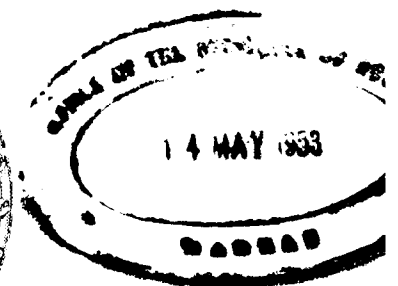
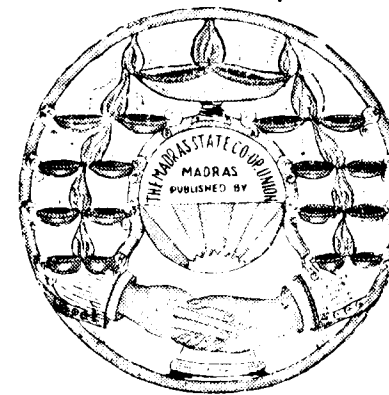


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P. NATESAN, M.B., B.S.

ASSOCIATE EDITOR :

VISWANATHAN TEKUMALLA,

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THE Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

Journal of the Madras State Co-operative Union, Esplanade, Madras 1

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Thought for the Month

It was said that co-operation means working together. The emphasis is on the word "working." It cannot be too strongly stressed that co-operation has nothing to offer to the man who wishes to sit with folded hands and wait for the Government or some one else to alleviate his difficulties.

It may take an almost infinite variety of forms, but every one of them demands that the individual should make an effort towards the achievement of the objects of the whole group. Without industry, honesty and determination no co-operative can be expected to succeed. There are, however, many people who have all these qualities, but, for lack of means, education and, above all, organisation, are unable to apply them to the best advantage. These are the people whom co-operation can help most and that is the reason why the members of the co-operative societies are generally, though not necessarily, drawn from that stratum of society which is not very richly endowed with this world's goods. Co-operation means work (if the repetition may be forgiven) and the relatively poor man is more likely to be ready to sacrifice his leisure and energy to secure substantial advantages than his richer neighbour.

—From An Introduction to Co-operative Practice.



Editorial Notes

Long Term Credit in an Integrated Economy:

We publish in this issue the proceedings of the Twenty-Third Conference of Land Mortgage Banks held in Madras on the 28th of last month. The Conference was opened by Sri B. Venkatapiah, I.C.S., Executive Director of the Reserve Bank of India, and presided over by Sri Bhogaraju Venkataratnam, President of the Madras Co-operative Central Land Mortgage Bank. Delegates of the primary land mortgage banks from all parts of the State as well as many eminent official and non-official co-operators of Madras attended the Conference.

One very remarkable feature of the Conference is that the Addresses and discussions have been not only interesting but thought-stimulating. Sri Bhogaraju Venkataratnam, in his address which is both Welcome and Presidential Address, has presented clearly the various problems which have prevented a more rapid progress of the land mortgage banking system on the quantitative and qualitative sides. He has also suggested from the view point of the Central Land Mortgage Bank some methods whereby these problems could be solved to an appreciable extent so that a more rapid progress might be possible. One of the problems is the high rate of interest which the agriculturist borrower would have to pay, considering that the latest issue of debentures of the Bank bears interest at 4½ per cent. This rate is obviously too high and therefore heavy for the agriculturists of our State to bear. It must be reduced if the agriculturists are to have real benefit. Another problem is the considerable delay in the sanction of loans. This delay is mainly due to the fact that the rural borrowers are not readily in a position to prove their title to the property offered for mortgage; and consequently meticulous care in sifting title has become absolutely necessary. Yet another problem is the heavy pendency of applications for loans with the land mortgage banks. It has been stated that as on 30th June 1952 there were 4,956 applications for Rs- 136 lakhs pending consideration with the banks. The farmers are prone to be prejudiced against co-operative credit system unless their loan applications are considered in time. A fourth problem consists in the frequency of borrowing by the members and the purposes for which loans are taken. Some members take a

EDITORIAL NOTES

second and even a third loan on the same land and often times the purposes for which these loans are obtained are far from productive. An analysis of the purposes for which the prior debts were originally incurred revealed that as much as 21.8 percent was incurred for marriage, litigation and other non-productive purposes. Borrowing for non-productive purposes evidently should be discouraged; but any refusal to lend for such purposes is likely to drive the member to the private money lender. Above all, the most formidable problem lies in the absence of business habits and prompt action among the members. In his Address the President has observed "*In fact I have a feeling that land mortgage banks have not been living up to their past reputation . . . The fact remains that after 23 years of existence, land mortgage banks have not been able to impart to their members the business habit of promptly meeting their obligations on the due date. This is a matter of great concern.*" This observation which is only the expression of the painful experience of one who has been for some decades endeavouring to help the cause of the needy farmer hardly needs further comment.

In the course of his Address, the President has also endeavoured to suggest some methods of solving to some extent some of the chief problems. His first suggestion is the increase in the measure of help both from the Government and the Reserve Bank of India. He has expressed that long term agricultural credit in most of the advanced countries of the world is under direct State management and that where it is not a purely State Department, the State has invariably played a dominant part in shaping the institutions entrusted with this work and has actively helped by subsidies and special facilities. He has added that long term agricultural credit cannot be administered successfully without State aid. While acknowledging the valuable help given by the State Government to the land mortgage banks, he indicated, in the course of his Address, lines in which further help is essential. For one thing the Government should address themselves suitably to reduce the high rate of interest. Secondly they should provide a larger number of Co-operative Sub-Registrars so that the heavy pendency of loan applications may be reduced to reasonable levels. Thirdly to enable speeding up of sanction, there should be legislative protection, for land mortgage banks that under certain specified circumstances the charge on the land created in favour of a land mortgage bank is binding on the property. Fourthly, in respect

of loans for land improvement purposes in dry areas which cannot be accepted as adequate security in their present form, Government must step in and guarantee repayment so that lands may be valued and sanctioned on an estimate of their prospective improved state as is being done in the case of *takkavi* loans. Regarding the help that the Reserve Bank could give, the President has said that they should make funds available to the Central Land Mortgage Bank at a concessional rate of interest only for productive purposes as in the case of the State Co-operative Banks to which the Reserve Bank is giving finance at a concessional rate of 1½ per cent. Another suggestion made by him is that while the first loan given to the farmer may be for the redemption of prior debts, the further loans given to him should generally be for productive purposes only. Yet another suggestion made by him is that insurance companies in general should be induced to take greater interest in the farming population by supporting the land mortgage bank debentures so that the banks may have enough funds for their useful work. But by far the most important suggestion is the carrying on of helpful propaganda and research. Regarding the former, the President has expressed that the representatives of the primary banks should pursue an educative mission and educate the members in the proper use of credit and also exhort them by leaflets and personal contacts to meet their commitments without default. Regarding research he has suggested that the Reserve Bank and the Government of Madras may carry out a survey of a few villages regarding their utilisation of their short-term and long term borrowings and the effects of this credit on their economic position. The results of this survey will help the co-operative movement to shape its policies in the best interests of the people.

The Inaugural Address of Sri B. Venkatappiah is indeed a masterly understanding of the long-term credit problem in all its bearings and an earnest endeavour to suggest concrete lines of development so that eventually the land mortgage banks may formulate their future programmes and effect a new orientation in their loan policies against the background of an integrated national economy envisaged in the Five-Year Plan.

Even at the outset, Sri Venkatappiah struck the keynote when he made it clear that while the State has no small part to play in agricultural development, its scope in directly financing agriculture is obviously limited, both on account of inadequate funds to

meet the needs of agricultural credit and the inherent practical difficulties in supervising and executing loan business. At best the State can only create favourable conditions for the long-term credit institutions to function effectively by carrying out land reform, execution of irrigation schemes and removal of any legal impediments that might retard the work of agricultural credit institutions. Regarding the role which the Reserve Bank would play in this scheme of agricultural development, Sri Venkatappiah has stated that the Bank has already been striving to assist in the reorganisation of the co-operative credit structure in several States and assured that the Bank would give all reasonable help as is within its competence to give. The bulk of the responsibility for planned agricultural development therefore devolves on land mortgage banks.

With this fundamental objective in view Sri Venkatappiah has given many suggestions for the healthy development of land mortgage banking in the State: First he has suggested the direction of efforts towards a proper distribution of the benefits of long-term credit among the several regions and several classes of farmers. Referring to territorial distribution he has observed suggestively that a large part of the advances happened to be confined to those few districts which are blessed with a preponderance of irrigated and commercial crops. In the matter of incidence of the credit benefits among the several classes of farmers, he has invited the attention of the land mortgage banks to the substantial percentage of loans of above Rs. 5,000 (37 per cent) and suggested that it is essential that the needs of the middle class farmers should receive as much consideration as possible.

Another important suggestion made by Sri Venkatappiah is the shifting of emphasis from the mere liquidation of prior debts to increased production. This is essential at least for three reasons: For one thing the discharge of prior debts is important in the interests of the farmer's economy but the stepping up of agricultural production is important in the interests of national economy as well. Secondly the funds available for the different sectors of our economy are too limited to meet the credit requirements of farmers; and therefore it is necessary to render assistance in accordance with a well-defined scheme of priorities based on relative productive effort in various sectors. Thirdly the stepping up of agricultural production will itself eventually help create the

very savings out of which old debts may be discharged. This greater stress on the development aspect of agricultural finance must engage the attention of long-term credit institutions.

Yet another suggestion made by Sri Venkatappiah is with regard to the issue of second and third loans. It is desirable to regulate these loans in regard to purpose, amount, period and interest so as to exert a salutary influence on the habitual borrower. The purpose of these loans should be directly productive while the amount may be limited to anything not exceeding a fourth of the original loan for every subsequent loan. The period may range between 5 years and 15 years; while the interest may reasonably be 1 or 1½ per cent higher than on first loans.

One more important suggestion put forward by the distinguished visitor is the need to fix the duration of the long term loans in accordance with the purpose of the loan or the repaying capacity of the borrower. His suggestion is based on the following grounds: First it is rational and scientific that the period of loan should be related to its purpose. Secondly, it will be to the advantage of the borrower to be made to liquidate the loan as quickly as possible. Thirdly, medium-dated debentures make a stronger appeal to institutional investors such as commercial banks and insurance companies. Lastly there will be considerable relief afforded to borrowers in respect of the total amount of interest payable by them.

Other suggestions made by Sri Venkatappiah are with regard to the constitution of the revolving fund and the elimination of delay in sanctioning loans. With regard to the former he expressed that instead of looking forward for Government help of this kind which can at best be an inadequate palliative, it would be possible to provide for such contingencies within the mortgage banking system itself. Either debentures of slightly longer duration than the corresponding loans might be floated so that provision could be made for shorter extensions, or a special fund may be created by earmarking a part of the profits annually over a period. The delay in sanctioning loans is largely due to fragmentation of holdings and this can be checked by legislative prohibition of subdivision of holdings below a particular size.

These Addresses, we may repeat, indicate a practical approach to the long-term credit problem; possibly they are the outcome

of a triple influence—namely, experience with our conditions, experience of other countries in similar matters and the fundamental objectives of the Five-Year Plan.

The discussions on the various resolutions brought before the Conference have not overlooked this practical aspect. Among those who participated in the discussions may be mentioned Sri J. C. Ryan, Registrar of Co-operative Societies, Madras, Sri N. Satyanarayana, Sri Sarangapany Iyengar and Sri M. G. Natesa Chettiar. The official and non-official views on the issues raised have been carefully considered by the Conference in shaping the resolutions. Some of the important resolutions passed consist in a request to the Government to reduce interest rates, and to give more Co-operative Sub-Registrars and a request to the Reserve Bank to lend at a concessional rate of interest to land mortgage banks also.

Comparing with the work of the land mortgage banks' conferences of past years, it is not far from truth to say that this Conference marks a land mark in the land mortgage banking movement in the State. Its being held on the eve of the active execution of the Five-Year Plan only enhances its value as an earnest endeavour on the part of the non-official section of the Co-operative Movement, the Government and the Reserve Bank to discuss various problems for mutual benefit and evolve policies for achieving the common objective of agricultural development.

On the whole, we feel, the Conference has helped much to clarify the position considerably. It has shown that the developmental work and provision of adequate finance and other facilities in the field of agriculture is not the concern of any single agency but of the three chief agencies, namely the long-term credit institutions, Government and the Reserve Bank of India. With regard to the role of the Government, legislation on the lines suggested by the Conference is essential in the larger interests of the agricultural community: For instance in guaranteeing repayment of loans issued on the basis of prospective improved state of dry lands; in preventing excessive fragmentation; and also in giving legislative protection to land mortgage banks so as to facilitate quick sanctioning of loans. The reduction of interest as well as the provision of more departmental officers suggested by the Conference needs early favourable consideration.

Regarding the assistance of the Reserve Bank to land mortgage banks, it cannot be denied that considerable help has been rendered by the Reserve Bank. Its most important help consists in its purchase of land mortgage bank debentures up to a fifth of the issue. The Conference has, however, requested the Reserve Bank to lend money at a concessional rate of interest. Obviously the Reserve Bank is not agreeable to this. Sri Venkatappiah has made it clear that the Reserve Bank cannot agree to what will amount to a subsidy from being super-added to what is and ought to be a purchase. He has added that the object of the Reserve Bank is to "popularize" such debentures. We, however, cannot share this view. The Reserve Bank may have helped to popularise the debentures and to raise their status in the stock market; but it has not yet succeeded in helping the land mortgage banks to secure funds at low interest rates. What is urgently needed is considerable capital at a low interest rate so that the long-term borrower may have the benefit of really cheap credit as in other countries. This will be possible only if funds are forthcoming at concessional rates from financing agencies like the Reserve Bank for some years to come. We appeal to the Reserve Bank to view the request in this context and lend its helping hand to the land mortgage banks. The Reserve Bank is keen on doing its best for the Madras State. It has offered to start very early a Co-operative Training Centre in Madras from out of the subsidy available under the Five Year Plan. This is indeed one of the many good gestures of the Reserve Bank; and we hope it will follow up this keen interest by helping the long-term borrower with cheap money for his developmental work in the field of agriculture.

And now about the land mortgage banks themselves; they should effect a reorientation of their loan policy and should, as Sri Venkatappiah has suggested, shift the emphasis from liquidation of debts to the developmental aspect of agriculture. They should also review their policy with regard to the distribution of the benefit of long-term credit, the purposes and periods for which and the rates at which loans should be given. This, we feel, will ensure a proper utilisation of the available long-term funds in the State. Lastly they should give considerable attention to propaganda and research. The land mortgage banking system has expanded considerably. It is therefore necessary to have within itself adequate provision for propaganda and research, instead of looking for assistance in this respect from other agencies.

We earnestly hope that co ordination of the efforts of all the agencies of development concerned on these lines will ere long bring about rapid agricultural development so greatly stressed by our Five Year Plan.

SPECIAL ARTICLES

Progress of the Co-operative Movement*

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

Registrar of Co-operative Societies, Madras.

The co-operative movement was introduced in Madras nearly 50 years ago as in the rest of India for relieving rural indebtedness. For many years it was engaged in this task; but after the MacLagan Committee had reviewed the working of the movement in 1915, and, particularly, after the Montague-Chelmsford Reforms of 1919, it set its hands to other activities like production, distribution, marketing, insurance, etc. When India attained political independence in 1947, Government regarded it as a potent instrument for promoting the economic independence of the masses and the people themselves evinced a growing desire to satisfy their needs on a co-operative basis.

Indeed, the Planning Commission has assigned a very large place to co-operation in their Five-Year Plan and expects a good part of the economic development of the country being achieved on co-operative lines. I shall endeavour to give here a brief account of the extent to which the co-operative movement in Madras has been availed of by both Government and the general public for economic progress since the attainment of Independence.

Co-operative Credit

Co-operative credit continues to occupy the centre of co-operative endeavour even after Independence. But the progress attained in this direction since 1947 is great. Whereas there were only 11,375 Agricultural Credit Societies and 1,278 Non-Agricultural Credit Societies on 30th June 1947, their number on 30th June 1952 was 16,727 and 1,246, respectively. The volume of credit given rose from 8.94 crores of rupees in 1947 to 17.84 crores of rupees in 1952. Accepting the recommendations of the All-India Planning Committee on Co-operation 1946, Government desired that 50 per cent of the villages and 30 per cent of the agricultural population should be brought into co-operatives and that the rural credit societies should be re-organised into multi-purpose co-operative credit societies. As a result, 67.97 per cent of the villages are now covered by co-operative societies and 19.49 per cent of the agricultural population have joined these societies.

*Reproduced from Madras Information, January 1953.

About 11,000 societies have actively undertaken other activities besides credit, e.g., the supply of foodgrains, cloth, fertilisers and agricultural implements; the sale of agricultural produce such as groundnuts, cotton, chillies, jaggery, etc.; and the construction of godowns for these purposes. Some of them have installed radios, erected libraries, opened reading rooms and undertaken the provision of entertainment in the form of rural games, dramas, *kathaprasangams*, *kalakshepams*, etc.

Long-term Loans

In the sphere of long term credit the land mortgage banks continue to provide 20 year loans for the discharge of prior debts. But greater emphasis has been put on land improvement since the advent of Independence. During the five years after Independence the loans disbursed by the Central Co-operative Land Mortgage Bank for the discharge of prior debts amounted to Rs. 326.07 lakhs. A sum of Rs. 28.11 lakhs was disbursed as loans for improving lands. Even some part of the loans given for the discharge of prior debts relate to the discharge of debts contracted for land improvement.

It has been the pride of the co-operative movement that it has reduced the rate of interest in the countryside by itself lending at cheap rates of interest to its members. In this campaign of cheapening credit to agriculturists the Reserve Bank of India assisted in large measure after Independence, providing the State Co-operative Bank with funds for agricultural operations and for marketing crops at $1\frac{1}{2}$ per cent interest per annum while the bank rate stood at 3 per cent and even when it was subsequently raised to $3\frac{1}{2}$ per cent. During 1951-52 the State Co-operative Bank drew as much as 4.54 crores of rupees from the Reserve Bank of India and made them available to agriculturists at $6\frac{1}{2}$ per cent through the Central Co-operative Banks, rural credit societies and marketing societies. The rate of interest charged by co-operatives to agriculturists in this State is the lowest in the whole of the Indian Union.

Production of Foodgrains

Co-operatives have been availed of by the Government and the general public in the campaign for growing more food after the advent of Independence. Chemical manures (ammonium sulphate and superphosphate) have been distributed in abundance through co-operatives. During 1951-52 alone 21,512 tons of ammonium

sulphate and 8,220 tons of superphosphate were distributed. Agricultural implements such as crowbars, *mammutties*, plough-shares, cart-tyres, cart axles, etc., were distributed to the value of Rs. 81 lakhs. Improved seeds worth Rs. 2.31 lakhs were supplied by the Agricultural Department through co-operatives in the districts of East Godavari, Guntur, Nellore, Madurai, Coimbatore, Tirunelveli and South Kanara. Village co-operatives in these seven districts took on lease fallow lands from Government or from *pattadars* and brought 975 acres of lands under cultivation.

One direction in which there has been a growing volume of opinion in regard to food production as a result of Independence is co-operative farming. Even in the days of the British, considerable progress had been made with co-operatives for land colonisation which took over large blocks of lands from Government on which the landless labourers and ex-servicemen were settled and were given occupancy rights over plots ranging from two to ten acres each. There are now 44 of these societies cultivating 17,314 acres of lands. But the members of these societies cultivate these lands on their own account. The society helps them only by providing seeds, implements, bullocks and credit and by taking over their surplus produce for joint sale.

Co-operative Farming

After the advent of Independence an endeavour was made to organise societies into which owners of lands could be brought together so as to pool their lands, cultivate them in common, reap the harvest in common, set off the expenditure incurred on the enterprise as a whole against the produce realised from the entire land, and divide the surplus among the members in proportion to the value of the lands contributed to the common pool and the extent of labour put in by each in the agricultural operation. This idea of joint-farming through co-operatives was not acceptable to agriculturists in most cases where they were approached. However, enthusiastic response was available in two places, e.g., Nuzvid in the Krishna District and Pathibanda in the Visakhapatnam District and the experiment was launched there with promise of State help. But the enthusiasm of the members waned very soon; disagreements set in amongst them; and both the enterprises had to be given up even before the State aid could be availed of, demonstrating the fact that the agriculturist in this

State is too deeply attached to his land to part with it for joint cultivation. Even if he is willing to pool his lands with others' lands and bring them under a co-operative society, he is anxious to retain for himself the fruits of his labour on the land.

Therefore new line of co-operative farming societies has been introduced which gives promise of success. In Marudur in the Tiruchirappalli District and in Nelvoy in the Chingleput District landlords and tenants have been brought under co-operative farming societies. The landlords lease their lands to the society for an agreed sum for a specified period and the society splits the lands into convenient plots for cultivation by each landlord or tenant on his own account. Out of the produce realised, each member pays the society his quota of the lease amount to be paid to the landlord. The society assists every member with Government help by providing facilities for irrigation, by installing pumpsets and laying out irrigation channels. It also helps them with credit, seeds, fertilisers and tractors.

Development of Cottage Industries

The promotion of cottage industries through co-operation has received considerable attention after Independence. Whereas in 1947 there were only 192 cottage industrial co-operative societies disposing of goods worth 17.49 lakhs of rupees, in 1952 there were 279 cottage industrial societies which sold goods to the value of Rs. 40.69 lakhs. A new method of assisting cottage industries was introduced with Government aid for the supply of raw materials to artisans in the firkas selected for "Firka Development." This work was undertaken by co-operative wholesale stores in six districts and by co-operative marketing societies in seven districts; but in 11 districts a new type of co-operative organisation known as the Cottage Industries' Federation was introduced consisting of artisans in the select firkas and the rural credit societies functioning in those firkas. Under the scheme of distribution of raw materials Rs. 54,017 worth of timber, iron and steel were supplied to artisans for promoting cottage industries.

But far and away the most successful endeavour for developing cottage industries are the co-operative weavers' societies. In 1952 the number of such societies rose to 1,161 from 659 in 1947. The Madras State Handloom Weavers' Co-operative Society, which had been organised in the British period, developed its

business by leaps and bounds after Independence. Availing itself of the control established over the distribution of yarn, it supplied during 1951-52 Rs. 537.31 lakhs worth of yarn to its affiliated societies which manufactured handloom cloth to the value of Rs. 8.40 crores. Some part of it was sold by the primary societies themselves while the rest was disposed of by the State Handloom Weavers' Society through its 124 emporia established in every district in the State as well as outside it in places like Bombay, Calcutta, Trivandrum, Bangalore, Hyderabad and even Colombo.

Spinning Mill at Guntakal

The prosperity of the weavers' co-operative societies led them to start a co-operative spinning mill at Guntakal with their own share capital amounting to Rs. 40 lakhs. The buildings for the new mill are half way up and the machinery have all arrived from the United Kingdom. The factory is expected to go into production next July. About 700 bales of yarn are expected to be produced by the mill every month and the whole of it will be distributed among members of weavers' co-operatives for being woven into cloth. This is an enterprise conforming to the strict co-operative principle of *production for use*. But in spite of the success of the weavers' co-operatives, the recent slump in trade has given much cause for anxiety as to the future of the handloom industry. If it is to survive it has to be protected from competition from the mill industry.

Our Chief Minister Sri C. Rajagopalachari has taken up the cause of four millions of handloom weavers engaged in this industry and has demanded from the Government of India that the mills should be prohibited from manufacturing coloured *sarees* and bordered *dhoties*, which should be left entirely to the handlooms. It is hoped that his ardent endeavours will bear fruit. Incidentally, the troubles of the handloom weavers should make enthusiasts for cottage industries realise that the promotion of cottage industries depends on their survival value, which in its turn, depends upon the extent of protection which can be given to them against competing industries by the intervention of the State and the co-operation of large scale industrialists.

Backward Tribes and Backward Communities

Independence has also brought co-operation to devote greater attention to the development of backward tribes and backward

communities. The districts of Rayalaseema which are affected by periodic famines have received special attention from all co-operative societies, thanks to the assistance rendered by Government. Lending rates to agriculturists in Rayalaseema have been reduced from 6½ to 5 per cent by the State subsidising the Central Co-operative Banks to the extent of the loss sustained thereby. During the year 1950 to 1952 the Madras Government provided a sum of Rs. 1.12 lakhs in this behalf. Even for loans drawn from land mortgage banks the State has assisted the Central Land Mortgage Bank to the extent of Rs. 7,935 to enable it to reach the ultimate borrower at 1½ per cent less than it usually does.

Likewise, societies for hill-tribes in the Agency tracts received the special attention of Government. There were 43 credit societies and 14 non-credit societies for them. Experience has shown that the best way of assisting the hill-tribes is not by providing them with credit but by assisting them to improve their income by organising co-operative marketing societies which will not only help them to dispose of minor forest produce in a profitable manner but also provide them with such articles of consumption as they may require. An elaborate experiment in this behalf has been taken up in the society to be started in the Polavaram firka of West Godavari District and the results thereof will be awaited for starting similar societies of the kind equipped with godowns and transport facilities.

The influx of population into town which came about as a result of the Second World War led to a scarcity of houses in most urban areas. The Ministry for Housing constituted in this State after Independence turned to the co-operative movement for succour. It was recognised that cheap long-term money needed for the purpose could be provided only by the State.

The Popular Government launched an extensive programme of housing in every municipal and major *Panchayat* area, offering to finance co-operative housing schemes. It was found that the old house building societies of the British days had not made much progress because they only provided the members with 20-year loans, but left them to their own resources to construct the houses. It was therefore decided that co-operative housing societies should themselves undertake the construction of houses for their members in colonies of about 100 houses each. Government

helped these societies not only to select suitable large blocks of house sites for the purpose but also to acquire them under the Land Acquisition Act. They also provided timber, steel, coke and cement at controlled rates and facilitated quick erection of houses. Since 1947, about 4,000 houses have been constructed and there are now 2,083 more houses under construction. While the members of housing societies have contributed share capital to the value of Rs. 1.50 crores, Government have contributed so far Rs. 3.07 crores as loans.

Not only large houses have been constructed as in Gandhinagar in Madras, but also small houses have been put up in many towns, costing Rs. 3,500 to Rs. 5,000 each. Houses of the smaller types are of great benefit to the lower income groups at Ayanavaram, Palamcottah, Chinnamanur, Yemmiganur and other places. Rural housing has also been taken up. There are now 40 rural housing societies registered at the rate of two in each district; but house construction has not yet gathered momentum in rural areas. So far, only five rural housing societies have undertaken the construction of houses and only Rs. 96,000 have been drawn, although Government provided Rs. 35 lakhs in all during the years 1950-51 and 1951-52.

Other Lines of Development

Limitation of space does not permit an account of other lines of development after the advent of Independence as for instance, consumers' societies, milk supply societies, etc. But some particulars regarding the over all development attained by the co-operative movement since 1947 will give an indication of the strength of the movement and its possibilities in the years to come. There are now 25,241 co-operative societies of all kinds in the State commanding a working capital of Rs. 94.53 crores. The funds in their possession are much larger than the annual revenues of the Madras State which amount to 62 crores of rupees. When the State Government raised their last loan of five crores of rupees at 4 per cent for 12 years the co-operative movement subscribed over 50 lakhs of rupees.

Success of Total Prohibition*

SRI A. PALANIAPPA MUDALIAR, M.A.,

*Deputy Commissioner of Prohibition (Amelioration) and
Joint Registrar of Co-operative Societies, Madras*

Total Prohibition is the highlight of the nation-building activities of the Madras Government. The doubts regarding its continuance entertained now and then in certain quarters have been set at rest by the recent utterances of Rajaji, our Chief Minister. Of all the State Governments in India, the Madras Government have taken the lead in introducing the reform and in spite of the loss of revenue of nearly 18 crores of rupees which it involves, they are determined to pursue it for the reason that it saves millions of people from starvation, misery and debt and promotes their well-being by eliminating wasteful expenditure. There is no single reform which can raise the economic, social and moral level of the masses to the same extent as total Prohibition can.

Mahatma Gandhi, Father of the Nation, had given Prohibition high priority in his constructive programme because he was convinced that the nation could be saved from economic ruin and moral depravity, only by the eradication of the drink evil. The Programme of Prohibition has been incorporated in the Constitution of India as a principle of State policy. It is therefore the duty of every citizen to see that the Prohibition policy of the Government is successfully implemented.

This is the fifth year of total Prohibition in the State. Its success has been due not only to the enforcement of the Prohibition law and to the implementation of the ameliorative programme but also to the large body of the public opinion in support of the measure. The ameliorative work which represents the positive side of the Prohibition reform aims at the provision of alternative employment to the ex-toddy tappers and promotion of the economic welfare of the general public including the ex-addicts to drink through the organisation of co-operative societies of different types and through other means. This work is attended to by the Co-operative Department. The details of the work are briefly indicated in the following paragraphs.

*Reproduced from Madras Information, January 1953.

SUCCESS OF TOTAL PROHIBITION

Rehabilitation of ex-toddy-tappers

(a) *Through palm jaggery co-operative societies and other types of co-operative societies.*—The best form of alternative employment that could be provided for the ex-toddy tappers on the introduction of Prohibition was the tapping of sweet juice from palm trees for the manufacture of jaggery, an industry with which the ex-toddy tappers were already familiar. Government therefore permitted the tapping of palm trees for manufacture of jaggery. Jaggery manufacturing societies were formed in the districts for the benefit of the ex-toddy tappers who were given licences for tapping palm trees for manufacture of jaggery. On 30th June 1952, there were 2,115 palm jaggery societies with 1.63 lakhs members, of whom 1.58 lakhs were ex-toddy tappers. The permission to tap palmyra trees is in force in all the districts except Anantapur, Bellary, Cuddapah, Kurnool and Srikakulam.

The permission to tap coconut trees is available in the districts of Malabar, South Kanara and Coimbatore. Date trees could be tapped in the districts of North Arcot, Nellore and Chittoor and in select centres in the districts of Guntur, Krishna, Srikakulam. Sago trees are permitted to be tapped in four taluks in the Malabar District. During the co-operative year 1951-52, about 1.13 lakhs licences were issued to the members of jaggery co-operative societies for tapping palm trees for manufacture of jaggery. In the Tirunelveli and Ramanathapuram districts, Government permitted the sale of palm juice as beverage. During the year 1951-52, 8,825 permits were issued to the members of 265 jaggery societies for this purpose. The permit-holders tapped 33.56 lakhs Madras measures of neera (sweet juice) of which 17.09 lakhs Madras measures were sold as beverage and the rest was converted into jaggery. The jaggery societies produced 25.36 lakhs maunds of jaggery valued at Rs. 91.26 lakhs during the year ended 30th June 1952. To enable the ex-toddy tappers to get a better price for the jaggery, steps are taken to sell the jaggery produced by them through the primary jaggery societies or through the marketing societies. During the year, nearly one-fourth of the jaggery produced was sold through the co-operative agency.

Making of Palmyra Mats

The Tinnevely District Jaggery Loan and Sale Society at Thisayanvillai has marketed 1,190 maunds of jaggery produced by the members of its affiliated societies, valued at Rs. 4,177. It

also encouraged the manufacture of palmyra mats by the members of its affiliated primaries by undertaking the marketing of the mats. Government provided the free services of a Senior Inspector to work as its Secretary and granted subsidy to meet the cost of equipment and contingent expenditure. Steps are being taken to form a jaggery marketing society at Kunnathur in the Coimbatore District. Jaggery marketing societies are being organised in other districts also like South Kanara, West Godavari and Chittoor.

Palm jaggery societies provided their members with small loans out of their own resources or by borrowing from the Central Banks to meet expenses in connection with the jaggery manufacture and other sundry expenses. During the year, they issued a sum of Rs. 2.92 lakhs as loans to their members. The societies undertook extra activities for the benefit of their members such as sale of controlled commodities and promotion of subsidiary occupations like dairying poultry-rearing, etc. Interest-free Government loans to an extent of Rs. 4,650 were issued to the members of the societies for undertaking dairying as a subsidiary occupation. The Chintamani Jaya Vilas Jaggery Society in the Tirunelveli District was sanctioned a subsidy to meet its establishment charges and 50 per cent of the cost of utensils, to enable it to undertake dairying activities.

Palm Gur as Cottage Industry

The introduction of Prohibition resulted in a stimulus to the development of palm jaggery industry, which is a fairly important cottage industry in the State. The Madras State leads the rest of India in the development of palm gur industry through co-operatives. Thanks to the encouragement given by the Central Government, a State-wide scheme of palm gur development has been in force during the last three years. Under this scheme, the ex-toddy tappers are trained to produce better quality jaggery by adopting the use of improved implements, furnaces, etc. A special staff of Palm Gur Instructors trained in the Central Palm Gur Training School, Cuddalore, is imparting the necessary training to the ex-tappers, besides conducting demonstrations in suitable centres. Improved gur-making equipment have been supplied free to 1,000 ex-tappers at a cost of Rs. 75 each. A sum of Rs. 10,000 has been sanctioned by Government for being

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disbursed as subsidy towards 50 per cent of cost of gur making equipment to be purchased by the members of jaggery societies. The equipment will be supplied at half-cost during the current year.

Experiments are being conducted in the manufacture of sweets from palm jaggery and in the production of white sugar from palm juice with the help of centrifugal machine. It is proposed to start centres for the production of sweets and white sugar in select centres in each district. An attempt was made to popularise the sale of *neera* from date palm in the Madras City and *neera* parlours were opened by this Department at Chintadripet, Chepauk and the Harbour during the year. They were popular in the first few months, but later, when the novelty of it disappeared, the sales declined and the parlours were closed. It is proposed to revive them during the ensuing palmyra season.

Other Types of Societies

Besides palm jaggery societies, other types of co operative societies such as milk supply societies, land colonisation societies, cottage industries societies were formed for the benefit of ex-toddy tappers in suitable places. At the end of June 1952, there were 12 milk supply unions and 189 milk supply societies with 14,723 members (of whom 3,064 were ex-toddy tappers) and a paid-up share capital of Rs. 2.35 lakhs. They produced 110.85 lakhs lb. milk valued at Rs. 22.36 lakhs. There were seven land colonisation societies in which 31 ex-toddy tappers were members; 1,144.18 acres of lands were leased to the ex-toddy tappers.

Fifty-two tenants co-operative societies with 3,941 ex-toddy tappers as members were also functioning at the end of June 1952; 1,977 acres of land were leased to them. Eleven cottage industries societies, eight labour contract societies and ten other types of societies were formed and 1,142 ex-toddy tappers were provided with employment through them. Government ordered that unobjectionable poramboke lands might be leased out to ex-toddy tappers; 2,029.68 acres of lands were obtained on lease for 1,65 ex-toddy tappers in the districts of Guntur, Coimbatore, Krishna and Nellore.

(b) *Other modes of employment.*—About 70,000 ex-toddy tappers were provided with work in other avocations as unskilled workers

in industrial concerns, as peons, watchmen, etc., in Government Department and private establishments.

Promotion of General Welfare of the People

The improvement of the economic conditions of the ex-addicts to drink also received attention. They were enrolled in labour contract societies, cottage industries societies and fishermen societies as members and provided with work. The other activities carried on under the ameliorative programme were promotion of thrift through rural co-operatives, intensive development of the co-operatives in the select firkas, encouragement of social and recreational activities by rural credit societies, provision of counter-attractions to drink, propaganda through films and magic lantern slides. These have helped to promote general welfare of the people.

(i) *Promotion of Thrift.*—To encourage savings among the villagers in general and among the ex-addicts in particular, Thrift Days are celebrated when *hundi* boxes are distributed and villagers are persuaded to put by their savings in the *hundi* boxes. During the year ended 30th June 1952, 5,895 rural credit societies and other types of societies undertook the thrift scheme. They distributed 13,006 *hundi* boxes during the year, and the savings accumulated in the boxes amounted to Rs. 3.01 lakhs in rural credit societies and Rs. 88,438 in other societies. Besides, a sum of Rs. 2.50 lakhs was collected in the form of savings or thrift deposits by the rural credit societies, while savings amounting to Rs. 11.51 lakhs were collected by other societies; 1,119 societies celebrated Thrift Days when *hundi* boxes were distributed and members were encouraged to save.

(ii) *Intensive development of co-operatives in select firkas and centres.*—On 30th June 1952, 2,260 out of 2,466 villages in the select firkas and centres were covered by co-operative societies. In 60 firkas every village was served by a co-operative society at the end of the year. A special staff of 22 Junior Inspectors and two Senior Inspectors attended to the work relating to the development of the co-operatives in the select areas; 92 multipurpose co-operative societies were functioning in the Tirumangalam, Dendulur and Kumbla select firkas at the end of the year. They issued loans to the extent of Rs. 8.5 lakhs. The societies undertook varied activities in the respective areas such as distribution of domestic and general requirements, supply of sprayers and

pesticides to the members, hiring out of pumpsets and tractors, maintenance of stud-bulls, etc.

Co-operative agencies in 25 select areas undertook the procurement and distribution of raw materials to the artisans in the firkas. Eighteen agencies out of 25 purchased and sold raw materials for Rs. 88,337 and 54,017 respectively. In 11 firkas the work is attended to by separate co-operative cottage industries federations formed for the purpose, which have been sanctioned a staff of 11 Senior Inspectors. Government provide the agencies with interest-free loans to enable them to purchase the raw materials required by the artisans. The scheme is in its infancy and is popular in certain areas.

Government have sanctioned a scheme for giving financial assistance to the co-operative societies in the select firkas to enable them to undertake social, educational and other useful activities. They have sanctioned a sum of Rs. 1 lakh to be given as subsidy to deserving societies which undertake the work.

(iii) *Encouragement of social and recreational activities.*—(a) *Through gramasanghams.*—Gramasanghams formed under the amelioration programme organise rural recreation and village uplift activities like village sanitation, street cleaning, village communications, introduction of better seeds and manure, encouragement of cottage industries, etc., There were 12,059 *gramasanghams* at the end of the year. During the year, 988 *gramasanghams* provided counter-attractions to drink; 698 undertook public health activities; 580 attended to street cleaning, construction of latrines, etc.; 125 laid and repaired village roads; 249 undertook agricultural improvement; 550 engaged themselves in educational activities such as running night schools, reading rooms and libraries and 87 encouraged the promotion of cottage industries and thrift; 148 *gramasanghams* received library grants amounting to Rs. 5,920 from the Education Department.

A sum of Rs. 6,000 was disbursed as subsidy during the year 1951-52 to the *gramasanghams* towards construction of community centres, one each in the districts of Nilgiris, North Arcot and South Kanara. The construction of the buildings is in various stages of progress. The present policy however is to encourage the promotion of social and recreational activities through village societies instead of through *gramasanghams*. Government have also proposed to restrict the sanction of subsidy for the construction of community centres to the rural credit societies.

(b) *Through rural co-operative credit societies.*—Rural credit societies are encouraged to take up social and recreational work. They adopt special bylaws for enabling them to do so. During the year 5,916 societies undertook village uplift work such as conduct of reading circles and libraries, construction of village hall-cum-godowns, conduct of games, *bhajans* and tournaments, etc. Twenty-two rural credit societies were given half-grants to the extent of Rs. 1.09 lakhs for the construction of village hall-cum-godowns. Twenty-one out of them completed the construction of the buildings during the year.

(iv) *Counter-attractions to drink.*—The provision of counter-attractions to drink does not receive as much attention as in the past. Nevertheless, sports, and games, *bhajans*, etc., are encouraged wherever voluntary effort is forthcoming for such activities. During the year, 1,441 firka tournaments, 227 taluk tournaments, 44 divisional tournaments and three district tournaments were held. *Bhajans*, *kathaprasangams*, etc., were conducted in 1,944 villages and epic lores were read in 479 villages. Radio sets were also installed in the villages as a measure of counter-attraction to ex-addicts to drink.

(v) *Propaganda.*—The 15 propaganda vans and the equipment fitted in them were made use of for carrying on ameliorative propaganda in the countryside. Films and magic lantern slides are exhibited and gramophone records played in the villages. A film on Prohibition entitled *New Deepavali* produced by the Department is also exhibited through the cine-projector installed in the vans. The ameliorative staff carry on propaganda on Prohibition, co-operation, thrift, food production, etc., making use of the equipment in the propaganda vans. The Tamil version of the play entitled *What the Vintners Sell* written by Sri J. M. Lobo Prabhu, I.C.S., was enacted by the Chandran's Co-operative Party composed of the staff of the Department at Madras in December 1952 under the presidency of the Minister for Prohibition. The play was appreciated by the audience.

The several ameliorative activities undertaken have helped to promote rural uplift in general and to better the socio-economic conditions of the ex-toddy tappers in particular. Prohibition is closely linked with social welfare. The habit of drink had brought misery and ruin to the masses and it is incumbent on the people to co-operative with Government in eradicating this social curse, and help in the building up of a happy and prosperous State.

Power for Cottage Industries*

VISWANATHAN TEKUMALLA

Power, especially economical power, is of vital importance in industry. Power, of course, is a wide term. It includes both the power of the human limbs, which has been the sole source of productive activity for centuries, and mechanical power which is of recent origin. Mechanical power includes not only the steam or oil power required to drive machines or to lift materials and move them from place to place, but also power in the form of electric current to drive motors and to operate the wide variety of electrical or electronic controls and appliances used in modern factories, in addition to its more familiar applications in heating, lighting and ventilating.

In the sphere of cottage industry, though technically the use of steam power and oil power cannot be ruled out, their scope for employment is very little for two reasons: For one thing, they are too expensive for the worker. Secondly they do not give a ready supply of motive power in small units whenever the worker requires it. On the other hand, electric power is relatively cheap to obtain. It is brought to the worker's cottage by wires from the generating centre. He has only to operate the switch board to put the motor or machine-lathe in motion for his work—not to speak of the use of the current in lighting and ventilating his dwelling. Electric power is found to be the most convenient and economical multi-purpose power for the cottage worker in every other country. I shall endeavour here to discuss its value and possibilities for the cottage industrial worker in our country.

A discussion of this kind would have been, some half-a-decade ago, rather of academic interest than practical value. For prior to 1948, the development of cottage industries on comprehensive lines was the ambition only of some rural reconstructionists and Gandhian economists. The Government did not evince much interest in promoting these small industries. But conditions have since changed so as to impart practical value to such discussions. Thanks to the new status of India, following the achievement of Independence, the Government of India, in their Resolution of April 1948 on their industrial policy declared themselves in favour of developing cottage industries, particularly in the matter of producing consumer goods.

*By courtesy of the All India Radio, Madras.

THE MADRAS JOURNAL OF CO-OPERATION

This welcome policy of the Government evoked public interest. The Government too set to work so as to provide some facilities for developing cottage industries. The Japanese cottage industrial system having caught the fancy of the country as a good model, the Government sent a Two-Man Mission to Japan to study and report on the small industries there. In its 90-page Report, the Mission stated that "cottage industries provided the foundation of war-shattered Japan's rehabilitation". They are making good progress: and what militarily-occupied Japan can do, we can *certainly* achieve." Among the factors making for the success of the small industries in Japan, the Mission stated, were (1) abundance of electric power at low rates: (2) ability of small enterprises to adapt themselves quickly to changes in fashion: (3) cheap labour; and (4) co-operative relations with larger enterprises. An advantage of the Japanese system was that "production cost is low because of better output resulting from personal supervision"; for in a home-factory, unlike in a bigger unit, members of the family could work conveniently in leisure hours without interruption to their domestic duties. The Mission expressed the opinion that India can derive great benefit by organising cottage and small scale industries on Japanese lines. About forty different industries ranging from needles and pins to toys and bamboo articles have been recommended for adoption in India. On the recommendation of the Mission, no less than fifty different kinds of machinery have been imported for use in the country and a number of Japanese technicians have been invited by the Government to train Indians in the use of their machinery.

Another important event has helped to enhance the importance of cottage industries: According to the final Five-Year Plan of the Government of India, out of an estimated total expenditure of Rs. 2069 crores spread over a half-decade, as much as Rs. 127 crores (or 6.1 per cent) is to be spent on power projects, Rs. 173 crores (or 8.4 per cent) on industrial development, and Rs. 497 crores (or 24 per cent) on transport and communications. In term of targets fixed there is to be between 1950-51 and 1955-56 an increase from 2.3 million KWs to 3.5 million KWs in respect of electrical energy; an increase from 1.1 thousand to 4.6 thousand in respect of machine tools; and an increase from 29.5 thousand to 33.1 thousand miles in respect of roads.

Regarding the small industries the Plan said as follows: "The field of employment being limited in both public service and large-scale industry and allied fields, the development of smaller industries

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will afford opportunities for trained and educated persons to engage themselves in some useful occupation. The planned development of small industries is a task of immense magnitude and importance and the Central Government has, as a first step, undertaken to prepare programmes for a few industries such as manufacture of woollen goods, sports goods, agricultural implements, brass ware and bell-metal, and cycle parts. Along with measures to create and maintain a demand for the products of small industries, *the need to change methods of production and organisation has also to be emphasised.*"

The plan added that in addition to meeting luxury demands for artistic wares, *the utility possibilities of handicrafts should be developed as far as possible.* the Plan also suggested that the Central Government should arrange for the early consideration of *how the principle of common production programme should be applied to different industries*, so that in turn the development of small scale industries could be pursued on a planned basis. Finally the Plan said that "the most important method of developing small-scale industries is to establish either small new townships or to extend existing towns and provide sites, services, power, etc."

The Community Development programme—also known as the "Show-How", programme—which is now in operation in 55 Projects all over the country has given an immediate opportunity for developing intensively some small industries in compact areas.

These are all favourable factors for the planned development of cottage industries. A few other factors have further enhanced the importance of small industries in the country's industrial economy and urged their reorganisation to some extent. First the general trend towards decentralisation of industry, the world over. Even as early as about 1944, Mr. Wendel Wilkie, a famous American, wrote that "every thoughtful American knew that in many instances we have created large industrial combinations unnecessarily" and that "for our social and economic good we should give the utmost encouragement and preference to the small industries." The famous Chinese Induscoes amply proved the importance of this decentralisation of industry during war and peace. The moral influence of the lessons given by the two great countries was not inconsiderable. Secondly there is a practical problem for the country consisting in the need to resettle the ex-servicemen in peaceful occupations. Having been conversant with machines during field service, these men have learnt to look upon the machine as an indispensable agency of industrial production and have sought to settle down to peaceful life as skilled mechanics and artisans. The industrial co-operatives in Madras State are good examples of the industrial activities of these machine-minded men.

The appreciation of the importance of decentralisation of industry and "decentralisation" of power for industrial purposes in

our country is therefore, obvious. Electricity and its application to small industries means wealth. Mr. Chamanlal, a member of the Two-Man Mission mentioned above, wrote in his book how, in a village near Osaka, girls wove bamboo screens on powerlooms for the American market and earned dollars.

Compared with Japan, it must be owned that our country has not progressed in this line of industrial development. Our cottage industries are mostly either handicrafts or those plied with hand-driven appliances. We have very few mechanised cottage industries, some of them being the powerloom weaving pursued in a few places on the west coast in our State, the silk reeling in Kollegal, plastic industry in Tanjore, and knitting and hosiery and some metal work shops in Madras.

Vigorous steps in pursuit of a policy of decentralisation of power and industry are therefore the *sine qua non* of our industrial development. As in Japan, by a well organised plan, machines and electric power should be taken to the rural or semi-urban artisan rather than force him to leave his dwelling and go to the machines in the crowded cities.

Two important problems must needs be considered here in implementing this policy: First: How far can power be applied to cottage industries? In other words, are there any limitations to the use of power? Secondly what is the proper organisation for obtaining power equipment and appliances and technical guidance for plying the industry concerned?—

The first problem resolves itself into two smaller problems, namely the question of industrial design and the disposal of the products of the industry.

Let us take industrial design first. Industrial design can be simply defined. Every manufactured article, whether a carpet or a flower-vase or a fountain-pen, should have two basic qualities, namely fitness for its purpose (otherwise known as utility) and pleasing appearance (otherwise known as beauty). Utility is easier to gauge than beauty. For instance a chair should be comfortable and a clock should keep good time. Beauty on the other hand is a matter of personal taste and fashion. Yet some fundamentals of beauty are timeless and universal. Our sense of beauty is mainly derived from our experience of nature, which is unchanging: from nature we get our conception of order and form, of symmetry and proportion; of geometrical patterns and of harmonies of colour.

Because utility and beauty should work together, and not against each other, industrial design is something fundamental. The industrial designer must have both ideas in mind at the beginning. His job calls for imagination, combined with practical knowledge of the function of the article, of the materials available for its manufacture, of the tools and machines that can be used, of cost and of marketing. He must have a business sense as well as artistic talent. Such

industrial design is not a modern idea. It is as old as industry itself as our best specimens of ancient art now extant unmistakably indicate.

The industrial design has been completely changed by the coming of machines and the demands of mass production. The experience of British Industry in this respect must be a lesson to us. The Industrial Revolution replaced the craftsman by the machine. The manufactures bore no design but mechanical efficiency. Beauty was hardly considered at all. At times the manufacturer attempted to add beauty by sticking some things on to articles. Some exploited the popular love of ancient art by going even so far as designing machines to imitate hammer marks. There was complete separation between art and industry. In consequence there came a great revolt against this mechanisation from ardent art-lovers like William Morris: and after a long struggle, there slowly evolved the present liberal attitude to art and industry. Accordingly decoration should not obscure function. It should emphasise rather than conceal the form of the article. For instance the clock-face may be of any ornamental shape but the dial should be round.

Our cottage artisans should take this enlightening page from British Industrial History. They should not use power to produce soul-less and ugly products but should know the utility and art values of the goods they produce. For instance, in food manufacture which has purely utility value, power need not be used. So also in the planing or carving of wood for art products like *Veenas*. The wood worker feels the properties of the wood through the plane or chisel and works accordingly. But the machine isolates the material from human contact. It does not, however, mean that the machine has no place in such industries. There are processes where it can be usefully employed. For instance in cutting wooden planks or metal sheets to precise measurements; in turning a semi-finished article on a power lathe for shaping; in reeling silk thread from cocoons on a power-driven reeler; or in warping yarn on a warping mill. These are all processes where the machine is controlled by man without his becoming a slave to it.

A good field for the free use of power consists in lines of production like utility goods and cheap manufactures, and also where precision parts are to be mass-produced for assembling in a central factory. Standardisation and precision are the essential features of such production. The goods literally flow from the machine with speed and perfection in shape which no human hand is capable of. For instance plastic goods, cans and packing boxes, and cycle parts.

Now the question of disposal of the products. The use of power in production is bound to result in a large scale production of various goods. This would lead to serious economic consequences unless a proper machinery is set up by the Government and other agencies to provide facilities for internal and external transport and trade. The free use of power in cottage industries, therefore, depends on the quickness with which the products find release for sale.

And now the second major problem, namely the proper organisation for obtaining mechanical appliances and technical guidance: Notwithstanding its value, the obtaining of machinery is great problem to our artisans who are by no means well-to-do. There are, however, some artisans who would like to switch on to power-worked industry. Such artisans should organise themselves into an industrial co-operative for purchase of machinery on co-operative basis and repayment of loans in easy instalments. The Reserve Bank of India, which has of late been taking some interest in the promotion of cottage industries may be requested to grant medium-term loans to the co-operative at a concessional rate of interest, for the artisan is in no better position than the agriculturist.

As for the technical guidance, there is little doubt that it will be for some years a formidable problem. The average artisan is conservative and illiterate. There are very few institutions in the country where technical education can be imparted. For instance while in Japan there are 200 technical education centres, there are no more than a dozen in Madras State. It is highly essential that technical education must be widely diffused in the country. Every machine is safe only if it is used in the way that it is intended to be used. Unless the artisan knows how to operate it by means of technical education he will derive little benefit from his machine. The organisation of an institution like the Rural Extension Service of America in our country also may be of great use to the artisans. For he will have the continual help of the technical men of the Extension Service.

One vital feature of our industrial plan is to integrate the large and small industries into one harmonious industrial activity by making them either supplementary or complementary to each other. There is little doubt that if this integration is to be achieved without the small artisan losing his individuality, the small artisan should rapidly enough learn how to use his power-machine and also keep his mastery over it.

The George Town Co-operative Credit Society, Ltd., No. 8512
 29, Krishnappa Naicken Agraharam Street, G. T. Madras.
 (REGISTERED IN 1928.)

All Banking facilities are afforded to Members and Constituents of the Society. Fixed Deposits are accepted for one year at 5 per cent interest.

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P. NATESAN, M.B., B.S.,
President.

CREDIT

Long-Term Credit in Madras State—Its Present Position and Problems*

SRI BHOGARAJU VENKATARATNAM,

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

Sri Venkatappiah 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 welcoming you all to this Conference. The presence in our midst today of Sri Venkatappiah, Executive Director of the Reserve Bank of India is, I take it, a measure of the keen interest the Reserve Bank of India have been evincing in the development of the credit sources for the agricultural industry. In recent years the Reserve Bank of India have been extending their helping hand to Co-op. institutions serving the rural population by providing short-term credit at a concessional rate of interest of $1\frac{1}{2}$ per cent. They have also taken steps to amend the Reserve Bank of India Act to enable them to dispense medium term credit. They have been investing in the long-term debentures of Land Mortgage Banks to the extent of 20 per cent of each issue. They have also been advising the Central Land Mortgage Bank on all matters on which they are consulted and their advice and help have been of immense benefit to the Land Mortgage Bank movement. I take this opportunity to convey to the Reserve Bank of India our grateful appreciation of their services to the agricultural population of this State.

Long-term agricultural credit in most of the advanced countries of the world is under the direct management of the Governments concerned. Even where it is not a purely State Department, the State had invariably played a dominant part in shaping the institutions entrusted with this work and had actively helped by subsidies, advice, special facilities and in other ways. This, I believe, is due to the fact that long-term agricultural credit cannot be successfully administered for the benefit of the agricultural industry without State aid. I am glad to say that

*Presidential Address delivered at the XXIII Conference of Co-operative Land Mortgage Banks in Madras on 28th February 1953.

the Madras Government from the inception of the Land Mortgage Banking movement in this State have shown sympathy and support and the success of the movement in this State, such as it is, is not a little due to the help rendered by the State Government from time to time. The Central Land Mortgage Bank, inaugurated in December 1929 with 19 Primary Land Mortgage Banks affiliated to it in the first year with a paid up Share Capital of Rs. 51,300, has emerged into a mighty institution with 130 primary banks affiliated to it and with a paid up Share Capital of nearly Rs. 23 lakhs and Reserves totalling Rs. 31 lakhs. The debentures in circulation at present exceed Rs. 555 lakhs and with the amount of debentures of the 48th series now under issue (Rs. 72 lakhs) the total of the debentures in circulation would exceed Rs. 627 lakhs. The Government of Madras have under Section 6 of the Land Mortgage Banks Act extended their guarantee of both the principal of and interest on the debentures issued by this bank to Rs. 700 lakhs. The Board of Directors intend to approach the Government to increase their guarantee to Rs. 10 crores and I hope that the Government with their usual sympathy and good-will for the bank will accede to the request. The rate-war classification of debentures shows that the bank has always been able to borrow in the market at competitive rates of interest.

2½%	...	Rs. 38,15,400
3%	...	„ 3,58,34,700
3½%	...	„ 99,08,300
3¾%	...	„ 60,00,000
4½%	...	„ 72,00,000

The object of Land Mortgage Banks is to provide cheap long term credit to the agriculturists of the State. The rate at which funds could be made available to the members is dependent on the rate at which the bank can borrow on its debentures in the market. When the bank was able to borrow funds at 3 per cent the agriculturist borrower was getting his loan at 5½ per cent. The latest issue of debentures of the bank bears interest at 4½ per cent, the issue price being 99.8.0 per cent. The rate of interest on loans has been increased to 6½ per cent which it may be remembered is one per cent more than the rate at which a private lender can legally recover from an agriculturist. This is a rate which, I feel, is too high and therefore heavy for an agriculturist of our State to bear and it is necessary in the interests of the industry that the Government and the Reserve Bank should address them-

selves to suitably deal with the problem with a view to reducing the interest rates.

The general criticism against the Land Mortgage Banking system in Madras is that there is considerable delay in the sanction of loans and that the procedure followed savours too much of red tape. We are alive to the fact that there is delay and have been giving constant thought to reduce the time taken for issue of loans. The delay is mainly due to the fact that our rural population are not readily in a position to prove their title to the property offered for mortgage. Our experience of the suits filed against the members questioning the title of the member to the land has proved beyond doubt that circumspection and meticulous care in sifting title is absolutely necessary and cannot, without jeopardising security, be dispensed with or passed over. I do recognise that there is urgent need to speed up sanction but for that there must be legislative protection for Land Mortgage Banks that under certain specified circumstances the charge on the land created in favour of a Land Mortgage Bank is binding on the property. This appears and really is a tall order. But at the same time I have no doubt whatsoever that sooner than later the need for such protection will be recognised and accorded. Till then I am afraid we cannot drastically minimise the time taken for sanction of loans.

Another significant comment is that Land Mortgage Banks should concentrate more and more on productive loans and reduce to a minimum if not completely eliminate loans for repayment of prior debts. These critics strongly feel that during the depression, the need of the hour was to refinance old debts and save the agriculturists. They feel that at present loans for repayment of old debts will only encourage non productive borrowing to the great detriment of the country. Such lending, they feel will reduce the quantum of funds available for productive purposes. There is a good deal of truth in this. This question was examined by the Central Land Mortgage Bank from time to time. On account of the time taken to sanction loans, persons who require funds for land improvement purposes also prefer to obtain some temporary accommodation, effect the improvement and then apply to the mortgage bank for a loan. An examination of the purposes for which the prior debts were originally incurred revealed that to the extent of 49.9 per cent they were productive debts. About 28.3 per cent of

the debts could not be analysed and the balance of 21.8 per cent were incurred for marriage, litigation and other non-productive purposes. The Board felt that the agriculturist should be given one chance to redeem himself from outside debts with the funds from Land Mortgage Banks. If later he required further loans, it can only be for productive purposes. Even so I sometimes feel that the purpose of debts mentioned in the documents is not always correct. Some of the authorities with whom I had occasion to discuss this subject expressed the view that if Co-op. Land Mortgage Banks turn down requests from agriculturists for loans on the ground that the debts were incurred for non-productive purposes, we would be perpetuating private money-lending and driving agriculturists out of the co-operative fold while they feel that such expenditure is in their interest. Their suggestion in this respect was that loans should be made available to the members where there is adequate security but that they should be constantly educated in the proper use of credit.

For some time now I have been strongly feeling whether it is really in the interests of the agriculturists to borrow at the present time when the prices of agricultural commodities are high, and when there is every prospect of these prices declining. Should this happen, many agriculturists will find it difficult to maintain their economic position. I am not aware of the precise scope of the All-India Rural Credit Survey recently conducted by the Reserve Bank of India. But it appears to me that it is highly desirable that a survey of a few villages is made to know to what advantage the short-term and long-term credit made available to the villagers has been utilised and how far their economic position has improved. I appeal to the Reserve Bank of India and the Government of Madras who have got well equipped economic research departments to order an enquiry and make available the results to the co-operative movement to shape its policies in the best interests of the people.

One of the difficulties experienced in increasing the number and amount of loans for land improvement purposes is that the members are in many cases not able to offer adequate security according to the standards obtaining in the bank. This is true largely of dry areas. If for example a member wants to sink a well for irrigation purposes and offers dry land for security that

land is valued on pre-war basis and if it is found that there is not adequate security, the loan is rejected. This is inevitable as no loan can be advanced except on adequate security. In the Takkavi manual there is a rule that in such cases the land may be valued taking into account its improved state. This involves a certain amount of risk. Land Mortgage Banks which deal with borrowed funds cannot naturally undertake such risks. If the Government could step in and guarantee repayment in such cases it would be helping deserving ryots and the country in increasing its productive capacity. The report of the Planning Commission has mentioned that the Bombay Government have approved of such guarantee in principle. They have commended such action to the other State Governments also. If the Government places at the disposal of the agriculturists well-boring sets, and necessary technical advice and undertake the type of responsibility mentioned above, the ryots can be induced to undertake such productive works.

It is relevant at this juncture to refer to the fact that it is futile to expect agriculturists to undertake heavy capital expenditure with borrowed funds at the existing high rates of interest. Even if the prices of produce continue, it is very doubtful whether such undertakings will prove remunerative. The Reserve Bank of India have been advancing to the Apex Co-op. Banks short-term loans at a concessional rate of interest of 1½ per cent. They are willing to extend similar facility for medium term loans also. But so far as long-term finance is concerned they are only subscribing to 20 per cent of each issue which bears interest acceptable to the public. Surely it will not serve as an inducement to the agriculturist to undertake improvement work with funds borrowed at the existing high rates. I request the Reserve Bank to make funds available to the Central Land Mortgage Bank at a concessional rate of interest only for productive purposes. Perhaps they can do so even under the present statute. If it is felt that an amendment of the Act is necessary, I request them to undertake the same in the interests of agriculture, our biggest industry.

The last co-operative year was really a critical one for land mortgage banks and the agriculturists. In many of the districts, drought conditions prevailed for the fifth year in succession. People had to borrow to maintain themselves and their cattle and for the loss incurred in infructuous agricultural operations. On

top of these they could not find funds for payment of the instalments to the Land Mortgage Banks. The remission of kist and postponement of instalments on Government loans have always acted as a spur to the members of Land Mortgage Banks to apply for similar concessions from the banks, forgetting for the moment that these banks which deal with borrowed funds have to meet their own commitments. But on account of the widespread famine conditions prevailing in some of the districts, Government agreed to place at the disposal of the Central Land Mortgage Bank an amount equal to the total of the instalments in respect of which postponement has been sanctioned subject to a maximum of Rs. 5 lakhs. In deserving cases postponement has been sanctioned and the borrowers have been asked to repay the postponed instalment together with interest at 6% by five annual payments. While there is no doubt that there is genuine need for these postponements, we are anxiously watching what repercussions it will have on the future collections. In fact I have a feeling that Land Mortgage Banks have not been living up to their past reputation in that there were overdues in a number of banks at the close of the Co-op. year. No doubt, the banks have in many cases satisfactorily explained the reasons for the arrears. They have also taken necessary action to recover them. But apart from the administrative aspect of the matter, the fact remains that after 23 years of existence, Land Mortgage Banks have not been able to impart to their members the business habit of promptly meeting their obligations on the due date. This is a matter of great concern. I would earnestly request the representatives of primary banks to continue their educative mission and exhort the members by leaflets and personal contacts to meet their commitments without default in future.

Credit is very scarce in rural areas and more and more agriculturists are resorting to the Land Mortgage Banks with applications for loans. During the year 1951-52, 6300 applications for Rs. 170 lakhs were received by the Primary Banks of which they rejected 1528 for Rs. 47 lakhs and recommended 4087 applications for Rs. 98 lakhs. At the close of the Co-op. year on 30th June, 52, 4956 applications for Rs. 136 lakhs were pending consideration with these banks. With the best of good-will it will not be possible for primary banks to deal with this heavy pendency and also deal with the number of applications pouring into these banks. The

Government staff of Co-op Sub-Registrars dealing with these applications have to be increased to enable an appreciable disposal. We have requested the Government to appoint seven more of these Officers for the work. I hope the Government would be pleased to see their way to sanction the staff.

There are at present 40 Co-operative Sub-Registrars and 3 Deputy Registrars doing Land Mortgage Bank work. The Bank is meeting the full cost of the Deputy Registrars and their staff and one half of the cost of the Co-op. Sub Registrars. For the year ending June 1952, a sum of Rs. 1,79,492 was paid to Government on this account. The Government have agreed to meet one half of the cost of Co-operative Sub-Registrars till 31-3-1953 and we have urged on the need to continue this concession. After all it should be remembered that the bank is only discharging one of the duties of the Government and the expenditure on the Officers employed for this purpose is a legitimate charge on the revenues of the State. The Planning Commission have rightly observed that "the history of agricultural development in all advanced countries shows that an integrated system of credit (short, medium and long-term credit) laid the foundation for agricultural development and prosperity." Land Mortgage Banks are national institutions working solely for the benefit of the agriculturists.

I take this opportunity of expressing our thanks to Sri J. C. Ryan, Registrar of Co-op. Societies. He was responsible for securing to this bank Rs. 70 lakhs in the year 1950-51 at 3 per cent interest when shorter-dated Government securities were yielding about 3.35 percent. Under his lead the Co-op. Central Banks and other co-operatives rallied to the rescue of the agriculturist, invested in the 3 percent debentures and made it possible for this bank to continue to lend at 5½ per cent. Since then he has been taking interest in procuring funds for debentures. The latest series now under issue was floated at 4½ percent as it was felt that the rate should be attractive enough to enthruse the outside investor. Mr. Ryan helped this time also in securing subscriptions to these debentures. We are also thankful to the insurance companies for their support to these debentures. I must however say that we received strong support only from local insurance companies. Only a few outside insurance companies have taken interest in these debentures and that too for small amounts. Considering the huge turnover of business these companies underwrite in the Madras State, I must say that they could have been fairer to the agriculturist of this State to serve whom this bank was organised by the Government.

Friends, I do not wish to tire your patience further. I shall no longer stand between you and Sri Venkatappiah except to say how grateful I am for his acceptance of my invitation to open the Conference. I now request him to inaugurate the Conference.

Some Suggestions for Developing Long-term Credit System*

SRI B. VENKATAPPIAH, I.C.S.,

Executive Director, Reserve Bank of India, Bombay

Mr. President and Friends,

May I say how deeply appreciative I am of the privilege and the opportunity you have extended to me to-day by asking me to inaugurate this Conference of the Land Mortgage Banks of the Madras State. The privilege, I am aware, has come my way in my capacity of representative of the Reserve Bank of India, to which institution, you, Mr. President, have made several kind references in your speech. I thank you sincerely on behalf of the Reserve Bank, whose policies in this particular sphere and your own aims in central and primary land mortgage banking converge in the objective of effective promotion of agricultural credit. It is by reason of this common interest, that the opportunity you have given me of listening to your views and of perhaps developing a few suggestions of my own is one which, from the point of view of the Reserve Bank, I value very greatly indeed. Among other things, the Reserve Bank is the bankers' bank and, in that sense, it is sometimes called, as you know, the bank of last resort. At the other end is the agriculturist who, if I may so put it, is the borrowers' borrower or the borrower of last resort. In between the two, existing in its own right and also as a vital link between the bank of last resort and the borrower of last resort, is the whole mechanism of institutional agricultural credit and, notably, co-operative credit, of an important section of which you here are the assembled representatives. Hence, then, the significance which I attach to your kind invitation to me to speak to you to-day.

2. I shall start with the Planning Commission—to which a brief reference has been made in the address to which you have just listened—and the Report which it has recently placed before the country. The Five-Year Plan lays considerable emphasis on agricultural development. For more extensive utilisation of land, and for more intensive production therefrom, long-term capital is necessary. But it is exactly this aspect of agricultural finance which has been one of the most neglected in our country. Co-operative endeavour in this matter has hitherto been confined to very few States indeed. Actually, co-operative land mortgage

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SOME SUGGESTIONS FOR DEVELOPING LONG-TERM CREDIT SYSTEM

banking has made appreciable progress only in Madras and Mysore, with Bombay, Madhya Pradesh, Travancore-Cochin and perhaps one or two other States following at varying distances. Thus, out of a total of Rs. 626.41 lakhs representing the outstandings of primary land mortgage banks in India at the end of 1950-51, an amount of Rs. 452.63 lakhs pertained to Madras and of Rs. 76.59 lakhs to Mysore. In most States, long-term financing institutions are either non-existent or insignificant. Of the two principal long-term credit agencies, namely, State Governments and co-operative land mortgage banks, the former, as you know, help by providing finance under the Land Improvement Loans Act. Such accommodation, however, is not systematic or continuous; though it must be added that, in recent years, under the Grow More Food schemes, Government loans have been given on a fairly large scale for productive enterprises. Even so, there are obvious limitations on the direct financing of agriculture by Government. There are, for example, the shortcomings inherent in any purely, administrative machinery utilised for the purpose of scrutinising loan applications, sanctioning, and disbursing loans and supervising the use to which they are put. Nor, in view of the straitened finances and growing needs of State Governments, is it likely that by themselves they will be able to find adequate funds to meet the requirements of agricultural credit. It was only right, therefore, that land mortgage banks should have come to be regarded as the appropriate machinery for the provision of long-term credit. Accordingly, these institutions have been endeavouring, with Government help and support, to fulfil this very important function; but the record of their achievements, as I have already indicated, is somewhat varied in pattern. Legislative restrictions on transferability of rights in land, uncertainty as to the future policies of State Governments in respect of land reform, the precarious agricultural economy of large unirrigated tracts of the country, these and other factors have hitherto operated against the promotion and development of land mortgage banks in many States. There has also been, and still exists, a dearth of the trained personnel so necessary for the extension of land mortgage banking. It may perhaps now begin to be hoped that, with the removal of some of the legal impediments which have stood in the way, the gradual emergence—or at any rate, prospects of emergence—of somewhat clearer land reform policies, and the visible progress which is being made with major and minor irrigation

schemes, together with various other factors, such as the efforts of the Reserve Bank to assist in the re-organisation of the co-operative credit structure in several States, and the provision, in the Five-Year Plan, for a number of All-India Centres of co-operative training, land mortgage banks will enter on a new era of expansion and development and make substantial contribution to the provision of long-term capital. I may mention, in passing, that it is intended to establish one of the All-India Co-operative Training Centres in Madras at as early a date as practicable. You are perhaps aware that an All-India Training Course, sponsored by the Reserve Bank, already exists at Poona and has been functioning for about a year. The Madras Centre, it is hoped, will *inter alia* provide special facilities for the training of managerial and executive staff in the practice and technique of land mortgage banking. For, where else could such facilities be more appropriately located than in a State in which, albeit in a relative sense, so marked a progress has been achieved in this direction by the combined efforts of non-official and official Co-operators? The figures you have given in this connection, Mr. President, are very impressive. May I venture to add that they would have been even more impressive if, for reasons which reflect no discredit on the Movement, a large part of the advances did not happen to be confined to those few districts which are blessed with a preponderance of irrigated and commercial crops?

3. You have referred, Mr. President, to the general criticism against land mortgage banks in regard to delay in sanctioning loans. In this connection, some of the figures you have given are interesting. It would appear that while during the year ending June 1952, 4,087 applications for Rs. 98 lakhs were recommended to the Central Land Mortgage Bank by the primary banks, as many as 4,956 applications for Rs. 136 lakhs were pending with them at the end of the year. As pointed out by you, one should not of course minimise the difficulties involved, *e. g.* in the tracing of the applicant's title to land. On the part of the would-be borrower, his natural impatience for a loan is perhaps equalled only by his unfortunate ignorance of requirements. The applicant, therefore, needs instruction, and it is indeed praiseworthy that the Central Land Mortgage Bank has brought out a pamphlet indicating in simple words what one has to do before one can even hope to get a loan. Delays are in some measure also due to the fragmentation of holdings, which unfortunately is a continuing process,

and to the imperfect maintenance of the necessary documents of title by owners of land. It is true that fragmentation of holdings is not so acute in Madras as in certain other States. Nevertheless, it is a serious handicap. The Madras Land Revenue Reforms Committee (1950-51) have, I am aware, suggested that the consolidation of existing holdings would not be of much use unless the results were conserved by the prevention of sub-division and alienation of holdings of below a particular size and that it would be a serious menace to the agrarian economy if the process of small holdings becoming still smaller was not arrested. The consolidation of holdings and other means of increasing the size of the unit of cultivation undoubtedly constitute one of the most important ways in which the scope for long-term agricultural credit may be widened.

4. Turning now to a different point, on which also you have touched, an analysis of the purposes of loans made by the primary mortgage banks in 1950-51 shows that loans for the discharge of prior debts constitute the largest single item, representing Rs. 72 lakhs out of a total of Rs. 84 lakhs. This is followed by loans for improvement of land (Rs. 6.8 lakhs), loans for purchase of land in order to round off holdings (Rs. 1 lakh) and loans of a miscellaneous or unclassified nature (Rs. 4.5 lakhs). It may be that, in part at least, the prior debts contracted were for purposes which could be classed as productive. But the question does arise whether the preponderance of loans for discharge of old debt is not something which needs to be corrected. The repayment of ancestral debt and redemption of mortgages on land is in the context of the farmer's economy, undoubtedly important; but land improvement and development designed to promote increased agricultural production is even more important in the interests of the economy of the farmer no less than of the country. Moreover, there is one fact we should not lose sight of, namely, that the funds at the disposal of the different sectors of our economy are limited. There is admittedly a wide gap between the funds likely to be available as loan money on reasonable terms and the credit requirements of the agriculturists. It is, therefore, vital that we should adhere to a well-thought-out scheme of priorities. Consistently with the principal objectives of the Five-Year Plan, we should recognise that assistance rendered by way of credit has to be related to certain broadly defined sectors of productive effort. Considered from this stand-point of priorities, it is evident

that the funds available should be increasingly utilised in a manner calculated to step up agricultural production and to help create the very savings out of which old debts may be discharged. This is of course by no means a new point, but since it will perhaps bear repetition, I suggest for consideration that the Central Land Mortgage Bank lay greater stress on the developmental aspect of the finance it provides and give high preference to applicants the demonstrable purpose of whose loans is increased production. It is an integral part of such priorities that, after due survey and study of regional possibilities of land development and improvement, practical schemes should be drawn up in collaboration with the Departments of Agriculture, Revenue and Public Works (and of the authorities in charge of Community Projects where schemes of intensive, all-round rural development are being implemented) and that appropriate lines of land improvement should be brought to the attention of the agriculturist in the regions concerned through pamphlets, general meetings of members of mortgage banks etc. Since vague suggestions and advice, however repeatedly given, are hardly likely to be productive of results, the Central Land Mortgage Bank could perhaps itself take the initiative and, with the co-operation and help of governmental agencies, proceed to draw up a list of priorities in respect of land improvement, and what is more important, attempt to translate them into practice, in the community projects areas, for example, to begin with. Some of the major irrigation projects in the States will soon be nearing completion. There are likewise a number of minor irrigation works in the process of execution. It is obvious that if full benefit is to be derived from all these, the agriculturists in the areas concerned will have to carry out measures for the reclamation and improvement of their land. They will need sizeable capital for the purpose. The mortgage banks have, in such areas, vast opportunities of service which they should avail themselves of. It is on such concrete lines, based on the fundamental objectives of the Five-Year Plan and against the background of an integrated national economy, that banks should formulate their future programmes and effect a new orientation in their loan policies. It is in this context again that the land mortgage banks and Government departments can most fruitfully co-operate.

5. It appears to me that land mortgage banks had originally proceeded on the assumption that, with the loans taken from

them, the individual agricultural borrower would wipe off all his outside debt and thereafter so order his economy as not to relapse into debt. If that is so, this assumption has certainly not been fulfilled, with the result that, in practice, banks to-day often sanction second and even third loans to the borrower. The figures show that the second and third loans given in 1951-52 amounted to Rs. 10.41 lakhs, working out to 13.3 per cent of the total loans issued in that year. Though such loans were originally intended essentially for land development, that principle was, I believe, given up and it would appear that until recently the subsequent loans were generally available for any one of the many purposes for which the first loans could be sanctioned. On the same considerations of priority as I have already adverted to, it would, I think, be desirable for the Central Land Mortgage Bank so to regulate its second and third loans in regard to purpose, amount, period and interest as to exert a salutary influence on the borrower and to check any tendency on his part to borrow with somewhat undesirable frequency. The purpose of the subsequent loans should of course be directly productive, as was indeed the case when second and third loans started being sanctioned by land mortgage banks in this State. But, apart from that, it would seem that a limit needs to be imposed on the amount of such loans. There seems no reason why a second loan should not be limited, say, to one-fourth and a third loan to one-fifth of the first loan, the total of all such loans generally not exceeding the original or first loan. The period of the second and third loans could perhaps be 5 years to 10 years, or in some cases 15 years with due regard to purpose and amount. There is no reason why all loans should invariably run a course of 20 years. For instance, in Canada, second loans are only of medium-term character and are repayable in six years. The rate of interest charged on second and third loans could perhaps reasonably be 1 or 1½ per cent higher than on first loans. These, I must add, are merely suggestions put forward for the consideration of the Central Land Mortgage Bank.

6. A study of the loans advanced by mortgage banks reveal that, in the pre-war years, loans of Rs. 5,000 and below worked out to 75 per cent of the total amount disbursed. After the war, there has been an alteration in the pattern of distribution. In recent years, the percentage of loans up to Rs. 5,000 has

fallen to 63. This change is largely due to decline in loans up to Rs. 1,000 which now form only 6.2 per cent as against 23 per cent in the pre-war period. Loans between Rs. 1,000 and Rs. 3,000 continue to be popular, and account for 34 per cent of the total as against 47 per cent in pre-war years. I suggest that it is perhaps not altogether right that loans above Rs. 5,000 should form so substantial a percentage of the total as 37 per cent (during the year 1951-52) as against 25 per cent in the pre-war period. While it may be that small loans are not economical from the point of view of the bank, it is essential that the needs of the middle-class farmers should receive as much consideration as practicable.

7. One point which I have just dealt with in its bearing on second and third loans but which really arises in respect of all land mortgage loans generally, is whether the period adopted should be invariably one of 20 years, as happens to be the case now with loans made by the Central Land Mortgage Bank, and whether it is not desirable that it should be varied in accordance with the purpose of the loan or the repaying capacity of the borrower. For instance, is there any valid reason why loans for land improvement of a minor character or purchase of mechanical equipment such as tractors, pumpsets, oil engines, etc., should not be made repayable in 10 or 15 years? The practice of fixing different periods for different categories of loans is in vogue in land mortgage banks in other countries and is not unknown elsewhere in our own country. I put it to you that this matter deserves consideration for more than one reason. The first is that it is rational and scientific that the period of loan should be related to its purpose. Where, for instance, permanent land improvement results in increased income to an extent adequate for the loan to be repaid in 10 years, it is surely unwise to allow 20 years for repayment, thus affording inducement to the borrower to divert an appreciable part of his increased income for purposes other than repayment of the loan, purposes which often enough are purely unproductive. Secondly, should the loan happen to have been taken at a time of relatively high agricultural prices, it will be to the advantage of the borrower to be made to liquidate the loan as quickly as possible, thus securing for himself much needed relief from debt. Thirdly, medium-dated debentures would, apart from their lower interest rates, quite often make a stronger appeal to institutional investors such

as commercial banks, insurance companies, etc. Lastly, it is clearly desirable that some relief should be afforded to borrowers in respect of the total amount of interest payable by them whenever this can be arranged by varying or reducing the period of loan in conformity with the purpose and by raising the finance required for such loans on medium-dated 7-year, 10-year or 12-year debentures at lower rates than would be possible on 20-year debentures. It is true that this variation in the period of loans would call for changes in the current methods of investment of collections, constitution of sinking fund etc. But these are matters of detail which should be susceptible of adjustment. Some such arrangement might help partly to meet the insistent demand for medium term agricultural loans and to the extent to which this need is met by mortgage banks, the pressure on central co-operative banks for such finance should eventually be correspondingly less. These again are merely in the nature of suggestions which I am putting forward for your consideration.

8. Having regard, on the one hand, to the need for long-term capital for helping the cultivator to implement the production programmes in different States and, on the other, to the difficulties hitherto usually experienced by mortgage banks in the matter of securing funds at reasonably cheap rates, the Planning Commission, as you are aware, have recommended a provision of Rs. 5 crores spread over the next three years, to supplement the long-term resources of the co-operative movement. The Commission have fixed the target for long-term agricultural finance—government and co-operative—at Rs. 5 crores per annum as at the end of the Five Year Plan. I may at this stage refer to certain remarks of the Planning Commission regarding the nature of the agency for the distribution of long-term finance. "Considering", they say, "that the borrower and the security that he has to offer are generally the same for various types of loans, it has yet to be established that a separate agency for long-term credit is invariably preferable to a single agency for different types of credit". They proffer the suggestion that it may not be invariably necessary to have a separate banking institution for land mortgage either at the State or the district level. At the same time, as you know, the weight of expert opinion has been generally in favour of a separate long-term financing agency, on the ground that the problems connected with mortgage credit are far too

complicated and specialised to be successfully handled by the ordinary co operative banking and credit system. It is true that one or two instances can be cited in India of the same co operative agency dealing with both short-term and long-term credit, though in different departments of that agency. It is difficult, without further examination and study, to add anything useful to the discussions which have already taken place on the relative merits of the two systems. All I can say is that the Agricultural Credit Department of the Reserve Bank is aware of the problem and proposes to make such a study.

9. Land mortgage banks as well as co-operative central banks in some of the States are faced with the problem that an outbreak or recurrence of famine undermines the ability of borrowers to fulfil their obligations. Floods, cyclones, drought, pests, etc., are calamities which are beyond the control of borrowers, and it is *prima facie* reasonable that, in such circumstances, relief should be available to them by way of postponement or part-postponement of their instalments. I can well imagine that this problem is one which has assumed great importance for the Madras Central Land Mortgage Bank in view of the recurring famines in Rayalaseema and of the damage to crops caused by cyclones and floods in certain parts of the State. The fact remains, and hardly needs statement, that the credit of the land mortgage banking system depends upon the prompt redemption of the debentures on maturity. It has been well observed that a primary credit society is a very human institution; that, if a member suffers a failure of crop, he applies for an extension and can normally obtain it; and that, if necessary, the society itself can secure an extension from the central bank. A land mortgage bank has often to reconcile itself to being somewhat less human than the primary credit society. It cannot ask for an extension from the debenture-holders; and it is therefore sometimes compelled to exact payment from a client who is the victim of flood or drought. The hardship is clear, but its basic causes—arising as they do from an undeveloped agricultural economy—are so far-reaching that it is difficult to formulate remedies which, while effective, will at the same time be practicable. It is a matter for some gratification in this context, that the Government of Madras have provided a revolving fund for Rs. 5 lakhs from which instalments due from delinquent borrowers can be drawn and

paid to the land mortgage banks, the amount being recovered from them in normal years. But Government help of this kind can at best be an inadequate palliative. Eventually, perhaps, it will be possible to provide for such contingencies within the mortgage banking system itself. The Madras Committee on Co-operation has made the suggestion, of which you are no doubt aware, that mortgage banks might float debentures of slightly longer duration than the corresponding loans, so that provision could be made for short extensions. Another obvious suggestion would of course be that a special fund be created by the setting aside of a certain percentage of annual profits, so that, over a period, the fund might assume substantial proportions and stand the banks in good stead. But this solution too could no doubt be assailed on the ground of its probable inadequacy in relation to the size of the problem. In any case, the need to devise in this context a suitable long-term financial arrangement within the framework of the Central Land Mortgage Bank is so great that it is hoped that co-operators will give consideration to this problem.

10. At a conference of central banks in Madras, last July, I had occasion to refer in some detail to the several directions in which the Reserve Bank has recently liberalised its policies in the sphere of rural finance and to the increasing measure of short-term accommodation which it has been providing to co-operative central banks for the financing of seasonal agricultural operations and the marketing of crops. The Reserve Bank's advances to these banks rose from Rs. 1.5 lakhs in 1946-47 to Rs. 12.51 crores in 1951-52. It is expected that the figure will rise to Rs. 15 crores in the current year. As for the long-term finance with which land mortgage banks are concerned, you, Mr. President, have already referred to the fact that the Reserve Bank has been assisting by adoption of the policy of purchasing, when necessary, as much as 20 per cent of the debentures floated. You have also canvassed the possibility of the Reserve Bank making this finance available on concessional terms. While the Reserve Bank cannot, I am afraid, agree to what will amount to a subsidy from it being super-added to what is, and ought to be, a purchase, it may be of interest to those of you who are assembled here to know that out of an amount of Rs. 45.13 lakhs, representing the aggregate of these purchases by the Reserve Bank, over Rs. 32 lakhs or nearly 71 per cent is the investment in the debentures of the Madras

Central Land Mortgage Bank. The Reserve Bank has also endeavoured to contribute to the liquidity of the debentures by agreeing to accept them, in certain circumstances, as eligible security for financial accommodation under Section 17 (4)(a) of the Reserve Bank of India Act. The particular object which the Reserve Bank shares with you in this connection, namely the popularization of such debentures, appears to me to have been signally fulfilled in the case of the Madras Central Land Mortgage Bank which has successfully floated its 48th series of debentures for Rs. 72 lakhs last month. The issue was over-subscribed even without recourse to the usual financial participation of the Reserve Bank. This is an event on which the Bank deserves the warmest congratulations.

11. In the All-India Rural Credit Survey, to which reference has been made in the President's speech, we have attempted to cover the different strata of the agricultural population in representative parts of the country with reference to their credit requirements and to the operations of the agencies which exist to meet some of those requirements. Among the aspects that have been sought to be dealt with in the field operations of the Survey are the pattern of savings and deficits in agricultural economy, the trends, if any, towards shifts in income and the problem of capital formation in rural areas. A general study of rural indebtedness in the selected areas has also been attempted. It is too early, since the study of the data collected is still to be completed, to make any comments as to the conclusions which may be drawn from those data.

12. The Madras Central Land Mortgage Bank has been steadily building up its capital, reserves and other resources; it has organised a sound system of land valuation and revaluation; it has been pursuing, by and large, sound financial policies. The Five-Year Plan has rightly given top priority to projects of major and minor irrigation and other schemes of agricultural development. These will open out vast new opportunities of service to the Bank. There seems to me no doubt that it will soon be called upon to play an even bigger and more effective role than in the past. In its efforts to serve the agricultural community in a manner appropriate to its own particular sphere, the Madras Central Land Mortgage Bank can depend upon getting all such reasonable help as is within the competence of the Reserve Bank to give. I thank you again for your invitation. It is with great pleasure that I now formally declare the Conference open.

Resolutions passed at the 23rd Conference of Land Mortgage Banks held on 28-2-1953

1. This Conference is of the opinion that the rate of interest charged to the ultimate borrower at present viz., 6½ per cent is too high and will be felt a heavy burden by the agriculturists and resolves that the Government of India may in accordance with the recommendations of the Planning Commission be pleased to make funds available to Land Mortgage Banks at a sufficiently low rate of interest to enable them to finance their members at a reasonably low rate of interest.

2. Resolved to request the Reserve Bank of India and Government of India to finance Land Mortgage Banks to make funds available for land improvement purposes at specially low rates of interest as increase of production is a matter of urgent national importance and the present high rates of interest charged by land mortgage banks act as a check on the agriculturists undertaking improvement work on any large scale.

3. Resolved that the Government be requested to order a squad of Agricultural Officers including Agricultural Engineers to visit villages and advise the ryots on the technical aspect of improvement to their lands. These Officers may work under the Registrar of Co-operative Societies to serve as a liaison between the agriculturists who will undertake improvements advised by them and the Land Mortgage Banks who will finance such improvements. (—Refer to the Board.)

4. The lands lying between River Cauvery and its branch Kudamuruttar stretching on an average width of a mile and a quarter and a length of about 25 miles east of Tirukkattupalli, Tanjore and Papanasam taluks be accepted as security even though they are charged special rate Padugai for purposes of assessment as no part and parcel of this Padugai strip was ever eroded 25 years past and there will be no erosion in future as water is regulated after Cauvery Mettur Project. (—Action taken already by the Board.)

5. This conference resolves to request the Government to divert a part of the subsidy sanctioned to the Rayalaseema for employing additional C.S. Rs. temporarily during the period of the scheme to enable the banks to dispose of the loan applications quickly and take maximum benefit of the concession allowed to the Rayalaseema area.

6. Resolved to request the C.L.M.B. to make proposals to the Government to increase the number of C.S.Rs. in order to cope up with the increasing number of loan applications. The need for increasing the C.S.Rs. is urgent especially where a C.S.R. is in charge of more than three banks. This will facilitate quick disposal of loan applications and avoid unnecessary delay in the scrutiny of applications.

7. The Government be requested to instruct the Revenue Officials to effect forthwith patta transfers and sub-divisions of the part fields as and when applications are made to them.

8. The C.L.M.B. insists on the re-inspection of the hypotheca by the C.S.R. when more than six months have elapsed from the date of original inspection of the lands by C.S.R. As this works hardship on the applicants this procedure may be stopped.—Passed. The period may be changed to one year.

9. Resolved to request the Government to charge a single fee for encumbrance certificates in respect of loans above Rs. 5,000 irrespective of the number of persons involved in the transactions relating to the lands offered for mortgage.

10. The Central Land Mortgage Bank be requested to reconsider granting of loans for the debts incurred for trade purposes as there is no legal impediment governing the same as the refusal causes great hardship to the petty traders who are also agriculturists. Where the applicant has ceased to be a trader such cases may be considered for sanction of loans.

11. Resolved to request the Government to amend the Land Mortgage Banks Act providing similar privileges to the Land Mortgage Bank—Loans to those issued under the Land Improvements Loans Act in respect of loans issued for improvement of land and method of cultivation. (The Board to examine.)

12. Due to the havoc caused by the recent cyclone in Tanjore district, the Conference resolves to request the Central Land Mortgage Bank and the Registrar to defer the recovery of principal for the year 1952-1953 (May demand) in cases where members are not able to repay. (Government may be requested.)

13. Resolved to request the Central Land Mortgage Bank to recommend extension of time till January 54 for the collection of the coming May demand as the lands in Palni and Dindigul taluks have been badly affected on account of the failure of monsoon for the past 4 or 5 years and acute famine conditions are prevailing. (—Vide Resolution No. 12.)

14. Resolved to request the Registrar to waive the restrictions imposed in respect of refund of share capital of members for five years after the loans have been completely discharged by them.—(The Conference is of the opinion that primary banks may retain one share and refund the balance.)

15. This Conference resolves to request the Central Land Mortgage Bank to enhance the margin of interest allowed to primary banks to $1\frac{1}{4}$ or $1\frac{1}{2}$ percent without raising the rate of interest to ultimate borrowers to enable the primary land mortgage banks to meet the increasing establishment charges and to pay a reasonable dividend to members.

16. Staff.

Resolved to request the Central Land Mortgage Bank.

- (a) To pay one month's salary as bonus to the employees of the primary banks.
- (b) To meet their medical and educational allowances
- (c) To allow 5% (or $5\frac{1}{2}$) int. on their security deposits (as is done by other Co-operative Central Banks, (Referred to the Board.)

17. The Conference resolves that the following be dealt with by the Board:—

Paid Secretaries.

A. Resolved (a) that the scale of pay of paid Secretaries be the same as that of Senior Inspectors.

(b) that the scale of pay of the paid Secretaries of banks with a working capital of Rs. 5 lakhs be Rs. 100-10-150.

(c) that 4 years' service may be fixed instead of 8 years' service to qualify supervisors for Secretaries' posts in Spl. by law No. 1 (d).

Supervisors.

B. Resolved (1) that the scale of pay of the Supervisor be the same as that of the Junior Inspector.

(2) that the scale of Rs. 65-3-80 be given to Supervisor without insisting upon the completion of 10 years' service.

Clerks.

C. Resolved (a) that clerks in L. M. Banks be given the same scale as that of Clerks in Government Departments.

(b) that provision be made to appoint Junior clerks on scale of Rs. 30-2-40 with only fidelity guarantee security.

D. Resolved to request the Registrar (1) to fill up Junior Inspectors from the Clerks and the Supervisors whose service is not less than 5 years (2) To permit the loss banks also to pay House Rent allowance to their employees.

E. In view of the increase in establishment charges and the unsteady repayments in advance the Conference resolves to request the Registrar to enhance the limit of transactions to 5 lakhs from 4 lakhs for the appointment of paid secretaries.

F. This Conference resolves to request the Registrar to waive the conditions for sanctioning bonus to the paid employees of P.L.M.Bs. The P.L.M. Banks may be permitted to pay bonus to their staffs in cases where the banks have worked at profit as is being done by the other Co-operative Central Agencies.

G. The rate of contribution to E.P.F. by banks be raised to $1\frac{1}{2}$ annas from one anna in the rupee.

H. The employee of a Land Mortgage Bank should not be deprived of a loan in the L.M.Bs. as there are no other institutions for providing long-term credit for him. Resolved to request the Registrar to suitably amend the rule.

I. Supervisors' report form may be simplified after deleting unimportant items.

J. This Conference resolves to request the Government to amend Rule 3 (a) of the Rules framed under the L.M.Bs Act creating provision for the acceptance of the responsible local men for safe custody of distrained properties instead of compelling the applicant Bank for taking custody of the same.

K. This Conference resolves to request the authorities to permit the levy of collection charges from the defaulters to meet a part of the travelling expenses incurred by the staff and the Directors while attending to collection work.

L. Resolves to request the authorities to create provision for the issue of short-term loans to the borrowers by the L.M.Bs to the extent of the Paid-up Share capital held by the borrower to meet his agricultural expenses from time to time and repayable with the usual instalment.

M. Resolved to request the Registrar to empower the C.S.Rs. L.M.Bs. with power to execute applications under sec. 9 and 18 of the L.M.Bs Act to avoid delay in realising the arrears as the L.M.Bs Co-operative Sub-Registrars will be able to do the execution work while camping in the villages without prejudice to their normal loan application work.

N. For giving release of a portion of the hypotheca payment of the entire sale proceeds need not be insisted provided the residual hypotheca forms adequate security for the outstanding loan.

IF ANY ONE FEELS ANY DOUBT ABOUT
THE SUCCESS OF CO-OPERATIVE
ENTERPRISE IN RURAL AREA
LET HIM VISIT

The Chandrasekarapuram Co-operative Stores, Ltd.,
TANJORE DISTRICT

Acclaimed as the Best Rural Stores
in India Today

Annual Turnover Exceeds 10 Lakhs

Financed Entirely by members without outside help.

Fishermen Co-ops. in Madras State

[The Fishermen community is one of the backward communities in this country. Sir Federic Nicholson, the Father of Co-operation in India, while advocating co-operative societies among Fishermen as the First Honorary Director of Fisheries entrusted with forming the Fisheries Department, stated that "there is no class in the world who would be benefited more by co-operation in its various forms, production and distribution, than the Indian Fisherfolk and no class which presents greater difficulties to the reformer". Fairly brisk activity was seen in this direction on the West Coast and by a special scheme of fishermen welfare, this matter has been taken up by the Fisheries Department recently in the East Coast also. With a view to acquaint the public with the progress of the work in this direction, it is proposed to publish periodically in these pages short notes on the working of fishermen co-operative societies. The first note is on the progress in a society started in recent years in Madras City itself—*Editors.*]

I. The Royapuram Fishermen Co-op. Society, Ltd.

The Royapuram Fishermen Co-operative Society Ltd., X-264 in Madras city was registered on 30-4-50 and started on its work on 18-5-50. Its area of operation is confined to Royapuram kuppam in North Madras.

2. The society was formed with the main object of distributing yarn to members in the several counts required by them and to advance small loans to them. At its starting, there were 40 members with a paid up share capital of Rs. 245. By 31-12-51 there were 227 members with a paid up share capital of Rs. 1,200. At present there are 326 members on rolls with a paid up share capital of Rs. 3,630. It is also affiliated as a member in the Madras District Co-operative Central Bank, Ltd.

3. In extending its activities, the society has undertaken to deal in textiles also from 24-10-51. Ever since the society was started, it was doing work in distributing yarn to the members and textile goods to the residents of the locality. The progress of the society in the last two years is indicated below:—

Year	No. of members	Share Capital	Yarn sold	Textiles sold	Net profit.
		Rs.	Rs.	Rs.	Rs.
1950-51	194	1,085	4,100	—	260
1951-52	326	3,630	3,308	9,364	462

The society invested a sum of Rs. 200 in National Savings Certificates. The society applied for running a separate ration shop for the fishermen to enable them to purchase ration at their leisure hours, but the rationing was abandoned by that time and it has now taken to the purchase of food grains

in wholesale and selling to members at fair prices. This is a great help to the fishermen.

4. Apart from this, provision is made in the by-laws to advance loans upto Rs. 50 for purchasing salt for curing fish and for purchasing fresh fish for sale. The society also is taking steps to introduce thrift in a vigorous manner. It has depended upon its own funds entirely. It has done much educative work among fishermen. There were annual celebrations at the time of the general body meetings of the Society which were popular gala days for the fishermen. In the first meeting held on 28-9-51, the Commissioner, Corporation of Madras presided and the Director of Fisheries and the Special Development Officer spoke on the occasion. The second annual meeting was held on 21-12-1952 under the presidency of the Hon'ble Minister for Agriculture and Fisheries—Government of Madras at which the Deputy Mayor of Madras and the Deputy Director of Fisheries spoke. The Minister appealed to the fishermen to take forward steps on co-operative lines in fishing and improving the housing of the fishermen. The Deputy Director narrated his experiences of his study tour on various methods of fishing.

6. The society is still in its infancy. The Board of Directors consisting of 11 enthusiastic members meet often and consider the needs of the fishermen.

JUST OUT!

Agricultural Finance in India

(With Special reference to Co-operative Movement)

By D. K. RANGNEKAR, M. COM.,
Foreword by
Prof. D. R. GADGIL, M.A., M.LITT.

The book is the first comprehensive Indian publication on the subject of rural finance. The Five-Year Plan formulated by the Planning Commission has given top priority for the development of agrarian economy, and this only emphasises the urgency for a scientific and objective study of the problem of agricultural finances. The long-felt need for such a study has been ably met by Mr. Rangnekar's work. The author, who was for some time a Professor of Commerce at the M. J. College of Commerce, Bhavnagar, is a financial journalist of repute and at present on the Editorial staff of the *Times of India*. He has brought to bear on his work all his intelligence and expert knowledge of the subject, of which he has made a special study.

The book deals thoroughly with the problem of rural finance, agricultural credit needs and agencies, marketing finance, rural indebtedness and savings, the operation of debt relief and tenancy laws, the working of co-operative banks and societies, the system of long-term credit. Special sections have been devoted to the discussion of Financial Reconstruction, the Role of the Reserve Bank of India, and Crop Insurance.

Pages 245, Cloth Bound, Price Rs. 15.

Published by: **The Co-operators' Book Depot,**
9, Bakehouse Lane, FORT, BOMBAY.

CO-OPERATIVE NEWS & NOTES

Co-operative News

Sri B. Venkatappiah, Executive Director, Reserve Bank of India, Bombay addressed the Indian Council of World Affairs (Madras Branch) at the Servants of India Society on the role of the Reserve Bank of India in the programme of planned agricultural credit for the country. In the course of his address Sri Venkatappiah stressed the need for planned agricultural credit and stated that in the financial set up of the country there was a lack of co-ordination in respect of the agencies which supplied credit.

The five year Plan laid down a target of Rs. 100 crores per annum for short-term agricultural credit through Government and Co-operatives as against the existing level of Rs. 40 to 50 crores. The target for medium credit was Rs. 25 crores and this too involved a doubling up of the present figure. For long-term credit the target was Rs. 5 crores as against the present Rs. 1 crores or so. As regards the nature of organisations to be built up and the ways in which the Reserve Bank was associating in the set up of the structures, the problem and different aspects according as the State was relatively well-developed in the co-operative sense like Madras or appeared relatively undeveloped like many other States, where co-operation is a post-war knowledge.

Sri Venkatappiah stated that in the former days a stimulus had rightly been given in the direction of large mobilisation of credit and of greater utilisation of the facilities afforded by the Reserve Bank of India and by legislative amendments to the Reserve Bank of India. The duration of short-term credit has been extended from 9 to 12 months. The Bill now before Parliament provided for mixed farming operations, agricultural processing, etc. being eligible for credit from the Reserve Bank. Provision was also made in this for medium-term credit to State Co-operative Banks and other credit institutions.

Sri Venkatappiah explained the steps taken to assist undeveloped States by study tours of Officers of these States; for that facilities also have been provided by the Reserve Bank of India. A provision of Rs. 10 lakhs spread over the next three years had been made in the Five Year Plan for the purpose and a part of this amount would be available for starting one or two new centres in the next financial year, one of them being in Madras.

Some of the Assistant Registrars and other officers of the Co-operative Department of Rajasthan visited Madras to study the working of the co-operative movement in the Madras State, early in March. They visited a number of co-op. institutions in and around Madras, and held discussions with various official and non-official co-operators. Sri T. V. Rathnam, Deputy Registrar of Co-operative Societies, Madras accompanied the party in the City.

A nine-man Delegation of co-operators of the Union of Burma led by Mr. U'Myint, Financial Deputy Registrar of Co-operative Education, Propaganda and Publicity, Burma Union Government made a tour in Madras and in some of the Districts studying the working of the co-operative

movement in the State. The Delegation visited a number of Co-operative institutions and studied their working in detail. Sri T. V. Rathnam, Deputy Registrar of Co-op Societies, Madras accompanied them. The Delegation also visited Tirunelveli and other districts and held discussions with some prominent co-operation.

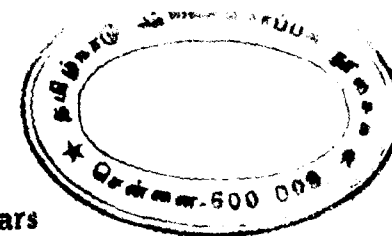
H. E. Dr. Pattabi Sitaramayya, Governor of Madhya Pradesh visited Madras Co-operative Milk Supply Union on 1-8-53. Sri N. Sivam, President of the Union received him, and took him round the factory. H. E. Dr. Pattabi wrote in the Visitor's Book "In these times when fraud has become systematised on a scientific basis, adulteration has been perfected to the point of a fine art, we cannot be too sure of purity of milk and the latest devices to detect mischief must be in use. After all even co-operative societies are handled only by human beings who are open to all temptations of life, and no sense of values, or doubtful security should be allowed to keep the society off its fraud. Eternal vigilance is the price of purity."

A symposium on Handloom Industry was held by the Indian Textile Conference in Coimbatore on 2-8-53 under the Chairmanship of Sri C. S. Rathasabapathi Mudaliar. In a paper read on the occasion Sri M. Somappa, President of the Madras State Handloom Weaver's Co-op. Society pleaded for protection to the Handloom industry for a period of 5 to 10 years to enable the industry to regain its original status. He suggested that proposed cess subsidy to the Handloom industry should be utilised for helping the handloom weavers in their efforts to organise spinning mills of their own and to do propaganda to capture internal and external markets for handloom goods.

Other speakers suggested quality standardisation of handloom goods. The Chairman suggested that there was scope in national economy for both mill and handloom industries since they had so far been sailing more or less parallel to each other.

His Excellency Sri Sri Prakasa, Governor of Madras visited Alamuru on 21-8-53. Sri Bikkani Venkataratnam Choudary, President of the Madras State Co-operative Bank and Sri N. Satyanarayana, M.L.C., President of the Alamuru Rural Bank received him. His Excellency visited the Alamuru Co-op. Land Mortgage Bank, and the Alamuru Rural Bank. Sri N. Satyanarayana, President of the Bank explained to him their working. His Excellency next visited *Balamandir* where 500 children assembled. He also opened the new building of the Maternity and Child Welfare Centre and also the temple of Sri Vigneswara constructed by the Bharat Bajan Sangam of Alamuru. As a member of the Bharat Sevak Samaj, His Excellency served food for the first batch at a poor-feeding at the place. The Governor, was greatly impressed by his visit to Alamuru where the co-operative movement has developed very much. He paid a compliment to Sri N. Satyanarayana for his spirit of enthusiasm in implementing the constructive programme of Gandhiji in all its aspects particularly through co-operative efforts in the countryside.

G.Os. & CIRCULARS



G.Os. and Circulars

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

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

R. C. No. 61846/49 BI

Dated 23-2-1953

Sub: Co-operative Societies—Madras Co-operative Societies Act VI of 1932—Section 80 stamp duty on instruments—exemption amendment to notification—issued.

Ref: 1. Registrar's endorsement No. B. 4584/33 dated 16-10-33.

In G. O. No. 222, Development dated 15-1-53, Government have amended the notification issued in the G. O. No. 1243, Development, dated 11-10-33 (Communicated in the Registrar's endorsement cited) under this amendment, exemption from stamp duty in respect of sale deeds can be claimed only in cases in which the vendors had been continuously the members of the society for a period of two years immediately prior to the date of execution of the instrument. A copy of the original notification as subsequently amended in G. O. 222, Development, dated 15-1-53 is enclosed. The Deputy Registrar's are requested to note the amendment and bring it to the notice of all Co-operative Institutions in their circles.

J. C. RYAN,
Registrar.

Copy of G. O. No. 1243, Ms. dated 11th October 1933 as amended in G. O. Ms. 222, Development, dated 15th January 1953, Development Department.

Co-operative Societies Act—Section 80 stamp duty on instruments etc., Exemption—Notification—Published.

Read the following:

From the Registrar of Co-operative Societies. No. B. 4584, dated 4th September 1933.

ORDER:

The following notification will be published in the Fort St. George Gazette:—

NOTIFICATION.

In exercise of the powers conferred by clause (a) of Sub-section (2) of Section 80 of the Madras Co-operative Societies Act 1932 (Madras Act VI of 1932) and in supersession of all previous notifications on the subject, the Governor acting with Ministers is hereby pleased, in the case of all registered societies, to remit the duty chargeable under the Indian Stamp Act 1899 (II of 1899) in respect of—

(i) Instruments executed by or on behalf of any such society or by any officer or member thereof and relating to the business of such society (Amended in G.O. No. Ms. 222, Dev. dated 15-1-53 "provided that in the case of sale deeds the vendors have been continuously the members of such society for a period of two years immediately prior to the date of the execution of the instrument" and

(ii) decisions, awards or orders of the Registrar or arbitrators under the Madras Co-operative Societies Act 1932 (Madras Act VI of 1932).

(True copy.)

Handwritten signature and date: 23-2-1953

The Madras District Co-operative Central Bank, Ltd.

13/14, Mukkur Nallamuthu Chetty Street, Madras-1.
ESTD. 1930 TELEPHONE NO. 2384.

Authorised Capital ... Rs. 10 lakhs.
Working Capital ... " 35 "

All kinds of deposits accepted.

Rates of Interest :-

Current Deposits 4 % Savings Deposits 2 %
Fixed Deposits For—: 6 ms. 3½% For 1 yr. 3½%, For 2 yrs. 3½%.

Further particulars can be had from the undersigned:

B. S. VUAYAGOPAL, B.A., B. COM.
Secretary.

S. I. Ry. Employees' Co-operative Credit Society, Ltd., TIRUCHIRAPALLI.

Working Capital exceed ... Rs. 1 Crore.
Share Capital & Reserve Fund exceed... Rs. 22 lacs.

Fixed Deposits are accepted as under from Members
and Non-members:—

For 6 months ... 3 % p. a.
" 1 year ... 3½ % p. a.
" 2 years ... 4 % p. a.

Special Deposits of Rs. 5,000 and over for periods between 3 to 6 months @ 4 % p. a.

A. MARAMA REDDY,
Secretary.

THE TINNEVELLY DISTRICT CO-OPERATIVE CENTRAL BANK, LTD., VANNARPET : TINNEVELLY

(Estd. 1918)

Authorised Capital Rs. 4,50,000
Working Capital Exceeds Rs. 73,86,900
Reserve Fund Rs. 3,01,144

ALL KINDS OF DEPOSITS ACCEPTED

Fixed Deposits : For 6 months 2½%; For one year 3%
For 2 years 3½%, For 3 years and above 3½%

CURRENT, SAVINGS, RECURRING AND PROVIDENT DEPOSITS
ARE ALSO ACCEPTED.

Apply for further particulars to:
Medai Dalavoi Kumaraswami Mudaliar,
President.

THE RAMANATHAPURAM DISTRICT CO-OPERATIVE CENTRAL BANK, LTD.,

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Authorised Capital Rs. 10,00,000
Paid up Share Capital Rs. 9,05,900
Reserves Rs. 4,55,670
Working Capital Exceeds One Crore

Deposits are accepted at the following rates:

Fixed Deposits : 6 months 2½% 3 years 3½%
1 year 3% 4 years 3½%
2 years 3½% 5 years 4%

Season Deposits for Rs. 5,000 and above
for 4 months onwards 3%

Savings Bank Deposits 1½%

Current Deposits upto Rs. 5,000 1%

Provident Fund Deposits 3½%

Season Deposits are accepted in our Karaikudi Branch and
Aruppukottai Branch at decent rates

All kinds of banking business transacted.

D. N. Duraisamy Mudaliar,
Deputy Registrar and Secretary.

R. Nagulusami Naidu,
President.

THE SALEM CO-OPERATIVE CENTRAL BANK, LIMITED.

No. 151

GRAM : COPCENBANK "

P. B. No. 8.

PHONE : No. 2.

(THE PREMIER CENTRAL BANK TO BE REGISTERED IN THE
STATE IN 1909.)

Rs.
Authorised Capital .. 15,00,000
Paid up Capital .. 6,67,530
Reserve Fund .. 5,28,679
Other Reserves .. 4,75,359
Working Capital .. 138,24,617
Loan Transactions .. 101,58,976
Overdraft Transactions .. 304,98,603

Deposits are accepted at the following rates :-

Fixed Deposits :-
6 months 2 % 4 years & above. 3½%
1 year 2½ " 5 years & above
2 years 2½ " for deposits of
3 years 3½ " Rs. 5,000 and above 4½ "

Savings Deposits and Thrift Deposits .. 1½%
Current Deposits .. 1%
Provident Deposits .. 3%

An ideal Co-operative Bank for safe investments.
All Banking business transacted.

P. MANICKAM, B.A..
C.A.I.I.B., D. COM.. (I.M.C.).
Secretary.

D. KRISHNAMURTHY GOUNDER.
M.L.A.,
President.

**The Chennimalai Weavers' Co-operative Production
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Popular House for fashionable Sarees in
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M. P. NACHIMUTHU, B.A., B.L.
President.

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Telephone No. 208

**The Malabar District
Co-operative Bank, Limited.
KOZHIKODE-2.**

Share Capital :		Rs.
Authorised	...	15,00,000
Paid up	...	10,48,980
Reserve Funds :		
Statutory	...	4,25,000
Others	...	2,64,770

**ALL SORTS OF BANKING BUSINESS DONE
&
EVERY KIND OF DEPOSITS ACCEPTED
AT FAVOURABLE RATES OF INTEREST**

**The South India Co-operative
Insurance Society, Ltd.,**

82-B, Mount Road, Teynampet P.O., Madras-18.

P. B. 1459

Phone : 85775

SRI V. PARTHASARATHY, B.A., B.L.,
Chairman.

An Ideal Co-operative Life Office
in Southern India

Some facts about our progress :

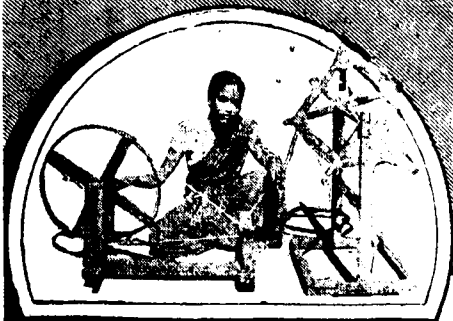
	1949 (In lacs) Rs.	1950 (In lacs) Rs.	1951 (In lacs) Rs.
New Business ...	86	89	92
Life Fund ...	64	77	83
Business in force ...	361	386	429
Renewal Expense Ratio ...	16.19%	15.59%	14.75%

Latest Valuation as on 31—12—1950.

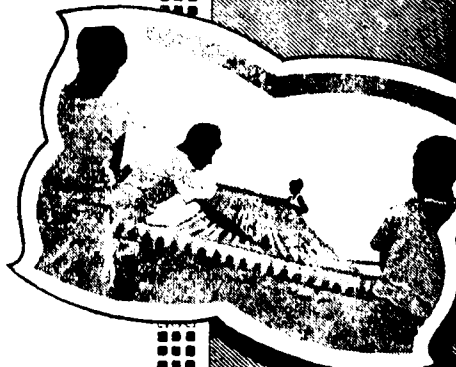
**Bonus declared continuously since 1940 in all
the three valuations which very few
Insurance Concerns have done.**

V. VENKATACHALAM, M.A., B.L.,
Secretary.

From YARN TO HANDLOOM CLOTH



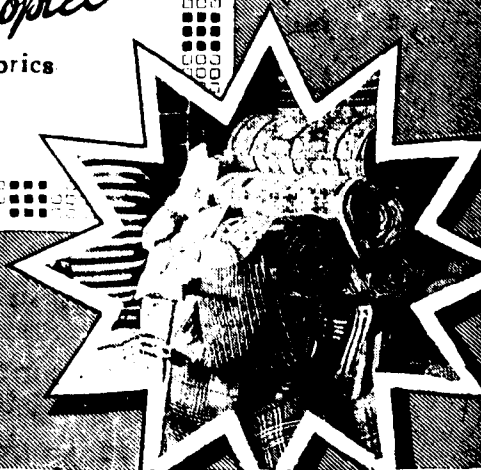
What a Wealth of Creative genius and intelligent use of Nature's gifts to provide for human comfort and needs there is behind the manufacture of cloth, is illustrated in these pictures of one of the earliest human occupations in this ancient land. Men, Women & Children engage themselves in the many processes that go to produce for your pleasure.



The finest

Co-optex

Handloom Fabrics



**THE MADRAS STATE HANDLOOM
WEAVERS' CO-OPERATIVE SOCIETY LTD.,**

Madras.

Phone: 8178 & 85839

Gram: 'HANDLOOM'

Telegrams "COOPFIRE"

Telephone : 4361.

The Co-operative Fire & General Insurance Society, Ltd.,

MADRAS-1.

President :

SRI T. M. CHINNAYYA PILLAI, M.A., B.L.

Transacts Fire Insurance of all
Descriptions and Motor
Vehicle Insurance

Insure with us and Banish Worry.

For particulars apply to :

P. SHANMUGAM, B.A.,

Secretary.

Post Box No. 1249.

Madras-1.

TELEGRAMS: "CENMORBANK"

TELEPHONE: 8230

The Madras Co-operative Central Ltd. Mortgage Bank, Limited, LUZ, MYLAPORE, MADRAS.

President:

SRI BHOGARAJU VENKATARATNAM.

Authorised Capital	...	Rs. 50 Lakhs.
Paid up Capital	...	Rs. 20,25,600.
Reserves	...	Rs. 30,94,300.

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

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

Summary of Balance Sheet as on 30-6-'52.

Liabilities.		Assets.	
	Rs.		Rs.
Paid up Share capital.	20,47,600	Cash on hand & balance with Banks	48,000
Reserve and other Funds	...31,38,519	Loans to Primary Banks	...4,84,96
Debentures	...5,59,49,000	Sinking Fund Investments	... 1,02,100
Deposits, Loans and Overdrafts	... 23,84,332	Other Investments	... 42,900
Sundry Liabilities	... 8,66,639	Sundry Assets	... 11,200
Profit	... 8,86,279		
Total Rs....	6,41,72,369	Total.	6,41,72,369

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