of whom are actual or potential bankrupts. In between, there is a large class of medium and small land-holders and it is with this class that the co-operative land mortgage banks are primarily concerned. But even their debt is very considerable. When it is remembered that so far only 6 crores have been lent out by land mortgage banks, you can realise what large section of agricultural population has remained unaffected by mortgage banks. It should be your endeavour to consider how far the benefits of cheap long

money can be made available to them. The need for exploring all ways and means of enlarging the range and utility of mortgage banks, is obvious, and this makes your task more arduous as well as urgent.

Regional spread of Mortgage Banks.

10. We have today, 120 primary land mortgage banks in this Province. It is interesting to look at this expansion from the point of view of regional distribution of these banks. The Circars Districts in the North including Vizagapatam and Nellore account for 41 banks, while the districts of Chingleput, North Arcot, South Arcot, Tanjore, Trichinopoly, Madura, Tinnevelly, Salem and Coimbatore contain 60 banks. The other districts contain one to three banks each ; Ramnad and Bellary have one bank each ; Kurnool and Anantapur, two banks each ; Chittoor, Cuddapah, Malabar and South Kanara, 3 banks each. The reasons for intensive spread in some districts and the relatively restricted development in other districts are clear. As you know, land mortgage banks obtain long-term capital (for a period of 20 years) through floatation of debentures. In the final analysis the security to the debenture-holder is the land that is mortgaged by the ultimate borrower to the primary bank. It is clear then that unless the borrower is assured of regular income and consequently has adequate repaying capacity, it will be impossible to make a loan to him, and the land that can ensure regular income or provide sufficient repaying capacity to the ryot is the land that is assured of adequate and unfailing sources of supply of water for irrigation, certainty of crops, etc.

Factors limiting the Growth of Mortgage Banks.

11. There is again the question of land tenures and of systems of personal laws. The cultivator must have a clear right of alienating or mortgaging the land or the lands must have been surveyed. You can realise that wherever these conditions are lacking, land mortgage banks have not been formed or have not made headway. If, for instance, mortgage banks have not made progress in the Rayalaseema, the reasons are quite obvious. The Rayalaseema Co-operative Enquiry Committee has recommended the formation of land mortgage banks in the Tungabadra Project area. Investigations are being made into the feasibility of forming such banks in the Project area, but even so it is impossible to ensure the benefit of land mortgage banking to the ryots in dry tracts not only in the Rayalaseema but also in other parts of the Province. Whether at any time in the immediate or remote future, land mortgage banks can be formed in such areas appears problematical. It is not as if the agriculturist in dry tracts is not in need of long-term capital for discharge of his prior debts or for land improvement of some kind or another. It may be that the incidence of indebtedness in dry areas may be less as compared with delta or wet areas. But this does not make the

case for a long-term credit agency any the less. Sri T. A. Ramalingam Chettiar who was the President of the Central Land Mortgage Bank for some years, while speaking on this subject, has stated that "a more satisfactory method of dealing with the question will be to leave the financing of the ryots in the Ceded Districts and similar areas to Government," which has already been helping them by way of Takkavi loans for land improvement and cultivation. Recently the question came in another form before the 15th Conference of Registrars held in May 1947 at Madras. "The Conference is of the opinion that in economically backward areas, that is, those subject to periodical famines, etc., Government should give special financial assistance to the financing agencies to meet the bad debts arising from conditions beyond the control of the borrower or may consider the advisability of setting up an Agricultural Credit Corporation for such areas if the co-operative agency cannot flourish in such areas and that Government should make special efforts to increase the income of the cultivators in these backward areas by providing the necessary facilities".

A different suggestion made by the Committee on Co-operation is that temporary accommodation may be given to the Central Land Mortgage Bank from the Famine Relief Fund until Government are able to reimburse themselves from its periodical collections so that the bank may meet the interest liabilities to debenture-holders to the extent of its investments in such areas during periods of distress arising from drought. This suggestion did not, however, commend itself to Government.

I have referred to these aspects at some length so that you may bring to bear on the question your practical knowledge and experience and make suggestions for helping the agriculturist in the dry tracts.

Mortgage Banks in Zamindari areas.

12. The difficulties in the matter of organisation of mortgage banks in the zamindari areas are too well known to you to need mention. The system of Record of Rights and the machinery to carry out changes in the ownership of agricultural holdings from time to time is defective. Many zamindari areas are yet unsurveyed. Further, the system is defective in that the up-keep of irrigation works is often beyond the powers of zamindars. The zamindari system, as you are doubtless aware, is held to have outlived such usefulness as it may have once possessed and Government propose soon to undertake necessary legislation in the matter. With this, an improvement in irrigation facilities and maintenance of the record of rights may be expected and these would considerably facilitate the formation or working of land mortgage banks.

Mortgage Banks in the West Coast.

13. The peculiar nature of land tenures and the personal laws prevailing in the West Coast have retarded the expansion or restricted

the usefulness of mortgage banks in Malabar and South Kanara. The Madras Co-operative Land Mortgage Banks Act is proposed to be amended so as to give protection to land mortgage banks in Malabar by insisting upon the landlords to give notice of at least 15 days to the mortgage bank before instituting a suit for bringing the tenant's holdings to sale for default in payment of rent or for evicting him from the holding, requiring the tenant to obtain the previous permission of the mortgage bank to surrender his holding or to deal with it in any other manner, failing which such transactions entered into by the tenant without such permission, shall not affect in any way the interest of the bank in the holding, providing for the renewal of tenancy by the mortgage banks and payment of any arrear rent and recovering it from the borrower and the like. When the Amending Bill becomes law, the land mortgage banks in Malabar may be expected to record a new chapter of progress.

"Loss" Mortgage Banks.

14. Some of you are, I am sure, connected with the working of the banks which have not been faring well. In fact, some of them have been working at a loss. On the last day of the previous co-operative year there were 24 land mortgage banks which worked at a loss, in addition to 10 banks which worked at very nominal profits not exceeding Rs. 100. Of these, 17 banks have been working at a loss from their very inception. This state of affairs is attributed to the situation of some of the banks in the zamindari or dry areas or operation of peculiar land tenures already referred to or the indifference of the paid staff. Intensive supervision and propaganda, grant of subsidies, change of headquarters and other methods have been suggested to pull up these banks. This is a matter which, I believe, will engage your attention. I am not sure how many of them can be put on their legs and made a business success. You remember that during the war period there was considerable fall in the loan business of primary banks as well as the Central Land Mortgage Bank. The rise in agricultural prices was reflected in a definite shrinkage of fresh loans and an embarrassing increase in advance repayment of old loans. Many of the primary banks felt apprehensive that they could not support even the minimum establishment. Even one of the biggest banks like the Bhimavaram Land Mortgage Bank has been unable to support the usual scale of establishment.

Amalgamation of Small Banks.

15. The fact that over 30 banks or one-fourth of the total number are working either at loss or are very near it, seems to suggest whether apart from propaganda, any other remedies are possible or available. I am not sure whether for a land mortgage bank you should really have a limited area of operations. A land mortgage bank has paid staff, expert land valuers, trained legal experts and first class mortgage security. The

loans are not personal suretyship loans which need on the part of the directors a close personal knowledge of the borrower and his character. Experts feel that the work of a mortgage bank is "extremely impersonal as devoid of the human element as possible". A small area is not therefore altogether very necessary. During a period of boom when a drop in fresh business is inevitable, a small area is certainly a matter of serious disadvantage to a land bank; in a period of depression one would feel reluctant to make fresh loans. The position of small banks is indeed very difficult and it is for you as realists to consider whether there is no way of making them economically strong. Small banks cannot afford to pay the staff adequately either. Whether some of the banks in a contiguous area cannot be amalgamated so as to serve a large area with well paid staff is a matter which, speaking as I do, purely from an objective standpoint, cannot altogether be ruled out. In Bombay I am told the area of operations of a land mortgage bank is much wider than what it is in Madras. The Indian Central Banking Enquiry Committee (1931) has visualised 'district land mortgage banks'. In fact, it says that primary land mortgage banks "should operate over *fairly large areas* and must not be too small". Whether a territorial reorganisation of land mortgage banks on a somewhat wider basis is not desirable, is a matter which seems to require close examination.

Effect of Rise in Agricultural Prices on Mortgage Banks.

16. I have already referred to the considerable drop in the loan business of land mortgage banks during the war years; as against about Rs. 43 lakhs issued in the year 1939-40, the amount advanced by the land mortgage banks in the year 1943-44 was Rs. 18 lakhs. The advance repayments proved to be a matter of embarrassment to all mortgage banks: in 1942-43 this exceeded Rs. 25 lakhs and in 1943-44 Rs. 22 lakhs. The question, therefore, of improving their loan business became one of serious concern to them. You have, I suppose, carried on propaganda to stimulate business and loan applications. I agree that the banks should be kept going. But being interested in the socio-economic well-being of the agriculturists, it is well that we remind ourselves that we should at all costs avoid any artificial stimulation of loan business or force the pace of business beyond what may be regarded as sound and safe. This is a point on which economists feel rather strongly. The period of boom is one when every effort should be made to conserve the surplus income of the ryot, to promote savings, to utilise those savings for the liquidation of his debts or to invest them productively in a manner which will stand him in good stead in a period of depression which may probably follow the boom. As a matter of elementary prudence, the ryot has, in a period of high prices, to save and provide for reserves against a probable slump. I am sure, as students of economic history and economic trends, you realise that the latter half of the decade

ended 1919-20 was marked by a rise in prices due to the world shortage of food supplies consequent on the war. The prices were more or less steady or fluctuated within narrow limits between 1920 and 1927 when a decline set in. The slump became marked in 1930 and reached rock bottom during the years 1930 and 1934. You may recollect too the foreclosure and sales of land for the discharge of debts which characterised the depression period and the economic instability and suffering which the ryots had to undergo. These lessons are hard to forget, and it is necessary for every one of us to drive home these lessons to the ryot. It will be taking a false step if, in the sheer interests of business, loans are profusely advanced or the pace of loan business is forced in a period of boom. It is true that it is only during such times that the ryot's credit gets expanded and it is the opportunities for facile credit created by the boom that lead to borrowing. Please remember that "Debt is allied to prosperity and poverty alike; while its existence is due to poverty, its volume is due to prosperity." It is only during a boom that we must impose a restraint on the borrower and prevent his tendency to over-borrow. If instead of that, we encourage borrowing which a shrewd ryot can prevent by a careful budgetary adjustment of his resources, I am afraid, we will be doing him a disservice.

Need for Savings during Boom Period.

17. It may be relevant for me to invite your attention to the views of the Indian Famine Enquiry Commission on this subject. They say: "We attach great importance to the cultivation of the saving habit and the advance of excessive expenditure on ceremonial functions, on litigation and the like. The experience of the decade following the last war when there was a general rise in unproductive expenditure provides a warning which should not be ignored......... Again, debt is frequently due to extravagant expenditure often incurred unwillingly owing to pressure of social customs. We, therefore, recommend:—

(*a*) The savings campaign undertaken during the war should be continued and intensified during the immediate post-war period. Propaganda should be undertaken in the rural areas linking the need for savings with the requirements of schemes on rural economic development.

(*b*) Educative propaganda should be undertaken, and where necessary and feasible legislation also, in order to check those customs which compel individuals to incur expenditure beyond their needs."

Institution of Provident Fund Schemes in Mortgage Banks.

18. An interesting proposal made in this connection is the institution of a Provident Fund to which the borrower should be required to contribute annually a fixed sum in addition to his annual instalments due on the mortgage debt. The suggestion is that the instalment to be

paid to the Provident Fund may be fixed with due regard to the ordinary surplus in a normal year so that the instalment on the mortgage debt and the contribution to the Provident Fund may well together total the amount of surplus income in a normal year. While the recovery of the mortgage debt instalment must necessarily be rigid, the recovery of the Provident Fund contribution may be more elastic, the bank granting suspension of the instalment in years of poor harvest though it should not altogether be remitted. The Provident Fund will bear interest which is nearly equal to the rate of interest charged to the borrower on the loan. Provision may be made for temporary advances being made to the borrower from the Provident Fund for legitimate purposes or in years of poor harvest for payment of instalment due on the mortgage debt. It may also be provided that when the Fund reaches a prescribed amount, future contributions may be appropriated to the liquidation of the mortgage debt, if the borrower so desires. When the amount of the Provident Fund equals the amount of outstanding debt it may be applied to the discharge of the debt. The payment of the annual contribution to the Provident Fund must necessarily be one of the conditions of the loan duly entered in the mortgage bond. This suggestion is based upon the realisation of the fact to which I have just referred, namely that the mere provision of long-term credit facilities without simultaneous facilities for investment and for the development of thrift habit would not produce those reforms in the existing rural financial system which are essential to the economic development of the countryside upon modern lines. May I earnestly commend this to your consideration? Though I am conscious of the difficulties involved in the universal enforcement of this arrangement, don't you think that you can make a beginning in some select banks?

Are Second and Third Loans in Land Mortgage Banks necessary or sound?

19. I am sorry I have made a digression. What I have been at pains to do is to point out the recent tendency on the part of the land mortgage banks to give second and third loans to the borrowers. It has been a general working principle with mortgage banks that when an applicant seeks a loan he is expected to clear off all his prior debts or redeem all mortgages on land and consolidate and transfer all such loans to the mortgage banks at reasonable or cheap rates of interest. The object is two-fold. First, he should free himself from the clutches of private creditors to whose exploitation he has all along been subject; and secondly, he should so arrange his monetary affairs, his income and expenditure as to be able to easily repay the loan from his extra income over a period of 20 years. A co-operative land mortgage bank should so educate and direct the member as to prevent him from slipping back into indebtedness again. A co-operative bank is different from a private money-lender. The latter goes on lending primarily for his own profit,

only taking care to see that the land mortgaged just covers his advances so that in the event of non-payment, he may expropriate the land. He exercises no educative influence over the debtor. It should, however, be different in a co-operative system. The Central Land Mortgage Bank might serve as an effective agency for mobilising credit and getting plentiful money from the money market at reasonable rates of interest assisted by Government guarantee. But in its relation to the ultimate borrower it cannot establish intimate relations. It is so constituted as to carry on its business and banking functions efficiently. It is the primary bank that should impart a co-operative complexion to the business. Though second loans began to be issued more as an exception. I am afraid they are assuming, what one may regard, unsound proportions. In 1944-45, 60 loans to the extent of less than a lakh of rupees were issued; in 1945-46, 218 loans for over Rs. 3.5 lakhs were given and in 46-47, 410 loans for Rs. 6.3 lakhs were issued. I emphasise this aspect of the matter only to point out how far the issue of second and third loans is sound. Perhaps one may stretch the point and say. "When second and third loans are justified, why not give the member a fourth or a fifth loan exactly for purposes similar to those for which second and third loans are given?" In other words, a member can use the land mortgage bank just as a merchant, a trader or business man can operate on his overdraft with a commercial bank and keep a running account with it. I know I will be reminded of the arguments in support of second and third loans. The first is that second or third loans may be given for land improvements. One perhaps can have no objection if this is really the case. I will presently deal with the question of issue of loans for land improvements. An analysis of second loans given by the primary banks, it seems to me, may not support the theory that such loans are being given primarily for land improvements. The second argument is that when a need actually arises, say a marriage or some other purpose and the member of a mortgage bank raises credit outside at a high rate of interest, it is reasonable for him to get the debt discharged by transferring it to a mortgage bank at low rates of interest.

I am sure, I will be carrying coal to Newcastle if I refer you to the instructions contained in the *Land Mortgage Bank Manual* which is, I may take it, your *Bible* or *Gita*. You find it stated that "as the net income from the land mortgaged will have to be almost equivalent to the annual instalment payable to the bank, the borrower's other income from his other lands or from other sources must be ascertained for the purpose of judging his capacity to meet the ordinary needs of his family and special needs of an inevitable nature such as marriages. If this income is inadequate, the borrower must necessarily incur outside liabilities year after year, and in such a case, it would be unsafe to recommend the grant of the loans". Another instruction is that as a general

rule a loan for discharge of prior debt is granted only if the applicant can thereby be redeemed from his entire indebtedness. I do not know how far these instructions are actually observed. If they are strictly followed the case for subsequent loans becomes very poor indeed.

Please remember that I do not question the legal competence of a lending institution to give any number of loans to its client subject to adequacy of security and other conditions but I am putting the matter on a much higher plane, a real co-operative plane, and I ask you to consider the question from this standpoint.

"Inevitability of Indebtedness"?

20. If still it is contended that apart from loans for genuine land improvement or development, second or third loans are necessary, may I ask you frankly one or two questions? What is it that the land mortgage bank have all along been attempting to do? Is it really the wiping out or liquidation of agricultural indebtedness? Or do the land mortgage banks accept, as a settled fact, the inevitability of rural indebtedness even as the agriculturists are so accustomed to be in debt, to take it over from their fathers and pass it to their sons that they accept indebtedness as a natural state of life. It is stated—and there is considerable truth in the statement—that the idea that the debt is a voluntary condition in which no man need remain is to many something of novelty. I ask you, "Is this fatalistic acceptance conducive to the real progress of mortgage banks and the economic well-being of the agricultural community?" Unless we are clear about our immediate as well as ultimate objectives, we cannot expect to direct or shape the working of the land credit institutions in the manner in which it ought to be done. Twenty years ago the Royal Commission on Agriculture in India recorded their belief that the greatest hope for the salvation of the rural masses from their crushing burden of debt rests in the growth and spread of a healthy and well-organised co-operative movement based upon the careful education and systematic training of the villagers themselves. Are the land mortgage banks to falsify this belief? Is it not necessary that they so organise their working and educate their members as to be able to prevent the temptation as well as the need on their part to borrow again and again and to find themselves perpetually in debt? And one of the ways in which this can be done is, as I have already indicated, through the institution of a Provident Fund scheme in the land mortgage banks. It is only the savings resulting from the thrift of the agricultural classes that constitute their best basis of the capital they require. I am sure you will give your most earnest attention to this subject and thrash it in all its bearings in your Conference.

Deficit Agricultural Economy and the need for a Comprehensive Agricultural Policy.

21. When I refer to these aspects of the problem, it is not as if I am oblivious to the considerable body of expert opinion which holds that agriculture is a deficit economy and that it is only natural that the ryot should find himself in chronic indebtedness. There is equally sufficient appreciation, on the part of Government and others concerned, of the need for a comprehensive and integrated agricultural policy designed to increase agricultural production and to improve agricultural efficiency in all directions. I have already referred to the statement of the Famine Enquiry Commission that the lesson to be drawn from the debt relief legislation in the past decade is that *the conditions which made it inevitable should not be permitted to arise again.* They, therefore, emphasise the importance of ensuring a stable price level for agricultural produce. You may be aware of the measures that have been taken or under contemplation to secure the comparative stability of agricultural prices and incomes and to guarantee an assured market for agricultural produce with a remunerative minimum price. There are also other measures in the process of formulation or execution to improve the marketing of agricultural produce, to reform the land tenure system, to secure adequate minimum wage to the agricultural labourer, to execute works of agricultural improvement, to supply agricultural requisites and provide technical advice, to consolidate fragmented holdings and promote the establishment of economic holdings, to extend education in rural areas, etc. But the process of education of the ryot in the productive use of money, in the inculcation of thrift and savings, avoidance of extravagant expenditure can nonetheless proceed. In fact, this is so much necessary before he can be made to take full advantage of the measures which Government undertake for the technical improvement of agriculture and his own economic betterment.

Need for Financing Land Improvements and Development.

22. I have had again to digress. I was going to refer to the common criticism against the land mortgage banks as they have been functioning, *viz.*, that they have been giving loans mostly for the discharge of prior debts or redemption of mortgages. I am afraid that this is not altogether justified. Every authority which urged or recommended the starting of land mortgage banks have been definitely conscious of the fact " that for a long time to come the resources of the land mortgage banks will be mainly required for enabling the cultivator to redeem his land and his house from mortgage and to pay off his old debts " I believe most of you must be aware of the very significant observations made by the Royal Commission on Agriculture in India, based on their enquiries; " While there is some demand for facilities to repay old debts or redeem mortgages, there is no very strong demand for long-term money for

land improvements. Land mortgage banks will neither fill a gap nor meet a long-felt want; they should replace the system of State loans and displace the money-lender from the long-term loan business; they should introduce a valuable element of control into that business, but their greatest service may be the lowering of interest to a level which will bring many improvements within the class of productive works". There is no disguising the fact that for ages the agriculturist has been suffering from a dead-weight of prior debts and it is only natural that the land mortgage banks should have addressed themselves to the most urgent task of helping him to discharge his old debts or redeem his mortgages. The bulk of the loans given by the primary banks since their inception has been for these purposes.

While this is necessary and justified it is now equally necessary that the banks should explore the possibilities of financing land improvements and developments. That the Banks have not done so is borne out by the fact that the loans given for land improvements during a period of 3 years from 1943-44 to 1945-46 were less than Rs. 96,000. It is true there are many limiting factors. The bulk of agriculturists consists of very small land-holders and they cannot afford to invest large sums on improvement. Secondly, the scope for providing irrigation works other than wells in the ryotwari tracts is limited. Thirdly, in the tracts of precarious rainfall where the need for wells is greatest, the cost is often prohibitive, and the risk of not finding sufficient water is a real one. Fourthly, though there is fragmentation and sub-division of agricultural holdings, there has not been a widespread desire in our Province for the consolidation of holdings and for capital to finance the process of consolidation. Fifthly, there is no suitable agency to advise the banks on the agricultural, economic and financial aspects of schemes for land improvement or development. Nonetheless, it is well to recognise that the banks should encourage loans for productive investment on land improvements. Individually an agriculturist may not be able to carry out some of the desirable improvements such as major repairs to common channels or small productive irrigation works. But through joint or collective endeavour this may be possible. Secondly, the importance of electric power in its application to agriculture is one which deserves study and the close attention of mortgage banks. For instance, there are great possibilities for putting up pipes and baling out water from wells in the Pitharam area for purposes of irrigation. The sub-soil water resources in that area are immense; the soil is fertile; and money crops are grown on a large scale. The area offers vast possibilities of increased agricultural production. It is possible, I learn, to take electricity from one field to another and supply electric energy for working the pipes through motor transport vehicles filled up with up-to-date mechanism. An average agriculturist may not afford to own the equipment, but collectively this must be a possibility. I mention this only to indicate the line of enquiry which you may take up. Will it not be possible for you with an intimate knowledge of local conditions of different tracts, to explore the possibilities of facilitating the widespread utilisation of electric power for increased agricultural production ?

A suggestion has been made by the Chief Engineer for Irrigation that loans may be made for reclamation of lands, providing for repayments on a graded scale to correspond to the increasing income from land in later years, instead of on the equated system of payment. This suggestion, too, needs to be fully exploited.

Please remember that a good portion of rural debt in this Province is unproductive, and it is this which is a matter of anxiety. It is true that Mr. Satthianadhan's enquiries have revealed that rural debt constituted 20 per cent of landed asset. In fact, in many European countries it represents one-half and in some cases, more than two-thirds of farm assets. But then in Europe much of the debt represents investment and is comparable to the capitalisation of industry. Much of the debt here is unproductive.

'Delays' in the grant of loans by Mortgage Banks.

23. You are aware of the repeated criticism as regards delays on the part of mortgage banks in the grant of loans. This question is as old as the banks themselves, and no ready made solution can be offered. Dr. B. V. Narayanaswami Nayudu has recently stated that co-operative land mortgage banks are not satisfactory either from the standpoint of financial self-sufficiency or from that of efficient and expeditious disposal of loan applications. He feels that it is not easy to reform the land mortgage banks. He, therefore, suggests their conversion into Government land mortgage banks under unified control. His remedy to cut down delays is to appoint, at the rate of one for each taluk, Official Valuers whose duty it is to give certificates of property to prospective borrowers, showing the extent and current value of the properties, income, crops grown and other details required by the lending institution. An agriculturist can get a certificate from this officer and produce it before the Government land mortgage bank that has to be set up. As the certificate gives full information, without further ado or delay the bank is expected to grant whatever loan it can.

Feasibility of forming Government Land Mortgage Banks.

24. As those who are intimately connected with the running of land credit institutions, I do not know how far you will endorse the recommendation made by the Expert. For one thing, the recommendation involves that the State has to assume great responsibilities in running land mortgage banks on their own account. It has to

find a large body of trained personnel and experts to run them ; it has to float loans ; it has to enforce recoveries rigorously. Whether it is expedient for Government with a large number of developmental plans awaiting execution, to start a vast department for land mortgage credit is a matter on which I am not competent to express an opinion. The Agricultural Bank of Egypt is often quoted as a stock warning against State mortgage banks. It is obvious that as the entire capital of these banks is to be provided by Government, its loans have to be recovered by Tax-Collectors, which cannot surely add to the popularity of Government. It is considered often politically undesirable that Government should become "a heavy creditor of the people". On grounds, therefore, both of policy and administrative feasibility, I do not know how far Dr. Naidu's recommendation will be practicable or acceptable at this stage of the Province's development.

I am afraid whether the appointment of land valuers alone in the manner suggested will improve matters. It is often forgotten that it is not the time taken for inspection or valuation of lands that contributes to the delay. Most of the delay is due to the inability of the prospective borrowers to produce documents of title or evidence for the discharge of prior encumbrances on lands or the reluctance of creditors to furnish relevant documents. Even an official valuer cannot issue a certificate of property unless he satisfies himself with the title of the applicant to the properties proposed to be mortgaged. In a Province like ours which consists of a large number of small holdings of various sizes and varied systems of tenure and conditions of tenancy, cultivation, crop and irrigation facilities and where values are therefore influenced or determined by several such factors, I am not sure if a system which seeks to dispense with detailed enquiries and to standardise the procedure for grant of loans will ever succeed.

Remedies for minimising Delays.

25. When I say this, I do not mean to convey that you should not carefully examine the causes for the delays and try to minimise them to the extent possible. The Committee on Co-operation (1939-40) has made a number of recommendations which are designed to cut out delays. Government, too, have under consideration legislation in this regard ; it is proposed to dispense with the registration of deeds of assignment of mortgage documents by primary banks to the Central Land Mortgage Bank.

Joint inspection of lands by Supervisors and Co-operative Sub-Registrars, avoidance of piece-meal rectification of defects and proper guidance of the applicants and cutting down red-tapism which seems to prevail in the relations between the Supervisors and the Co-operative Sub-Registrars may go a long way to minimise delays. But what is necessary above all is that you will have to carry on systematic propaganda and education in the countryside ; by distribution of suitable literature, you will have to educate the member in the art of drawing up his application and furnishing all the necessary particulars which would facilitate prompt disposal. It is more on this educative aspect of the problem rather than on legislation or executive arrangements that I would lay emphasis, and this campaign of education and propaganda no one is more competent to undertake than those who are present here. Your practical knowledge of the village conditions as well as your experience of the working of land mortgage banks should certainly help the authorities in removing, to the extent possible, what has come to be styled as a standing criticism against the banks.

Need for a Research Department in the Central Land Mortgage Bank.

26. Before I close, I have a suggestion to make. The problem of rural debt is at once very vast and complex. The causes for borrowing are often different from these which lead to debt. Agricultural and economic conditions, periods of boom as well as depression exert influence on rural debt. The degree of incidence of rural debt varies according as an agriculturist is a big landholder, a medium landholder or a small landholder or a tenant. The incidence varies also according as the area is wet or dry. Systems of land tenure and personal laws affect the credit of the agricultural community. The land mortgage banks have now been in existence for twenty years, and if only a scientific attempt has been made to study and analyse the several factors which affect rural debt and long-term credit alike, we would have had a considerable body of knowledge and data which may be of great help in shaping loan policies and directing the working of mortgage banking in this Province. I keenly feel the need for a Research Department in the central land mortgage bank under an expert Economist. It is no good that the Bank should confine itself purely to its business and acting as an agency for getting money from the money market and passing it on to its constituent banks. It has great responsibilities and vital tasks in relation to matters connected with rural debt and long-term mortgage credit. The soundness of its policies will depend upon an appreciation of factors affecting agriculture and the agricultural community. Furthermore, it has a large part to play in the education of the agriculturist in the productive use of credit. The Research Department of the central land mortgage bank should be charged with a continual study of all matters concerning agricultural debt, productive as well as unproductive, with an examination of the purposes for which loans are applied, the trends of agricultural prices and of their effect on payments and so on, and with the publication of results of such studies in the form of booklets, pamphlets or leaflets for the guidance of the primary banks as well as the agricultural community. The Research Department should devise

and recommend schemes of savings and thrift and formulate measures for productive investment of long-term capital. It should publish from time to time instructive leaflets, telling the would-be borrowers how to get, where to get long-term credit and how they can help the banks to dispose of applications quickly. It seems to me that such a Research Department can be of great help even to the State in influencing and shaping their policies concerning the agricultural industry and rural debt and interested as the central land mortgage bank is, in the welfare and prosperity of the agriculturists, any expenditure incurred on this will more than amply be justified.

Conclusion.

27. I am afraid I have kept you long. My endeavour has been to place before you some aspects of the working of land mortgage banks and incidentally of rural indebtedness in general. I have intended to treat them more as a student of rural credit. I have no doubt that as well-wishers of the agricultural community and as students of rural economics you are interested in the general aspects of the problem. The land mortgage banking system in this Province has been built on the labours of a body of leading men in the co-operative movement and on a very generous measure of Government help and support. It has so far done well. It has still a greater contribution to make to rural progress. Its continued success and progress will depend upon very high standards of business efficiency which have all along been built up and I am sure, it will be your endeavour in the coming years to maintain and promote such standards.

"Tozhil Valam Siriya Kaithozil Prasanai"*

S. Mr. Ryan, both of us are interested in cottage industries and we want to develop them. But how shall we do it ?

R. I shall tell you, Mr. Shanmugham Pillai. If we want to develop cottage industries we cannot take up any and every cottage industry. We should make a careful selection among cottage industries.

S. I don't agree ! Cottage industries are the best way of providing employment and therefore any kind of cottage industry available must be pickedup and developedd.

R. No doubt we should provide employment to the maximum number of unemployed But if we take up any and every kind of cottage industry, their products cannot be sold. Therefore, we should select such cottage industries as have a survival value and concentrate our attention on them.

S. How are you going to find out the survival value of a cottage industry ? That is going to present insurmountable difficulties.

R. I don't think it is so difficult as all that. We should first classify cottage industries as those which will provide whole-time occupation and those which will provide part-time occupation. In the former category, we should further select the cottage industries for whose products there is a good market, *e.g.*, leather goods manufacture, brassware manufacture, hand-loom weaving, etc. In the latter category, we could put down such cottage industries ascattle-breeding, poultry farming, knitting, embroidery, etc. These are all industries which have established their survival value. The manufacture of inks or gum on a cottage industry basis, for instance, has not demonstrated its survival value. The cost of production on a small scale does not pay in these cases. If we take up again the manufacture of fancy articles which are very little in demand, or are needed only in distant countries, we shall be taking up a cottage industry which will not command an easy market.

S. But don't you think production of fancy goods, like ivory articles, drawing-room decorations, etc., are worth developing ?

R. I don't deny that the production of fancy goods is worth developing. But we started with the idea that we should provide employment to the largest number of people : and, therefore, an industry which provides occupation to the largest number should be preferred to an industry which will provide occupation only to a few.

* With the kind permission of the All-India Radio, Madras.

S. Granting that we have selected the industry on the basis of its survival value and on the basis of the extent of employment it will provide, how shall we really develop them ? I suppose, we should organise instruction on the improvement of these cottage industries. These who wish to learn them should be assembled in an industrial school or institute and they should be taught there how to make articles on a cottage industry basis.

R. This implies that those who know nothing about any cottage industry will be brought together and imparted instructions on theoretical lines with a little practical work in practical classes. But if we do so, there is no guarantee that those who learn the job will go back to it ; they may drift away.

S. Just so the boys who learn carpentry or smithy or weaving in the Industrial Schools or Textile Institutes seldom settle down to the industry on their own account. They seek employment in some firm or other and if they don't find any jobs there, they swell the ranks of the unemployed. They do not have enough capital to start the industry themselves or they fear that they cannot market their finished products successfully. What course would you suggest to get over this defect ?

R. Those who wish to learn a cottage industry should be apprenticed to those who are already doing the work as a paying business. They should learn the work as apprentices, under the experts and gradually be allowed to share in the work and later to share in its control as well. This was the case with the guild system of the Middle Ages in which apprentices were enrolled in trade guilds, and become gradually journey-men and later masters.

S. I see your point. You want new-comers to a cottage industry to be associated with existing business-men in order they might utilise the existing capital equipment, organisation and experience available in the industry. But will the existing owners of the industry share ownership of the industry with the intruders ? They might at best employ them only as labourers. They will not admit them to proprietorship in the institution.

R. This difficulty could be got over if the existing cottage industry is not left to function on an individual basis but is brought under a co-operative basis.

S. That is not very clear.

R. We should enrol existing workers engaged in a cottage industry as members of a co-operative society and pool their capital, so that they may purchase their equipment and raw materials jointly and dispose of their finished goods jointly. In such a co-operative society apprentices can become members when they are able to accumulate share capital out of wages earned by their labour.

S. I follow you now! Mr. Rayan. But all this may add to the numbers of those engaged in a cottage industry and increase the volume of products; but it will leave the cottage industry where it was. It will not improve the quality or variety of its products. How can this improvement be effected?

R. I shall tell you, Mr. Shanmugham Pillai. Suppose we have a group of metal workers producing only one variety of articles at one centre. Suppose we find that there is another group of metal workers producing a superior or different variety of articles at another centre. We should pick but one or two workers from the latter centre and associate them with the former centre so that the other or improved variety is also manufactured at the first centre. The workers thereby contact with newcomers, will improve their methods and finish and produce new varieties as well.

S. So you are advocating a method of learning by seeing and doing. You want inferior workers to watch superior workers, learn their methods, try them and adopt them. You seem to have no belief in research, in scientific advancement and in higher instruction.

R. Not that, I am a confirmed believer in science and instruction. But I believe that example tells quicker and improvement and progress follow by longer strides when sound leadership is provided in the form of superior craftsmen for every cottage industry.

S. There is a point in what you say, Mr. Ryan, but where shall we find such superior craftsmen?

R. Look at the Yemminganur Weavers' Co-operative society which commands a thousand looms. It has employed two or three textile experts who were trained in technological institutions or employed in textile firms. They conduct experiments at the society's premises on new patterns and designs, work them on looms beside the existing weavers and the latter copy them at once. They also devise new kinds of looms, new systems of dyeing, etc., which are readily taken up by the members of the society.

S. There is something on the same lines done in dairying methods also in some of the co-operative milk supply societies affiliated to the Co-operative Milk Supply Union of Madras, of which I happen to be a Director. Many members are benefited by the Co-operative Union employing techinicians like Dairy Experts and Veterinary Assistant Surgeons. The scientific knowledge of those employees is carried to the door of the cow-owners, who learn at their hands modern methods of dairying and

cattle-breeding. These paid servants do not teach. They assist in the business of rearing cows, drawing milk, transporting it in sanitary cans, etc. The result is hygienic production and distribution of milk. I agree with you entirely, Mr. Ryan; we should make a diligent search for such cottage industries as have a survival value and which can employ many people and endeavour to develop them by employing experts for the purpose. The experts should not teach on academic lines; they should work beside the actual workers so that the latter learn the job and improve on it while they ply the industry.

R. One more word, and that will complete our method of approach to the development of cottage industries. Equipment would be necessary to put any cottage industry on a firm basis. Simple machinery and tools would be a desideratum. It is generally difficult to accumulate sufficient capital from humble workers in cottage industries to provide the necessary equipment for promoting any industry on an organised basis. State-help in this direction would be of inestimable value.

S. And the assistance of the State in providing equipment is given best when it is given to groups of cottage industry workers organised into associations like co-operative societies. In such a case, the assistance given will benefit not one individual but many; and the profits of the enterprise will go not to improve the wealth of one individual but to strengthen the industry itself by building up reserves after giving a fair wage to every worker.

Notice to Non-members.

Sub: MADRAS JOURNAL OF CO-OPERATION—Subscription rate—increase of.

This is to inform the Non-members of this Union, in view of high cost of printing and paper, the Executive Committee of this Union has been obliged to increase the rate of annual subscription from Rs. 4 to 6. Hence the Non-members are requested to remit the revised rate of subscription for Volume XXXIX (July 1947 to June 1948).

MADRAS,
15th March 1947.

V. VIYYANNA,
General Secretary and Publisher,
The Madras Provincial Co-op. Union, Madras.

Conferences.

THE FIRST CONFERENCE OF THE CO-OPERATIVE SUB-REGISTRARS AND SUPERVISORS OF LAND MORTGAGE BANKS IN THE SOUTH CIRCLE.

PRESIDENTIAL ADDRESS

By Sri V. Damodaraswami Naidu, B.A.,

Member, Executive Committee,

The Madras Co-operative Central Land Mortgage Bank Ltd.

* * *

You are aware of the circumstances that have brought us together today. This conference is held in accordance with a resolution passed at the conference of representatives of land mortgage banks in January last. The main purpose of this conference is to evolve an uniform procedure in preparing and making up of loan applications. Now that the land mortgage banks have developed and the transactions are daily increasing, the necessity to evolve a uniform policy in tackling loan applications has become indispensable. Besides, we are passing through critical times, economically and politically and nothing is steady or stable. The value of lands has considerably increased, as in the case of every other article necessary for human consumption and use. We do not know how long this state of affairs will continue. But one thing is certain. Sooner or later conditions will come to normal when prices will necessarily come down.

The land mortgage banks which are financed by the debentures floated from the public have to be very careful in granting loans on the security of lands, since it is only as long as our securities are sound we can command public confidence for our finances. Hence the responsibility of the primary banks with regard to taking landed property is very great. This responsibility in turn passes on to the Supervisors and the Co-operative Sub-Registrars who make detailed reports of the lands by local inspection, enquiry and statistics. The primary banks, though they take reports from their directors as regards the value of securities, mainly depend for detailed statistical value on the reports submitted by their paid staff, *viz.*, Supervisors and Government Officers, *viz.*, Co-operative Sub-Registrars. Thus the responsibility is ultimately thrown on these officers for taking sound security for the loans. When faced with present high value one is tempted to assess higher value to the lands offered as security. But we should not forget that we are granting loans to be repaid in a period of twenty years ; and unless we are strict in assessing the correct value we will be taking serious risks with regard to the proper realisation of the loans we advance.

The other important function of the Supervisors and the Co-operative Sub-Registrars is the examination of the title deeds relating to the lands to be pledged and the obtaining of all relevant documents. Here again, as we are advancing long term loans, we have to take all and every precaution to safeguard our securities against any future litigation and trouble.

Meanwhile I am not ignorant of your own difficulties. In these days of inadequate transport facilities, unsatisfactory roads and absence of public conveyances to most of the villages, you are indeed working under tremendous strain. It is really unfortunate that, in spite of so much talk both on the platform and elsewhere about Rural Development Schemes, it has not resulted even in an attempt to form and develop the village communications, which is the first and essential step towards rural development. But I am sure, as Co-operators, you will forget all your personal inconveniences when you find that you are successfully helping those ignorant and illiterate people who have been desperately suffering for generation.

Our institution, as you all know, is the first of its kind on a provincial basis in the whole of India. Though it is yet in its infant stage, we can be proud of the definite stride we have made in solving the all-important problem of rural indebtedness. The technique and the tradition which we have developed are particularly sound. In this conference let us try to evolve a uniform policy in our procedure which will not only help the expansion of our business but will also remove our shortcomings if any. We have a great future. With your co-operation and with continued Government support, I am sure, we will make this institution a great success.

Gentlemen, let me thank you again sincerely for having given me this opportunity to preside on this occasion and to express my views.

I am glad that Mr. R. Ramakrishniah, M.L.C., who is long connected with co-operative movement in this district, is with us today. I thank him for his consenting to inaugurate this conference. Now I request him to open this conference.

Resolutions.

1. As the prices of agricultural commodities are fixed at a low level while the prices of other articles are high, many appiications for loans will have to be rejected for want of repaying capacity and persons who have already taken loans find it difficult to make repayments, this conference requests the Government to revise their price control policy in regard to agricultural commodities and fix economic prices.

Propaganda.

2. The advantages of land mortgage banking should be brought home to the agriculturists. For this purpose propaganda should be made by Supervisors with the help of Co-operative Sub-Registrars for land mortgage banks and the group directors by means of leaflets and public meetings. Village officers and leading men of the villages should be contacted to ascertain prospective applicants for loans. Applications received should be speeded up so that the institution may become popular. As far as possible a record may be kept of the list of selected pattadars and their economic condition.

Purpose and Origin of Debts.

3. It is essential that the origin and binding nature of the debts should be enquired into to satisfy the legal aspect of the matter and to assure that the member who is advanced the loan is worthy of the help rendered by the organisation.

Title.

4. In examining the title, the Supervisors and the Co-operative Sub-Registrars for land mortgage banks should see that there is an unbroken chain of title for so long a period as possible and certainly for the period covered by the encumbrance certificate Each of the entries in the encumbrance certificate should be considered ; sale deeds should be produced with vouchers of payment of consideration and in the cases of mortgages proof of discharge should be produced.

Second and Third Loans.

5. Applications for second and third loans should be refused only in cases where it is clear that the further borrowing is occasioned by the borrower's improvidence.

Revenue Records and Registry.

6. The requirement that a sketch for a part field should be attested by the Karnam be dispensed with.

Extracts of 10(1) account certified by the Karnam cannot be accepted. Either a public copy of Chitta Extracts should be produced or the Co-operative Sub-Registrar should certify after examining the Karnam's accounts.

Valuation, Income and Repaying Capacity.

7. In valuing the land offered for mortgage the sale statistics should always be quoted. Statistics obtaining up to the end of 1940 may be taken instead of confining to the year 1939. Where sale statistics are on enquiry found to be unvaluable either on account of the actual value not being shown in documents to escape stamp duty or for other causes or are found to be not suitable for adoption, the statistics may be deviated from indicating the circumstances necessitating such deviation. The statistics of the land and its fertility and marketability should always be taken into account. The correctness of the valuation should always be checked by a reference to the income from the land assessed on the pre-war basis.

In assessing income from commercial crops the present inflated values should not be adopted. But as the pre-war values are found to be very low the Co-operative Sub-Registrars should be given discretion to assess the income with an eye to punctual recovery of the loan and having regard to the period of the loan.

Revaluation.

8. The present practice of biennial revaluation may be continued. Along with the valuation of the properties as per the prewar values, the present market value of the properties should also be noted in a separate column. Revaluation figures need not be supplied in respect of cleared loans.

Confirmations slips and non-alienation certificates may be combined and obtained from the borrowers in all possible ways personally, or by issuing reply cards or by sending by registered post with acknowledgments.

Miscellaneous.

9. Statistics show that the delay in the disposal of loan applications now is mostly due to the applicant for a loan not being able to produce the necessary documents in proof of his title or vouchers for discharge of mortgages. At the same time the directors of the primary banks, the Supervisors and the Co-operative Sub-Registrars are requested to take all possible steps to minimise delay in the disposal of loan applications.

Resolved that the services of Supervisors be centralised on a provincial cadre and that provision be made for promotion of the Supervisors as paid secretaries and for higher posts that may be created.

Resolved that the present service conditions and emolutions of supervisors of primary land mortgage banks should be considerably improved in level with the post of departmental inspectors (Junior and Senior Inspectors).

Review.

Report on the working of the Land Agricultural Bank of South Africa.

We have received a copy of the Report of the Board of "The Land and Agricultural Bank of South Africa" for the year ended 31st December, 1946. The bank has been established in the year 1912 and as the Chief Agency for issue of long-term and short-term loans to the farmers of the Union of South Africa it has done them unique service. The Report reveals a wealth of information and gives an idea of the credit policies pursued by advanced agricultural countries. All their policies are directed towards increasing production and securing remunerative prices for the commodities so produced.

The bank issues loans for periods not exceeding 38 years on the mortgage of farms for repayment of accumulated debts and for improvement of lands. Improvements of land include advances for fencing, dipping tank, silos and water supply. The bank is helped by the public officers of the Crown including Magistrates. The Bank is employed as the Agent of the Government for making advances for certain specified purposes under the Acts of the Union Parliament. For each type of crop grown in the Union funds are made available to the farmer for raising the crops for the off-season working expenses. Every detail is gone into and the advances made with an eye to securing the benefits of agriculture to the farmer, those of increased production to the community at large and the consequent benefits accruing to the State by way of taxes, etc. The important agricultural products of the Union, namely, sugarcane, wheat, cereals like ground-nut, tobacco, citrous fruit, deciduous fruit, vegetables, wines and dairy products, etc., come under the close scrutiny of the different departments of the bank which finances the farmer in the different stages of production of each type of commodity.

The bank is not content with providing the necessary finance to raise the crops. It finances till the crop is sold and the farmer gets his money. For example, the bank finances farmers for the purchase of packing materials and for the processing of the different agricultural products grown by them. The bank has financed for the construction of suitable wine cellars by the farmers and brew wine so that individual farmers either directly or through the co-operative organisation derive the benefit of selling wines instead of grapes. Similarly for the construction of godowns for storage of wheat and other products and for purchase of packing materials like deal-wood, wire-nails, wire and strappings for making the deal-wood boxes in which the fruit is exported, the bank has made advances. The different Control Boards appointed by the Government to fix the prices of the different commodities including dairy products, operate in close co-operation with this bank and the bank exercises very great influence in the fixation of the prices so that even those farmers who have not come under the purview of this bank, are greatly benefitted by this great Institution.

The Bank makes advances for short-term as well as long term purposes. The Balance Sheet discloses a total working capital of £28.62 millions of which £18.95 millions is its capital fund and £1.75 millions is the Reserve Fund. The advances to individual farmers on mortgages and advances for dipping tanks, etc., amounted on 31st December, 1946, to £18.88 millions which is almost equal to the capital fund of the Bank. In making advances to the farmers the Bank pursues a highly conservative policy. Advances have been made for purchase of land only if the lands were purchased at a rate based on its economic productive capacity over a period of years. On account of this conservative policy many farmers paid off their mortgages and obtained their facility elsewhere. Obviously such a policy is not in the best interests of the farmers.

During the years 1941 to 1945 heavy advance repayments were made by farmers and the number of applications for loans also were few. But during 1946 there was a substantial drop in such repayments and the applications for loans increased enormously.

The Bank also finances Co-operative Agricultural Organisations which arrange for the processing and marketing of the wheat, fruit, vegetables, sugar, etc. The Bank serves the farmers of the Union of South Africa in every conceivable way for increasing production from land and for getting best prices for the produce.

M. Dattatrayulu.

A Manager's Pledge.

I pledge to serve to the fullest extent of my ability the co-operative association that has placed me in a position of trust and responsibility.

I WILL:

- Above all things be honest and diligent.

Accept and carry out the policies laid down by the board of directors.

Do everything possible to inform members and patrons of established operating policies and the reasons therefor.

Be alert to reactions of members and patrons and keep the board of directors informed, as an aid in improving the policies of the associations.

Study the business and the problems of the association and continuously strive for up-to-date and effective methods and procedures that make for increased efficiency.

Give a complete and accurate accounting of the operating affairs and financial condition of the association to directors, members, and patrons.

Treat all patrons, members, and directors alike and not grant any special privileges and favours.

Be courteous and tactful with patrons, members, directors, employees, and others dealing with the association.

Be fair with all employees and favour none.

Provide opportunity for utilizing the initiative of employees to the fullest extent, as a means of continued progress and development in the association.

Outline carefully and specifically the authorities, duties and responsibilities of employees to avoid friction and poor morale within the association.

Develop understudies who can assume my responsibilities in case I am absent or sever my connections with the association.

Gain support for the association on the basis of its merits and of a job well done.

Assume responsibility in community affairs, in the interest of good citizenship and as a means of acquainting my community with the program and the value of the association.

Curb emotion and apply reason and commonsense to all problems.

I WILL NOT:

Consider myself indispensable.

Discharge my duties with arrogance or a sense of vested interest.

Unfairly criticize competition and competing products.

Employ my own close relatives, nor members of the board of directors or their close relatives.

Carry grudges against employees, directors, members and patrons.

—"*Pure Milk*"—*News of Chicagoland Dairy Farmers—April 1947.*

Madras Provincial Co-operative Union, Ltd.

Extracts from the resolutions passed at the Executive Committee and Board of Management meetings of the Madras Provincial Co-operative Union held on 10th and 11th August 1947.

Executive Committee Resolutions.

1. Requests from Training Institutes and individuals for exemption from prescribed educational qualifications for undergoing training in the Co-operative Institutes.

"Resolved to reduce the period of service of employees in Co-operative Institutions from 5 years to 2 years in clause 4 (*b*) of prospectus and syllabus of the Madras Provincial Co-operative Union."

2. Results of March 1947 Examinations—ratification of hard cases passed—proposal to raise percentage of passes.

"Resolved that all candidates who have secured 190 marks in grand total to be declared to have passed under the special circumstances of this year."

3. (1) Copy of letter R.C. 14289/46A, dated 12-1-47 from the Registrar of Co-operative Societies, requesting the Union to communicate its views with regard the Resolution No. 30 *quoted below of the IV Provincial Non-official Co-operative Employees' Conference held at Vellore on 30-8-46.

***Resolution No. 30.**

This Conference requests the Government and the employers to set up joint boards of employers and employees in various districts consisting of the President of the Central Bank, one representative of the District Co-operative Employees' Association and another Co-operator agreeable to the above two. The joint Board be competent to decide subject to the rules framed by the Registrar:

(*i*) the strength of establishment for various institutions working in the district,

(*ii*) to lay down the additional number of employees required to cope with the increasing burden of work,

(*iii*) to lay down hours of work and days of tour for various categories of employees determined and the basis of intensity of work or tour involved in each case,

(*iv*) to settle points of dispute between committee men and employees in Co-operative Institutions.

(2) Copy of the letter No. R. C. 17771/46-A dated 22-11-46 from the Registrar of Co-operative Societies requesting to offer the views of the Provincial Co-operative Union on Resolution No. 3* quoted below of the Non-official Co-operative Employees' meeting held at Bezwada on 12-5-46.

***Resolution No 3.**

"As regards leave rules and Travelling Allowance rules, it was decided that the rules applicable to Government servants be made applicable to Co-operative employees."

"Resolved to form a Sub-committee consisting of Messrs:

(1) B. Venkataratnam Choudary, (2) V. Kodandarama Reddy, (3) T. Narayana Pillai, (4) S. K. Yegnanarayana Iyer,

(5) P. S. Guruva Reddy, (6) V. Viyyanna, (7) K. A. Nachiappa Gounder, and (8) the Joint Registrar of Co-operative Societies to examine and submit a report to the Executive Committee."

This Sub-Committee will meet on 14-9-1947.

4. Affiliation of Societies:

"Resolved to affiliate the following societies as member societies of this Union."

1. Co-operative Sale Society, Ltd., Udamalpet.
2. Weavers' Co-operative Production and Sale Society Ltd., Moratupalayam.
3. Co-operative Marketing Society, Ltd., Watrap.
4. Aluminium Workers Co-operative Society, Ltd., Rajahmundry.

5. Disaffiliation of Societies:

"Resolved to disaffiliate the undermentioned Union from the membership of this Union."

1. The Coimbatore Sugarcane Growers Co-operative Union, Ltd., Coimbatore.

Board of Management Resolutions.

1. Letter from the Registrar of Co-operative Societies enclosing a note containing his proposals regarding Cottage Industries asking for the views of the Provincial Co-operative Union.

"This Board is of the opinion that for an intensive organisation of Cottage Industries with a systematic and sustained effort there should be a Provincial Council and an Additional Registrar assisted by two Deputy Registrars (one for north and one for south) and 6 Sub-Registrars to study localities, organise societies, and arrange for their working. A Provincial Council to lay down the policy and guide the work if necessary. All the experts staff working in the Industries and Co-operative Departments should be brought under this scheme. Women officers should be appointed to organise Cottage Industries societies for women. Local Advisory Committees may be formed in Districts to assist the officers."

2. Scheme of Rural Banks and Registrar's Circular regarding village societies amalgamating with Rural Banks.

(i) "This Board agrees with the recommendation of the 15th Registrars' Conference, made in its Resolution No. 24.

(ii) This Board is further of opinion that federations of village societies may be started for purposes which a village society cannot individually undertake such as marketing, processing of agricultural produce, etc.

(iii) Where co-operation has not made any headway, societies may be tried in a few places on the lines of Rural Banks.

(iv) This Board is of opinion that the policy of the Government should be to organise societies in villages so as to cover 50 per cent of the villages in a period of 5 years with such helping hand as may be needed."

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The Madras Provincial Co-operative Union,

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