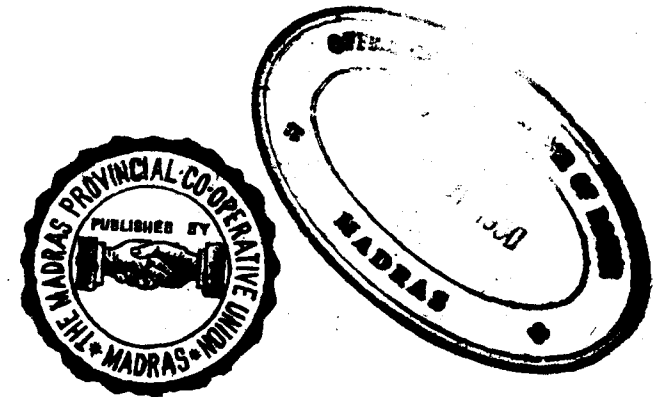


The Madras Journal of Co-operation



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CONTENTS

	PAGE
I EDITORIAL NOTES ...	465
II THE DEMOCRATIC STRUCTURE OF THE CO-OP. MOVEMENT—J. A. HOUGH, M.A. ...	478
III TAPPING RURAL SAVINGS AS DEPOSITS BY PRIMARY CREDIT SOCIETIES IN MADHYA-PRADESH—DR. C. D. DATEY, M.A., PH.D. ...	479
IV COTTAGE INDUSTRIES IN MYSORE STATE—SRI S. SRINIVAS, F.R.H.S. ...	488
V AGRARIAN REFORMS AND REHABILITATION OF AGRICULTURE—SRI M. DATTATRAYULU, B.A., C.A.I.I.B. ...	485
VI THE SILVER JUBILEE OF THE BHUPATHY RAJU CO-OPERATIVE CREDIT BANK, LTD., RAJAPALAYAM ...	492
VII THE TWENTIETH LAND MORTGAGE BANKS' CONFERENCE, MADRAS ...	499
VIII G.O.'s AND CIRCULARS ...	510

THE Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

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

APRIL 1950

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Vital Needs of Land Banks:

The recent Land Mortgage Banks' Conference, held in Madras is yet another endeavour to put wise heads together and solve problems affecting the agriculturist. Thanks to the popular governments in the Country, the ryot is receiving increased attention from the Government and the people. Yet enough has not been done to protect him against a host of uncertainties which render his business one of continuous deficit and his life one of growing debt.

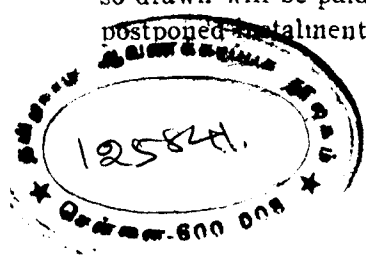
Co-operative institutions have helped some agriculturists to carry on their life with a little more fortitude than heretofore. Co-operation is yet to cover vast areas of land and huge numbers of *ryots*. For instance, in land mortgage banking, *zamindari* areas are unable to have long term credit for want of proper survey and compilation of the necessary data regarding lands and their incomes. A good deal of preliminary work has to be done by the State in this behalf. We are thankful to the Hon'ble Minister for Finance, Madras, for his assurance that these matters would receive the consideration of the Government. We only request the Government to move very early in the matter.

One very important problem that engaged the Conference related to the payment of instalments by the borrowers: While the primary land mortgage banks have been meeting in full their obligations to

the apex bank, the actual borrowers themselves are in arrears to the primary banks. As the Hon'ble Minister for Finance pointed out, "the success of land mortgage banking entirely depends upon punctual repayment of loans by the individual borrowers." And in a country like ours, where agriculture is still a gamble with Nature, such punctuality is often not possible. Recent conditions in the State have brought the fact to light too well. The recent cyclone in the northern districts and the partial failure of crops in the central and southern districts have marred the countryside; and therefore the *ryots* are hard up for money to meet their liabilities. In these circumstances how are the borrowers to meet their obligations?

Two alternative courses are open to them: Either the banks must give postponement of the instalments due; or there must be a source from which accommodation could be readily found for the purpose. Postponement of instalments, however reasonable in abnormal situations, is not possible since the Land Mortgage Bank is bound to meet its obligations regularly in respect of borrowed funds. The only course open to the *ryot* is to find ready money elsewhere to meet his liabilities. Crop insurance has been suggested as a protection to *ryots* against risks and bad harvests. The Conference has also resolved requesting the Government to introduce compulsory crop insurance. The Scheme, we learn, is receiving the attention of the Government. A comprehensive crop insurance scheme is not an easy matter. It requires the collection and study of data which *ryots* have never known before. This work relating to a wide range of soils, water supply conditions, and crops must needs take a long time. Even in U. S. A. where agriculture is advanced and agricultural statistics are available, compulsory crop insurance has been in existence for about a decade past and that too for one variety of crop—namely, wheat. A scheme for our State is not round the corner; it is yet to come. To leave the *ryot* helpless is an emergency until then is to be cruel to one who is the main stay of the people.

In the circumstances it is essential that a revolving fund as suggested by the Conference should be constituted so that the "defaulted" instalments may be drawn out of it by land mortgage banks on certification by a responsible Government Officer that the borrower is genuinely unable to meet the instalment. The amount so drawn will be paid back into the fund by the banks as soon as the postponed instalment is collected from the borrower.



EDITORIAL NOTES

But the question is how the revolving fund is to be constituted. The Conference has requested the Government to constitute the fund. The Hon'ble Minister for Finance who opened the Conference, referring to the request made by the President of the Bank in this behalf, said that "it has not been found possible for the Government to accept the proposal." He suggested that the Bank itself might constitute the fund from out of its reserves. We are afraid that the Bank cannot create the fund from out of its own resources without prejudice to its normal working. Its reserves, accumulated over twenty years, are a little over twenty-four lakhs of rupees and are meant for purposes other than meeting "defaulted" instalments. Its recoveries towards instalments just cover its current obligations like payment of interest on debentures and payment of instalments into the Sinking Fund. Its share capital of about Rs. 12 lakhs is virtually its working capital for current needs. It is therefore evident that for some years to come the Central Land Mortgage Bank cannot constitute a fund from out of its own resources.

In these circumstances is it not desirable that the Government should come forward to offer their helping hand? After all the amount required as suggested by the Bank is not more than Rs. 10 lakhs, interest free; and it should not be hard for the Government to earmark this much for the benefit of the poor *ryot*. It has been reported that in the U. S. A. the Government "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." Such an accommodation will surely help consolidate the progress and extend the scope of work of the land banks. It is high time the land banks in Madras undertook this work of consolidation and further expansion. Does it not then behove the Government to succour the land banks in the State by conceding their request for the constitution of the much-longed-for Revolving Fund?

The Co-operative Commonwealth and the Panchayat Raj:

The Madras Village Panchayats Act will shortly come into effect whereby the *Panchayat Raj* will be ushered in in our State. Numerous *Panchayats* will come into being. In fact, we gather that even now a campaign for organising new *Panchayats* is in

progress in the selected Firkas under the Firka development scheme. For instance in the Tirumangalam Firka in Madura district it has been said that there are now over two dozen *Panchayats* organised as against some eight existing some time ago. There is little doubt that a campaign for forming new *Panchayats* will be in full swing as soon as the Act comes into force.

A policy of Co-operative expansion also is now in full swing, following the introduction of a scheme of re-organisation; and over 54 per cent of the villages in Madras are covered by co-operative societies. And sooner or later, there will be many more in the State.

While the need for organising the two types of democratic institutions is recognised, it is also feared in some quarters that the existence of these twin institutions in the same village might bring in party politics which might disturb the peace of the locality. Only the other day Sri Chandrasekhara Iyer, a former Judge of the Madras High Court, speaking on adult franchise, expressed his fear that the village *Panchayats* might not work well on account of the disintegration of rural life.

Considering the unrest prevalent in the country, there is reason to fear that unhealthy group politics of administrative units like *Panchayats* may have repercussions on the socio-economic movement of Co-operation which is now slowly trying to build up the countryside. The Co-operative societies should guard themselves against any possible clash of interest. It was probably with a view to eliminate bickerings that in Orissa, the Co-operative Department has been entrusted with the supervision and administration of the *Gram Panchayats* under the *Gram Panchayat Act*.

In Madras no such measure is contemplated. The Co-operatives and the *Panchayats* are to function independently. They may however co-ordinate their activities in matters of common concern; for after all they are complementary to each other in village development. Prohibition, amelioration, sanitation, composting manure, adult education and audit, etc. may be undertaken in common for mutual benefit. But this co-ordination depends on educated and enlightened rural leadership. Here is the proper place for the *Firka* Development Department. It is training batches of Village Development Officers under a comprehensive scheme at the Rural Service Training Centres at Kallupatti in Tamil Nad and Gopannapalem in the Andhra Desa. Our Associate Editor had occasion to visit the

centre in the South and study conditions first hand. The Village Development Officers, thirty-six in number, undergoing training at the Centre are meant to be the connecting links between the various public institutions in the villages. They are to be in touch with these various institutions and help co-ordinate their activities. They are to be in fact "village guides." It is essential that such important rural officers should have unprejudiced notions about Co-operation and other public activities. Local Co-operative workers should impress upon them that the Co-operatives are not exploiting agencies but socio-economic service units. Such enlightened Village Development Officers can educate the local leaders and also help them work together until they come to feel that they are members of one family of selfless workers. The threads of the administrative and socio-economic activities can thus be interwoven into the fabric of peaceful village life. Such a consummation is devoutly to be wished!

Thrift Propaganda in the Countryside :

Thrift propaganda in the co-operative field both as a part of ameliorative activity following Prohibition and as a means of encouraging rural savings has been in progress for some time past. Thrift days are celebrated in all the districts by the ameliorative staff and *hundi* boxes are distributed in villages for depositing individual savings. It has been reported that during January and February 1950 some, 4593 *hundi* boxes were distributed and Rs. 39,456 was saved in the countryside in the Madras State. An earnest effort is in evidence throughout the State both on the official and non-official sides of the Co-operative Movement.

Experience however, seems to have brought to light the following points relating to rural savings :—

First, in some parts of the State, the desire to earn more and save a part of it is not very keen. For instance labourers in some parts of Ramnad, Madura, and Malabar are said to have expressed that there was no incentive to work harder and earn more since there was no need to spend on drink.

Secondly some people, particularly in the northern districts spend more on their food and clothing than before and hence do not often find a margin of savings.

Thirdly in parts of the State like the Rayaiaseema the problem of employment as wage earners or agricultural workers is keen and

THE MADRAS JOURNAL OF CO-OPERATION

subsidiary occupations are few. In consequence rural working classes have little to spare for the *hundi* box.

The fourth point—and this is the most important—relates to the relative scope of different classes of the rural population to save regularly even in small instalments. While the wage earning classes throughout of the State have a chance of depositing a part of their earnings daily or weekly, the small cultivators find it hard to deposit any sums in the *hundi* boxes; for they have little money until the harvest season comes. To such people, who also ought to save, the *hundi* box is of no avail. Some other feasible method must be devised to induce such men also to save periodically.

In respect of the first three points, we feel that more intensive propaganda impressing on the working classes the need to earn more and save a part of it and the need to take up some subsidiary occupations will have considerably response.

In respect of the last point, it has been suggested by some officers of the *Firka* Development Department that "saving" must be tacked on to agricultural credit. That is to say: whenever the ryot borrows some amount from his society for some purpose, it should be made obligatory on him to earmark a small part of it—say 5 to 10 per cent—for investment on some subsidiary industry or on the purchase of a bul or cow-calf. This gives him a side line of business and a source of income in course of time. This method may be tried in the rural societies in which case the co-operation of the Village Development Officers will be forthcoming in thrift propaganda. It may at the outset be difficult to get the ryots to agree to this proposal; but as intensive propaganda by the co-operative and the *Firka* Development Departments progresses it may be possible to secure some measure of success. Work in the directions mentioned above is therefore well-advised.

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The Democratic Structure of the Co-op. Movement*

J. A. HOUGH, M.A.

Research Officer, British Co-operative Union

The Co-operative Movement is the finest example of economic democracy in the world. The basis of voluntary co operation, both national and international, is perfectly democratic.

These are very large claims to make for any organization at the present day; so large, in fact, that they require to be proved and substantiated beyond all doubt. Herein, therefore, is set forth a factual description of the democratic structure of the Co-operative Movement. There is set forth also the indubitable contrast between the democratic principle of co-operation and the totalitarian ideology of communism.

Membership of a retail society is quite open and there are no qualifications as to class or creed. All that is needed to join is a few pence for the first instalment toward the one pound share. The other instalments may be direct contributions, or (as is often the case) may come from the dividend on the member's purchase left in the society to be credited to the share account. The system of dividend on purchases, with only a fixed rate of interest on capital, is the co-operative method of distributing profits, as distinct from the system of a dividend declared on the basis of a capital holding.

At the end of 1948 there were 10,162,299 co-operative members in Great Britain. These members are in the retail societies which are always based on a geographical area such as a city, town or village. The retail societies are incorporated by law as Industrial and Provident Societies and enjoy limited liability and most of the privileges and responsibilities of a limited company. The rules of a retail society must conform to certain requirements designed to safeguard the investments of the members against improvidence or fraud, and also to safeguard the democratic character of the organization and shareholding. British law requires that no member may hold more than £200 in shares of a particular society. This automatically restricts the extent of reliance on the funds of any one individual.

Voting qualification is exactly the same for each member regardless of differences in capital holding. The one-member one-vote

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This body itself is a co-operative society whose various committees, including its Central Executive, are elected from its society members. Through its various committees, for trade, education and politics, the Co-operative Union lays down broad lines of policy for the Co-operative Movement and organizes the Annual Congress. Retail societies and other society members of the Co-operative Union, however, are a law unto themselves in this great co-operative plan, and their independence and autonomy is complete. They may be advised to accept the majority policy decisions of the Co-operative Union or Congress (and they are accepting such decisions to an increasing extent), but there is no compulsion, nor can there be. Each society may freely decide its own policy at the will of its own members, and their decision and no other is binding upon it.

This nation-wide network of co-operative societies in Britain, which forms the loosely-knit consumers' Co-operative Movement, could only have grown, and can only exist, in a national economy which permits of freedom of trade and freedom of contract. Likewise perfect freedom of association and freedom of speech and thought are essential to the maintenance and development of the co-operative type of organization.

The success of the Co-operative Movement in Britain has been mainly in the type of society based upon the consumer's theory. There are, however, other types of co-operative society in the country, including workers' co-partnership societies and agricultural societies. The co-operative plan and co-operative principles may be, and are, adaptable to many types of society. In most other countries in the world co-operative societies of various types are found, for the co-operative idea has thrived on its initial success in Britain. The Co-operative Movement is now international, and neither the variation in the size of societies nor the difference in type interferes with the application of the basic and fundamental principles of democratic control. Its success speaks for itself.

Only one thing can challenge the growth and development of co-operative societies, provided they continue to satisfy the supreme test of relative economic efficiency. That challenge can come only from the growth of anything which leads to a suppression of their freedom and in interference with their democratic rights. Freedom is essential to the type of voluntary association represented by co-operative organizations. Therefore the infiltration of certain

insidious ideologies into world affairs must be regarded as a very grave menace to the co-operative idea.

Prior to and during the period of the war there was evidence to show how the dictatorship countries treated their Co-operative Movements. Both the Nazi and Fascist regimes persecuted and disbanded the co-operative societies within their jurisdiction. A totalitarian plan cannot permit of the existence of an independent democratic organization such as a co-operative society. And so the co-operative societies in such states had to be removed, otherwise they might themselves have challenged the supreme authority of the state. The right to choose allowed to individual members, and the right to criticise and decide the affairs of their own local societies, cannot be tolerated in a regime which depends for its existence on the rigid enforcement of a central plan.

In these post-war years the greatest threat to voluntary co-operation, and to a free co-operative democracy, has come from another type of totalitarian ideology, i.e., communism. In the Eastern European countries communist methods in gaining complete control of the co-operative type of organization have been clearly demonstrated. Various means are adopted by the communists in order to further their policy of infiltration into the co-operative type of organization.

Sometimes they organize rival societies and then work for an illusory unification of the two bodies in order to gain control. In other instances it may be by an organized attempt to gain election to the key positions in existing organizations. The aim, however, is always the same; that is, to gain complete control and direction for the party and to ensure that all policy shall follow, without question, the party line.

The co-operative societies and the Co-operative Movements of the countries in Eastern Europe under communist influence are no longer free and democratic organizations. Their members no longer have the right to choose; their officers and their committees no longer may decide their own programme and plan. These organizations are subject entirely to state and party orders, frequently against the interest of their membership. Even their development is kept back in favour of purely state trading organizations.

The history of co-operation in communist countries makes sad and confused reading. The totalitarian ideology of communism has

principle is not only a convenient administrative device but also an unchangeable legal requirement. Women may join on precisely the same terms as men, and indeed the larger proportion of members are women. The retail society is governed by a democratically elected committee of management, and women may be and often are elected to the committees.

The 1,030 retail societies vary greatly in size but they are all, large and small, governed in the same democratic way. The London Society is the largest retail society in the world with 9,36,501 members. Eight societies have a membership of over 1,00,000 each. The following table showing the size of societies and the percentage of total membership in each group is particularly interesting :—

Size of Society in Members.	Number of Societies.	Membership in Group.	% of total Membership %
1,000 and under ...	264	129,458	1.26
1,001 to 2,000 ...	174	258,018	2.54
2,001 to 5,000 ...	280	737,811	7.27
5,001 to 10,000 ...	155	1,106,328	10.89
10,001 to 20,000 ...	96	1,332,087	13.11
20,001 to 50,000 ...	75	2,278,777	22.87
50,000 and over ...	86	4,324,820	42.56

Co-operative membership has grown phenomenally, for it was only in 1844 that the Co-operative Movement on its present plan was commenced. It is still growing from year to year. The finances of the Movement are by now very strong. Retail societies alone hold to the credit of their members £245 millions of share capital and in addition have £60 millions of loans. Total reserves amount to £22 millions.

In 1948 the total retail trade of these societies amounted to £502½ millions; a figure which represents about one-seventh of national trade in consumer goods. The trade of the co-operative movement is strongest in the main food categories, and retail societies transact the trade in rationed foodstuffs of one-quarter of the population. All the main departments in retail trade are covered by the societies. The employees of retail societies number 260,862.

These statistics are sufficient to indicate that in these days the co-operative movement is a powerful force in the national economy, and it is quite correct to speak of co-operative business as "big business". The co-operative movement, however, is the reverse of

a monopoly or trust. Nothing could be more democratic than the co-operative structure.

A retail society is governed by its own members and its own members only. A visit to a members' meeting would be sufficient to check the validity of this claim. Any member has the right to attend and participate in the business of the meeting. Not infrequently the nuisance value of an obstreperous member may be demonstrated by critical questions concerning the accounts submitted or criticism of the organisation and the administration of the affairs of the society. That is accepted, for such an individual is rendering a real service to democracy in exercising the right to question.

It is on this foundation of retail members and retail societies that the vast superstructure of the consumers' co-operative movement in Britain is built. The co-operative movement, as distinct from any other type of organisation, is controlled from the bottom and not the top. The retail societies, by joining together in a federal manner, have formed the great organisations represented by the Co-operative Wholesale Society (in England and Wales) and the Scottish Co-operative Wholesale Society (in Scotland).

It is the capital of the retail societies which finances these two great bodies, and it is the retail societies which control them; for the boards of directors of the wholesale societies are elected by the retail societies. The capital funds of the wholesale societies now exceed £200 millions; their wholesale trade in 1948 was £308 millions, and they employ more than 66,000 persons. These societies, in addition to their wholesaling activities, engage in production in a large way. They also engage on a national scale in the business of Banking and Insurance.

In addition to these very large national organizations, the retail societies apply the same principle of federation to form "federal" societies on an area basis in typical economic zones to supply their needs in such trades as dairying, banking, laundering, etc. The retail societies are the constituent members of these local federations on the same democratic plan as that which underlies the structure of the larger wholesale societies. In actual fact the retail members own and control the complete foundation and superstructure of the British Co-operative Movement.

For non-trading advisory, educational and propaganda purposes the retail societies federate together to form the Co-operative Union.

completely subjugated the democratic ideology of co-operation for its own purposes. It will be remembered that Stalin in his "Problems of Leninism", Chapter 5 refers to the co-operatives as one of the "transmission belts" by which the Communist Party controls the population. This is now the main purpose of the co-operatives in Eastern Europe.

The Co-operative Movements in the Western democracies of Europe are by now well aware of the communist threat to their existence as free and voluntary organizations. The pioneer British Co-operative Movement has recently exposed the aims of the Communist Party in Britain to pursue the usual policy of infiltration into co-operative affairs. Communist tactics and methods are directly opposed to the spirit and methods of the Co-operative Movement.

If there is something typically British about the co-operative idea based on freedom and democratic control—an idea which was born in Britain and exported for the benefit of people in many lands—there is, on the other hand, something which is typically un-British and undemocratic about communism. Communism is not socialism, it is not democracy, it is certainly not co-operation as understood by those who believe sincerely in the principles of voluntary co-operation. The clash of ideas between co-operation and communism is obvious and inevitable.

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Tapping Rural Savings as Deposits by Primary Credit Societies in Madhyapradesh.

DR. C. D. DATEY, M.A., PH.D.,

Asst. Registrar, Co-operative Societies, Nagpur

Sponsors of the co-operative movement in India believed that the primary credit society would gradually evolve into a village bank, with enough capital of its own, to finance the agricultural and other urgent needs of the people in the village. The society, it was believed, would attract local capital, firstly, from the members themselves by promoting thrift among them, and, secondly, from the non-member investors by creating confidence in them. Thus, it was thought that the society would ultimately oust the Village Sowcar from his business, and force him to invest his savings with the society. Usury would thus come to an end and there will be a plentiful supply of cheap but controlled credit for the development of the village economy. The Committee on Co-operation in India, 1915 say the following about deposits in the societies: "Though we recognise that difficulties may be met with in cases where societies are very backward, we consider that in most places there is no other method of tapping local capital. Such deposits imply thrift in the village, form good lying money, and they tend to interest in the management of the society a useful body of men who stand as sentries over their own deposits."¹

It has to be confessed that these expectations did not at all materialise, so far as the co-operative credit societies in Madhyapradesh were concerned. Considerable encouragement was given in the 'twenties to the societies to attract deposits from both members and non-members. Restrictions on the source of the deposits, the rate of interest and their safety and liquidity were not deemed to be necessary. The societies were expected to possess knowledge of rudimentary banking principles, methods and practices and were thus considered to be competent enough to take decisions in the above matters.

Toward the close of the 'twenties it had become clear that it was too much to expect a primary credit society to develop into a village bank attracting sufficient capital from members and non-members residing in the village and adopting sound banking

¹Report of the Committee on Co-operation in India, 1915, page 28.

methods. The following circumstances were a clear indication of the above conclusion :

(a) Deposits from members were of a fictitious nature because most of them were compulsorily made. A part of the deposits consisted of accumulated dividends on the shares belonging to members. In some banks in Berar 5 per cent of the loan was compulsorily deposited in the deposit account of the members. The fictitious nature of such deposits is evident from the fact that most of these members had large loans outstanding against them. "The decrease in deposits of members in Berar was due to the discontinuance of the practice of compulsory deposits which prevailed in the Amraoti, Morsi and Daryapore banks and which instead of promoting habits of thrift increased the outstandings against members."²

(b) Deposits from non-member investors were not from people in the village but from urban people, who made them because of the higher rate of interest offered by the societies than by the co-operative central banks, and because of the implicit belief that the banks were more or less responsible for their repayment. The hope that the village money lender would some day turn into a depositor in the society never materialised.

(c) The societies never cared to adopt sound banking methods and to make provision for the repayment of the deposits when they become due. In most cases, therefore, they had to take loans from the Co-operative Central Banks for meeting their obligations. "Many societies must reduce their rates of interest on deposits to a reasonable figure ; and the tendency noticeable in some Berar societies to accept large deposits from urban areas should be discouraged. Rural societies should accept deposits more with the object of encouraging thrift on the part of the rural people. It is also necessary to impress on the societies the desirability of being able to repay their deposits out of their recoveries and for this purpose they must utilize their deposits in easily realizable loans. The Yeotmal Central Bank had advance nearly Rs. 60,000 to societies during the year to enable the latter to repay their deposits. This certainly does not show that deposit business is being done on sound lines by these societies."³

²Report on the Working of the Co-operative Societies in the Central Provinces and Berar for the year ending 30th June 1933, page 15.

³Report etc., for the year ending 30th June 1929, page 18.

Under these circumstances it was found necessary to impose some restrictions on the power of the societies to accept deposits from members and non-members, so that sound banking practices are ensured. These are given in the Memorandum No. 1271-A of the 19th May, 1931. The main features of it may be outlined thus.

(i) Primary Credit Societies will accept deposits subject to repayment at their convenience.

(ii) The rate of interest on deposits from members shall not exceed that charged by the local central bank on loans to societies.

(iii) The rate of interest on fixed deposits from non-members shall not exceed that charged by the local central bank by more than one per cent.

(iv) Only good and solvent societies will be allowed to accept deposits with the previous sanction from the Registrar of Co-operative Societies.

(v) Repayment of the deposits should ordinarily be made from recoveries and not from loans from Central Banks.⁴

These restrictions naturally led to the gradual withdrawal of deposits of the non-members from the societies ; because the attraction of one per cent higher rate of interest was not enough to compensate the additional risks involved in maintaining deposits with the societies. In Berar where the practice of accepting deposits from non-members was more common, there has been a continuous decline in the amounts at deposits from both members and non-members. At the close of 1930 the figure stood at Rs. 6,58,490, whereas at the close of 1948 it was reduced to Rs. 94,449. For the Province as a whole the corresponding figures are Rs. 7,66,373 and Rs. 4,34,720. Madhyapradesh excluding Berar societies had a steady deposit of about one *lakh* of rupees until 1940. After that year there has been a steady increase so that in 1948 the total deposits were Rs. 3,40,271.

This brings us to discuss the question whether the primary credit society can successfully tap rural savings by way of deposits. The experience of Madhyapradesh Societies is, as has been indicated above, to the contrary. The Primary Society is too small a unit to manage deposits on sound business lines. Large-scale operations

⁴The Central Provinces and Berar Co-operative Manual, Vol. I., pp. 66—67.

are necessary in the interest of economy and efficiency in banking as well as in any other business. The small-scale operations of the society cannot permit it to attract deposits from rural investors at sufficiently low rates of interest. Again, it is too much to expect societies, where the majority of the members cannot read or write, to follow sound banking methods in the management of the deposits. Restrictions similar to those imposed on the Madhyapradesh societies, therefore, become necessary to prevent them from adopting unsound practices.

Such restrictions further restrict the ability of the societies to attract deposits from the people. If the goal of substantially reducing interest rates to members of societies is to be achieved the Primary Credit Societies cannot be permitted to tap savings of the rural population. This job should be left to Central Co-operative Banks more preferably to the Provincial Co-operative Banks.

THE CENTRAL PROVINCES AND BERAR
(MADHYA PRADESH)

Provincial Co-operative Bank, Limited,
Mahal, Nagpur—2.

	...	Rs.
Authorised Share Capital	...	20,00,000
Paid-up Share Capital	...	10,23,800
Reserve and Other Funds	...	11,25,600

SIR M. G. DESHPANDE, K. B. E.,
Chairman and Managing Director.

The Bank's Shares and the following (fully guaranteed by Government)
Debentures are available for Sale.

VIII Series Ten year 3 % debentures issued at par.
IX Series Fifteen year 3 % debentures issued at 99 %.

For the last 4 years the Bank has been paying dividend at
5% per annum, income-tax free.

ALL KINDS OF BANKING BUSINESS DONE.

For particulars apply to:—

G. A. BHONSULE,
Manager.

Cottage Industries in Mysore State

SRI S. SRINIVAS, F.R.H.S.,

*Vice-President, Indian Co-operative Union and President, Mysore
Provincial Co-operative Institute and Apex Bank, Bangalore*

Dr. Shyamaprasad Mookherjee, Minister for Industry and Supply, Government of India, in his Presidential speech at the Second Session of the All India Cottage Industries Board has recently called upon India to give a new orientation to production in respect of Cottage Industries emphasising the importance of developing them as the solution of the difficult economic situation which confronts India to-day. He has expressed his faith also in developing these small scale and Cottage Industries on co-operative principles. He said "It is recognised by all of us that the best possible organisation for small scale and Cottage Industries is the co-operative organisation. The question of a co-operative organisation of industries has been repeatedly considered by many planning committees. What is needed now is not so much new committees to consider the problem but renewed efforts at organisation and implementation of the recommendations already made. It is disappointing that the co-operative organisations of Cottage Industries have made little progress except in a few areas. This is a matter which we cannot afford to neglect any longer. The proposal which has been made and which will come up for our consideration is that each State Government should select at least one District and make an intensive effort for the organisation of industrial co-operatives there. A State Government to a certain extent must have a general organisation covering the entire field even though the effectiveness of such an organisation is bound to be diluted." It is a matter of gratification that our State Government has rightly accepted the above principle before long; and that the Minister for Finance and Industries has devised ways and means, with the assistance of a Committee comprising of the Heads of Department of various Development Departments and the non-official gentlemen interested in the small scale industries, for establishing Cottage Industries on a firm basis in two of the Districts. There is vast scope for exploring the possibilities of organising more industrial co-operatives for the benefit of artisans and craftsmen in the rural parts. Sir M. Visveswaraiya, President of the All India Manufacturer's Organisation has, while outlining the Industrial Scheme in rural areas, said recently that these areas should be divided into groups of villages

of manageable size to facilitate co-operative effort. No country or village unit which aspires to be reasonably self-supporting can do without agriculture and industrialisation. No doubt we see in Mysore State here and there a few families engaged in weaving, mat-making, carpentry, smithy, etc. But they suffer at present from a number of drawbacks. Owing to lack of organisation, uniformity of products cannot be secured and inferior articles are produced. The handicraftsmen are invariably in debt. The lack of efficient sales agencies render them a prey to the exploitation of the merchants. Hence the primary task with a view to rehabilitate small scale industries is to organise the handicraftsmen in rural areas into co-operative institutions for their mutual benefit. By the adoption of such a course of action as the organisation of industrial co-operatives, the ryots are said to have been given necessary incentive to work for their own uplift and to build up national wealth in the long run. In the absence of such organisations, any amount of external agencies or forces would not be of much avail. Moreover this has been the experience of the past also.

While congratulating the Government of Mysore on its having taken certain steps to organise such associations or organisations, I regret to say that they have missed sight of one other important point, viz. the establishment of a Central Industrial Co-operative Organisation. This must be a general organisation composed of the representatives of Government and business men who by mutual co-operation shall maintain an atmosphere favourable to the rapid growth of industries. Funds must be raised throughout the State from industrialists, financiers, co-operative societies and public investors. This central organisation of course in the very nature of things, cannot deal with individual unit of Cottage Industries. The function of the Centre should be limited to the co-ordination of the work done by the co-operative organisations in rural areas, rendering them specific assistance when required. It should, besides this, perform the duties of a financial corporation also. It should undertake its activities in certain limited fields such as the marketing of products and raw materials, promotion of exports, watching the Country's movement in trade and industry and providing technical and financial advice to sister organisations. Shall we hope that the Government will make an immediate investigation regarding the feasibility of establishing one such institution at Bangalore?

Agrarian Reforms and Rehabilitation of Agriculture*

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

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

Mr. Chairman and Friends,

I am grateful to your Association and my friend Mr. Ramunni Meenon for giving me an opportunity to meet you here and exchange thoughts. You are the future mentors of the co-operative movement and your responsibilities are great.

Your work is in the villages and when once you are there, you will realise that our country really lives in the villages and that the success of all economic schemes that are formulated in the several departments of Government in the Secretariat can really be measured only in terms of the good that they have been able to afford to the villagers. These policies in turn are framed from the material gathered and furnished by Government officers like you who are closely associated with the villages and know their needs. The responsibilities of the officers have grown ten-fold since the dawn of Independence. There is a conscious effort made by the Government to ameliorate the condition of the village folk and place the shattered rural economy on a sound basis. The urgency for an all comprehensive policy has been accentuated by the disconcerting food position of our country. There is a school of thought which holds that if all land is owned and operated by the State, the production will go up and our food position would be considerably eased. There are others who think that if large scale farming on modern lines is practised by private individuals who have the necessary resources and capital to invest, the production would go up. Yet another school there is which thinks that if land is parcelled out in small bits and the tiller of the soil is made the sole proprietor thereof, production will go up. They cite the example of small holders who devote all their labour and attention to drawing out the maximum from their holding and calculate that if only all the holders are given such a chance, the production of food will increase by leaps and bounds.

Besides maximising production another urgent reason for dealing with the land problem is the general unrest prevailing in rural parts on account of economic distress. You might have seen in the papers last week that in Southern Italy there was an agrarian rising and landless labourers divided the big estates amongst themselves and propose to cultivate the land this season. It has also been reported that Government has decided to back them up and pass necessary legislation to acquire all those estates and give effect to the divisions already effected. Their plan is to pay

*Address delivered at the Central Co-operative Institute, on 21-3-1950.

THE MADRAS JOURNAL OF CO-OPERATION

compensation—it is not said whether it will be an equitable compensation—to the dispossessed landholders, 40 per cent., in cash and 60 per cent., in bonds. So far as the labourers who have taken possession of the lands are concerned, they will be asked to pay a small amount towards initial payment for the land taken or allotted to them and thereafter, pay annual rental to be fixed by Government.

Sometime in 1946, Japan introduced comprehensive land reforms in their country. It was found that 70 per cent., of the farmers mostly cultivated leased out land, 67 per cent., of the farmers cultivated less than 2.4 acres which naturally led to inequitable rents ranging from 50 to 70 per cent., of the gross income. By the 1946 Reform Law the lands owned by absentee landlords and the tenant-or owner-operated lands in excess of a specified limit were all purchased by Government for resale to eligible agriculturists. Land owners were paid in bonds of multiples of 1000 yen bearing interest at 3.65 per cent., and redeemable in 24 equal instalments. The tenants purchasing the land will have to make certain initial payments and repay the rest in 24 annual equated instalments with interest at 3.2 per cent. The lands so purchased should not be sold or hypothecated during the currency of the loan. If the tenant purchaser desires to sell the land during the 24 year period, he will have to resell the land to Government on terms similar to those of the original contract, which means that he will get the amount invested by him in the number of years he took to pay the Government for the land. It is said that after giving effect to this land reform policy, the Japanese Government have found a fairly large number of cultivating families with uneconomic holdings. Such families are unable to balance their budgets in spite of intensive farming practices and the Government are devising means to supplement their income.

In the Monday morning papers it was published that in the State of Jammu, Kashmir, a scheme of land reform is being given effect to according to which all the big estates are parcelled out and the tiller of the soil is given proprietary right over the land he tills. The other details of the scheme have not been published.

In our own Madras State the Zamindari Abolition Act has wiped out the biggest middleman between the Government and the actual tiller of the soil. Land reformers have been pressing that the Government, after having abolished the Zamindaries, should take the logical course of eliminating the remaining middleman, *i. e.*, the pattadar where he is himself not cultivating the land. They say that absentee land lordism has led to rack renting and that it is time this evil was rooted out by diverting such land owners of all rights in the land. They also suggest that persons with big estates even where they are cultivating the whole estate themselves should be dispossessed of their land excepting for a portion which they can manage with their own

labour. There are big land owners who are not able to bring under cultivation all the available land that they possess. For years it has been lying waste because firstly their capital resources are not adequate to pay for all the expenses if the land is to be brought under cultivation and they cannot stand the financial strain if there is failure of the crop due to any reason in any year. In such cases the land reformers suggest that they should be dispossessed without any compensation. A Conference of all Provincial Revenue Ministers which met at Delhi in 1947 recommended the appointment of a Committee to enquire into and report on the agrarian reforms that Governments may introduce in the various States. The report of that Committee *viz.*, the Kumarappa Committee report is now before the country. The main features of this report, have been published in the papers. The Committee has recommended that where the land is cultivated by the same tenant for a period of at least six years, the ownership of such land should be vested in that tenant. He need only pay the small rent which in any case will not exceed one third of the gross yield. Where the land is cultivated by a tenant for less than six years, the owner should be given reasonable chance to resume and cultivate it himself. Mere resumption to get it cultivated through hired labour is not accepted. Every person who claims right of ownership of agricultural land should himself put in a certain minimum amount of personal labour. The holding of land should be in economic units which will provide full employment for normal family and a reasonable standard of living to the cultivator. The optimum of holding in the country should not exceed three times the economic holding. The size of the holding will, of course, differ from place to place with reference to the yield from the land, etc. The Committee also thought of uneconomic holdings and the treatment that should be given to such holders even, after the redistribution of land according to their plan. They said that the number and percentage of such holdings in India is so large that the task of rehabilitation of such a vast sector of the agrarian economy would be beyond the organisational competence of the State. They, therefore, desired formation of basic holdings which will be smaller than the economic holdings and to which rehabilitation treatment may be given.

Due to the prevailing laws of inheritance which provide for every male member of a Hindu family acquiring a portion of his patrimony there has been a continuous and merciless subdivision and fragmentation of holdings. In the Madras State figures show a very wide distribution of land among the rural population. The report on the settlement of land revenue for the year 1945-46 shows that the 2,76,61,000 acres of ryotwari land cultivated in that year was held in 40,12,341 single pattas and 31,76,765 joint pattas. More than 77 per cent of the single and 78 of the joint pattadars pay an assessment of less than Rs. 10 and 82 per cent of the agricultural families hold 5 acres and below while another 7 per cent

hold below 5 and 10 acres. That is 89 per cent of the holders will therefore fall below the basic holding category which the Kumarappa Committee recognised it was beyond the competence of the State to rehabilitate. If a careful economic estimate is made and if a family of five is to live in reasonable comfort those paying an assessment of upto Rs. 50 cannot be classed as persons with an economic holding. They constitute another 19 per cent of the single and 20 per cent of the joint pattadars. Thus about 97 per cent of the pattadars hold uneconomic holdings. Again if we take into account the percentage of population dependent on agriculture and those actually engaged in agriculture we will find that the dispossession of property rights recommended will again leave the problem in the same complex and insoluble position. The total agricultural population in the Madras State is estimated at 3,61,42,332. Those cultivating their own lands are estimated at 2,06,01,120 or 57 per cent., of the agricultural population. Those who have leased out their lands are estimated at 50,59,928 or 14 per cent. Another 14 per cent. are land less labourers who cultivate others' lands while the remaining 15 per cent. cultivate others lands, as their own holdings are too small. Now the Kumarappa Committee's Report does not touch the first 57 per cent. who are cultivating their own lands. It may be said that it does refer to some of them who owning large blocks of land might be cultivating their own lands. In the Madras State the number of persons owning big acreages is small. The number of single or joint pattadars paying an assessment of Rs. 500 and above is 10,681. Amongst them those who pay Rs. 1,000 are only 1,353. Most of these would have leased out their land. So I think, it may fairly be taken that the 57 per cent., of the agricultural population who are cultivating their own lands cannot come under the Kumarappa axe. The land that will be left over by resumption by the State for distribution as suggested by the Committee will be really small and while it cannot bring the desired relief to those to whom it is assigned, such distribution would mean utter misery to the affected owners, disrupt the economy and damage the moral and material resources of the State to a degree, the consequences of which cannot at present be imagined. In other countries with an industrial back-ground where the avenues for employment are many and where the agricultural income forms only a small percentage of its total national income, the reform would not cause such wide spread distress as it would in our State with a lop-sided economy where agricultural income forms over 77 per cent., of the national income. Changes in ownership of property by legislation always imply, unless it is outright expropriation, certain debt burden to the acquirer of the rights and well defined limitations on the transferability of land.

Co-operative Land Mortgage Banks which have been issuing Loans on the security of land for the last 21 years have tried to observe the principle of redeeming agriculturists from the burden of debt. For this reason they

take all the necessary information from an applicant for a loan to see whether the loan granted will relieve him of all his debts whether after incurring necessary expenditure the borrower will have enough surplus to pay the instalment to the bank and thus repay the debt from out of his own resources. Every one who has a saleable interest in land can obtain a loan from a land mortgage bank provided he satisfies the conditions of the loans. So several people in Government and other services and professions have taken loans. At the time of sanction calculations were made and we were satisfied that they would repay the debts from their income. But our experience has been that in a number of cases these borrowers, both professional agriculturists and absentee landlords, while the old debt to the Land Mortgage Bank is subsisting they have applied for a second loan either on the security of the same property where there is a margin or on other property. If this is the case with land owners who besides getting their income from the land employ themselves elsewhere and earn substantial incomes the plight of villagers who depend solely on the land can be imagined. 'Once a debtor always a debtor' is true of the villagers in every letter of it.

Now if the Kumarappa Committee recommendations are given effect to and land above three times the economic holding is resumed by Government and allotted to other agriculturists it would mean that sooner or later these will also soon lapse into the category of those who have to sell off their holdings to meet their necessities. That is to say that while the benefit to be conferred is doubtful it will certainly injure the general economy of the country as well as the victims of such reforms.

Where the law of primogeniture holds sway, there is a possibility of a farm as a unit surviving one or two generations. But in our country, the results achieved by agrarian reform cannot be retained for more than one generation, for the farm would be broken up at the first partition in the family.

I, therefore, think that our land reform policy should not be the result of legislation. It should be the result of a bold and comprehensive agricultural policy. At the same time, an industrial policy which would industrialise the country in the minimum time, make the people machine-minded, dynamic and adventurous, should be vigorously followed. Highly prosperous industry will draw out the surplus population from the land and that will ease the tremendous pressure at present put on land. Prosperous industry would necessarily mean prosperous agriculture and *vice versa*.

What are the objectives of a comprehensive agricultural policy?—

(1) Maximising production from land, *i.e.*, the land should be made to yield the highest it is capable of.

- (2) The tiller of the soil must get the maximum fruit of his labour.
- (3) The return from agriculture should be adequate to maintain a farmer and his family in reasonable comfort, and,
- (4) All classes working on land should be economically self-supporting and given full scope for intellectual and cultural development.

In order to help achieving these objectives, Government should provide facilities for purchase of agricultural land by the actual cultivators. Land Banks in the United States advance up to 75 per cent., of the estimated value of the farm proposed to be purchased with interest at 3½ per cent repayable in forty years. At the same time, facilities are given to the purchaser to arrange for the balance of purchase money and the requisite capital to operate the farm. In our country, we cannot advance directly for purchase of land, as the binding nature of such a debt on minors is doubtful. Further, if we advance money for the purpose in the existing conditions, we will be unduly inflating the already inflated land values. But facilities, both legal and financial, ought to be created for purchase of land by actual cultivators.

While encouraging farmers to purchase lands so that they may become owner-cultivators, it is at the same time necessary to adopt measures for rehabilitation of agricultural families. One of the most important measures in this connection is to encourage submarginal farmers to join co-operative farming societies for, if properly managed, it provides a scale of operation at or near "the lowest cost per unit" point. At the same time production is bound to go up as with the combined resources the society will be in a better position to put up the necessary capital for efficient cultivation. Indeed, the Kumarappa Committee did recommend co-operative joint farming as the best solution for rehabilitating the submarginal farmer.

In our State efforts are being made in the direction of co-operative farming. We have got the tenants and field labourers societies which have taken large blocks of Government land and leased them out to their members keeping practically little or no margin for themselves. If these societies levy a fixed percentage of the value of the lands as the annual instalment payable, these tenants and labourers would in course of time become owners of these lands. It is said that in a village in Chingleput district a society has been started for the tenants of absentee land-lords. Such societies should be multiplied and besides a reasonable rent for the land, the tenants should be asked to pay an annual instalment to become the owners of the land they till. It will then be possible to infuse a new spirit into the minds of the tenantry and make them work whole-heartedly for the betterment of the country as well as themselves. The land owners may be paid the cost of their land in one lump sum; or at the end of the period the society may pay the accumulated amount in one lump to the

owner. The latter is a better method and will not in any way adversely affect the economy of any of the parties.

In the end I wish to emphasise that transfer of property rights by Legislative fiat will not really solve our difficulties, because there is not enough agricultural land to provide every cultivating family with an economic holding. Therefore, one of the most fundamental reforms should aim at the transference of the surplus population on land to non-agricultural pursuits. Unless this fundamental agrarian reform is given effect to, the reform of land tenure will be barren of any perceptible result so far as the standard of life of the agriculturist and agricultural efficiency is concerned.

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numbers.

K. GOVINDA WARRIER,
Secretary.

The Silver Jubilee of the Bhupathy Raju Co-operative Credit Bank, Ltd., Rajapalayam

Address Presented by Sri P. S. Subba Raja, President, Bhupathy Raju Co-operative Credit Bank, Ltd., Rajapalayam, to His Excellency Commodore Maharaja Raol Shri Sir Krishna Kumarsinhji Bhavsinhji (Maharaja of Bhavnagar) Governor of Madras State, on the occasion of Unveiling the Portrait of the Hon'ble Sri P. S. Kumaraswami Raja, Chief Minister, Government of Madras, on 24th February, 1950.

Your Excellency, Co-operators and Friends,

We are to-day celebrating the Silver Jubilee of the Bank, when, after 25 years of hard and patient striving against set-backs and difficulties, it has turned the corner, has come into its own, and is well set on the road of progress. On this day of success and rejoicing, when a new chapter of prosperity opens for this premier co-operative enterprise in this town, we love to install in the Bank hall the portrait of Sri P. S. Kumaraswami Raja, the founder and father of the institution, so as to serve as a token of our regard and affection for him and as an inspiration for us for further efforts to improve the Bank in ever increasing measure.

Sri P. S. Kumaraswami Raja is an all-round public worker who has earned a place in the front line of provincial leaders through his ceaseless and devoted services in the last three decades and more. Co-operation is a dear movement for him and his connection with it is long, intimate and many-sided. Besides having served on the management of the Madras Provincial Co-operative Bank, the Madras Co-operative Central Land Mortgage Bank and the Madras Provincial Co-operative Union, he has been the President of the South India Co-operative Insurance Society, Madras, the Madura-Ramnad District Co-operative Wholesale Stores, the Srivilliputtur Taluk Co-operative Land Mortgage Bank, the Rajapalayam Co-operative Milk Supply Society and the Rajapalayam Co-operative House Building Society.

But it is as a valiant and faithful servant of the Indian National Congress, that he has made a mark in the public life of the province. He entered politics when he was just nineteen; and ever since he has practically spent his all and given himself up, for the cause with an energy, love and continuity which evoked the admiration of co-workers and provoked the despair of adversaries. It was not long before his metal and mettle were recognised. There was hardly any important congress committee or commission to which he was not chosen and wherein he did not distinguish himself. On top of all has come now the telling appreciation of his missionary zeal for the congress cause and public weal, in the form of his

SILVER JUBILEE OF THE BHUPATHY RAJU CO-OP. BANK, RAJAPALAYAM

election to the high office of the Chief Minister, wherein too, signs are not wanting that the impress of his personality is bearing fruit.

His is a character that has been cast in a big mould. A broad sense of humanity informs every one of his actions and hence members of all communities and classes approach him with confidence for redress of grievances. He is seen at his best when studying and tackling a public question. His passion for relevant information, his impatience with laziness and slovenliness, his alert debating keenness, his sense of proportion, his outward downrightness and inner poise, his practical decisive judgment, his robust commonsense and above all his shrewd discernment of the core of things, all these qualities that come into full play at the time, are an object lesson in perspective view and correct approach.

It is our proud privilege and pleasure to put up a portrait of such an exemplary personality in this hall, and we do hope the picture will inspire many a rising generation, particularly those who may take to public life, to follow in his foot-steps and attain success after success, even as he has done. We consider ourselves singularly fortunate that such a distinguished person as His Excellency the Governor of Madras, whose sympathy with the popular cause has been marked by his voluntary and princely offer of his State for merger into the greater and Unified India, has consented to unveil his portrait. His Excellency's participation in this morning's stately proceedings gives a crowning grace to this memorial function in honour of our revered founder of the Bank, which we have specially arranged as the first auspicious, solemn and integral part of to-day's Silver Jubilee Celebration of the institution.

On behalf of the members of the Bhupathy Raju Co-operative Credit Bank, Ltd., I have great pleasure in requesting His Excellency to unveil the portrait of the Hon'ble Sri P. S. Kumaraswami Raja.

'JAI HIND'.

Speech delivered by His Excellency the Governor of Madras (Maharaja of Bhavnagar) State at the unveiling of the portrait of Hon'ble Sri P. S. Kumaraswami Raja (Chief Minister, Government of Madras) on 24th February 1950 at the Bhupathi Raju Co-operative Credit Bank Buildings.

Mr. Subba Raja and my friends,

You have done me a great honour to-day in inviting me here and in asking me to unveil the portrait of my colleague Sri P. S. Kumaraswami Raja for, I can call him, I think, in every respect my colleague, even though as a constitutional Governor I cannot claim the same place of

importance perhaps as a Minister ! My acquaintance with him is not of very long duration—only since April 1949—but I have long become familiar with his achievements and the great work that he has been doing in this State. As one of the most distinguished sons of this town, there is no need for me to speak of them in detail. It is sufficient for me to say that his association with public activities started as far back as 1920 and it is from this period that he interested himself in the co-operative movement, an interest which has made his name a house-hold one in the co-operative sphere in this State. You have referred yourself to the many institutions, banks and societies with which he has been associated and I have noticed that the great strides that have been made by the Co-operative Credit Societies and Land Mortgage Banks in this district, have been due, in a very large measure, to the whole-hearted work done by him. As an Agriculturist, the importance of these Societies were apparent to him from a very early date and even during the general economic depression of the early thirties, the co-operative movement continued to flourish in this district. In 10 years, from 1930 to 40, the number of these Societies, I believe, increased from 185 to 303 while the membership of the Co-operative Land Mortgage Bank went up from 110 to 560 in the last five years of this period. It has been stressed by almost all students of our economic structure that the real solution for many of our economic problems lies in an expansion of the co-operative movement. And it is for Sri Kumaraswami Raja that we owe a tribute, for having realised this solution so long ago and adhered to it with such resolution and with such a spirit of whole-hearted service.

His political activities also date from those days and his part in our freedom struggle and in the Satyagraha movement, is one which you all remember. His career at that period, if I may say so, was an example as he could be a "Co-operator" and also a "non-co-operator" at the same time. His devotion to the public interest and to the service of this country, his skill in tackling our problems, his judgment based on his wide experience, are all matters with which I am personally familiar. At the same time, he combines an unassuming modesty, and a standard of true courtesy and good manners, so essential in public life, which has made our work in the administration as well as our relationships outside official routine, a very happy one indeed and one which I very greatly value. It is a privilege for me to unveil his portrait and I join with you all in this tribute to him and our every good wish for his prosperity.

Silver Jubilee Address by Sri A. Palaniappa Mudaliar, M. A., Deputy Commissioner of Prohibition (Amelioration) and Joint Registrar of Co-operative Societies, Madras, on the Occasion of the Silver Jubilee of the Bhupathiraju Co-operative Credit Bank, Ltd., Rajapalayam, on 24th February 1950.

Hon'ble Ministers, Ladies and Gentlemen,

I am very grateful to Sri P. S. Subba Raja and his colleagues on the Board of Management of the Bhupathiraju Co-operative Credit Bank, Rajapalayam, for having given me this privilege of participating in today's function and speaking a few words to you on this happy occasion. Sri J. C. Ryan, Registrar of Co-operative Societies, should normally have delivered the Jubilee address to day: but as his presence is required at Bombay in connection with the Rural Banking Enquiry Committee appointed by the Government of India, of which he is a member, it has fallen to me to give the Address. I am happy indeed to discharge this pleasant function, for one of the earliest places with which I became acquainted during the days when I was Assistant Registrar, Ramnad, about 20 years ago, was Rajapalayam, which has been one of the live centres of Co-operative activity in the district. The twenty-fifth anniversary of any public institution is indeed a milestone in its history and deserves to be celebrated in a fitting manner. You are fortunate in having secured the services of the Hon'ble Sri K. Chandramouli, Minister for Local Administration and Co-operation to inaugurate the celebrations. Under his able guidance, Madras is fast developing on the co-operative field and his presence today will be a source of great encouragement to the workers here. On an occasion like this, our thoughts naturally turn towards the origin of the institution, its original promoters, and those who nurtured it during its infancy and have brought it to its present level. 14 out of the 18 original organisers of the Bank are happily with us today and I am sure that they will be experiencing a sense of exhilaration at the thought that the Bank which they helped to start and whose affairs they conducted in its important years has expanded to its present dimensions and established itself permanently in this magnificent building worthy of the high ideals with which they had helped to found it.

You have just now heard Sri P. S. Subba Raja giving an account of the progress made by the Bank during the last two decades and a half. Started in the year 1924, with 47 members and a share capital of Rs. 465 there are at present nearly 1,200 members on its rolls with a share capital of Rs. 25,000. It holds deposits to the extent of Rs. 2.5 lakhs and its annual business turnover amounts to nearly Rs. 39.3 lakhs. It had no doubt its difficult days also during the 'thirties; but it tided over the situation and now occupies a prominent place among the urban credit institutions in the State. The achievements of the Bank are indeed a record of

which any co-operative institution may well be proud and I heartily congratulate the Board of Directors on the excellent results achieved so far. I would like to refer to a few of the special features in the working of your Bank which may be emulated by other urban banks in the State. First it is gratifying to note that the Bank is working almost on deposits and share capital without having recourse to borrowings from the District Central Bank. That deposits from non-members should exceed two lakhs of rupees is a testimony to the soundness of management and the confidence which the non-member depositors repose in your institution. Secondly, thanks to the foresight of the promoters of the Bank, you have built a fine building to house the Bank. The possession of a building, apart from its utility, adds prestige to the institution and gives it a certain status and permanence so essential for the well-being of any business institution. Incidentally, you have helped sister co-operative institutions in the town in a truly co-operative way by permitting them to locate their offices here and I am sure the building will serve as a centre of co-operative endeavours in this town. Thirdly, you have led the way to other institutions in undertaking multipurpose activities. Apart from providing short-term and medium-term loans and other modern banking facilities such as acting as a transmitting agency for the co-operative banks at Mathurai and Madras, acting as an agent for the collection of premia on behalf of the South India Co-operative Insurance Society, the Bank undertook the distribution of seeds, implements and cloth for the benefit of its members. It has undertaken procurement work in two revenue firkas in the Srivilliputtur taluk and is running three ration shops for the distribution of food-grains. It also runs a library and a reading room for the benefit of the public. In short, it is playing an effective role in the social, and economic life of its constituents.

Rajapalayam will long be remembered for the part it played in the national struggle for freedom. No less noteworthy is its contribution to the cause of Co-operation. You have held aloft the true principles of Co-operation. Mahatma Gandhi, whose portrait has just now been unveiled by the Hon'ble Chief Minister, was essentially a co-operator. It is in the fitness of things that the portrait of the Father of the Nation, who was an exponent of the claims of the weak and the poor and a champion of the cause of the downtrodden and the oppressed should adorn the walls of your Bank as an emblem of the unifying force of Co-operation, and of the great moral force for which it stands. The Bank has been singularly fortunate in having had the Hon'ble Sri P. S. Kumaraswami Raja as its Founder-President. He held this post during all these years except when his services were required elsewhere as Minister for Agriculture or Chief Minister. Gentlemen, I need hardly dwell at length on the great services rendered by the

Hon'ble Sri P. S. Kumaraswami Raja to the country. For over 80 years he has been in the forefront of every progressive movement in the country—be it political, social or economic. In a distinguished gathering like this, composed mostly of his townsmen to whom his sacrifices for the cause of freedom and his services to the Motherland are well-known, it will be carrying coal to New Castle if I should refer in detail to his public career. He is one of the oldest and most out-standing co-operators of Tamilnad and has served with distinction on almost all the Provincial Co-operative institutions in the State. Till recently he was closely connected with the management of the important co-operative institutions in Ramnad district and in your town. His calm judgment, unruffled temper, high integrity and selfless work his abundant energy and unbounded enthusiasm for public service have won for him a high place among the noble band of co-operators who have toiled to harness the co-operative method for the economic emancipation of the masses. May his portrait unveiled this morning by His Excellency, the Governor of Madras, who is taking a keen and abiding interest in co-operative organisations, inspire many a rising youngman of the Town to follow his footsteps. I shall be failing in my duty if I do not refer to the services of that selfless and silent worker, Sri P. S. Subba Raja, the President of your Bank, Less ostentatious but equally fruitful has been his association with this Bank. He holds the unique record of having been connected with the management of the Bank as its Secretary or President since its very inception. Much of the success and the stability of the Bank are, no doubt, due to his selfless efforts. Your Bank has been fortunate in having had the guidance of such outstanding, sincere and selfless public workers as our Chief Minister and Sri P. S. Subba Raja, May more and more such workers join the Co-operative Movement in the State, add to its strength, and make it reach a larger number of the masses than it has so far touched!

I should now like to make a passing reference to the part played by urban credit co-operatives in our State. As you are aware, they form an integral part of the structure of co-operative credit and discharge a very useful function. Our urban credit movement is nearly five decades old, the first urban credit society having been started in 1904. The need for cheap credit was felt as keenly in towns as in villages. Just as ryots in villages were exploited by money-lenders and sowcars, the urban population consisting of artisans, shop-keepers, traders, industrial workers, etc., were equally under the baneful influence of local money lenders. Hence, co-operative credit societies were organised in urban areas for the benefit of these classes. Today we have 217 urban banks maintaining fluid resources, 600 employee's credit societies and 344 other urban credit societies. On 30th June 1949, they had a membership of 4'42 lakhs with a paid-up share capital of Rs. 164'00 lakhs. During the last co-operative year, they advanced loans to their members to the tune of Rs. 106'00 lakhs. The deposits raised by them amounted to Rs. 557'00 lakhs at the end of

the last year. It is significant that a substantial portion of the deposits raised by them are from their members. Madras has a sound system of urban co-operative banking serving all the important urban centres.

Gentlemen, I may venture to make one or two observations with regard to the future working of your Bank. Now that the institution is well on its legs, may I venture to suggest that you can make available funds to the people at lower rate of interest? The Bank is now charging $7\frac{1}{2}$ per cent interest on loans. If the rate is reduced to $6\frac{1}{2}$ per cent the burden of debt will be less, particularly on the poorer section of the community. The desirability of correspondingly reducing the penal rate, if not abolishing it altogether, is also worthy of examination. Secondly, your Bank can encourage savings among the people of small means and promote the thrift habit. You may have among your members a number of persons who are traders, small shop-keepers, mill employees, etc. It should be the endeavour of the Bank to promote savings through the system of daily deposits, hundi-boxes, recurring and savings deposits, chit funds, etc. After the introduction of Prohibition, urban banks have ample opportunities to tap local savings from men of small means. Though the labour involved in collecting daily deposits or hundi-box collections from artisans and wage earners is considerable and may not be compensated by the temporary utilisation of funds, the Bank will be helping the poor by making them save something regularly. Thirdly, if co-operative urban banks are to really serve the people, they should encourage small loans to the middle and lower middle class people of the town. It is gratifying to note that you are helping the poor by giving such loans on the pledge of produce, finished goods, jewels, etc. Loans are given for sums as low as Rs. 15 even. I need hardly emphasise that the urban banks should devote themselves to serve the cause of the poor and the needy, the exploited and the oppressed by giving them financial assistance, by encouraging them to save and by helping them to pursue industries and the like. They should remember that they are part and parcel of a co-operative fraternity and come to the succour not only of the well-to-do members but the thousands of struggling workmen and small craftsmen in the cottage industries in the urban areas. Lastly, the test of the progress of any co-operative institution is not so much the amount of share capital collected and the number of loans issued and the extent of profit earned but the extent of moral improvement effected among its members. Mahatma Gandhi laid great emphasis on this aspect and according to him the success of the movement should be measured not by the number of societies formed but by the moral condition of the members. It should be the endeavour of the Bank to preserve its co-operative character and to so conduct its activities as to elevate the moral and economic condition of the members. I am sure that, under the guidance of its able President, the Bhupathiraju Co-operative Urban Bank will take a further step forward in extending its sphere of usefulness to its members and conduct its activities in such a manner that it will be a potent instrument for the economic and social well-being of the members and I am sure that your example will be emulated by others.

Gentlemen, I once more thank the organisers of today's function for the honour they have done me in giving me an opportunity to address you on this occasion. I wish the Bank every prosperity and long career of public service to the people and every success in all its future undertakings.

JAI HIND

The Twentieth Land Mortgage Banks' Conference

Madras—12th February 1950

PRESIDENTIAL ADDRESS

SRI B. VENKATA RATNAM, PRESIDENT,

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

Sri Gopala Reddy and Brother Co-operators,

On behalf of the Board of Directors of the Madras Co-operative Central Land Mortgage Bank, I have great pleasure in extending to you a hearty welcome. The late Sir M. Ramachandra Rao, who as the President of the Central Land Mortgage Bank gave his very best to building up the structure of Land Mortgage Banks in the Province inaugurated the convention of meeting the Representatives of Primary Banks in a Conference to which a member of the Government has all along been invited. It was his idea that if the scheme was to work successfully, there should be close co-operation and understanding between Government, Primary Land Mortgage Banks and the Central Land Mortgage Bank. These annual Conferences have afforded an opportunity for the Government and the Central Land Mortgage Bank to become acquainted with the difficulties experienced by the co-operators in the rural areas in the actual working of the scheme and to discuss with them their suggestions for improving the system. The presence of a member of the Government at these Conferences greatly helps in solving many of our difficulties, as they provide an opportunity for been acquainted themselves with our problems first hand. This is the first Conference after India has been proclaimed a Sovereign Democratic Republic. Our great leader, Mahatma Gandhi, laid stress on the attainment of Independence not as an end in itself, but as a means to the realisation of the economic independence of the masses. Our country is predominantly an agricultural country and any scheme to better the lot of the common man should necessarily begin with the amelioration of the condition of the agriculturist. In our Province, 71 per cent of the population is dependent on agriculture, which is admittedly a deficit economy. If we are to achieve any improvement in the living conditions, the immediate necessity is to relieve this high pressure on land. In advanced countries where agriculture occupies a pre-eminent place, they could bring about a change in their conditions, only by maintaining a proper balance between the income derived from agriculture industries, professions and services. According to the Economic Adviser to the Government of Madras, out of an estimated national income of Rs. 1,870 crores, derived by the Madras Province, 865 crores or 63 per cent of the income is contributed by agriculture, the balance of 37 per cent being the contribution of industries and professions. This is a disproportionate charge on land. In the U.S.A., where agriculture occupies an

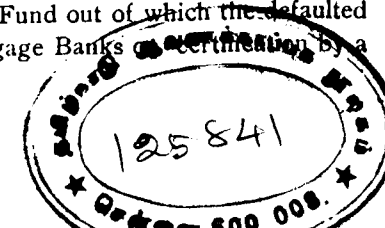
important place in national economy, it contributes only about 24 per cent of the total national income, while industries, professions and services contribute the balance. The national income in that country is evenly distributed and there is a healthy balance. It should be our aim to develop income from other sources and draw out the surplus population that is at present depending on agriculture for want of a better alternative. It will then be possible to ensure a healthier balance between agriculture and industry. If there are other remunerative occupations open to the people they will naturally take to them, thus reducing the pressure on land.

In its very nature agriculture cannot be organised on the same lines as industry. It is for this reason Governments all the world over have made provision for assisting agriculture in several ways. They have provided research stations for experimenting with the development of crops suitable for different types of soil and passed the results of such experiments to the ryots. In the computation of cost of agricultural production, credit forms an important item and finding that agriculturists have to pay a high price for private credit, Governments have devised various methods for making cheap credit available to the Agricultural industry. Madras has taken the lead in the country in the matter of organisation and working of land mortgage banks for long term credit. Much of the success is due to the simplicity of the tenures and the absence of any legal restrictions on the transferability of land. In provinces where restrictions on such transferability were imposed, naturally progress of land mortgage banks could not be achieved. Zamindaries which were a hindrance to land mortgage bank organisation have been abolished in our Province and the land is being brought under uniform ryotwari tenure. We have heard enthusiastic friends advocating the elimination of all land-owners who are not actually cultivating the land and advocating the placing of an upper limit to the size of an individual holding. Any restrictions on the transferability of land will depress agriculture and result in further deteriorating the out-turn from the land. Small and uneconomic holdings of agricultural land have been recognised to be our principal drawback, as economically such an owner cannot adopt improved and costly methods of agriculture which conduce to better production. The national income from agriculture is at present so preponderating that if any violent change is contemplated in the present structure, it would seriously dislocate the financial position of a majority of the population and also adversely affect the finances of Government. Advocates of a change in the tenures are themselves unable to say who is the actual tiller of the soil and to whom exactly the rights in the rights in the land of non-cultivating land-owner should be transferred. I agree that it is desirable to have owner-cultivated farms which can be profitably operated. Such farms should not be uneconomic and facilities for purchase of land for such a purpose should be provided. In the U.S.A. the land banks advance about 60 per cent, of the purchase price of a farm to any

one who desires to purchase the farm and operate it himself. Some such scheme for purchase of land by the landless agriculturists would greatly help in solving this problem rather than changes to be brought about by legislation as urged by some friends.

Our Province has been passing through difficult times in the sphere of agriculture for the last two or three years. There has been a failure of rain in the Central and Southern districts. Floods and cyclonic winds have swept away the fruits of labour in the northern districts. The result is that we now find ourselves in great difficulties for our food requirements. Failure of monsoon and floods and high winds have become quite a common feature in the province. In the last ten years, we have had at least three occurrences of the phenomena. The biggest insurance against crop failure is the construction of irrigation works, minor or major. I am glad to see from the reports appearing in the press that the Government of Madras are allocating sufficiently large sums in the coming budget for developing irrigation sources, both small and big. Similar provision to ward off the disasters caused by the floods, especially by some of the hill streams in the northern districts would mitigate the hardships caused by floods if taken up forth with. I have heard it said that it was once contemplated that Government should have on the coastal belt continuous casurina plantation as a step to mitigate the harmful effects of stormy weather. Many good schemes in the olden days were not undertaken on the plea of want of funds. But having regard to the disastrous effects these frequent cyclones are having on the most important industry of the province, viz., agriculture, I think it is necessary that the Government should consult experts and take adequate steps to provide against such contingencies. If some such protective measures were available, much valuable food crops could have been saved this year. Again it is said that the denudation of our forests which has taken place during the great wars is responsible for the low level of water in some of the rivers and the failure of monsoon which has become a common feature now-a-days. This has to be examined and a reorientation of our forest policy seems urgently called for, if further deterioration is to be arrested. I hope Government will pay the attention to this matter that it deserves.

On account of the drought in the southern districts and the cyclone in the northern districts, the ryot has been badly hit and the loans due from borrowers in primary banks in many cases have fallen into arrears and they have been asking for extension of time. Land Mortgage Banks have not been able to accede to these reasonable requests as they have to meet their obligations in respect of the funds borrowed by them. The Board of Directors of the Central Land Mortgage Bank have requested the Government to constitute a Revolving Fund out of which the defaulted instalments may be drawn by Land Mortgage Banks.



responsible Government Officer that the borrower is genuinely unable to meet the instalment. The amount so drawn will be paid back into the fund by the banks as soon as the postponed instalment is collected from the borrower. This, therefore, does not involve any great expenditure to the Government, excepting a small administrative cost and any interest on the amount drawn which may be waived by them. A portion of the famine relief fund may, appropriately be earmarked for this purpose and I urge on the Government to take a decision swiftly in the matter and constitute the fund.

Agricultural Debt in our country has mounted up, because no provision has been made for protection against a possible failure of income. In trade and industry, every prudent man carefully protects himself against such losses by insurance. Crop failures on account of the vagaries of monsoon, storms, floods, cyclones, pests and other reasons are a recurring phenomena in some part or other of the province almost every year depriving the ryot of part of his capital outlay and income for the year. As agriculture is already a deficit economy, such losses drive the ryot into further debts, the repayment of which can only be effected by sale of part of his meagre holding. Repeated losses sustained and increased indebtedness are to some extent reasons for lower production of food crops.

There is only one obvious method by which adequate indemnity could be given to the agriculturist. That is Crop Insurance. But the insurance of crop and its actual administration are difficult matters as is evident from the experience of few countries which have organised such insurance. The Government of India seem to have contemplated this project and the Economic Adviser to the Government of Madras has drawn up a provisional scheme for bringing in the first instance, under the protective wings of crop insurance, the paddy crop of the province. The scheme is based on the model of the American Crop insurance scheme wherein "the insured farmer was protected against loss in yield below 75 or 50 per cent., of his average yield only lest the cultivators' incentive to maximise production should be curbed. Premium could be paid in wheat or cash equivalent. The premium had to be paid in advance of seedling. The insured amount would be paid either in kind or in cash. The rate of premium varied from farm to farm depending on its fertility, but the farmer should insure all his wheat land." This was later changed to a flat rate of premium for each district and it worked out to 3.8 per cent of the yield on the best land and to 21 per cent on the worst land. Dr. Natarajan, the Economic Adviser to Government of Madras who worked out his scheme on the above basis has divided the whole province into four zones with reference to crop failures in the districts in these zones in the last 30 years. Premium payable in these zones varies

from 0.58 per cent to 3.56 per cent of the yield. Converted into paddy these figures work out to 7 Madras measures of paddy per annum to 48 Madras measures of paddy per annum in the fourth group. The whole scheme is based on the premises that every bit of paddy land will be compulsorily insured. Much of the success of the scheme will depend on how the normal yield of any land is determined; for the yield varies from field to field, and there are no reliable accounts maintained for former years to base our calculations. These are administrative difficulties and are incidental to any new scheme. But they are not insurmountable ones. Till some such scheme is introduced and worked, its possibilities of success or the degree of risk cannot be assessed. Having regard to the great influence that crop insurance scheme will have on the financial condition of many of our ryots and their debt position and the frequent recurrence of bad years for the agriculturist, I appeal to the Government to consider the scheme and usher in compulsory crop insurance in the province as it will reduce further additions to the agricultural indebtedness of the province brought about by failure of crops. Granting that during the initial stages of experimenting with the scheme, losses, arise, the fact remains that crop insurance will ultimately prove a boon to the agriculturist and through him it will promote the prosperity of the nation. After all, the risk to which the project of crop insurance is exposed is a business risk. The alternative to undertaking this risk is to suffer human misery, which cannot and may not be assessed in terms of rupees. In this view, the risk is worth braving.

Though the Land Mortgage Banks have been working for 20 years they have not been able to extend their activities to some of the areas of the province. It was considered that the lands in the *zamindari* areas which have not been surveyed and settled, cannot be treated as acceptable security as there will be difficulty about prior encumbrances and identification. We have been urging the Government for over 15 years to take up the survey and settlement of these lands so that the benefit of cheap long-term credit may be made available to the needy in such areas as well. For some years this was not undertaken on the plea that the whole question of *Zamindaris* was under Government's consideration and till that was settled, survey and settlement will have to wait. Now that the *Zamindari* Abolition Act has been passed into law, I appeal to the Government to complete this basic measure with the least possible delay.

In response to the requests of the Conference of Land Mortgage Banks, the Government have relaxed their former orders and reduced the margin that should be retained between the rate of interest on debentures and the lending rate to the ultimate borrower from 3 per cent., to $2\frac{1}{4}$ per cent. As the borrowing rate was 3 per cent the lending rate was fixed at $5\frac{1}{4}$ per cent. This has become effective from the 18th April, 1947. The Central Land Mortgage Bank has been able to successfully float its

latest series of debentures at 8 per cent interest and so there has been no change in the lending rate of $5\frac{1}{4}$ per cent to the ultimate borrower. This rate is, it will be agreed, in the present conditions of the money market, fairly reasonable to the ryot. In accordance with the recommendations of the Rayalseema Committee on Co-operation and the recommendations of a Conference of Co-operators convened in February, 1948, Government have ordered that loans to the borrowers in the Rayalseema districts should be made available at four per cent the Government subsidising the Central Land Mortgage Bank to the extent of $1\frac{1}{4}$ per cent being the difference between the normal rate and the special rate allowed in those districts. This scheme will be in force for five years from 1st July 1949. I congratulate the Government on the bold step they have taken in rendering aid to these five districts. My only request to Government is to consider favourably the claim of dry areas in other districts also. There are large stretches of dry land in almost all the coastal districts. In the Central districts some of the areas are akin to the areas in Rayalseema. These areas also deserve the sympathy of the Government and they cannot do better than extending the subsidized scheme of long term agricultural credit to such areas as well.

In recent years, there has been a heavy rush of loan applications in primary banks. As against 2,381 loan applications for Rs. 50 lakhs pending at the beginning of the year 1947-48, there were 2,980 applications for Rs. 72 lakhs pending at the beginning of the year 1948-49. There was an increase in the applications received in 1948-49 to 6,125 for Rs. 152 lakhs as against 5,132 for Rs. 119 lakhs received in 1947-48. The loans rejected and recommended in 1948-49 totalled 5,100 applications for Rs. 112 lakhs against 4,533 applications for Rs. 97 lakhs in 1947-48. The number and amount of loan applications pending at the end of the year 1948-49 were 4,005 and Rs. 102 lacks respectively. This increased number of loan applications may be indicative of the drying up of sources of credit in rural parts and also of the high rates of interest ruling there. In a sense this is a welcome feature in as much as rural credit is getting canalised through institutions constituted by Government for the special Benefit of the agriculturist. But if this increased borrowing is due to the increasing deficit of agriculture, it is a matter for serious concern and requires to be urgently looked into. A careful study of the problem is called for, as it is held in influential quarters that the agriculturist is very well off and that his savings should be tapped and brought into banks. Perhaps our Government's Economic Adviser can usefully undertake an investigation into the conditions of the agriculturists.

The Government of India propose to introduce shortly in the Parliament a Bill to establish an Agricultural Finance Corporation of India on the lines of the Industrial Finance Corporation of India to serve the credit

needs of the Agricultural Industry. The Corporation is to serve as a kind of apex institution for all the Provincial Co-operative Banks in the Indian Union. In addition, it is also to serve big agriculturists by directly lending large amounts. With some suitable changes in the proposed bill I am of opinion that the Corporation will be of help to the agriculturists and the agricultural industry. Co-operative institutions which are not able to command finances at reasonable rates of interest and resort to paying high rates to procure necessary funds can obtain their requirements from the Corporation. One feature of this proposed Corporation is that it is to serve short-term, medium-term as well as long-term needs of agriculture. The Agricultural Credit Corporation of England also dispenses the three types of credit as mentioned above. But in the U.S.A. where there is a highly developed system of agricultural credit, long-term credit has been kept distinct and a Federal Farm Mortgage Corporation was constituted to serve as an apex for the Federal Land Banks. This and other matters will, I hope, be dealt with suitably by the authorities at the appropriate times and shape the Corporation in a manner to suit the requirements of Indian Agriculture. I welcome the move of the Government and the Reserve Bank of India in this direction and trust that it will soon be passed into law.

Before I close, I wish to refer to a matter on which we have made representations to Government, i.e., about their meeting the cost of Government staff. At present the Central Land Mortgage Bank is meeting the full cost of the three Deputy Registrars and their establishments and one half of the cost of the Co-operative Sub-Registrars and their peons. This is costing the Central Land Mortgage Bank about Rs. 1,60,000 a year which if borne by the Government would help increasing the bank's reserves. We have urged on the Government that the cost of these officers is a legitimate charge on the revenues of the Government, but our requests have not received due consideration. I appeal to the Government to view the whole matter sympathetically and relieve the Bank of this heavy charge.

It is now my pleasant duty to request the Hon'ble Sri B. Gopala Reddy, to inaugurate this Conference. Sri Gopala Reddy, as you are all aware, is a scion of the influential agriculturist family and his life has been spent in rural surroundings. He is intimately acquainted with the problems facing agriculture and I have no doubt that he will bring to bear his sympathy and understanding of the problems of agriculture on the task before the Conference. I now request Sri Gopala Reddy to declare the Conference open.

OPENING ADDRESS

THE HON'BLE SRI B. GOPAL REDDY,
Finance Minister, Government of Madras.

I am grateful to the President and the Board of Directors of the Madras Co-operative Central Land Mortgage Bank for having given me this privilege of opening the 20th Annual Conference of land mortgage banks, the first Conference to be held after the inauguration of the Indian Republic, and thereby affording me an opportunity to come into touch with a large body of representatives of rural credit.

The system of land mortgage banks was introduced in our Province in 1925. As may be expected in the case of a new venture like this, in the beginning, the progress was very slow. Two land mortgage banks were registered in 1925 and the number increased to ten by 1927. Only three of these banks could, however, find purchasers for their debentures. It was then realised that the existence of a number of independent banks issuing different series of debentures mitigated not only the success of the debenture issue but also the whole scheme. To centralise the debenture issue and to finance the primary land mortgage banks affiliated to it, the Madras Co-operative Central Land Mortgage Bank was registered in December 1929. Since then land mortgage banking here has grown from strength to strength and we have now 119 primary land mortgage banks functioning and I understand that 10 more banks are being organised. We can justly take pride that the system has developed best in our Province and now serves as a model for the other States in India. This achievement is not a little due to the untiring efforts of the very able and public-spirited Presidents which the Central Land Mortgage Bank has been fortunate to have in succession.

The Co-operative Central Land Mortgage Bank derives its funds chiefly by the issue of debentures among the public. From its inception, the Government have been assisting the Bank in making its debentures popular among the investing public. They first guaranteed the interest on the debentures and from 1934 extended their guarantee to the principal of the debentures also. The maximum amount of this guarantee which was fixed at Rs. 50 lakhs in 1934 has gradually been raised and in pursuance of the present Government's policy to continue this guarantee, it has been increased recently in November last from Rs. 450 lakhs to Rs. 550 lakhs. This guarantee has made it possible for trust funds to be invested in the debentures of the Bank and has also helped in keeping down the rate of interest charged to the agriculturists.

On account of its sound financial position, the C. L. M. Bank has been able to issue its debentures at 3 per cent even under the present market conditions and to finance the ultimate borrowers at $5\frac{1}{4}$ per cent which is the lowest rate in India. With the help of a subsidy recently made to it by Government the Bank will be able to further reduce the rate

to 4 per cent in respect of loans issued in the Rayalaseema during the 5 years commencing from 1949-50 for the full period of 20 years during which such loans are repayable. The total subsidy payable by Government to the Bank is estimated at Rs. 6.75 lakhs spread over a period of 24 years.

On account of the conditions created by the war, there was a large inflow of advance collections and decline in the business of land mortgage banks during 1942-43 and 1943-44. But, subsequently, advance repayments have shown a decided fall and there has been an increasing demand for loans and the total amount of loans disbursed during 1948-49 was Rs. 77.73 lakhs. This constitutes a record. If these trends persist, I am sure that there will be plenty of scope for the development of land mortgage banks and their loan transactions. The total amount of loans issued during the last 20 years amounted to Rs. 643.27 lakhs, of which a sum of Rs. 297.55 lakhs was repaid, leaving a balance of Rs. 345.72 lakhs. As it is, land mortgage banks have just touched the fringe of the problem of rural indebtedness. Though they should continue to apply themselves to the task of granting loans for redemption of prior debts, it is necessary that they should concentrate also on giving loans for productive investment on land improvements.

While it is gratifying that all the primary land mortgage banks have been meeting their obligations in full to the C. L. M. Bank, it is a matter for concern that the actual borrowers should be in arrears to the primary banks themselves. I need hardly emphasise that the success of land mortgage banking entirely depends upon punctual repayments of loans by the individual borrowers and I trust that no effort will be spared to see that the arrears are collected in full as early as possible especially at a time like the present when prices are ruling high. In the case of borrowers who are unable to pay their instalments on account of failure of crops due to drought, etc., your President referred to the constitution by the Government of a "Revolving Fund" to enable land mortgage banks to give extensions in deserving cases. But it has not been found possible for the Government to accept this proposal. The Central Land Mortgage Bank has built up sufficient reserves and may I suggest that the Bank itself may constitute the Revolving Fund to be used in cases where the primary land mortgage banks concerned are not able to give accommodation to the ryots whose crops have failed, to the extent necessary.

Your President also referred to the crop insurance scheme proposed by the Economic Adviser to Government and wanted the Government to implement it, in order to prevent increase in agricultural indebtedness in our Province brought about by failure of crops. The Government are now receiving the opinions and suggestions from experts and other interested members of the public in respect of this scheme. I may assure you that

THE MADRAS JOURNAL OF CO-OPERATION

this scheme will be carefully considered by the Government in all its bearings.

As your President observed, it is indeed a matter for regret that the ryots in the Zamindari villages have not hitherto been able to avail themselves of the facilities offered by land mortgage banks. Now that the Zamindari Abolition Bill has become law, I expect that the lands in these areas will be surveyed and the benefits of long term credit extended to the people of these areas as early as possible.

Mention was also made by your President of the proposal for the establishment of an Agricultural Credit Corporation on the lines of the Industrial Finance Corporation to serve the credit needs of the agricultural industry. I am told that co-operative opinion is not wholly in favour of the formation of such a corporation but prefers instead that the functions to be assigned to such a Corporation and the State help to be provided for it should be extended to the existing co-operative organisations. According to this opinion, it will be very difficult to ensure the functioning of an Agricultural Credit Corporation without detriment to the co-operative movement and it is much easier, and probably also financially cheaper, to extend and help the well-established credit structure existing in this Province for Agricultural Finance in the shape of the Provincial Co-operative Bank for short-term finance and the Central Land Mortgage Bank for long-term finance. Another school of thought, however, feels that co-operative institutions provide only a small percentage of the total requirements of agriculturists and that there is great scope for an Agricultural Credit Corporation, simultaneously with the expansion of the co-operative movement. Apart from the need or otherwise for an Agricultural Credit Corporation in this Province, there is also the question whether such a Corporation should be organised by the Province or by the Centre or both. I may tell you that the whole matter is now under the consideration of the Government.

Your President lastly referred to the question of the Government meeting the cost of the Deputy Registrars and Co-operative Sub-Registrars employed for work connected with land mortgage banks. As you are aware, the Government met the entire cost of the staff for a number of years in the initial stages of the working of the Central Land Mortgage Bank. And even now Government are meeting one half of the cost of the Co-operative Sub-Registrars. The question whether this concession should be continued after 31-3-1950 will come up before the Government shortly. I can assure you that the Government will take all the relevant factors into account when coming to a decision on this question.

I understand that the Primary Land Mortgage Banks in the West Coast have not made much headway. This is partly attributed to the

L. M. B. CONFERENCE : PRESIDENTIAL ADDRESS

personal laws and land tenures obtaining in the area. I gather that the rules for the grant of loans in the two districts have recently been liberalised, so as to bring the maximum limit of loans on a par with that obtaining in the other districts and also to provide for the grant of loans on the security of lands coming under certain tenures. The Government have also under consideration certain amendments to the Madras Co-operative Land Mortgage Bank Act, 1934, so as to facilitate the better working of Land Mortgage Banks in the districts of Malabar and South Kanara and I hope that when these amendments become law shortly, the Land Mortgage Banks in the West Coast will show better progress in the future.

There have occasionally been complaints of delay in the disbursement of loans by Land Mortgage Banks. As a business institution, the Central Land Mortgage Bank has to satisfy itself fully about the applicant's title and repaying capacity, the value of the security, etc. Making allowance for the delay that is inevitable on this account, I trust that every endeavour is being made to minimise all avoidable delay.

I have very great pleasure in declaring this Conference open and wish it all success.

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G. O.'s and Circulars

Circular of the Registrar of Co-operative Societies, Madras.

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

R.C. No. 2812/50 S-1.

Dated 15-3-1950.

Sub:—Stores Societies—contribution to Reserve fund from profits.

Ref:—Registrar's Circular No. 4450/48 S, dated 30-7-1943.

In the Registrar's Circular cited the Deputy Registrars were requested to persuade the stores societies to carry not less than 40 per cent of their net profits to the Reserve Fund so that the profits earned by them during the period of the war might be conserved. The model bylaws of stores societies also provide for carrying 40 per cent of the net profits to the Reserve Fund. In the Registrar's Circular No. 58391/48 V-1, dated 23rd December 1948, Deputy Registrars were informed that they might register the stores if their by-laws provided for carrying 50 per cent of the profits to Reserve Fund.

2. During the war, the sales of stores societies were mostly to non-members. With the termination of controls, the business of the stores societies will depend mainly on the loyalty of their members. Payment of bonus on purchases made by members is an effective way of securing their loyalty. In G.O. Ms. No. 4693 Dev., dated 19th September 1949, communicated with Registrar's Memo Rc. No. 121990/49 S1, dated 27th September 1949, Government have exempted stores societies from the scope of Rule XII(c) permitting them to pay bonus to their members on the purchases effected by them out of the profits for 1946-47 and 1947-48 as per their by-laws and subject to a maximum of 25 per cent of net profits for 1948-49. It will be necessary for the stores societies to set apart more of their profits in future for payment of bonus to their members on their purchases. Hence the Registrar has no objection to stores societies whose Reserve Funds exceed their paid up share capital curtailing their contribution to Reserve Fund to 25 per cent of their net profits. Deputy Registrars may register amendments to the by-laws of stores societies to this effect.

Forwarded/by order.

J. C. RYAN,
Registrar.

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President.