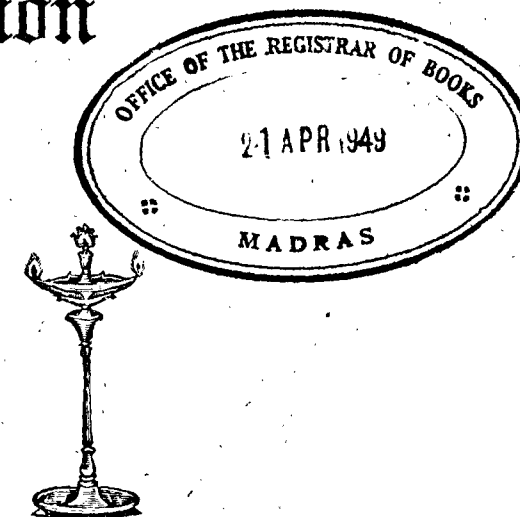


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# The Madras Journal of Co-operation



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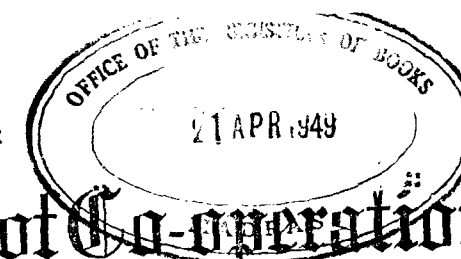
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THE



# Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

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

MARCH 1949

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## The Re-shaping of Things

### The Real Task is Ahead:

The Proceedings of the recent Land Mortgage Banks' Conference which are published in this number bear out certain important issues relating to land credit. The Land Mortgage Bank has been in existence in the Madras Province for nineteen years and has advanced Rs. 614 lakhs during the period. By far the largest portion thereof is said to have been advanced for repayment of prior debts and some portion for productive purposes like land improvement, land purchase and house construction. It is rather difficult to gauge the progress qualitatively in the absence of definite data relating to the purposes of the loans. The institution would do well to furnish itself with such concrete data for its future guidance. From the quantitative aspect, however, the small volume of its business is evident. According to the estimate of the Honourable the Premier of Madras who opened the Conference, about Rs. 250 crores is required for long-term credit at the existing level or pattern. Rs. 6 crores is much too small a fraction of it. Indeed "a huge lee way remains to be made up!"

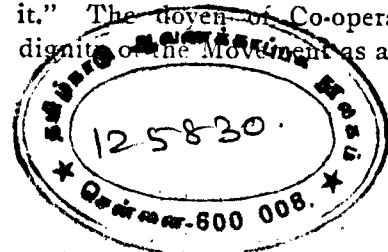
The existing pattern of our rural economy is one of subsistence farming. A great need is felt for tackling the agricultural problem from all sides and turn it into a remunerative occupation. The

trend of events has been for some months moving towards such a consummation: Agricultural reform is in the offing. The *zamindari* system is shortly to be replaced with the *ryotwari* type of land tenure. Schemes for co-operative farming, land reclamation and land colonisation are to come into being on a larger scale than now. And above all, in pursuance of the Parity Economy, so zealously upheld by the Provincial Government, Agriculture is to be no less important and remunerative than Industry and Trade. It is to be in the new economic set-up "not a limb among the nation's enterprises, but the very breath of the people's lives." In this new set-up the solution for the long-term debt is, as the Honourable Premier said, more and more land mortgage banks but with a *more liberal loan policy* and *ampler resources* for doing so and with sizeable Agricultural Finance Corporation at the apex. Does this Land Mortgage Bank fit in in the new set-up? It all depends on whether it can adopt a liberal loan policy gainfully and also increase its resources. This would be possible not merely by the rigid scrutiny before loans are given but by watchful guidance and advice to the agriculturists in the matter of utilising the loans and repaying. The real task of the Land Mortgage Institution is therefore ahead. We earnestly hope that with its experience of a score of years it will rise equal to the new situation.

#### State Aid versus Self-Help :

The deliberations of the recent Tamil Nad Co-operative Conference indicate the need for uniformity in Co-operative thought and enterprise. References have been made in some of the Addresses (published elsewhere in this issue) to the need for Government grants and subsidies for the promotion of certain lines of Co-operative activity. For instance, the need for State financial assistance for the Weavers' Movement and for the provision of amenities to the villagers has been suggested; as also direct State assistance to Central Banks or the purchase of articles by the Government themselves for sale through the Stores.

On the other hand Sri T. A. Ramalingam Chettiar, President of the Conference has emphasised the need for self-help. He said, "We have been depending on Government help till now. Hereafter we must manage to procure all our needs ourselves. The present economic situation is very bad. People must toil hard and improve it." The doyen of Co-operation in South India has upheld the dignity of the Movement as a popular endeavour.



The War boom has enabled numerous production and distribution coops to build up fairly large share-capital and reserves. It is desirable that a considerable part of these reserves should be made available for the promotion and consolidation of the Movement. One important cause why the Movement still looks for State help is probably the lack of a definite idea as to how much could be pooled for the development of the Movement and whether each branch of the Movement like the Weavers' Movement or the Stores Movement should utilise its contribution for its own advancement or for the Movement as a whole. The Co-operative Movement is one all-embracing socio-economic activity and no part of it could be considered independent of the others. It is particularly so in view of the multi-purpose co-operative activity that is now aimed at. It is therefore desirable that the leaders of all the branches of the Movement discuss and chalk out feasible plans for promoting production, education, propaganda and the like. This policy, while imparting harmony to the Movement, also gives it a popular appeal and enables it to progress without State help.

#### "Co-operative Therapy" :

Co-operation has been recommended in our country (as elsewhere) as the cure-all of the economic maladies of the Nation such as mal-production and mal-distribution. Economists have prescribed the setting up of co-operatives for credit, purchase, production or distribution of the various requirements of the Nation, so that the limbs of the body economic might be imparted vim and vigour. Experience has shown that while these limbs kept the body economic fairly strong, they themselves at times needed toning up and that the body economic often suffered in consequence. Thanks to the "Co-operative Pathology" it has been disclosed that the entire body requires attention as a whole and that the treatment of the parts thereof is not quite enough. What has now been prescribed therefore is the building up of numerous live cells in the shape of multi-purpose coops so as to cover the entire body economic and function as the vitalising, invigorating force. The vigour and vitality of the body depends on the activity and energy of these cells. It is essential that the body cells be kept ever active and vigorous. Dormancy or feebleness must needs affect adversely the vitality of the body economic. It is hoped that this new therapeutic treatment will soon be popular and that the economic life of the country will pulsate with new vigour and energy.

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MADRAS CO-OP SOCIETY  
N 49. 11.9

**Let Not Bad History Repeat Itself:**

The Presidential Address of Sri M. P. Nachimuthu Mudaliar at the recent Tamil Nad Weavers' Societies' Conference published in this issue, raises our spirits and depresses them. It gives us a glimpse of our glorious Past—tickling our sense of pride by the mental picture of our *muslins* and *calicoes*, our large exports of cotton finery and the golden age of the *Sangam* Poets. During the last century our weaving industry suffered a serious set-back for obvious political and economic reasons. It, however, received a shake-up from the *Swadeshi* and National Movements in this century. But there was again a heavy slump in the 'thirties. The industry recovered and had its 'hey-day' again during the war boom. Exports were brisk and, as the President of the Conference expressed, it was felt that *history repeated itself*.

Good history may repeat itself and the golden age may last long. But it will indeed be hardiness if *bad* history should repeat itself and more so if the spell stays on. Sri Nachimuthu has pointed out the clouds of slump gathering over the handlooms during recent months. There is a glut in the yarn and cloth market and one is at a loss to know if the industry can hold on in the present conditions. It is even apprehended that a major crisis may occur if the present *impasse* is allowed to continue.

Shall *bad* history repeat itself bringing with it the bitter memories of the Past and rendering the present sufferings of the weavers' the more acute? It will be a sad comment on the Weavers' Co-operation in our Province if it were allowed to recur. It therefore behoves all Co-operators to review the situation and remove the snags.

A study of the industry during the war boom points out two factors affecting the Movement: the internal factor, namely the general policy of the Weavers' Co-operatives and the external factor, namely the policy of the Government. In the first case both the Provincial and Primary Co-operatives lacked co-ordination of effort. Each co-operative pursued its own course in fixing the wages, profits and prices. The Provincial Society was often a mere agent of the primaries for disposing of a part of their production. There was not much intimate relationship between the parent institution and the daughters. Moreover there was no systematic attempt at the consolidation of their position. Business was done,

largely through private merchants, it not having occurred to the weavers' co-operatives in good time that co-operative stores are ever nearer to them than the merchant middlemen. There was probably a distressing conflict of ideologies among them. To the leaders of the Weavers' Movement and to the public at large Co-operation was primarily ethical, while to the famished weavers it looked more like a cold business proposition.

And now of the second factor—the policy of the Government. While the Co-operative Movement is essentially a popular endeavour for self-elevation, it has also a claim to State support. The benefit accruing to the Movement from such support depends on whether the support is spontaneous or forced. Often the Government have placed the Co-operatives on a level with private bodies and denied certain privileges and concessions which if offered might strengthen the Movement. A sympathetic attitude would instil greater confidence in coops as real public service institutions.

The promotion of a deeper good faith and confidence among the weavers' societies and the State in the *sinequa non* of the *real* progress of the Movement. Sri Nachimuthu's suggestions that the weavers should regulate their wages and prices and that the handloom industry must be an independent portfolio are constructive in this direction. Let the Weavers and the Government work up towards this end so that *bad* history may not repeat itself.

**Co-operative Research and Statistics:**

There is little doubt that of late the need for co-operative research and statistical data has grown immensely. Thanks to the recent War, the Co-operative Movement has grown into a huge multi-sided activity and it has become necessary to review the position of each branch of the Movement in relation to its own past and in relation to the other branches. During a period of unhampered progress and prosperity, the need for such a study, though really essential, is not keenly felt. Its urgency arises during a setback or changing conditions. Besides, a periodical study of the various trends and influences which act and react on particular lines of business is also necessary for guidance. Readers of our Journal would remember that the need for co-operative research and study was pointed out by Rao Bahadur K. Subrahmanyam Naidu, Joint Registrar of Co-operative Societies in the course of his address on the All India Co-operative Day in November last. Discussing the

question of increased borrowing in the countryside when the level of agricultural prices was high, the speaker suggested that these and allied lines of investigation have to be pursued and the results published, so that policies and lives may be shaped on right lines. Referring to the same topic in his Welcome Address, the President of the Madras Central Land Mortgage Bank mentioned a number of circumstances and stated; "All these factors *must have* contributed to the present increased borrowing. To the extent borrowing is necessitated by deficit economy, it is a case for Government action to put agriculture on a remunerative basis." Such general observations and vague suggestions are not helpful to the adoption of any definite policy.

The policy of the Weavers' Co-operatives is another instance in point. These co-ops. had not keenly felt the need for a scientific study of their policy and achievements until the possibility of a slump stared them in the face and halted their progress. They are now obliged to review the situation and pursue a cautious policy.

There is, indeed, a need for a scientific study of the Movement in all the branches. It is therefore essential that all the Provincial institutions should even now make provision for research and statistics by opening a separate department for the purpose. It is also useful to have a Central Co-operative Research and Statistical Department located in a place like the Provincial Co-operative Union for the consolidation of the work of all the institutions. Such a step should precede all the progressive schemes of the co-operative institutions in the Province.

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## An Announcement

### Orissa Summer School on Co-operation

This School is a national institution which aims at preparing men for public life specially on the ideals of Co-operation. It gives non-official gentlemen necessary training in running different kinds of Co-operative Societies. It also gives them a taste of disciplined camp life for about six weeks. Copies of the Prospectus, Programme of work and other particulars can be had of the Registrar of Co-operative Societies, Orissa. The last date for the receiving of applications at the Registrar's Office is 30th April 1949.

## The Tanjore Public Servants' Co-operative Society Ltd., Tanjore.

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Applications are invited for the post of Secretary of the Society, Pay Rs. 80/- Dearness allowance Rs. 24/- (consideration will also be given in fixing the pay with reference to their previous experience in service) Cash Security to be furnished Rs. 2000/-.

Candidates possessing the following qualifications alone need apply within 30th April 1949.

(a) The degree of B. A. or B. Com., or B. Sc., of any of the recognised Universities and

(b) A course of training successfully undergone in the Government Institute of Commerce, Madras or in the Central Co-operative Institute, Madras or in any of the mofussil institutes, or

(c) A pass in the Government Technical Examinations in Book-keeping, Banking, Co-operation and Auditing or the Examinations in these subjects held by the Central Co-operative Institute, Madras or the Madras Provincial Co-operative Union.

(d) Those who have rendered war service and have undergone a course of training (short or long) in any of the Co-operative Training Institutes and who are at least holders of S. S. L. Cs. and have secured a pass in Co-operation, Auditing, Banking and Book-keeping held by the Co-operative Central Institute, Madras or the mofussil Co-operative Institutes.

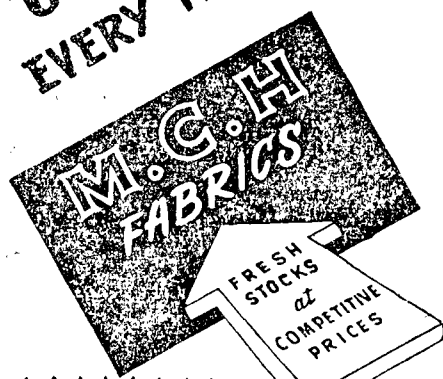
Age 30 years, provided that in the case of a person who is already employed in another co-operative institution and had joined its service before he attained his thirtieth year, the restriction as regards the age at entry into service shall not apply.

Applications should be made only in the prescribed form (which can be had on payment of rupee one, from the Secretary of the Society) to the President of the Society.

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## Land Credit Problems in Madras\*

SRI C. S. RATNASABAPATHY MUDALIAR,

*President, The Madras Co-operative Central Land Mortgage Bank, Ltd.*

HON'BLE PREMIER AND BROTHER CO-OPERATORS,

It gives me great pleasure to welcome you to this, the 19th Conference of Primary Land Mortgage Banks. It is a great honour that the Premier has done us in finding time to visit our Conference and give us the benefit of his advice. Ever since the inception of Central Land Mortgage Bank, it has been the practice to hold a Conference of representatives of Primary Land Mortgage Banks and invite members of the Government to open the Conference so that the minister present may personally know the trend of events in the land credit institutions in the province, their needs to better serve the agriculturists and the difficulties they are experiencing in the actual working of the system. These personal contacts of the members of Government with these annual Conferences have been of immense benefit to our institutions, and their valuable advice has greatly helped in their progress. Land Mortgage Banks have been inaugurated by the Government in this province to make cheap long-term credit available to the agriculturist to lighten the burden of indebtedness and to better his economic position by improving his lands and by adding to his holding where it is uneconomic. In the last 19 years Land Mortgage Banks have advanced to the agriculturists a sum of Rs. 614 lakhs as loans and recovered Rs. 282 lakhs, leaving a sum of Rs. 332 lakhs due from the borrowers. By far the largest portion of this amount was advanced for repayment of prior debts, though some portion of it was incurred for productive purposes like land improvement. This only shows that we are still in the stage of subsistence farming and that there is great need for tackling the agricultural problem from all sides to turn it into a remunerative occupation.

Cheap credit forms an important item in any programme for the amelioration of agriculture. This has long been recognised by the Government and all along they have helped the Land Mortgage Banks in a number of ways, by guaranteeing the principal of and

\* Welcome Address of Sri C. S. Ratnasabapathy Mudaliar, at the 19th Land Mortgage Banks' Conference held in Madras on 13-3-1949.

interest on the debentures, sanctioning temporary accommodation to finance loans till a debenture loan is floated, lending necessary Governmental staff (though in our opinion unreasonably charging the Bank for their cost) for appraisal of the property offered for mortgage, for periodical examination of the land mortgage banks and the condition of their security in the subsequent years, *etc.*, and officers for super-checking their work. The Government's guarantee of the debentures has helped us in securing the necessary funds in the market at competitive rates of interest and the close scrutiny of the security exercised by the Land Mortgage Banks and the Government Officers has eliminated all possible risks. We are grateful to the Government for the help rendered to enable the Bank to effectively serve the agriculturists.

Under Section 6 of the Madras Co-operative Land Mortgage Banks Act, the Government have guaranteed debentures issued by the Central Land Mortgage Bank up to a maximum of Rs. 450 lakhs exclusive of debentures redeemed from time to time. The debentures in circulation at present amount to Rs. 422 lakhs, and we expect to exhaust the existing guarantee by the end of June 1949, when we propose to approach the Government for increasing the maximum amount of the guarantee by a crore of rupees. I wish to take this opportunity of assuring the Government that it shall be the earnest endeavour of the Board and of the representatives of primary banks to see that the high standard of scrutiny maintained in the past shall be scrupulously followed in future also, so that the contingent liability the Government have undertaken in guaranteeing our debentures, shall always remain a technical formality and a hall mark of the Government's confidence in the sound working of the system. I may, in this connection, thank the Reserve Bank of India for the helpful attitude taken by them, in regard to our debentures. Till about a year ago, they were reluctant to invest in our debentures or make advances on their security as, in their opinion, the debentures had not attained that degree of liquidity as to class them as a readily marketable security. They have since satisfied themselves that they are readily marketable and are willing to make advances on their security and have offered to invest their own funds up to 10 per cent of the issue of the last two series of debentures. I am glad to say that the bank utilised this offer to a lesser extent as the debentures were otherwise fully subscribed. I take this opportunity to thank in particular Mr. Mehkri, the Deputy Governor and Mr. Subba Rao, the

Chief Officer in charge of the Agricultural Credit Department, Reserve Bank of India. The Insurance Companies which are the mainstay of such bonds in foreign countries, are also taking increasing interest in these bonds, though I would like some of the bigger companies operating in this province with their Head Offices elsewhere evince greater interest. They should realise that much of their premium income from this province flows from the agriculturists, and that this is the main, if not the only, source through which they can safely reach the agriculturists. I wish to add that investment in the debentures of Land Mortgage Banks is mutually beneficial as their own business would be augmented through such means.

During the last three years there has been a marked increase in the number and amount of loans issued as compared to war years especially from 1942-43.

| Year.   | Loans disbursed. |                  | Advance collections over and above the instalments (In lakhs). | Loan amount due to the C. L. M. B. (In lakhs). |
|---------|------------------|------------------|----------------------------------------------------------------|------------------------------------------------|
|         | No.              | Amount in lakhs. |                                                                |                                                |
|         |                  | Rs.              | Rs.                                                            | Rs.                                            |
| 1942-43 | ...              | 1714             | 23'65                                                          | 244'64                                         |
| 1943-44 | ...              | 1283             | 18'24                                                          | 227'57                                         |
| 1944-45 | ...              | 1307             | 24'77                                                          | 226'27                                         |
| 1945-46 | ...              | 2218             | 42'78                                                          | 242'38                                         |
| 1946-47 | ...              | 2502             | 47'67                                                          | 265'10                                         |
| 1947-48 | ...              | 3061             | 61'55                                                          | 299'10                                         |

With the comparatively small rise in the value of produce up to 1943-44, the ryots were able to make large advance repayments and borrow much less than in the former years. But in the years 1946-47 and 1947-48, with a further rise in prices they are borrowing much more and the advance payments are comparatively small. This calls for a close examination of the circumstances under which this has become possible. The main reason for this state of affairs appears to be a case of the agriculturalist being forced to borrow as his industry does not pay enough to keep him above want. Even in the case of above average holdings a small out of the way expense upsets the balance and the agriculturist is forced to borrow with no immediate prospect of repaying it from the income. Another reason appears to be that private money lenders are not as freely lending in rural parts as formerly, expecting a higher yield on their investments than 5½ per cent., which is the rate at present charged

by the Land Mortgage Banks. Some of the borrowing seems to be due to the fact that lands are being purchased not only with the surplus income but also from borrowed funds. All these factors must have contributed to the present increased borrowing. To the extent borrowing is necessitated by deficit economy, it is a case for governmental action to put agriculture on a remunerative basis. If private parties are not willing to lend to the agriculturists at reasonable rates of interest they have to avail of accommodation from land credit institutions, and we must welcome it as it helps in canalisation of credit through institutions specially constituted by the Government for the exclusive benefit of the agriculturists. But to the extent borrowing is due to the purchase of lands I think a note of warning to the agriculturist friends, has to be sounded. Last year we had 233 loan applications for repayment of prior debts examined and noticed that 32 per cent of the debts were originally incurred for land improvement, purchase of land and house construction. Of this 18 and 9 per cent were incurred for land improvement and purchase of land respectively. This year we had 187 loan applications examined and the results were as follows:

|                                                                                       | Rs.             | Percentage. |
|---------------------------------------------------------------------------------------|-----------------|-------------|
| 1. Repayment of prior debts (whose purpose could not be traced from the applications) | 1,29,503        | 25%         |
| 2. Land improvement, purchase of land and house construction. ...                     | 2,34,167        | 45%         |
| 3. Cultivation and family expenses, etc. ...                                          | 1,34,559        | 26%         |
| 4. Marriage and other ceremonials ...                                                 | 21,296          | 4%          |
|                                                                                       | <u>5,19,525</u> |             |

The details of the second group are land improvement 17 per cent, purchase of land 22 per cent, and house construction 6 per cent. This clearly shows that the ryots are increasingly incurring debts for purchase of lands and borrowing from the land mortgage banks for repayment of such debts. It should be a matter for serious consideration whether the present is the opportune time to buy land at the existing inflated prices. They should recall to their minds what happened at the end of the first world war when they bought lands at inflated values and when the prices of agricultural commodities fell, they had to repay debts not only by selling the newly acquired property but also their ancestral piece of land. Land Mortgage Banks have done their best to resist the temptation of agriculturists to purchase lands at high values by lending only up to

35 to 50 per cent of the *prewar values*. I wish that the agriculturists take note of the fact that the existing high commodity prices cannot long be maintained and that as indicated by India's Finance Minister, they will be brought down to a reasonable level. Cost of production will not come down simultaneously and during the interval before the wages and prices come to a fair level, they will have to face difficult times. This should not be taken to mean that I am against agriculturists purchasing lands to add to their holdings. One of the defects of our agricultural economy is that our holdings are too small and uneconomic and any addition to these uneconomic holdings will help reducing cost of production and provide adequate work for the family. Indeed one of the objects of the land mortgage banks is to provide finance for purchase of land to round off holdings. My only object in referring to this is that whenever land is purchased, its effect should be carefully considered and a decision taken.

Whatever be the reasons there is a glut of loan applications in the primary banks as may be seen from the fact that as against 1921 loan applications for Rs. 36.95 lakhs pending with them on 1st July 1946, there were 2381 applications for Rs. 50.24 lakhs pending on 1st July 1947, and 2,980 applications for Rs. 72.10 lakhs pending on 1st July, 1948. The applications recommended by the primary land mortgage banks to the Central Land Mortgage Bank during the years 1946-47 and 1947-48 were 2,889 for Rs. 54.26 lakhs and 3,333 for Rs. 69.33 lakhs. For quicker disposal of the increasing number of loan applications an increase both in the establishment of primary banks as well as the Government staff investigating the loan applications and appraising the value of property offered for mortgage, is necessary. On account of the increased cost of administration, primary banks find it very difficult to make both ends meet. During the year 1947-48, 23 banks worked at a total loss of Rs. 41,415, while 97 banks worked at a total profit of Rs. 1,01,785. Most of these banks worked at a nominal profit and a majority of them are not able to declare any dividend on their shares. The margin of profit retained by the primary banks is 1 per cent and it is found inadequate to meet their present requirements on account of the increased cost of administration. If they are to appoint additional staff their financial position will become still more precarious. If, in order to meet the increased cost the banks were to raise their lending rates, it would mean that the agriculturist would have to get his long-term loans at a much higher rate than the present rate of 5½ per cent. Authorities on rural economics

and Committees and Commissions who have studied the problem of rural indebtedness have held that long-term loans to agriculture should be made available at not more than four per cent. Any increase in the rate of interest should, therefore, be out of question. I, therefore, appeal to the Government that they should meet the cost of the additional staff of the banks in which there is a heavy pendency of loan applications when it is certified that that bank deserves such help from the Government. In regard to Government staff, the present position is that the Central Land Mortgage Bank meets the full cost of the three Deputy Registrars, their staff and all charges connected with their office and half the cost of 36 Co-operative Sub-Registrars, and their peons now working under these three Deputy Registrars. For the year 1946-47 the Bank has paid a sum of Rs. 1,26,894 towards the cost of these officers. For 1947-48 and 1948-49 the amount payable to Government on this account is expected to amount to Rs. 1,40,000 and Rs. 1,50,000 respectively. This is too heavy a burden for the Central Land Mortgage Bank and it is preventing the bank from rapidly building up its reserves. According to the existing orders the Government will meet the cost of the Co-operative Sub-Registrars till 31st March 1950 when the position will be reviewed. Our appeals to the Government that the collection of half cost from the bank is not justified, that we are only doing Government's first duty to the agriculturist from whom a major portion of the revenue is derived and that we are instruments carrying on Government's policies in this behalf, have not met with the success they deserved. The Central Land Mortgage Bank is not a profit-making organisation. It is practically an association of primary land mortgage banks and has been constituted by the Government for the purpose of centralised issue of debentures. By its constitution it cannot pay a dividend of more than one per cent over its borrowing rate and practically the entire profit left over after the payment of this dividend is added to its reserves. During the 19 years of the Bank's working it earned a net divisible profit of Rs. 27.49 lakhs out of which a sum of only Rs. 4.67 lakhs was distributed as dividend constituting about 17 per cent of the profits. A sum of Rs. 22.31 lakhs was taken to the reserves, Rs. 30,000 to the Common Good Fund which was mainly used to pay subsidies to financially weak primary banks and Rs. 21,000 for payment of bonus to the staff. It will therefore, be seen that when I appeal to the Government to relieve the Bank of the cost of Government staff it is not with a view to pay

better dividends but only to strengthen its reserves so that it can obtain the finances required by the agriculturist at reasonable rates of interest. I appeal to the Hon'ble Premier who is fully posted with the conditions of the agriculturist in the Province and who has shown great concern in improving his lot to consider this matter sympathetically and give this much-needed relief to the Central Land Mortgage Bank. These officers are working for rehabilitating the agriculturist and their cost is a legitimate charge on the Provincial Revenues.

I have another request to make of the Government. The Policy Committee on Agricultural Finance presided over by Dr. Gadgil has recommended that long-term finance to the agriculturists should be made available at a rate of interest not exceeding 4 per cent and the Government should subsidise the Land Mortgage Banks to enable them to do so. Now that loans are being issued at  $5\frac{1}{4}$  per cent, I request the Government to generously come forward and subsidise the primary banks to the extent of the difference viz.  $1\frac{1}{4}$  per cent.

I wish to touch upon one important point which the representatives of primary banks, have been urging for a long time. So far the Bank has confined its activities largely to lands which have some assured source of irrigation or where the rains have been unfailing and the ryot assured of raising at least one crop every year. Again we could not extend our help to owners of lands which have not been surveyed and settled. So far as the latter are concerned, we could not do so, as there should be no fear of confusing one land for the other and overlooking existing encumbrances. I appeal to the Government to expedite their scheme of Survey and Settlement of these unsurveyed Zamin and Mitta lands, as the benefits of cheap long-term credit are denied to them at present. In regard to the dry areas which are entirely dependent on rain, we have not been able to do as much as they really deserve. The entire scheme of the Bank is dependent on the punctual payment of interest and principal of the debentures, as they fall due. To ensure this, we are forced to limit our activities mostly to areas where, without regard to the vagaries of the monsoon, the instalment could be easily collected. If loans are issued in exclusively dry areas, it would become necessary that at intervals we should be prepared to postpone the instalments and extend the period of the loan. These we cannot do, as the conditions of the debentures and the Trust Deed are rigid and the Bank will have to pay on the appointed date, the interest on these debentures and the instalments

into the Sinking Funds constituted to accumulate the necessary amount for repayment of debentures. The practice in the United States in this behalf will be of interest. "In addition to the capital stock, the Government contributed to the paid-in surplus account of the Federal Land Banks. These contributions have been equal to amounts on extensions, deferments, and advances on taxes and insurance made by the banks to individual borrowers. If a worthy borrower is unable to pay his interest and principal instalment, the Bank is required to extend this obligation and may obtain a contribution from the Government to match this extension. When extensions are paid by borrowers, the Government's contribution is set aside for a revolving fund in the Treasury Department." In this way, the Government of the United States assisted the Federal Land Banks firstly by subscribing to their shares for a considerable amount and secondly by placing at the disposal of these Banks large amounts free of interest to be used in their business and also to be drawn upon as on a revolving fund for payment of instalments of borrowers to whom extensions had to be granted. I request that the Government may constitute a revolving fund on similar lines so that deserving agriculturists in dry areas may be helped in times of need and the amount recovered when they are economically in a position to do so. Such a fund will also help in accelerating schemes for improvement of land. Land improvements and orchards raised on land take three to five years to give a return. Under the Land Improvement Loans Act, the instalments payable to Government begin to fall due under certain circumstances only after five years so that the borrower may have a reasonable opportunity by exercise of due diligence of recovering from his outlay of the loan a sufficient return to meet the first instalment. Such facilities could not be extended by Land Mortgage Banks as the Central Land Mortgage Bank has to meet its commitments on its debentures punctually. It will be possible for the Land Mortgage Banks to give similar facilities and encourage ryots to improve their productive capacity if a fund as stated above is constituted and the initial instalments are drawn from this fund by the Central Land Mortgage Bank to be recouped as the borrower makes his payments. I earnestly commend this to the serious consideration of the Government.

I thank the Honourable Premier once again for responding to our invitation to inaugurate the Conference in the midst of his other important work and request him to declare the Conference open.

## Agriculture in Parity Economy\*

HON'BLE SRI O. P. RAMASWAMY REDDIAR

*Premier, Government of Madras*

Friends,

I have great pleasure in associating myself with the deliberations of this Conference of Primary Land Mortgage Banks, because this Conference sets out to tackle a very important aspect of the most important of all industries in India's economy. Agriculture is the basis and determinant of all life, and the debt problem a crucial one facing it. Although land mortgage banks are concerned almost solely with the problem of long-term debt, deliberations of a conference like this would be devoid of realities, if they do not take a comprehensive view of the entire economy and the relation and significance agriculture bears to the rest of the enterprises in that economy. So very inter-connected, and so much inter-twined are the problems that in this sphere of national reconstruction specialisation and co-ordination have inevitably to proceed hand in hand in the formulation of lasting solutions.

Economists classify the wants of man as necessities, comforts and luxuries. Of the necessities, food and clothing take precedence over all others, and both these are primarily and originally provided by agriculture first, and the agro-industries, next. The fostering of agriculture, and agro-industries, therefore is not the concern of agriculturists alone. It is a nation's total responsibility. Industrialists who imagined an anti-thesis between agriculture and industry belong to a bye-gone age which pinned its faith in colonial exploitation, and an unnatural division of labour in the sphere of international enterprise. If the war has taught us nothing else, it has taught us this, namely that man neglects agriculture at his peril. It is a most suicidal policy to continue to regard agriculture a depressed industry for all time. Witness the food shortage in our country. Had the industrialists and other classes considered that they too had a responsibility in improving our agriculture and increasing food production, they would not have been faced with incessant demand for rising wages, and consequent restlessness on the part of labour. Witness again the cotton shortage. Had our industrialists and other classes thought that they too had an interest in stimulating

\* Opening Address at the 19th Co-operative Land Mortgage Banks Conference held in Madras on 13-3-1949.

cotton production by affording adequate incentive to the grower, they would not have been faced with the shortage problem today; they would not have been driven to the necessity of offering unconscionable prices and resorting to shady transactions to procure cotton. We are all paying too dearly for our neglect, unthinking and heartless neglect of the basic occupation of our life, an occupation by the neglect of which our very existence is today threatened. Here is a field where self interest and corporate interest are synonymous. Enlightened self interest should have taught us long ago that if agriculture decays all else decay. A long range view should have firmly convinced us that we have been raising the superstructure of our civilisation on foundations of sand, when we allowed agriculture and allied industries to deteriorate. It was not a mere figment of the poetic imagination, but the conviction of fundamental truth that made Oliver Goldsmith sing:

'Ill fares the land, to hastening ills a prey;  
Where wealth accumulates, and men decay;  
Princes and Lords may flourish, or may fade;  
A breath can make them, as a breath has made;  
But a bold peasantry, their country's pride;  
When once destroyed, can never be supplied.'

Is that bold peasantry destroyed? Perhaps very nearly so; how else can we account for the continuing exodus from rural to urban centres? How else can we account for the declining interest in land and its development by the industrialists, traders and the intelligentsia? At any rate, the peasantry has ceased to be the "country's pride" which Goldsmith and centuries before him Thiruvalluvar wanted it to be.

To restore agriculture to its central place in the nation's economy, agriculture must be made a business proposition. It should cease to be a way of living as it is with the majority of the population today. It should not be resorted to by people, because none else is there. It should be sought by the best among them—the intelligentsia—because it is remunerative. That is the state of affairs towards which we have to plan, work and strive for.

The basic fact therefore is that agriculture is unremunerative; it is a deficit economy; it is an enterprise where results over a long period of years appear on the negative side of the ledger. Many causes have contributed to it and debt—short-term and long-term—is

only one though a very important one. But debt is more an effect than a cause; a symptom than a disease. There are other evils. There are the risks arising from Nature's causes, the failure of the monsoons, the vagaries of the seasons, the pests of crops and the epidemics of cattle. There are the risks arising from Man's actions, the fall in prices, the unremunerative prices paid to agricultural products by the rest of the society and the exploitation of the middlemen. There are the evils arising from social factors, the laws of inheritance and the consequent emergence of tiny fragmented un-economic holdings. These are the fundamental, ever-present, ever-active features of Indian agricultural economy leading to a rapidly deteriorating state of affairs, and until and unless they are all tackled, and tackled simultaneously, concertedly and by the entire community as distinguished from agriculturists alone, I cannot imagine how our debt problem could be solved satisfactorily in an appreciable span of time.

There is a notion current in certain circles—indeed far remote from the active current of agricultural life—that agriculturists today are rolling in wealth, that there is surplus purchasing power in their hands, that their money constitutes the bulk of the inflationary potential and should therefore be tapped ruthlessly. What is surprising is that in this group are found even some economic experts. In reckoning the profit margin from agriculture, these experts perhaps forget there is such a thing as the minimum subsistence for the agriculturist and his family, and that even this is subject to the vicissitudes of Nature. Anyone who has cared to investigate into the rising costs of cultivation and costs of living in the rural areas, any one who is acquainted with the acute shortage in the supply of essential requisites of agricultural operations and the number of man-days lost in making pilgrimages to obtain them will have realised how short lived and how illusory this surplus was. What little gains the ryots might have had during the years 1943 to 45, were more than offset by subsequent economic events; and in our province the monsoons have cheated them during the last years. Crop pests are committing their depredation; misery is stalking naked in the countryside. More and more are driven to the money lender; and there the interest charges rule high. People talk of cheap money; but who gets the cheap money? Not the agriculturist at any rate. Your own statistics relating to loan demands should confirm this. Men bloating with surplus money will not stand in queue for increased borrowing at your doors. Nor can land

speculation be shown a cause of increased demand of funds. Those days are over. What then is the reason? Agriculture is as profitless today as ever.

How to make agriculture profitable? Firstly, eliminate the risks attendant on agriculture. Devise suitable machinery for crop insurance, cattle insurance, famine insurance, development of irrigation sources and eradication of crop pests and cattle epidemics. That is the first thing to do. Secondly eliminate the risks brought on agriculture by man such as unremunerative prices, widely fluctuating prices, unconscionable profits of intermediaries, and the high cost of agricultural credit. Thirdly, change the structure of the agricultural economy by doing away with the evils of fragmentation and subdivision of holdings and accelerate your efforts towards the emergence of economic holdings taking care simultaneously to start agro-industries to absorb the redundant population. When we have attended to these basic needs of an agricultural reform, we shall have left for agriculture a decent margin of earnings, and we shall have made agriculture a respectable industry.

As long as this margin remains a remote concept, the problem of debt, whether it be for short term or for liquidating the dead-weight accumulation of countries will remain unsolved. We in this province started with a dead weight debt of Rs. 50 crores at the beginning of the century. To-day it is somewhere about 210 crores. Had agriculture enjoyed a margin, compared with other enterprises such as Industry, Trade or the Professions, this debt would not have thus become four-fold. Had agriculture a margin comparable with other enterprises, it would to-day be as flourishing as the rest of them. There would not have been this food problem, there would not have been this steep decline in the condition of the rural masses.

In our anxiety to see the trees, we miss the wood. We lose sight of the fact that long-term debt and short-term debt are inter-connected. We forget that the long-term is after all made up of a series of short-terms, and any solution to the one is a solution to the other also. According to my computation, our agriculturists in this province would be requiring roughly Rs. 300 crores every year to raise the different crops; of this perhaps not more than Rs. 100 crores may be found from their own carry-over resources. The rest 200 crores will have to be financed from borrowed funds. The allied agro-industries will require another 50 crores; and then there is the dead weight debt of 210 crores carried from year to year. On

the whole we would require a permanent fund of about 450 to 500 crores if our agriculture is to be successfully financed, at the existing level and pattern; and then there are to be developmental schemes, requiring larger funds. As against all this, your Land Mortgage Banks have been successful in advancing credit only to the extent of 6 crores in 19 years towards long-term debt and the Co-operative Credit Societies to the extent of 13 crores towards the short-term requirements. What a huge leeway remains to be made up!

More and more agricultural credit institutions should therefore spring up, and with them a more and more liberal loan policy. The cost of credit should be commensurate with the margin of profits ruling in agriculture. Either this would mean that the margin in agriculture will have to be raised by subsidies, a guaranteed minimum price and other devices; or that cheaper credits should be made available; or perhaps even both. Whatever we have to do we will do it by regular systematic cost-accounting. We shall leave nothing to chance, to *a priori* decisions, or to unregulated economic forces. Let there be a concerted effort on the part of the entire community. Much is talked about Industrial Finance Corporations, about Export Finance Corporations, but where are the Finance Corporations for the most important of all industries—agriculture? At the time the Reserve Bank was started, high hopes were entertained about its Agricultural Credit Department, but it has, instead, become a Research Department. Will Nationalisation of the Bank make any difference? Let us wait and see, but I wish to remind you of what happened in France. When in 1897, the Charter of the Bank of France came up for renewal, it was made conditional upon the bank to place at the disposal of the State 40 million Francs together with an annual share of its profits to the assistance of agricultural credit. I understand this Central Land Mortgage Bank, here has received some recognition at the hands of the Reserve Bank; but when? You have played here for safety and caution, and they have approved you for that; but have they pioneered, and led the way?

I said that the financing of agriculture and allied industries in this province, excluding the requirements of developmental schemes, would require a corpus of about Rs. 250 crores for short-term credit and another Rs. 250 crores for the long-term. So far as the short-term credit is concerned I pointed out how Co-operative Credit Societies have found only Rs. 13 crores. To find the rest, the Joint

Stock Commercial Banks should step in. Elsewhere in connection with expounding a concept of Parity Economy, I have suggested that Joint Stock Banks should be compelled to transact at least 25 per cent of their normal business with agricultural constituents. We have recently brought in a measure for the starting of licensed bonded warehouses in rural areas and a sum of Rs. 5 lakhs has been provided in the current budget towards the furtherance of the scheme. When the warehouse receipts become negotiable, the Banks can confidently come forward to transact an increased measure of business with the agricultural community, shedding their old fear that their liquid assets would be frozen by loans to agriculturists.

As regards the long term debt, the solution, as I already said, is for more and more banks of this kind, but with a more liberal loan policy and ampler resources for doing so and with sizeable Agricultural Finance Corporation at the apex. The starting of this Agricultural Finance Corporation should be a national concern and Industry, Trade and Commerce should vie with one another in subscribing to it and making it a success. That was how other countries have done it. In America, a good part of farm mortgage credit comes from the numerous Joint Stock Land Banks privately owned and operated under the Federal Farm Loan Board. So too in France and England. Enlightened self interest, if nothing else, should dictate the course of action on the part of Industry, Trade and the Professions in our country and a reasonable long-term view can admit of no other solution. Land is a national trust and agriculture the nation's common concern. It was Abraham Lincoln who once said that no nation could be half bond and half free. How much less could a nation be three-fourth bond, which is agriculture and one-fourth free, which is the rest? Agriculture is not a limb among the nation's enterprises, it is the very breath of the people's lives. If we have wisdom left, we shall not allow this steady deterioration in agriculture to proceed any further. We shall stop the rot here and now, lest there should be a polarisation of forces, and driven by sheer desperation the masses overturn the entire structure one day. Prosperity like peace is one and indivisible. That was why Gandhiji wanted to rivet the attention of the intelligentia on to land. May God give us the courage and wisdom to act on his advice and in time!

## The XIX Annual Conference of L. M. Banks, Madras Sunday, 13th March 1949

### Summary of Proceedings and Resolutions

The 19th Annual Conference of Land Mortgage Banks was held on Sunday, 13th March 1949 at the premises of the Central Land Mortgage Bank, Mylapore, Madras. There was a large gathering of delegates from the primary banks. The Hon'ble Premier, Government of Madras, was also present. Dewan Bahadur C. S. Ratnasabapathy Mudaliar, President of the Bank, welcomed the Premier and the delegates. The Hon'ble Sri O. P. Ramaswamy Reddiar, Premier of Madras, opened the Conference. A number of Resolutions purporting the speeding up of work without prejudice to the Banks' interests were passed. The Welcome Address of the President of the Bank and Opening Address of the Premier are published elsewhere in this issue. The Resolutions passed are given below:

The following resolutions have been passed at the Conference of Land Mortgage Banks held on 13th March, 1949.

1. Resolved to request the Government to reduce the rate of interest in case of Land Improvement loans at least and the margin may be made good to the C.L.M.B. by the Government.
2. Since the duties and functions of the Co-operative Sub-Registrars have increased, they have not got sufficient time to investigate loan applications. The number of banks given to each Co-operative Sub-Registrar may be reduced so that he may be in a position to devote more time for the scrutiny of loan applications.  
"Referred to the Board."
3. In the best interest of P.L.M.Bs. and their members, the Registrar be requested that the Co-operative Sub-Registrars for Land Mortgage Banks are not transferred frequently.
4. Revenue authorities be requested to allow Supervisors of P.L.M.Bs. to take copies of Revenue accounts from the Taluk Offices and village accounts.
5. Resolved to request the Government to arrange for the early commencement of the Resettlement of the villages in Chingleput and other districts as it is found very difficult to trace out title from the resettlement register.
6. The Conference resolves to request the Government to take early steps to survey the unsurveyed zamin and mita villages to enable the tenants to obtain loans from P.L.M.Bs.

7. Extracts from old diglot registers are necessary in many cases to trace title. Registrar be requested to address the Collectors of the Districts to supply them free of cost.

8. Government be requested to dispense with registration of assignment deeds by introducing suitable amendment to Acts and Rules so that the borrower may execute deeds directly in favour of the Trustee.

9. Land Mortgage Banks may issue loans to members against lands when Government have sanctioned subsidy for sinking wells ignoring the encumbrance of well subsidy.

"Referred to Board".

10. Agriculturists who have already availed themselves of the loans under the well-subsidy scheme are unable to get loans from P. L. M. Bs. as the properties are already mortgaged to the Government. Government be requested to permit P. L. M. B. to grant such loans instead of through Revenue Department.

"Referred to Board".

11. When a member is not available any "B" class member of that loan who is a major can sign the confirmation slip.

"Referred to Board to take legal opinion."

12. Resolved to request the C. L. M. B. to grant P. L. M. B. employees the relief recommended by the Registrar of Co-operative Societies in his circular R. No. 14289/46-A, dated 6th May 1948 as per the recommendations of the Sub-Committee appointed by the Madras Provincial Co-operative Union.

"Referred to Board".

13. By-law No. 29-A of by-laws of P. L. M. Bs. be amended so as to enable P. L. M. Bs. to appoint a senior member of the staff who has put in more than three years' service as Supervisor as paid Secretary when a permanent vacancy arises.

14. Resolved to request the C.L.M.B. to revise the scales of pay and F.T.A. of the Supervisors to those of the Departmental Junior Inspectors considering the onerous nature and heavy responsibilities of their work, provided finances permit.

15. This Conference resolves to request the C.L.M.B. to enhance the scale of pay of the staff of P.L.M.Bs. at least in those banks whose transactions have increased to more than five lakhs.

"Referred to Board."

16. Services of Supervisors of P.L.M.Bs. be provincialised and centralised as they are not given deserving encouragement for want of funds.

"Referred to Board."

17. Resolved to request the C.L.M.B. to pay the dearness allowance to the employees of the P.L.M.Bs. on a par with the Government servants from out of the  $\frac{1}{4}$ th per cent. margin of interest pooled by the C.L.M.B. in pursuance of the latest G.O. as the margin allowed to P.L.M.Bs. is quite insufficient to meet the cost of establishment charges as recommended by the Registrar in his circular No. 14289/46A dated 6-5-48.

"Referred to Board."

18. Considering the valuable and long service rendered by some of the employees of the P.L.M.Bs. the C.L.M.B. may be requested to address the Government and make proposals to recruit at least 10 per cent., of the Land Mortgage Bank Co-operative Sub-Registrars from such staff of the P.L.M.Bs. so as to give necessary encouragement to the old and new material.

19. In case of Land Improvement loans as per para 5 of circular 16 of 1941-42, dated 22-12-'41 of the C.L.M.B. for every disbursement after the first, a certificate from two Directors of the Bank to the effect that the amount already disbursed was applied only for the purpose specified is insisted upon. At times this delays the work undertaken and the borrower is hampered much for want of finance in time. So this condition be relaxed to a little extent in getting the certificate only from the Group Directors instead of two Directors be allowed.

"Referred to Board."

20. Resolved to request the C. L. M. B. to give extension of time for payment of loan instalments till the next harvest in the years in which Government grants remission of kist on account of failure of seasonal rain fall.

"Referred to Board".

21. Resolved that primary banks be permitted to raise the administration charges levied under by-law No. 45 of the by-laws of the P. L. M. Bs. by not more than 50 per cent.

22. Certificates of Takkavi loans by the Tahsildars or Deputy Collectors are being unduly delayed and in most cases are not issued at all causing delay in the submission of the D. V. files. As the Takkavi loan ledgers are supplied to the village officers, a reference to them will be enough whether a particular loan is outstanding or not. In many of the loan files, the Co-operative Sub-Registrars place a condition that a certificate of discharge of the Takkavi loan should be filed, even if it is evident on the very face of entry that it was discharged. It is probably intended to be a safeguard but this is a source of undue delay.

"The relevant G.Os. may be circularised".

23. Resolved to request the C. L. M. B. not to insist on deposit of arrears of rent with P. L. M. Bs. till the Zamindari Abolition Bill is passed into law.

24. This Conference resolves to request the C. L. M. B. not to insist on the patta transfer in the sole name of the applicant when the applicant's name has already been included in the patta. It may be considered as sufficient when the other joint pattadars give statements before the Co-operative Sub-Registrar relinquishing their patta rights. Further patta transfers may not be insisted upon when the same continues to be in the name of the applicant's father or grandfather. It may be treated as enough proof when the co-parcener gives statements admitting the title of the applicant.

"Referred to Board."

25. Resolved to request the C. L. M. B. for Annual Conference of Supervisors of P. L. M. Bs. in batches once in three years to discuss and devise a uniform procedure in the preparation and making up of loan applications.

26. The P. L. M. Bs. are frequently being summoned by Civil Courts to produce or file originals of unregistered documents and statements secured in the regular course of business. A great inconvenience is felt to do so after detaching these records from the D. V. files stitched and bound. To avoid this contingency, it is found necessary that sub-section 1 of Section 27 of the Madras Co-operative Societies Act VI of 1942 be so amended as to apply even for giving copies of unregistered copies and statements that were secured and filed in the course of the business specially for the purpose of L. M. Bs.

"The matter is with the Government—Await reply".

27. By-law No. 28 be amended suitably for increasing the existing rate of sitting fees of Directors from Re. 1 to not more than Rs. 3.

28. This Conference is of opinion that as the Provincial Co-operative Union and other institutions have provided for representation by the P. L. M. Bs. and in so far as the P. L. M. Bs. make contributions for their journals and by so doing they become members, they necessarily have to take part in the meetings, etc., and, therefore, this Conference requests that necessary provision be made in the by-laws of the P. L. M. Bs. for sending delegates on their behalf to attend the Conference of sister institutions like the Madras Provincial Co-operative Union, the Tamilnad Co-operative Federation, etc.

"Not pressed as the Registrar said that he will cancel the orders."

29. Resolved to request the Government to include the President of the Co-operative Central Land Mortgage Bank, Ltd., Madras, as one of the members of the Provincial Co-operative Advisory Council as he is the head of one of the big Co-operative institutions in this Presidency catering to the needs of the agriculturists in the Presidency by issuing long term loans as he richly deserves to have a seat in the Council and be of service to give his valuable advice to Government.

## The Need for Over-all Improvement\*

RAO BAHADUR M. VEDACHALA MUDALIAR,

*Chairman of the Reception Committee*

Gentlemen,

I welcome you all to this ancient town of Kancheepuram on behalf of the Co-operative Federation and the Chingleput District Co-operative Central Bank.

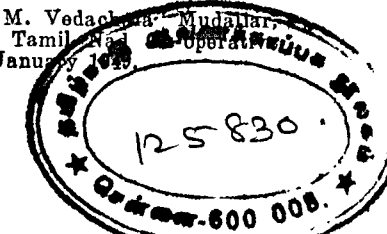
We cannot forget the passing away from our midst of Sri V. C. Velliangiri Gounder who presided over the last Conference held at Salem. I am sure his spirit will be watching us and will guide our deliberations.

We now meet at this Conference for the second time after the close of the global war and the achievement of National Independence. The Government of Madras have taken some action on some of the Resolutions passed at the Salem Conference. We must urge the Government to take action on the remaining Resolutions.

Even though the war ended two years ago, the economic condition of the peasants and the others is still very backward. I desire, therefore, to place before you such suggestions as my experience with Co-operation can conceive of and I request you to discuss them frankly. The chief occupation of our people is agriculture. The economic condition of the agriculturists has to be improved. I firmly believe that the Co-operative Movement is the only means of achieving it:

Let us first examine the debts of the villagers: Evidently, all the efforts made by the Government by legislation, appointment of committees, and granting loans through Co-operatives so as to lighten the burden of rural debts, no appreciable success has been achieved. The chief reason is that the income of the agriculturists has not increased and their saving capacity is poor. Though the Reserve Bank was started in our country with the object of helping the agriculturists also, it does not so far appear to have rendered any assistance through co-operatives. The chief reason for this is that the time-limits for the repayment of loans are not fixed with reference to the purposes for which loans have been taken and the fixing of the periods of repayment is not in accordance with the saving capacity of the borrowers. In this matter, Rule 8 (A) framed by the Government fixing the proportion for the grant of short term and long term loans, stands in the way. In spite of agitation for years urging the total repeal of the rule, no decision has yet been reached on this. The Reserve Bank may say that agriculturists may go to the land mortgage banks for long

\* Welcome Address delivered by Rao Bahadur M. Vedachala Mudaliar, Chairman of the Reception Committee at the Sixth Tamil Nadu Co-operative Conference held at Kancheepuram on 22nd and 23rd January 1946.



term loans. But our experience in the Tamil Nad tells us that all persons cannot get long term loans through land mortgage banks. Therefore in accordance with the availability of long term capital with every central bank, that is to say up to the limit of the share capital of the central bank and the reserve fund in the societies, the central banks should follow the methods adopted by the land mortgage bank in granting loans and arrange to advance loans to agriculturists to repay their prior debts. The rate of interest is another important point. In the Tamil Nad, the rate of interest charged by the central banks to the village societies and that charged by the societies to the members is uniform. But in no district is the interest charged by the societies to its members higher than  $6\frac{1}{4}$  per cent. The difference between the rates paid by the societies and charged by them is too small to enable them to meet even the normal working expenses. In these circumstances, if the rate of interest charged to members is to be further reduced, the central banks, on their part, must reduce their lending rate. I feel that in the present dull economic condition it is not possible for the central banks to reduce their lending rate further. If however any such concession is to be shown, it is desirable that the Provincial Bank and the central banks should put their heads together and do the needful.

It is not enough to afford facilities for long term loans alone. The income and savings of the agriculturists must be increased. Post-war experience has shown that our country is short of food to some extent. The reason is that while the area under cultivation is increasing, the yield is not increasing commensurately. Other contributory factors are the diminishing fertility of the soil, the uneconomic use of agricultural machinery and implements, the non-availability of the results of agricultural research to the agriculturists, the ignorance and conservatism of the rural classes, and the lack of irrigation facilities. We must find out ways and means of improving agriculture and increasing production. For this purpose, arrangements must needs be made to supply manure, implements, and other requirements to the agriculturists through co-operatives. The officers of the Agricultural Department must move closely with the agriculturists, explain to them the results of agricultural research and induce them to adopt new and improved methods of production. The Government may also appoint an agricultural demonstrator for two or three villages and compel the villages by legislation to adopt efficient methods through co-operatives. The Research Farms should be increased in extent and number; and confidence must be instilled in the minds of the agriculturists in better production by better farming. In spite of government subsidies for sinking well and provision of other irrigation facilities the situation has not much improved. The Government must, therefore, examine the matter afresh and devise means of harnessing the water in the rivers for agricultural purposes. Further the Government must pass emergency laws for

the immediate repair of the various minor irrigation sources in the land. Where water cannot be collected in reservoirs and tanks, wells must be sunk. Supply of cheap electricity and machinery through co-operatives must be arranged.

Next in importance to irrigation facilities come cattle. Cattle are vital to our agriculture. Cattle-breeding is deteriorating year after year in spite of Government's efforts to improve the cattle. The chief reasons are the want of proper grazing facilities, the inadequacy of stud bulls of good breed, and the inadequate arrangements for the salvage of dry cattle. A *Tamil* proverb says that the cow is spoiled by not grazing and the crop fails for want of supervision. The Government must take steps to maintain forests properly for grazing also, and to prepare grazing lands where there are no forests. The meaning of the *Tamil* word "*Madu*" (bull or cow) is "wealth." Salvaging of dry cattle, cattle-breeding and milk supply must be taken up and improved on co-operative lines.

The next important matter is better prices for agricultural produce. Steps have been taken through the efforts of Rao Bahadur J. C. Ryan to sell cattle for a good price under a system of controlled credit; and even after he had done it himself efficiently and successfully in the Salem district, it is found it has not been a success at certain centres, the chief reasons being the ignorance of the villagers regarding the benefits of this programme and the want of proper godown facilities. Transport facilities are no less essential. Though Government came forward to construct godowns through rural societies, it has not been possible to utilise the help fully due to the unsatisfactory condition of their cash loan transactions. We must urge the Government to construct a godown for every area with five miles radius and to provide transport facilities. Unless Government do this, we cannot prevent profiteering by the merchants.

Next to agriculture comes handloom weaving. All the controls imposed on yarn and handloom cloth during and after the war have done little to help the poor weaver. Even the weavers' societies which give yarn and take back goods have helped little. The chief reasons are the inadequacy of yarn supply and the slowness in cloth marketing. The policy of the Government too was not steady: First the entire yarn distribution for the Province was given to co-operatives and shortly after, it was reduced to fifty per cent. The income of the weaver has obviously diminished. It is therefore essential that we should produce and distribute the required yarn ourselves. As regards production of yarn, as far as Tamil Nad is concerned, we must try to set up spinning mills on co-operative basis, one in each district. The Provincial and primary weavers' societies have earned huge profits during war period. They must divert a part of the profits for the purpose. The Government also must assist with

money. The Weavers' Conference will presently take up the weavers' problems separately.

I shall now refer to the co-operative purchase and sale of rural requirements like food, manure, and implements. The rural societies could very well deal in them. But in spite of the advantage in co-operative business and the opening of many stores in Tamil Nad few articles other than controlled and rationed ones are bought of the stores. After decontrol, therefore, many stores have had to be closed. It is time we stopped this course of things. I would suggest that where primary stores are closed, the wholesale stores should open branches and even produce certain articles themselves. I am sure their profits enable them to do so. This will also help regulate local prices. The Stores Conference which will be held presently will discuss these problems.

Agriculture and weaving are the two major occupations of the country side. If rural conditions should improve there should be many subsidiary industries also in the country side. Industries like poultry keeping, bee-keeping, vegetable gardening and dairying have always been recommended by Government and other agencies. Several other cottage industries have to be revived or introduced in rural areas. The progress achieved is very little. The Madras Government have now formulated a scheme for development of cottage industries and have set up a district committee on behalf of the central banks in each district. Each district committee will have to explore the possibilities of reviving old ones and starting new ones. Of course handicraft products are crude and rather costly. Yet we must take the vow of "*Swadeshi*" like true followers of Gandhiji and use them. This "*Swadeshi*" vow is the fundamental principle of all Co-operators.

Rural housing and recreation demands our attention now. There have been in some towns housing co-operatives functioning for years even before the war. But now the housing problem is as keen as ever. The Government have formulated house-building schemes; new societies have been started and large sums of capital have been invested; yet the condition is not better because of the unsettled policy of the Government. Some relaxation and pastime is also badly needed for the rural folk. The villagers also require a common rendezvous where they could meet often and discuss matters of common interest and exchange views and ideas. A public building is required for this purpose. This building can be used for housing a library and also for opening an adult school. All adults must be taught to spend their spare time usefully in learning and doing with interest and pleasure. A common building, radio, park, and playground serve this purpose well. People must come forward and collect funds for the purpose. The Government also must bear half the cost.

The removal of the drink evil is one of the greatest services of Gandhiji to the country. Thanks to the Father of Nation, the Madras

Government have declared the Province dry. Last year the Prohibition Enquiry Committee, under the Chairmanship of Sri K. A. Nachiappa Gounder, made some excellent recommendations. It has submitted a scheme for encouraging thrift by means of *hundis* as a result of Prohibition, for starting jaggery co-operatives for ex-toddy tappers, colonisation societies, and for providing recreation. We request the Government to carry out the scheme forthwith through the Special Development Officers.

For all this rural uplift and reconstruction work, co-operative propaganda is necessary. Since 1925 we were carrying on propaganda for some years with Government financial aid. Since six years no aid is given and the reasons are not known. We must now chalk out a definite programme of work in the matter of propaganda. We have to start a Co-operative Research Institute in the Province and train workers. A newspaper is also necessary for us. Our Tamil Journal "*Kootturuvu*" is a fortnightly. I suggest that it may be made a daily and all societies, may be enrolled as subscribers. Such a step will benefit the villages and will force the attention of the Government to rural problems. Capital for the purpose may be found by enrolling all societies as subscribers and by urging the Government for a grant for propaganda. The radio also must be pressed into service for co-operative propaganda. Talks must be given in Tamil only.

In the matter of formulating measures for carrying out the work suggested above, there has been some difference of opinion among us. The question was: Are we to convert the rural societies into multi-purpose ones for the purpose or can all the items of work be done even under the present rules and regulations of the societies? We could not, however, come to any conclusion. In accordance with the recommendations of the All India Planning Committee, the Co-operative Conference held in October 1948 under the Presidentship of the Hon'ble Minister for Co-operation, resolved that the present rural societies should be turned into multi-purpose co-ops within two years and that they must look after all the requirements of the villagers. The Government have offered funds to central banks for meeting the additional expenditure on increasing the supervisory staff of the banks. This scheme which will be in force for two years should aim at bringing fifty per cent of the villages and thirty per cent of the population into the co-operative fold. The Special Development Officers and the Prohibition Officer are to assist in promoting the scheme. It devolves on us, the Co-operators, to see that the object is achieved. We should strengthen and stimulate the activities of the rural societies and help them produce, buy and distribute what all are required by the villagers.

I have, however, a doubt regarding the execution of the scheme: The loan and credit transactions of many rural societies show that they are working at a loss. Under the proposed scheme they are entrusted

with several duties and I fear that a loss in any particular line of activity will affect the other lines also and endanger the existence of the society itself. Moreover multi-purpose activity requires a full time Manager or Secretary. This means additional expenditure at least in the initial stage. Therefore, with a view to ward off all losses, the Government must be requested to grant subsidies to societies for some time at least. It is also essential that village guides should be trained and appointed for supervision and guidance. This is my view of the conditions necessary for the success of the scheme.

The Co-operative Department has been expanded; and we also understand that the Department is to be divided into two—supervisory and administrative. Moreover an Advisory Committee has been appointed with some non-official members also on it. There is no proper representation for Co-operation on it. We must request Government to take all Presidents of Central Banks and District Wholesale Stores on the Committee.

The Government have introduced Firka development schemes in rural areas. We must urge the Government to utilise the service of Co-ops for all their development schemes instead of creating new departments. One matter has escaped our attention all these years: It relates to the adverse effect produced on the financial position of central banks by the liquidation of societies and the improper settling up of their affairs after liquidation. The reasons of liquidation are not known. It is therefore necessary that the affairs of liquidated societies should be properly examined and collection of outstandings should be effected within three years so that the finances of the central banks may not suffer.

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## Organise Multi-Purpose Co-ops

RAO BAHADUR, J. C. RYAN, M.A.,

*Registrar of Co-operative Societies, Madras*

I thank the organisers of this Conference for calling me to open this Conference and to participate in its proceedings. It can be said that the Co-operative Societies are now slowly beginning to improve. There are Co-operative Societies in many villages. In certain districts there is one Supervisor for twenty societies. The Government have given Rs. 1,27,000 for Multi-purpose Co-operatives. Therefore such co-operative societies must be started even in villages where they do not exist now. In the same way, a Panchayat and a Co-operative Society must be started in every village. When such Co-operative Societies are established in every village and in every district, our country will be greatly benefited. Every village or group of four or five villages should have a village guide. In villages where there are no Co-operative Societies they must be started. Of the 50,000 villages only in half the number of villages are co-operative societies going to be started. Members must join them in large numbers. But the Government have laid it down that 8 people out of 100 should join. I desire to point out that last year alone 1,00,000 people became members of these societies. In loan transactions the villages are transacting on an average business of over Rs. 5,000. I inspected them while I was on a tour of the villages. When I went to a certain village, the village society had done loan transaction for Rs. 10,000. When I asked them why they did not get cash credit from the District Bank, they told me that it was not given. In that same place, a sum of Rs. 10,000 had been given to a co-operative store. Therefore I request you to consider why this society was refused this amount. For the last 2 years all the sales have been done in a business way. The village credit societies must become multi-purpose societies by their labour and enthusiasm. How to become so. For that it is necessary that in such places multi-supply should be established. I desire chiefly to refer to one or two matters. Firstly the members must do business in things which are produced. The village societies must work in many fields. If that has to be done, village societies must be started and clerks must be employed there and must be paid not less than Rs. 40 per month. If many supervisors are appointed, I ask you, why cannot a multi-purpose society be formed. Why should not all this be done from the Government grant? Surely we can do all this from the Government grant. There are now sixteen multi-purpose societies in Tanjore. We learn that there are at present 12,000 societies in all, I wish that in the next two years this number is increased to 25,000.

\*Summary of the Opening Speech of Rao Bahadur Sri J.C. Ryan, M.A., Registrar of Co-operative Societies, Madras at the Sixth Tamil Nadu Co-operative Conference held at Kancheepuram on 22nd and 23rd January 1949.

## Self Effort Rather than State Aid\*

SRI T. A. RAMALINGAM CHETTIAR, B.A., B.L.,

*President, Sixth Tamil Nadu Co-operative Conference*

We have been depending on Government help till now. Hereafter we must manage to procure all our needs ourselves. The present economic situation is very bad. People must toil hard to improve it. Every Panchayat Board must have a co-operative society. The Co-operative Registrar has told you that every group of four or five villages must have a village guide. Such village guides must be appointed, and be given responsibility and people must co-operative with them. The Government have decided to start a yarn mill now. We must try to develop cottage industries by means of Co-operative Societies- Spinning wheels and cottage industries must progress in villages. House building programme cannot be carried out by the co-operative societies alone. It must be done by a separate organisation which must be established for the purpose. The Government have given two crores of rupees for improvement of our economic condition and we must utilise the same for that purpose.

\*Summary of the Speech of Sri T. A. Ramalingam Chettiar, B.A., B.L., President of the Sixth Tamil Nadu Co-operative Conference held on 22nd and 23rd January 1949.

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## Foster Co-operative Stores for Public Utility\*

SRI A. RAMACHANDRAM PILLAI, B.A., B.L.

Gentlemen,

It is our fortune to have a leader in an eminent co-operator like Sri T. A. Ramalingam Chettiar.

We have seen two World Wars in a quarter of a century. People now shun a third War. I feel a third war could be averted only by means of co-operative organisations. We hoped that prosperity would follow our Independence. But the facts proved otherwise. There was political and economic trouble all round. All communal conflicts have now been successfully removed by the ceaseless and untiring energy of our leaders. We ought to feel proud of the part played by the Co-operative Movement in general and co-operative stores in particular during those critical days.

The troubles are, however, not all gone. People are still suffering from scarcity of food and high prices. How can Co-operation help remove all this distress now?

The Co-operative Stores Movement was first started in England. Though introduced in our land as early as 1904, its progress had been quite slow till before the last War. For instance by 1939 there were only 74 primary co-operative stores in our Province. All of them, except probably the T. U. C. S. Ltd., Madras, and one or two others, worked rather unsatisfactorily. The main object of the stores is to supply goods of quality at fair prices to the members. Due to want of business experience, and the absence of loyalty among the members, the stores did not function properly during the pre-war years. But during war-time, the scarcity of goods and soaring of prices, hoarding and profiteering by merchants opened the eyes of the public to the usefulness of stores. Hence many stores came into existence during war-time. The first Co-operative Wholesale Stores was started in September 1939 in Madura-Ramnad. Others followed soon and now we have 22 Co-operative Wholesale Stores and about 2,000 primary stores in the Province.

The Co-operative Wholesale Stores have a large business consisting in the buying and selling of commodities like provisions, cloth, medicines and many other controlled articles. All the Co-operative Wholesale Stores have over 10,000 members and a share capital of over Rs. 35 lakhs. Last year their turn over was worth Rs. 20 crores. The primaries have about 6 lakhs of members and Rs. 1 crore of share capital. Their turn over also was valued at Rs. 20 crores nearly. They have also established several branches and relief and ration shops. Besides, about 70 stores

\*Presidential Address of Sri A. Ramachandram Pillai at the Tamil Nad Co-operative Stores Conference held at Kancheepuram on 22nd January 1949.

have been started for mill workers with a large membership, share capital and turn over. These stores gave a great relief to the labour classes. There are also stores for Government servants, and educational institutions. The record is very good. But the question now is: "Are the stores to be only war-babies disappearing with the decontrol of goods, or are they to continue, and if so how to reorganise them for the purpose?"

The controls are being relaxed: Owing to the selfishness of some directors and factions among the members, dishonesty of the staff, lack of business experience and inadequate supervision, several rural stores and some semi-urban stores have badly suffered. Their losses have affected their share capital with repercussions even on the central banks to some extent. Public service is probably fast losing its spirit and its charm. One can guess how harmful this situation is to the Movement. It is therefore essential to remove the undesirables and place in position men who have a genuine desire for public service. If, however, the undesirables cannot be summarily removed without endangering the progress of the Movement itself, steps must be taken at least to amend the bye-laws in such a way as to ensure sound management. Mere annual conferences are of no avail. I feel that the situation warrants the meeting of co-operative leaders and the appointing of a Committee for critically reviewing the situation and recommending remedial measures.

The recent Government scheme requires the spread of multi-purpose societies in the Province within two years and the bringing of fifty per cent of the villages and thirty per cent of the people into the Co-operative fold. The Scheme is commendable. Rural Co-operators must put their shoulders to the wheel to work out the scheme well. Since the scheme in operation entails a large expenditure, the Government and the co-operative banks must render assistance to the societies.

The reason for the continued working of many stores is their trade in food stuffs which yields a decent distributive margin. Whatever the defects with some individual stores, the dealings of the stores are certainly fairer than those of a private merchant. Even government officials have admitted this. It is therefore necessary to help the stores at least as long as the restrictions of food procurement and distribution are in force. The policy recently enunciated by the Joint Registrar of Co-operative Societies, Madras and the Provincial Bank in regard to this is not the right one. By the purchase and sale of paddy from the Tanjore district or other surplus districts allotted by the Government, the stores, while making some profit, also show genuine public service by self-imposed moderation. This is a great boon to the stores and the people in the deficit districts like Ramnad. In this business there is sufficient security for the loans granted to stores by the central banks. The Government must boldly offer financial facilities to central banks or the Government must themselves render direct assistance or purchase articles themselves and sell through the stores.

A settled policy on the part of the Government is essential. The seal of mill cloth through stores has been a benefit. Unless yarn and controlled articles also are entrusted to the stores, people will not benefit. The Government have given a part of the yarn trade to private traders. These traders are selling lower count yarn at less than control rates and higher count yarn at far higher prices. This is not only a breach of control regulations but a positive menace to co-operative trade. Therefore the Government should entrust all controlled goods only to stores until the controls are removed. It is also desirable that co-operators should be consulted by Government on matters touching the Movement. Large numbers of people who have taken shares in the new house building societies do not know exactly what Government policy is in regard to house building schemes. Sufficient representation has not been given to the Co-operators on Co-operative Advisory Committees. At least one member from each district must be on the Committee.

We have next to consider about the future of the stores. The steps taken by Government and the work of the wholesale and primary stores have to some extent helped to solve the cloth problem which is vital to the people. The problems which still confront us are: (i) scarcity of food stuffs; (ii) inflation; and (iii) the injurious effects of adulteration of food stuffs on public health. If the co-operative stores help solve these problems, there need be no anxiety about their future. Moreover they will be rendering a service to the nation.

Our Province has always been a deficit one in food production. Before 1939 it imported seven lakhs of tons of rice every year from Burma, Siam, *etc.*, and exported three lakhs of tons to Ceylon, *etc.* The net deficit was therefore four lakhs of tons a year. Cochin and Travancore which used to import annually four lakhs of tons of rice before War have since stopped imports. Therefore it may be said that South India alone needs eight lakhs of tons of rice over and above its annual production. Of the cultivated area of  $2\frac{3}{4}$  crores of acres in Madras one crore of acres is under paddy and the rest under millets, pulses, *etc.* Much waste land is yet to be brought under the plough. This has not been done for want of irrigation facilities. The facilities given by Government for sinking wells have not been properly availed of. At the Salem Co-operative Conference it was resolved that under the Registrar's sanction, wholesale societies and other organisations should buy waste lands and cultivate them. It is not known what has been done in the matter. If we grow more paddy on about ten lakhs of acres of land, our food problem will be solved. The scheme may be implemented by utilising the reserve funds lying idle with the Co-operative Wholesale Stores and other big societies. It is necessary to have a five or ten-year plan and to appoint a Committee to give effect to the plan. There is reason to believe that increased food production and drastic steps

taken by the Central Government will help to check a rise in prices. Co-operative cloth trade also will remove the black trade and traders and keep down the price level.

Adulteration of food-stuffs has affected public health. The Government have taken practically no steps in this matter. Since the fines paid by traders are only a fraction of their huge profits, this step has really no effect. The public are unable to get genuine goods for consumption. For instance, gingelly oil is adulterated with groundnut oil and the latter with some other inferior stuff. It is all a question of relative market prices of the various materials mixed up. Even coffee powder is adulterated with the dried refuse left after the decoction is prepared! Tea leaves, soap-nut powder, wheat flour—all are adulterated. This shows how shrewd and unscrupulous the merchants are. If co-operative stores run mills for producing flour, oil, coffee powder, etc., buy raw materials at fair prices and sell genuine products at fair prices, there cannot be a better service to the country than theirs. The stores should also try to expose the mischief of the private dealers whenever possible by constant vigilance. This policy will certainly assure a bright future to the stores.

The beggar problem is keen in our country. Those who are diseased and unfit should be segregated and maintained by Government; and the able-bodied ones should be brought under the co-operative fold. They must be trained in co-operative production and must be made to become useful to society by adding to national wealth.

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## **Save the Handloom Weavers\***

**SRI M. P. NACHIMUTHU MUDALIAR, B.A., B.L.,**

Brother Co-operators,

It is over an year since we got Independence. Some people now ask why the country does not overflow with wealth and prosperity even after Independence. It is too much to expect in an year what we had lost during the dormancy of a thousand years and slavery of about 200 years. It may take some 10 to 15 years for our country to hold its own.

During one year we have achieved the progress of a century in several directions; we ought to be proud of our record. Our gospel of love has inspired the world to awe and reverence towards the Indian Nation. Will not our Government then endeavour to provide its own people with food, clothing, medical aid and education? We should, however, assist the Government by loyally maintaining peace and order: Also our democratic Government and the free citizens should readjust their outlook and policy to suit the changing conditions.

May this new era in Co-operation be inaugurated on this sacred soil! Let me remind you that the foundation of the Weavers' Co-operative Movement was first laid in this town. Here lived through centuries many silk and cotton spinners and weavers. It now behoves you to help promote the Weavers' Co-operative Movement.

When the Weavers' Movement was started in 1905, it was believed that mere credit facilities would improve their economic condition. Hence only loans were first granted to weavers. Weaving was not considered a respectable calling and weavers were uneducated and ignorant of textile market conditions. Therefore many weavers did not at first join the Co-operative Movement. In 1919-20, there were only 21 weavers' co-ops. In 1921 Mr. Hemingway held that primary societies should be started throughout the Presidency; and to ensure their efficient working, they must be affiliated to a Provincial Society. But no steps were taken in the direction suggested.

The Townsend Committee (1928) observed that the weavers' societies did not work properly. The chief reasons for their failure were: the lack of sufficient economic facilities, the inability to withstand outside competition, the want of sufficient experience to sell the products, the fluctuations in yarn and cloth market, and the absence of a definite plan of work for the societies. During the Economic Depression of 1930-31, the weavers had to starve on account of a fall in wages. To relieve the distress, the Government came forward with an annual grant of Rs. 5 lakhs to the handloom industry from out of the proceeds of the yarn import duty.

\*Presidential Address delivered at the Co-operative Weavers' Conference held at Kancheepuram on 22nd and 23rd January 1949.

The Industries Conference held at Simla in 1934, resolved to prepare a scheme for the proper working of weavers' societies. As a result of this, a Provincial Weavers' Co-operative Society was started in 1935. This is a land mark in the history of handloom weaving in the country. On 30-6-1938 the Provincial Society had 97 affiliated primaries with 2,453 looms. The progress was obviously not rapid.

The recent global war broke out at this stage and brought repercussions of great consequence: In the Western countries and the Far East, the factories began to produce war materials instead of cloth on a large scale. Consequently imports of cloth stopped and the Indian mills and handlooms were left unchallenged in the country. India had to produce cloth both for war needs and civilian consumption. Our cloth exports increased as during the olden days. We felt happy that history repeated itself.

During war period, though the weavers could not get enough yarn, they could get decent wages. Many weavers joined the Co-operatives as very little yarn was available in the open market at control prices. Yarn control having come in 1943, co-op. looms received 20 per cent more yarn than the private looms. Many new people took to weaving as a remunerative profession and the number of looms doubled itself even during the war time. Many of those who were in charge of weavers' co-ops. rendered valuable service to the Weavers' Movement.

The Provincial Society also utilised the opportunity fully. It purchased and supplied yarn at controlled rates to the primary societies and also undertook to dispose of a considerable part of their production at its emporia opened at many places in the province. It sold quality goods to the public at fair prices even during the worst days of cloth scarcity. And what was more, it undertook the heavy responsibility of supplying yarn to all the outside looms in the Province for three months since August 1948. Even now half the yarn needed for the Province is supplied through co-operative channels.

In 1947-48 there were 898 primaries with a membership of 1,33,000 affiliated to the Provincial Society. In them 1,33,200 looms were working. This meant that one-fourth of the total loomage in the Province was in the co-operative fold. The Provincial Co-operative has at present sixty emporia and nine dye-factories. Depots have been opened in Calcutta, Secunderabad, Trivandrum and Colombo. The opening of depots at Bombay, Assam, Delhi, Penang and Singapore is under active contemplation. A scheme is also under preparation for starting a cotton spinning mill with 12,000 spindles.

Our Provincial Weavers' Society is the largest weavers' co-op. in the country. This rapid progress of the Society is due to the untiring services of the President, Dewan Bahadur C. S. Ratnasabapathy Mudaliar, and the then Business Manager (now Joint Registrar for Textiles), Rao Saheb

A. D. Balasundara Mudaliar. The valuable services of the heads of the co-operative department, Mr. W. R. S. Saththianadhan and Rao Bahadur J. C. Ryan, also deserve special mention on the official side. We are grateful to the Registrar of Co-operative Societies for having prepared the Life Insurance and House Building Schemes for the benefit of the weavers. The Yemmiganur Weavers' Society must be specially mentioned as the largest primary society which has also provided co-op. housing for its members. Let us follow its example and build houses for the weavers in Tamil Nad.

The Madras Government has always lent a helping hand to the weavers' co-ops. For instance, during war-controls, it allowed 20 per cent more yarn to co-operative looms, than to outside looms. After decontrol it arranged for the supply of 5,400 bales of yarn monthly to the Provincial Society at stipulated prices. After re-imposing textile control, the Government entrusted to the Provincial Society the entire sale of yarn to the handloom weavers, co-operative or otherwise, and granted a loan of Rs. 2 crores for the purpose. For the proper working of the societies, the services of 124 co-operative sub-registrars 109 senior inspectors at a cost of Rs. 8,68,000 have been lent. The Government also approached the Central Government on many occasions on behalf of the Provincial Society for export permits and other concessions. We are grateful to the Government, to the public and to all Co-operators for their keen interest in the Movement.

Time was when our weaving industry was the pride of the World. The *Sangam* Poets give us graphic descriptions of the streets where weavers of silk, cotton and hair lived. Who does not know of our *muslins* and *calicoes*? Ah! the romance of our textile industry! But alas! how rapidly it declined due to foreign political and economic domination!

It was Mahatma Gandhi that gave new life to the handloom industry. But it is all an old tale now. What is the position of the weaver to day? He yearns for the revival of the age of *Pathu Pattu* and *Silappathi-karam* which was a golden age for the weavers in South India. But his condition to-day is deplorable. There are large stocks yarn bales lying with the Provincial Society unsold. Hence the Society has stopped further purchase of yarn. The private yarn merchants also are in a similar situation. The cause of this stock accumulation is the increase in yarn production following the introduction of the three-shift system in our mills and the import of large quantities of foreign yarn. Yarn prices have tended to fall. Some may think that this is most opportune for weavers to produce more. It is unfortunately not so; for there are huge stocks of cloth, worth some crores of rupees, lying unsold with co-operatives and private dealers. Our Province alone accounts for 40 per cent of India's cloth production. Before the war most of this found its way to other

Provinces like Bengal and the Punjab and other lands like Africa and the East Indies. *Lungis* were the best export variety.

The policy adopted at certain times by the Government with regard to handloom cloth affected the weavers' co-ops. unfairly. The imposition of unnecessary control on handloom cloth, the restriction on export, the levy of surcharge on yarn supplied to handlooms—all were impediments to handloom progress. Thanks to the Government, these impediments were removed early or late, when the bad effects were pointed out. But the restrictions on export have not all gone completely. Some say that when the country is short of cloth there ought to be no export. Where is the cloth famine now? Even mill cloth—indigenous and imported—is lying unsold in the market. Co-operatives and merchants declare that they have enough of it. So also with handloom cloth. Therefore the argument that export ought not to be permitted does not hold water. Even now the restrictions on handloom cloth export to Pakistan are in force. Recently the Government of India made an Agreement with Pakistan for the export of 8 lakhs of bales of mill cloth. The Government themselves have undertaken to supply the quota! We fail to understand the idea behind the policy of exporting mill cloth whose price is controlled and purchasing from Pakistan cotton whose price is *not* controlled. This policy has badly affected the handloom cloth trade of our Province.

The unsettled political conditions in our foreign markets like Burma and the East Indies, the present delicate condition of the Indo-Ceylon relations, the dumping of American and Japanese cloth in these countries have also adversely affected the Indian export trade. If these conditions continue, certainly the handloom weaver and his Co-operative Movement will languish. News is now to hand that Japanese imports of cloth will arrive in India. Could there be anything more deplorable? While all the Governments of the World are advocating the creation of foreign markets for export, our Government has chosen to prevent export and encourage import instead! This is not a right step. Let the Government bear in mind that the Fact Finding Committee ascribed the progress of the industry to its large export trade and let the Government remove all restrictions on handloom cloth export forthwith. Our Trade Commissioners abroad must be made to facilitate foreign trade in our handloom cloth. The export of our handloom cloth must find a place in any Trade Agreement of our Country. Except when there is excessive production, the export of mill cloth should not be permitted.

Adequate representation must be given on the Export Advisory Council of the Central Government to experienced handloom Co-operators. The All India Handloom Board which is permanent body created to implement the recommendations of the Fact Finding Committee has not met for over 18 months. The Board have made recommendations for research in improving

handloom cloth and buying raw materials and selling finished products at fair prices through Trade Agents. None of those recommendations has seen the light of day. The Handloom Board must at once be revived.

There must be separate representation for handloom interests in the Legislature and a separate department with a Minister in exclusive charge of the handloom cloth portfolio should be created. It is also necessary that the Government should forthwith distribute handloom cloth province-wide so that the accumulated stocks may be disposed of. The proceeds of the export duty and the duty on fine mill cloth should be diverted to handloom development.

Handloom weaving stands next only to agriculture. Its stability is now threatened. The ruin of the industry will surely become a huge national catastrophe. It is the duty of the National Government to avert a crisis.

We should not forget our duty either. We must employ modern appliances, regulate wages and reduce costs so that the consumer may buy our product. We must urge the Government to reduce yarn prices so that we may effect economies in production costs. Finally it is the duty of the public to use only handloom cloth.

### Towards "Multipurpose" goal in Madras

*The recent scheme for re-organisation of rural co-operatives in Madras with its targets and time limits has stimulated activity in all districts. With a view to keep our readers informed of the progress made, we publish in these columns brief reports on the monthly progress in the several districts.*

[EDITORS.]

#### Tinnevely

At the 16th Business Conference of the Supervisors and Union representatives held on 16-1-1949 at the Tinnevely District Co-operative Central Bank, Ltd., it was resolved that: 50 per cent of the dormant societies should be revived before 31-3-1949; the rural credit societies in the district should be grouped into 24 circles, with two Reserve Supervisors; each Supervisor should introduce multipurpose activities in six select societies in his circle; membership should be increased where possible; savings through *hundi* boxes should be encouraged; and since only 550 villages out of 1,102 villages are covered by rural co-operatives at present the remaining villages also should be brought under the co-operative fold early.

## G. O's. and Circulars

SRI J. C. RYAN, M.A.,

Registrar.

No. Rc. D. 1142-13/48-J

Dated, 22-2-49.

**Sub:—**Primary Land Mortgage Banks—Issue of loans—acceptance of house property as additional security—In villages—acceptance of—Amendment to by-law No. 42.

**Ref:—**Registrar's Circular No. R. 7859-47. J, dated 8-9-48.

In the circular cited, the Registrar permitted the primary Land Mortgage Banks to accept on exceptional cases as security house property commanding rental value within the limits of Municipalities and Major Panchayat areas, provided that not less than  $\frac{3}{4}$  of the security offered is land. At the last conference of the representatives of Primary Land Mortgage Banks held on 21-2-48, the following resolution was passed.

"Resolved that when the landed property offered for the loan applied for is not sufficient, house property commanding rental value in all the villages in the area of operations of the bank irrespective of any restrictions such as Municipality or Major Panchayats may also be included as additional security and the Registrar be requested to amend by-law No. 42 suitably".

The above subject was considered by the board of Directors of the Central Land Mortgage Bank at the meeting held on 26-11-48 and the following resolution was passed recommending an amendment to the last sentence of Model by-law No. 42 of Primary Land Mortgage Banks.

Substitute the following for the last sentence of by-law No. 42:

In exceptional cases, however, when the landed property offered as security by the member is not sufficient for the loan applied for by him house property commanding rental value may be accepted provided that at least 75 per cent of the loan amount is secured on land where the house property is situated in municipalities or major panchayats and at least 85 per cent, of the loan is secured on lands where the house property is situated in villages.

Where house property is accepted as security along with land, the loan amount secured on houses shall not exceed the following limits.

|                              | Percentage of the value<br>that can be advanced. | Maximum loans<br>advanced. |
|------------------------------|--------------------------------------------------|----------------------------|
| Houses in Municipalities ... | 50                                               | Rs. 3,000                  |
| „ Major Panchayats ...       | 40                                               | „ 2,000                    |
| „ Villages ...               | 30                                               | „ 1,000                    |

The Registrar agrees with the Board and in supersession of the circular cited, suggests the above amendment to the Primary Land Mortgage Bank for adoption at the next General Body Meeting.

## G.O'S. AND CIRCULARS

R. C. 19685/49 J.

Dated, 15-3-1949.

**Sub:—**Primary Land Mortgage Banks—Disaffiliation from Central Institutions—Other than the Madras Central Land Mortgage Bank, Limited.

**Ref:—**Registrar's memo D. 11128/48 J. dated 22-12-1948.

In the Registrar's memorandum cited, the Deputy Registrars for Land Mortgage Banks were instructed to press for disaffiliation of Primary Land Mortgage Banks from institutions other than the Central Land Mortgage Bank. The Registrar wishes to make it clear, however, that it is not his intention that the banks should disaffiliate themselves from the Madras Provincial Co-operative Union and the Andhra Desa Co-operative Union. These two institutions are organisations for propaganda and not organisations for doing business. The object behind the memo cited was to keep Land Mortgage Banks out of other organisations doing business. The Registrar considers that the Primary Land Mortgage Banks should not be kept out of the Provincial Co-operative Union and the Language Federations. The Deputy Registrars, Land Mortgage Banks, need not therefore, insist on the Primary Land Mortgage Banks disaffiliating themselves from the Provincial Co-operative Union, the Andhra Desa Co-operative Union, or the Tamil-Nad Co-operative Federation.

Rc. No 36709/49K-2

Dated. 17-3-49.

**Sub:—**Weavers' Societies—Disaffiliation from Central Institutions—Instructions issued

**Ref:—**1. This office circular Rc. 12190/47 K-2 dated 1-12-47.

2. Circular Memorandum Rc. 11128/48 J—dated 11-6-48.

In this office circular memorandum cited as No. (1) above, instructions were issued to the Deputy Registrars on general duty, that there was no need for the weavers' co-operative societies to be affiliated to the co-operative supervising unions and to pay supervising fund, as a large staff of departmental officers have been posted to ensure efficient supervision of these societies. The officers were also requested to persuade the societies to amend by-law 37 of the by-laws of weavers' societies deleting the provision for affiliation to a supervising union and payment of supervision fund.

2. It has now been brought to the notice of the Registrar that certain weavers' societies which are members of the Provincial Co-operative Union and the Andhra Desa Co-operative Union have referred to the circular cited as No. (2) above and represented their inability, to continue their membership in the above central institutions. The Registrar desires to make it clear that it is not his intention, that weavers' societies, should not be members of the Provincial Co-operative Union, the Andhra Desa Co-operative Union, or the Tamil Nad Co-operative Federation. The Deputy Registrars are requested to note these instructions and advise the societies accordingly.

J. C. RYAN,

Registrar.

## Consumers' Co-operation

SRI J. C. RYAN, M.A., Registrar.

PdL 1/48-S.I.

Dated, 24-1-49.

**Sub :—Stores societies—Primaries and Co-operative Wholesale Stores—**  
Progress for October 1948—reviewed.

Reports were received in time only from the Tinnevely District Central Co-operative Stores and the Deputy Registrar, Vizagapatam, Bellary, Cuddapah, and South Kanara Co-operative Wholesale Stores and Deputy Registrar Cuddapah have not at all sent their reports. Even though delays in the submission of returns by Deputy Registrars and Co-operative Wholesale Stores have been pointed in every review yet they continue to submit their returns with considerable delay. This is most unsatisfactory, all Deputy Registrars and Co-operative Wholesale Stores are once again requested to be prompt in the submission of their returns in future.

### Co-operative Wholesale Stores.

**Membership and Share Capital :—**As on 31-10-48, the total number of members on roll in the 22 District Co-operative Wholesale Stores was 10,854 and their paid up share capital amounted to Rs. 34.97 lakhs as against Rs. 34.7 lakhs in the previous month. It is satisfactory to note that the share capital position of the Co-operative Wholesale Stores is improving. The Co-operative Wholesale Stores are advised to keep up the progress.

The owned capital of the Co-operative Wholesale Stores was Rs. 55.63 lakhs comprising share capital of Rs. 34.97 lakhs and Reserve Fund of Rs. 20.66 lakhs. The borrowings of the Co-operative Wholesale Stores were Rs. 167.52 (representing loans and cash credit) from the Central Banks and Rs. 5.66 lakhs from others. The total borrowed capital amounted to Rs. 173.18 lakhs as against Rs. 100.48 lakhs in the previous month. The total working capital was Rs. 228.81 lakhs (the previous month's figure being Rs. 15 lakhs) as on the last date of the month under review.

**Business :—**The total purchases and sales of the Co-operative Wholesale Stores were Rs. 187.21 lakhs and Rs. 163.85 lakhs respectively as against Rs. 113.69 lakhs and Rs. 131.63 lakhs in the previous month. The figure show steady improvement in the business of the Co-operative Wholesale Stores. The increased business may be due to the main reason that distribution of textiles and manures has been entrusted to co-operatives. The Co-operative Wholesale Stores are requested to enlarge their trade in non-controlled commodities as suggested time and again and stabilise themselves.

**Sales to Primaries :—**Out of sales of Rs. 147.10 lakhs (for which classification have been made) Rs. 66.13 lakhs only represented sales to

## CONSUMERS' CO-OPERATION

primaries which worked out 45 per cent as against 31 per cent in the previous month. The Co-operative Wholesale Stores should still further improve the business relations with their affiliated primaries. Better co-ordination can be ensured if the Co-operative Wholesale Stores convene periodical conferences of store societies as advised, from time to time and trying to seek better understanding by discussing their mutual difficulties and devising way means of solving them.

### Primary Co-operative Stores.

**Membership and Share Capital :—**As on 31-10-1948, there were 1,746 stores societies, with a membership of Rs. 5.62 lakhs and a paid up share capital of Rs. 91.10 lakhs as against Rs. 5.71 lakhs and Rs. 95.02 lakhs in the previous month. The total working capital was Rs. 192.02 lakhs as against Rs. 184.73 lakhs in the previous month.

It is observed that reports from 459 stores societies were not received by the Deputy Registrar in time. Some Deputy Registrars have stated that previous months' figures have been adopted in respect of such stores but some others have said nothing about this in the remarks column. The Deputy Registrars should make a note of this and should in future, state in the concerned column the number of stores that have not sent returns and whether previous month's figures have been adopted in respect of such stores. The Deputy Registrars should not allow, any stores to default in the submission of the returns due to them.

**Business :—**The total purchases and sales of primaries during the month under review were Rs. 140.91 lakhs and Rs. 146.61 lakhs respectively as against Rs. 126.86 lakhs and Rs. 137.64 lakhs in the previous month. The purchases and sales would perhaps be more if correct particulars were furnished. The Deputy Registrar should therefore take steps to ensure the submission of correct and full reports.

It is seen from the report of Chingleput Co-operative Wholesale Stores that the purchases and sales of consumer goods amounted to Rs. 1,880 and Rs. 2,599 respectively during the month under review while the report of the Deputy Registrar shows that they were Rs. 4,74,462 and Rs. 13,83,451. It is also observed from the return of Vizianagaram Co-operative Central Stores that purchases and sales in respect of cloth were Rs. 7,38,278 and Rs. 2,371 respectively while the concerned columns were left blank in the Deputy Registrar's return—Besides this, the Deputy Registrar Vizagapatam, has submitted consolidated particulars in respect of processed food stuffs and consumer goods. Separately particulars should be given in respect of each in future. The Deputy Registrar should put an end to these wrong classifications and omissions and ensure that the returns are carefully scrutinised before submission to the Registrar. The concerned Deputy Registrars should explain the discrepancy.

### Special Consumer Activities.

**Handloom and Mill-made Cloth :—**The total purchases and sales were Rs. 63.06 lakhs and Rs. 32.55 lakhs as against Rs. 6.14 lakhs and Rs. 2.13 lakhs in the previous month.

**Consumer Goods :—**The purchases and sales were Rs. 12.30 lakhs and Rs. 21.52 lakhs respectively. The progress is satisfactory and should be kept up.

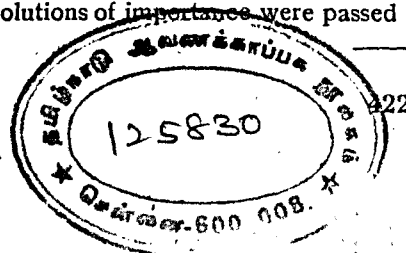
capital of primary stores which may be due to many stores not furnishing the figures. However, they should be advised by the special staff for supervision to restrict refund of share capital and to enlist more members strengthening the share capital position thereby. All co-operative wholesale stores are also to requested to reorganise their purchase departments and develop their trade on an all round basis. They should take up agency business and manufacturing processing activities on a larger scale and help the primaries to obtain their requirements at competitive rates. The special staff should devote their special attention towards this.

### Monthly News Page

At a meeting held under the auspices of the Hood Co-operative Institute Students Union, Tanjore, on 24-2-49, Rao Saheb K. Sarvathama Rao, M. A., Joint Registrar of Co-operative Societies (Resettlement), Madras spoke on the ideals of Co-operation and the progress of the Movement. He said that Co-operation is on *via media* between capitalism and Communism and blends with socialism in many respects, Co-operation is based on non-violent means. The members give up selfishness and strife for the common benefit. The volunteering aspect of it has made history—for instance, the Co-operative Milk Supply Union, Madras was successful during the evacuation period (1942). He deprecated the mere moralising aspect of Co-operation and emphasised the practical aspect of it. He exhorted the Youth to 'play up the game' in a real spirit of Co-operation.

The local Deputy Registrar and some members of the staff of the Institute also spoke of the need for a time understanding of the Co-operation is theory and practice.

A Conference of the Officers of the Co-op. Department was held in Madras on the 9th, 10th, and 11th March 1949. The Opening Session of the Conference on the 9th March was presided over by the Honourable Sri K. Chandramouli, Minister for Co-operation. Sri J. C. Ryan, Registrar of Co-op. Societies, welcomed the Ministers and the invitees. The Conference was declared open by the Honourable the Premier. The Honourable Sri K. Sita Rama Reddi and the Honourable Dr. Gurubatham also addressed the Conference. The Honourable Sri K. Chandramouli unveiled the portrait of Mr. W. R. S. Sathianadhan, former Registrar of Co-op. Societies. Many Resolutions of importance were passed at the Conference.



## The Madras Co-operative Central Land Mortgage Bank, Limited.

LUZ, MYLAPORE, MADRAS.

President :

SRI C. S. RATNASABAPATI MUDALIAR.

|                    |     |                |
|--------------------|-----|----------------|
| Authorised Capital | ... | Rs. 20 Lakhs.  |
| Paid up Capital    | ... | Rs. 11,93,500. |
| Reserves           | ... | Rs. 22,38,581. |

The Bank is the Apex Co-operative Bank for long-term agricultural credit and issues debentures for 20 years on the security of first mortgages transferred to it by Primary Land Mortgage Banks and its assets.

The principal of and the interest on these debentures are guaranteed by the Government of Madras. They are TRUST SECURITIES and are also approved Securities under the Insurance Act, 1938. A REDEMPTION FUND (SINKING FUND) is constituted to pay off the debentures of maturity.

### Summary of Balance Sheet as on 30-6-'48.

| Liabilities.            |                    | Assets.                           |                    |
|-------------------------|--------------------|-----------------------------------|--------------------|
|                         | Rs.                |                                   | Rs.                |
| Paid up Share capital   | 11,93,500          | Cash on hand & balance with Banks | 7,54,480           |
| Reserve and other Funds | 22,38,581          | Loans                             | 2,99,12,090        |
| Debentures              | 3,41,55,300        | Sinking Fund Investments.         | 75,95,681          |
| Deposits                | 89,92,061          | Other Investments                 | 34,62,638          |
| Sundry Liabilities      | 4,62,457           | Sundry Assets                     | 5,51,577           |
| Profit                  | 2,34,567           |                                   |                    |
| <b>Total Rs.</b>        | <b>4,22,76,466</b> | <b>Total Rs.</b>                  | <b>4,22,76,466</b> |

M. DATTATRAYULU, B.A., C.A.I.I.B.,  
Secretary.

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