

Honn (1918) Department.
Education

Ordinary SERIES.

G.O. No. 134

DATED 6. 2. 18

INDEXED

[Despatch Abstract.]

Industrial plants.

Recording papers relating to the introduction of
of hire purchase system of ----- in the Presidency.

Revenue Dept

To Undersecretary

A copy of E.O. No.

2559 Rev of 18.8.17 with note is submitted placed below. It is submitted that it may be sent to Educational Department with reference to the portion marked K at page 26 of notes to the E.O. A note copy of E.O. 2558 of 18.8.17 ref to in the above 5/10/17 E.O. is also put up.

M. Geo.

G.H. 8/11/17

Sp F.D.

give number please

Educational No.

Rev. no 1486 E/17
10.10.17

G.H. E.O. A 3076

Regd xx 17
p. 1 of E.O. 2559 Rev. 18.8.17.



Home (E.O.) Department

In March 1915, Mr Dressler, the then acting Director of Industries, submitted certain proposals for the supply of agricultural machinery to ryots on a ~~then~~ hire purchase system. He also raised the question whether the system could be extended to ^{minor} industrial plants

Such as rice-huller, cotton
gins, oil presse. & groundnut
decorticators. The essential
feature of the system pro-
posed by Mr. Dressler was that,
instead of taking a loan
from the Govt for the purchase
of machinery, ryots ~~would~~
might take the machinery
itself on hire from the Dept.
An amount equal to one-
fourth of the value of the
plant should be paid by
them as deposit and if, later
on, they decided to purchase
the plant from the Dept.
the balance of the cost ^{together with interest}
should be paid in three
instalments. As the system
was intended to apply mainly
to agricultural plant Mr
Dressler's proposals were remitted
to the Revenue Dept for consi-
deration in the first instance.
It was proposed to take
up for consideration ^{later on} the
question whether the system
should be extended to mines
industrial

2 of 25th to go. 25592
18.8.17

industrial plants after the Revenue Dept^t had passed ~~orders~~ ^{orders} on the Fresh proposals.

2. The draft rules framed by Mr. Fresh were referred to by the Rev. Dept^t to the Advocate-General for remarks. He was of opinion that a hire-purchase transaction was not covered by the Land Improvement & the Agriculturists' Loans Acts. He however, considered that special rules might be framed under those Acts which would provide most of the conveniences of the hire-purchase system. In consultation with the Advocate-General the Revenue Dept^t ~~have drawn~~ ^{drawn} up certain rules to give effect to the modified system proposed by him. But as the Director of Agriculture in the meanwhile made certain suggestions for the amendment of the ^(special) rules for the grant of ~~provisional~~ loans for pumping installations, the

p. 9 of 80. $\frac{2859 \text{ Rev}}{18.8.17}$ (2)

~~pages 28 to 33 of do~~

pages 28 to 33 of do

80. $\frac{2858}{18.8.17}$ (7)

N^o 2558 Rev. 8.8.17
to the Dir. of Agriculture
on p. 3 of notes to the go. (D)

Para 4 of Mr Stuart's notes
on pages 20 + 31 of notes to
S.O. N^o 2559 Rev., 8.18.8.17 (2)
Para 10(a) of the Rev. Secy's note
on p. 36 of notes *ibid* + para (b)
of the H. H.'s note on p. 37 of the notes.
Also para 1(b) of S.O. to
Mr Stuart on p. 3 of S.O. 2558
8.8.17 (D)

S.O. N^o 1833 6.8.15 (C)
+ S.O. N^o 677 Rev. 24.3.16 (C)

the Revenue Dept^t has asked ^{trust}
to submit for the approval ^H
the govt a consolidated dra³⁰
of the rules for the grant
loans for such installatio
and also for the grant of lo
for the purchase of agricultu
machinery in accordance
with the system suggested
The Advocate-General.

3. The rules that will be
framed by the Director of Agri-
culture will however apply
only to purely agricultural
plants set up by bona fide
ryots. The question whether
any special rules should
framed as regards industrial
plants is one for consideration
in this Dept^t. This govt as well
as the govt of India have ad-
mitted that loans may be
granted under the Agriculturist
loans Act to carry on industries
subsidiary to agriculture,
such as, the erection of sugar-
cane mills, rice-hullers, cotton
mills &c. But such loans

can be granted only to agriculturists. It will be seen from para 4 of Mr Stuart's note on page 30 of notes to G.O. N. 2559 Revenue, dated the 18th August 1917, that the industrial plants of the kind mentioned above are set up more by ^{capitalists} dealers or middlemen than by agriculturists. Loans to such persons may have to be ~~described~~ ^{regulated by} under the rules laid down by the Govt of India for the grant of loans outside the scope of the Agriculturists' Loans Act. They will have to be ^(treated) as miscellaneous loans and described in clause F of para 27 of the rule on page 12 of G.O. N. 464 Ind., dated the 17th August 1916. But such miscellaneous loans may not be granted without the sanction of the Govt of India. From an article published in the Mysore Economic Journal of July 1917 it is observed that a loan of Rs. 37,000 was granted by

p. 374 of the Journal (put up)

by the United Provinces Govt. to the Premier
Sil Mills of Cawnpore and also loans of Rs
800/- and Rs 2000/- to the American Presby-
terian Mission, Etah and the Firozbad Bangla
makers' society respectively. In the above
cases, the loans appear to have been granted
with the previous sanction of the Govt. of India.
It is doubtful whether such sanction is
necessary to the introduction of the
hire-purchase system described on page
2 ante in respect of plants required for
industrial purposes. It is submitted that
the Accountant General may be consulted
(no) on the point.

em 3076 A 1
24.7

11/11/17

A.P. u.o for Javou 9
Remarks. 1.11.17

Whether the non-agriculturist capitalist re-
ceives a loan or receives the machinery and executes
an agreement for the hire purchase, there is no differ-
ence between the two cases, as the cost of the machi-
nery purchased and other incidental charges incurred
by the Director will have to be treated as a loan for
which the capitalist is required to execute a bond and
which he is required to repay with interest. As it is
stated that the loan for the purchase of the industrial
plants in question is outside the scope of the Agricul-
turists Loan Act, it can only be treated as falling

NOTES.

Page 7

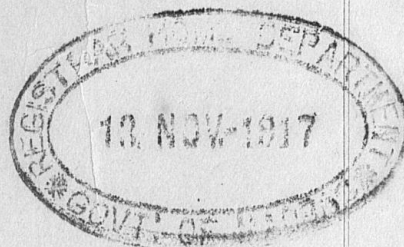
8

falling under class V of the loans for which the sanction of the Government of India is required - please see also rule 28 in the Annexure to the Audit Resolution of 24th July 1916 recorded in G.O. No.464 Financial dated the 17th August 1916.

255/12-11-17

A. G.

To The Secretary to the Government of Madras,
Home (Education) Department U.O.



Home (Edn) Dept.

The A.G. considers that the introduction of the hire-purchase system for industrial plants requires the sanction of the Govt of India. Mr. Innes may perhaps be consulted as to the necessity for the introduction of the system. The question whether the Govt of India may be addressed may be settled after his remarks are received.

8K
14-11-17
10/11/17

Mr. Innes u.o.
16-11-17

con 3076 a-2

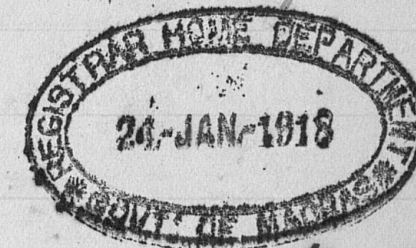
G.C. 338
11/11/17

My answer to the Indian Industrial Commission when I was asked why the Madras Government had not adopted the Mysore rules regarding loans for industrial plant and machinery was that I thought Government would be willing to be guided by the Commission's advice in the matter, and I think that we ought to await the report. Two things have to be remembered. In the first place Native States are useful fields for experiment in matters of this kind. They are usually small, and any legislation that may be necessary is easily carried through. Secondly, loans for industrial machinery are on a different plane from loans for purely agricultural machinery. Apart from the fact that rules regulating the grant of loans for the purchase of agricultural machinery can be framed under the Agricultural Loans Acts, there is another difference. It is easy for a ryot to decide whether it would pay him to put up an oil engine and pump to irrigate his fields. He knows what land he has, what the capacity of his well is, and what crops he wants to grow. These points are easily determined by the officer granting the loan, and if the result of the enquiry is satisfactory, the loan can safely be granted. But when we come to industrial machinery and plant, e.g. rice mills it is very different. The tendency already is for one successful rice mill to be followed by half a dozen

others, and in Tanjore for instance there are already more mills than economic conditions warrant. The danger is that, if we embark on a system of industrial loans and make the provision of the necessary capital, we shall tend to create a spurious demand for industrial installations and to multiply mills etc beyond the limit set by economic conditions. Also we may ^{get} ~~set~~ ourselves in for a very large expenditure, and in default of special legislation, may find it difficult to recover advances. I think it wiser to go slow. If Government agree, I will try to find out how the rules have worked in Mysore and then we can await the Commission's report.

Home (Education) Department,

U.O.



Submitted that in the circumstances stated Mr Dunes may be requested to ascertain how the rules have worked in Mysore and to submit a report thereon. A draft D.O. is submitted for approval.

AD
28-1-18

29/1/18

The argument at A above seems to me very sound

25.0

NOTES.

After issue of the D.O. the papers may be recorded. Mr James will take time to reply.

Note in callbook 1 Jan 1919.
noted in callbook

Mr 31/1/18

I should like H.M. to see with regard to Sir Alexander Larnach's remarks on page 24, note file 10 2535 Rev of 18th 1917. In view of Mr. James view, the only thing is to see how the have worked elsewhere & what the Industrial Comm is going to report.

Mr 31/1/18

H.M. (Industrial)

I am for recording the papers per H.M.

31/1/18

For orders whether the draft do below may issue and the papers subsequently recorded

S. L. & Lps
Mr 4/2/18



Howe Esq, Sep 4
12

C. no 3076A

D.O. no 3076A-3 D4.20

Dear Innes

Noted in Callbook

With reference
to your u.o. note of 23rd June
assistant regarding the intro-
duction of hire-purchase system
for industrial plants, I am
desirous to request you to
ascertain how the rules ^{on this subject} have
worked in Mysore and to submit
a report thereon. The matter is of
no special urgency. Yours sincerely

28.1.18
29/1/18

30.1.18

Recd 17/1/18
5.2.18

28/4/2

20 C. A. Innes Esq. I.C.S.



R.R.R (p. 108
4.2.18 notes)

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