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STUDIES IN EUROPEAN CO-OPERATION

VOLUME II

By C. F. STRICKLAND,

Indian Civil Service

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PREFACE.

THE object of my journey in Europe was to examine the manner in which European countries have handled certain problems confronting the small farmer, and in particular the need for a system of land mortgages, it is impossible to argue directly from European to Indian conditions. A device which has been found effective among a literate population, where public opinion emphatically supports a certain point of view and condemns certain practices, must be adapted to the circumstances of a generally illiterate population, among whom public opinion is weak in its condemnations and condones various laxities. At the same time, I have tried to bear the requirements of India and of the Punjab at all times in my mind, and to arrive at conclusions appropriate to them. As a co-operator I offer no apology for having arrived at co-operative conclusions. The differences between European and Indian society, to which I have referred, appeal to me to present Co-operation, even more finally than in Europe, as the sole solution of the problems of rural India. My impressions have been derived not only from what I saw and heard in 1924 in the British Isles, the three Scandinavian countries and in Egypt, but also from my recollections and notes of a similar journey, undertaken as a co-operator and on behalf of the Punjab Government, in 1920 in Belgium, Holland and Italy.

I have to thank the staff of the British Legations in Scandinavia and of the High Commissioner in Egypt, and very numerous official and unofficial persons in all the countries mentioned for unfailing courtesy and assistance. In the course of my report I have abstained from quoting names, since the comments to which I listened were sometimes confidential, and often personal and frank; the opinions here expressed are my own. For the sake of convenience I have also been inexact as regards figures, rounding my totals and ignoring minor disparities in the currencies. Beyond this there will no doubt be errors of fact, which I deplore; it is extremely puzzling, when inquiring into a technical subject in a foreign tongue or a medley of several tongues, to grasp the exact truth and to avoid omissions. My own criticisms have been outspoken, since, where a policy or a

process appeared to be unsound, it was essential to bring the defect before the Indian reader. I sincerely hope that those on whose institutions I have ventured to pass judgment will forgive my freedom ; their friendly treatment encouraged me to be bold.

Though written primarily for the Punjab, this report may have an interest in Europe also : there is surprisingly little literature in English on the subject of European Co-operation. When I demanded such books from a London publisher in 1924, I was offered nothing but my own report of 1920 and that of my colleague Mr, M. L. Darling.

LAHORE : ~)
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1st January 1925.)

C. F. STBICKLAND.

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CHAPTER I.

Land Mortgage Banks.

THE object of a commercial Land Mortgage Bank is to lend money at interest to land-holders on the security of their land ; the money is collected in some degree from the share-holders of the bank, but to a larger extent from the general public through the receipt of deposits or the issue of debenture bonds, and the aim of the directors is to return the largest possible dividend to the share-holders, which is compatible with the safety and solvency of the institution. In pursuit of this end the directors adjust the rates of interest paid on the money received and the money lent in such a way as to bring in the highest return ; they borrow as cheaply, and lend as dearly, as the money market allows, provided that they do not thereby so narrow their field of borrowing or their*field of lending as to reduce the ultimate profit. It is also incumbent on them to safeguard their bank by advancing to a borrower only so much as can be recovered from the land which he gives in security, and by retaining in a fluid form a sum adequate to meet from time to time the claims of creditors (bond-holders, etc.) maturing against the bank.

The function of a Mortgage Bank has been thus baldly stated in order to throw into relief the fact that the directors do not of their own motion consider the interests of the borrowers as such ; if they refrain from lending to a farmer who is noted for inefficiency or extravagance, or criticize the professed object or the amount of the loan for which a land-holder applies, the reason is that an unsatisfactory client or an excessive advance will involve the bank in needless trouble ; there will be a foreclosure, perhaps a bankruptcy, reacting on other clients, and in extreme cases precipitating even a general crisis. Foreclosures and forced sales are unwelcome, both to the bank which may be cumbered with the management of the property, and to the borrowing class which is tempted to suspect the mortgagee of harsh conduct. As a matter of business policy, advances which may lead to unpleasant relations with clients are avoided, but as a matter of principle the benefit of the borrower is not a matter with which the lending institution is concerned.

If the Mortgage Bank lends against good security and holds fluid resources to meet all liabilities within near view, its purpose is fulfilled.

To these two principles of security and solvency, the Co-operative ~~mortgage~~ Mortgage Bank adds a third ; the ultimate benefit of the borrowing client is no longer merely incidental to its own safety and reputation, but is the chief object of its activities. The fundamental idea of co-operation being that persons who feel an identical need unite their⁴ means and their efforts to satisfy that need in an honourable and lawful manner, a Co-operative Mortgage Bank will be one of which the capital (or in lieu of capital, the guarantee and the liability) are supplied by the borrowers, the working plan is so devised as to meet their convenience, and the entire control is in their hands as regards both the administration of affairs and the disposal of profits. It is not to be assumed that a co-operative institution is always and necessarily the best for the mortgage of land, even from the borrower's point of view ; co-operative management involves a certain publicity, it calls for a measure of personal participation by every member, and it may in peculiar circumstances result in the payment of a higher rate of interest or the acceptance of other conditions less favourable to the borrower, in a strictly financial aspect, than the ordinary Joint Stock Bank would impose. The more highly educated the borrower, the better instructed in business methods, and the stronger in financial position, the less will he be embarrassed by the legal forms and impersonal attitude of a commercial bank, the keener his objection to the public exposure of his affairs, and the more remote the danger of his losing credit by failure to meet his obligations. Such a farmer, and a community of such farmers, will not only feel no need for an institution which demands publicity and worries its debtors to attend meetings, but might if it were created actually incur an economic loss through the sacrifice of time which could be devoted to a scientific and independent conduct of farming as a business. Where on the other hand the cultivator lacks education and width of outlook, where he is puzzled by any but the simplest phraseology and procedure, and when to inefficient methods of farming he adds a hereditary burden of debt, a murderous system of credit and an ingrained reluctance to meet to-day a liability which can be left standing (at compound interest) to an unfixed future date, it is evident that no "commercial"

bank can safely deal with him *or he with it*. Such a man must be induced to reveal his secrets to his neighbours, to combine with them in facing the common difficulty which arises from their circumstances and their characters, and if in consequence the peculiar bank suited to his need has to offer him terms superficially harder than those obtained from a commercial institution by an efficient arid wealthy landlord, he should regard the margin of difference as an insurance paid to save him from commercial risks which his disabilities forbid him to run. In between these two extremes will be a variety of intermediate cases, the spendthrift noble, the stubborn and miserly peasant, the shrewd "middle farmer" of limited means, each of whom will require a system of mortgage (and other) credit adapted to his character and his status; and so far as a nation or an agricultural class exemplifies one of these types, it should—and in many cases will—evolve an institution lying at the correct point between the purely commercial and the purely co-operative bank.

Now the object of the present inquiry is to arrive at the form of mortgage institution suited to the land-holders of the Punjab. We have a province with a population of 20 millions, of whom four millions own agricultural land with an average ownership of seven acres and an average land tax of Re. 1-8-6 per cultivated acre; the large majority of these agriculturists answer to the description given above of the cultivator who should deal only with co-operative institutions; their methods of farming are primitive and their ideas narrowly limited and conservative; they carry a debt, secured or unsecured, inherited or acquired, which though less than the productive debt of many other countries, constitutes a heavier burden, since the greatest part of it has been incurred for unproductive purposes; and owing to the multitude and the perverted ingenuity of money-lenders they have been led to regard this debt as inevitable or even desirable, abandoning all thought of reducing it except when stringently compelled. From an unpunctual and extravagant debtor a creditor will always try to obtain a tangible and fixed security; this is only to be found in the Punjabi cultivator's land, and in order to stay the rapid transfer of agricultural land from indebted agriculturists to non-cultivating money-lenders the Punjab Alienation of Land Act, passed in 1900, forbade (broadly speaking) the seizure or permanent alienation of land belonging to members

of agricultural tribes, where the alienee is himself not such an agriculturist. In order to counterbalance the possible loss of necessary credit resulting from this restriction, which deprived the money-lender of his real security, co-operative societies of credit and other types have been founded and encouraged in all parts of the province; originally assisted by small loans from Government, they have now accumulated the savings of their members and attracted the deposits of the public to such a point that State funds in the movement are negligible in amount and are confined for the most part to experimental societies or to those of backward and depressed communities. The 800,000 members in 11,000 societies¹ represent with their families 7*5 per cent, of the total, and about 8*8 per cent, of the rural population, and so far as these persons are concerned, the extreme disabilities described have been to an appreciable extent removed; reasonable and controlled credit is open to them for all necessary purposes, and the money-lender can be defeated by every honest and thrifty member of a society. The process of expansion is cautiously continued, and similar advantages will in time be brought within the reach of the entire rural community. Village societies of comparatively short-term credit, however, cannot appropriately issue large or long-term loans from their own resources, and such loans as are given by village societies for the purpose of improving cultivation, redemption of old mortgages, or clearance of hereditary debt must either be limited to petty advances for short periods, or if more generously given against a land mortgage will lock up the funds of the tiny community for a dangerously long term and to the detriment of the general body of members. A mortgage institution is therefore needed to supplement the society of short credit; its funds must be available for comparatively long-term advances, and it must be open to those members of the rural community whose social or economic position renders the village institution of petty credit uncongenial or unnecessary to them.

Before passing on to describe the mortgage systems of the countries which I visited in the course of my inquiry, it will be useful briefly to mention certain points in

Leading features of a mortgage bank.

¹ Estimated as on 1st January 1925.

which the constitution and the methods of mortgage banks are found to be variable :—

1. The object for which the mortgagor borrows may be-
 - (i) development and improvement of his land or other property;
 - (ii) the use of the mortgage money as ordinary working capital of his agricultural or other business;
 - (Hi) a use not directly productive, such as extravagance, the redemption of land, the clearance of old debts, or inevitable expenditure due to sickness, marriage, etc.
2. The funds will be drawn in varying proportions from—
 - (i) shares, or contributions to a common foundation fund; these may be provided by either the lenders or the borrowers ;
 - (ii) debentures or mortgage bonds taken up by the public, payable to bearer and giving the holder a claim either against the mortgage institution only or against the institution in the first place and the individual¹ mortgagor (to meet whose needs the bonds in any given case were issued) in the second place;
 - (Hi) deposits for a long term (*e.g.*, ten years) drawn from individual investors who offer money at their own convenience; these may also be covered by non-transferable bonds issued as occasion arises;
 - (iv) loans from other banks, usually taken when the local market is unfavourable to the issue of bonds;
 - (v) accumulated reserves; in a joint stock bank these safeguard the lender, and in a co-operative bank the borrower, upon whom the liability for the debts of the bank ultimately rests.
8. The material security for the advances given by the bank is the land taken in mortgage, though it is probable that the creditor (whether the bank itself or the bond-holder)

¹Only in certain of the earliest German *Landschaften*.

lias a further legal right to recover his dues from the debtor by suit, and attachment of any other property on which he can lay hands, as for an unsecured debt. This right is, however, questioned by certain lawyers. It is obvious that in whatever degree the creditor's power to seize and realize the land—the material security offered to him—is restricted by legislation, by the public interest, or by the sympathetic prejudices of those who control the bank, the deficiency must be made good by some other form of security, whether material or moral. This question is of the highest importance in the Punjab and in Egypt, where the Alienation of Land Act and the " Five-feddan Law " stand in the way of the mortgagee.

4. Mortgage Banks are frequently regarded as semi-public bodies, and while enjoying special legal privileges are subjected in return to a corresponding degree of official control, in order to ensure the stability of the institution and to guard the interests of the agricultural class. In a Joint Stock Mortgage Bank managed by competent business-men the attention of the authorities is—or should be—primarily devoted to the latter, and in a co-operative bank controlled by the borrowers to the former object. If the law makes sufficient provision for audit and good management in all co-operative societies, a mortgage institution on a fully co-operative basis will perhaps need no additional supervision.

5. Advances may be made by the bank either directly to individual land-holders or through the channel of associations. The control exercised over the individual by the association may be very close, as we shall observe in the Co-operative Mortgage Banks of Belgium and South Holland, or may be partial, as in the semi-co-operative Mortgage Associations of Scandinavia. Where the advance is made directly to the individual, as in Egypt and in the (non-co-operative) Mortgage Bank of Norway, there is no control over his proceedings, the grant, the terms, and the repayment of the loan being governed by financial considerations only. The criterion by which the co-operative character of a mortgage institution may be judged is found in the exercise of mutual control by the borrowers over one another, either directly or through the officers of the bank; the most intimate control is not in all cases necessary, but is essential where the real security offered by the land mortgage is for any reason defective.

EGYPT,

The Agricultural Bank of Egypt was founded in 1902 under a concession (i.e., a grant of privileges on certain conditions) made in favour of the National Bank of Egypt and Sir Ernest Cassel.

The National Bank itself had been similarly Created in 1898 with the sole right of issuing notes ; one of its stated objects was to make advances to cultivators, with or without a mortgage, for the annual expenses of cultivation, and a sum of £400,000 equal to two-fifths of the bank's capital was so employed in 1902. The agricultural loans in which this money was engaged were transferred to the Agricultural Bank, the National Bank taking up an equivalent value in shares of the new institution ; the Governor of the National Bank was to be *ex-officio* President of the Agricultural Bank, and two (now three) of the other five (now seven) directors were to be chosen from among the directors of the National Bank.* The National Bank, which holds the current accounts of the Egyptian Government and of the public, now invests its funds principally in gilt-edged securities, and grants advances against immovable property or for agricultural purposes to only an insignificant extent.

The ordinary shares of the Agricultural Bank were subscribed by a few local financiers, in addition to the National Bank and Sir E. Cassel. The concession provided that advances (known as A loans) up to £ 20 each for a period not exceeding 15 months should be made to small farmers without mortgage security, and advances (known as B loans) not exceeding £800 each for not more than 5 years should be made to small farmers against a first mortgage. The advance was not to be more than half the value of the mortgaged land, interest was limited to 9 per cent., and recoveries were to be made together with the land tax by the official sarrafa (accountants or patwaris) of the villages in return for a commission of J per cent, paid by the bank. Only principal and interest actually recovered was to be taken to credit in

ⁱ This proportion appears to have been fixed as a minimum by an agreement with Government. It is not now mentioned in the Act of Association or the revised by-laws of the National Bank.

ⁱⁱ In the absence of the Governor, the Sub-Governor of the National Bank, who at other times is not even a director of the Agricultural Bank, presides over the meetings of the board.

the profit-and-loss account, unrecovered interest being ignored and overdue principal being *deducted* as a (temporary) bad debt. The Egyptian Government undertook to advance in any year such sum as might be necessary, after meeting all present claims and exhausting the reserve fund, to make up a profit of 3 per cent, on the capital invested in loans to small farmers. Since this advance was to be refunded as early as possible, its actual value was only that of a temporary loan without interest; the Government conferred however a more permanent benefit by guaranteeing the interest (5½ per cent.) on £ 4½ millions of bonds issued by the bank.

The bank opened its doors and invited applications from the small cultivator. The latter, after an interval of suspicious hesitation, came forward and borrowed, carried his money home, and in only too many cases misapplied it. It should at once be explained that for this result the Agricultural Bank was in no way to blame; an inquiry into the character of the borrower or the actual application of the money lent was not the bank's duty, and the statutes make no provision for a local or personal investigation. The peasant, however, soon realizing the facility with which this credit at moderate interest could be obtained, accepted it so greedily that in four years the sum lent to him amounted roughly to £ 10 millions. Now the Egyptian peasant, though slightly more literate and more awake to the affairs of the outside world, resembles in many respects the peasant of the Punjab. He lives in a house of unbaked bricks in an isolated village; metalled roads scarcely exist outside the towns, and railways are few. His land produces an abundant crop if irrigated, while without water it produces nothing at all; it requires therefore his continual attention and labour. He is devotedly attached to his hereditary patch of land and much inclined to believe that the boundary between his field and that of his neighbour has been moved by the latter or should be moved by himself. When he needs money to meet his farming losses, to celebrate his domestic joys, or circumvent his neighbour's wickedness, he is free to borrow at 80 to 40 per cent, from an assortment of Copts, Jews, Greeks, Syrians and Armenians who practice the gentle and profitable art of money-lending at his expense.¹ The illiterate fellah is entirely unable to comprehend and cope

¹ The Muhammadan woman who lends from her dowry is mentioned in a later chapter. She is an amateur, not a professional, at the game.

with accounts and documents, and falls hopelessly into the clutches of these harpies. Out of a total population (estimated for 1925) of 12 millions, excluding children below the age of five years, less than one million, or about 8 per cent., are literate, and of these at least one-quarter reside in towns and follow trades and professions. Allowing for traders, artisans and money-lenders who reside in villages, and bearing further in mind that 30 per cent. of the literate persons are found in the census to be either foreigners or non-Muhammadan Egyptians, it is probable that the number of literate cultivators should not be estimated above 4 per cent. of the population after exclusion of infants. Argument is not required to prove that such a peasantry cannot be trusted to make a wise use of an easy and uncontrolled credit. Entangled first in the money-lenders' net, the fellah turned for help to the Agricultural Bank ; but being accustomed to an ingenious and exorbitant creditor who could only be fought by evasion and craft, he had not the judgment which would enable him to distinguish the simplicity and equity of the bank's dealings, nor the strength of character to comply regularly with its requirements. Consequently he failed to repay, whether the original loan had been prudently used or not, and the arrears overdue on the annual instalment rose to £ 387,000 (22 per cent. of the demand) in 1912, and to £368,000 (26½ per cent. of the demand) in 1913. As a rule two-thirds or more of the arrears were collected in the following year, but against the defaulters who remained the directors were bound to take legal action, and in some cases to foreclose on the mortgage and sell the land. Such action was strenuously and widely taken from 1910 to 1913, and the assistance of the local Egyptian officials (corresponding to the district magistrates and police officers of India) was freely given in the collection of arrears. Year after year the reports of the bank speak of increased arrears, dilatory procedure in the law courts, expenses of expropriation (falling on the debtor), and the support of Government. In addition to land sold through the courts, the bank itself had 1,185 acres of debtors' land on its hands at the beginning of 1911, 1,482 acres in 1912, 1,643 acres in 1913, and 2,256 acres in January 1914; the land concerned is in nearly all cases newly bought land, the old holding having been sold off during the year. The further area bought by third parties at the court auctions is given as 686, 639 and 890 acres, respectively, in the three

latter years. The sum of these figures in each year amounted to about 1 per cent, of the area held in mortgage by the bank.

Clearly a very serious situation had arisen, threatening both the security of the bank and the welfare of the cultivator. The weapon placed in the hands of the fellah to defeat the money-lender had been turned against him, and proved to be one which he was unfit to wield. It is generally admitted that the competition of the bank had lowered the market rate of interest on mortgage loans and possibly on unsecured loans also, but co-operators will understand that cheap credit is in itself only valuable to him who knows how to utilize it, and may be pernicious to the weak man who borrows and spends without discrimination. In one respect Egypt is * more fortunate than India; not only were her mortgage institutions anxious, as in all countries, to dispose without delay of all land falling into their hands, but the money-lender also has no desire to retain landed property and sells it so soon as he can find a purchaser. There was therefore no danger of seeing the peasantry reduced from the status of small but independent land-owners to that of a squeezed tenantry under non-agricultural landlords of a different race or religion. The land of the improvident Mussulman was passing into the possession of the wealthier Mussulman land-owner.¹ Nevertheless the process of transfer was too rapid; there was a possibility of rural unrest, and of the concentration of land in a comparatively small number of large holdings, owned by persons of rural origin or agricultural interest, but no longer closely connected with the soil. Such a change would in Egypt be an agricultural revolution. The total number of proprietors assessed to land tax in 1922 was 1,980,000, holding 5,595,000 acres, an average of 2'90 acres per proprietor with an average land tax (including the right to canal water) of 18 shillings, and fivepence halfpenny, or Rs. 13-13-6 per cultivated acre.² But 1,258,000 of these persons own only two-fifths of an acre each, and the number of persons owning five acres or less was 1,778,000 (out of 1,980,000) with an average of nine-tenths³ of an acre each. The

¹ The Mussulman land owner does not lend money at interest; he makes advances in grain, but is not usually extortionate.

² The average land tax per cultivated acre in the Punjab is Re. 1-8-6, and the water-rate on cotton and wheat, the two commonest Egyptian crops, is about Rs. 5-4-0. The average land tax on irrigated land is Rs. 3 and in Lyallpur Rs. 5.

³ The average cultivated area of a holding in the Punjab is 2-80 acres, and the average

position in 1912 was very similar, the average small holding being fractionally larger. In the interests of this large class, living (Hua tiny plot of extremely fertile land (three crops per annum are by no means unusual in the Delta, and the silt of the river manures the soil without charge), the "five-feddai^{*1} law" was passed in 1912, prohibiting the seizure, in judicial proceedings, of the land, dwelling house, or necessary agricultural stock and implements of a cultivator owning not more than five acres. In pressing for this measure, Lord Kitchener was following the example of the Punjab Alienation of Land Act¹ and of similar though less stringent legislation in the United States of America, France and other European countries. Reference was made to the well-known extravagance of the fellah on ceremonial occasions, to his litigiousness, and to the greed of the usurer, and while it was foreseen that the business of the Agricultural Bank with the individual small proprietor would be seriously affected, the creation of co-operative societies, to be financed by the bank, was proposed. The directors estimated that the large majority of the bank's clients owned less than five feddans, and that their business would be reduced by two-thirds; their application for exemption from the provisions of the new law was rejected, but the maximum limit for B (mortgage) loans was raised from £300 to £1,003 and that of A loans from £20 to £200; the term for B loans was extended to 20 years, and the village sarrafs were to collect as before, except in the case of A loans above £100. The by-laws were at the same time amended to allow the investment of surplus funds, with the approval of Government, in securities or mortgages not otherwise permitted by their terms. The result of these changes was that in the year 1913 new loans (A and B) to the amount of only £330,000 were issued, as against £1,240,000 in 1912, and the total sum on loan, which had already been somewhat diminished by the vigorous action taken in the three preceding years, fell to a little over £6 millions. Advances were, however, made to six co-operative societies and to 40 unregistered groups of cultivators. With a view to the employment of surplus capital the bank bought a controlling interest in the Mortgage Company of Egypt Limited, a company dealing in mortgages of large amounts, and £500,000 of the bank's money was advanced to this company, in addition to £400,000 paid on account of share capital.

¹ Appendix A.

By these changes the nature of the bank was transformed,-

The present position.

Experience had proved the injudiciousness of the fellah's borrowings and the unpunctuality of his payments; though A loans without mortgage could still be advanced to the cultivator owning five feddans or less, his land which even in A loans had constituted the final security for the advance, could no longer be seized in execution, while a mortgage (B loan) though not illegal, was of little value when it could not be enforced. The dealings of the bank with "five-feddan" cultivators have naturally fallen to a relatively low figure and A loans given in 1923 were no more than £9,600 (no doubt including loans to some persons who own more than five feddans). B loans granted in the same year were £93,000, the two types together amounting to less than a third of the 1913 total, and less than a twelfth of that of 1912. The total sum on loan in January 1914 was below £3 millions (£10 millions in 1908), over £1 million was with the Mortgage Company of Egypt, and more than £4 millions was invested in Government securities and the bank's own debentures. The total of the balance-sheet was £10 millions. The money employed by the Mortgage Company is undoubtedly in mortgages, but since only 150,000 out of 1,930,000 land-owners possess more than five feddans, the bank is evidently to this extent dealing with a limited and well-to-do class, for whom the commercial mortgage banks can sufficiently cater. New business with the small cultivator is negligible, and proceedings against old debtors continue, the area sold in execution to the bank and third parties being now from 300 to 500 acres annually.¹ Unfortunately the co-operative societies which sprang up in the years following the enactment of the five-feddan law were not supervised and guided, and when exposed to the shocks and fluctuations of the war period came to grief. This branch of the bank's business has consequently not been developed as there was reason to hope, and few, if any, loans are now outstanding with societies or unregistered groups. The bank has been debarred from its function by the five-feddan law, and this action was necessary because the uninstructed and debt-embarrassed peasant was not qualified to receive and use a cheap but uncontrolled credit. It was not the directors' duty to control the borrower; the fault

¹ I estimate this at £ per cent, of the land under mortgage to the bank, but since the bank publishes only the money-value of loans, not the area mortgaged, my estimate is uncertain.

lay not in the management, but in the principle of the institution. The moral for all India, and particularly for the Punjab in view of the Alienation of Land Act, is clear. Credit given to the peasantry is only beneficial if controlled.

Some features of the Agricultural Bank will now be examined under the heads mentioned on page 5 above.

* « U i
Features of the bank.

1. A cultivator of five acres or less is not often involved in expenditure for improvement or development of his land. He improves his land by continual tillage; irrigation is done by earthen water channels, and his simple apparatus for lifting water to a higher level consists of two wooden beams and a heavy stone.[†] His borrowings are for seed, cattle and occasions of joy and grief. The former used to be met by an A loan from the Agricultural Bank, the latter by a B loan with mortgage. But there is—or was before the five-feddan law—nothing to prevent him from indulging in excessive ceremonial expenditure and mortgaging his land for the purpose. How far such unproductive borrowing was the cause of his failure to repay and of his consequent expropriation is an arguable question. Experienced bankers are of opinion that some Egyptian peasants are intelligent enough to store up their savings against a bad year in which possibly their creditors will be unable to lend at moderate rates, and thereby fall into arrears as regards regular repayments; others hold that the fellahin are not often extravagant, even on ceremonial occasions. The balance of opinion among English officers who have worked in the villages was, however, in 1912, and still is, strongly against this view.

It is admitted that the Agricultural Bank—and other mortgage institutions—provided a welcome relief to debtors who cleared old debts or redeemed old mortgages by borrowing from them at low interest. This service is nevertheless only of transient value unless the borrower exerts himself to live within his income thereafter.

Certain land companies have established new peasant settlers on land redeemed from the waste and developed by them, the purchase price being paid by instalments. So far as mortgage institutions assisted this operation, their dealings were with the land company and not with the settler, who needed only to borrow, if at all, for current expenses*

Purchase of land is a frequent object for which a loan is taken; at the "bani" prices which have recently prevailed, rising to as much as £ 800 per acre for first-class cotton-land, the purchase is by no means always economically sound.

2. The shares of the bank were subscribed by non-agriculturist lenders, and the business has been financed by the issue of debentures to the public, for the most part with a Government guarantee. Although the large share-holding of Sir E. Cassel was dispersed after his death, and the National Bank no longer retains the entire block of shares which it originally took up, yet the fact that the National Bank is on the spot, that proxies are allowed and will naturally be given to it by its clients, that persons who wish to attend the general meeting are required to deposit their shares, as evidence of their right to take part, in the office of the Agricultural Bank before the meeting, and finally that the president and half the directors are drawn from the National Bank, leaves no doubt as to where the ultimate control lies. It should be added that the able management of the Agricultural Bank has rendered an active interference unnecessary, and that in negotiations with regard to its own interests the National Bank has always assumed an attitude of moderation. Its participation also has obviously given confidence to the Government, the debenture-holders and the borrowers.

The share-holders' profits have been satisfactory; the dividend on the ordinary shares, which is not limited by the statutes, averaged 11 per cent, from 1910 to 1918, and 18 per cent.¹ from 1920 to 1923. The dividend on the deferred shares—a small quantity—rose meanwhile from 17 to 52 per cent. No criticism can be passed on these dividends, which were fully justified by the balance-sheet, but the divergence of interest between lender and borrower is evident. A co-operative bank would limit the rate of dividend to a low maximum. Meanwhile the reserve funds and undistributed profits of the bank attained notable proportions. Reinforced by a special reserve on account of investments authorized for surplus funds under the amended statutes of 1913, the total of such provisions rose to nearly 2 millions in 1923, on a balance-sheet of £ 12·5 millions. At that time the bank, on account of its diminished lendings (£3·5 millions), held

¹ Bates of interest rule lower in Egyptian than in Indian towns. I consider these figures to represent 16 and 20 per cent, in an Indian bank.

£ 7 millions of securities, including £ 2J millions of its *ovfa* debentures, which the rise in rates of interest during the war period had reduced in price and tendered a profitable investment for the bank. During 1928 all these debentures in hand were cancelled, and the bank holds reserves of £2. millions on a balance-sheet of £ 10 millions. These reserves would, if the bank were liquidated, be divided among the share-holders. Absolutely justified as these rights of the share-holders are, co-operators will note them as a warning unto themselves.

3. With regard to the security of the bank's advances, the position of the small cultivator's land has been sufficiently discussed. It is interesting to remark that local and tribal exclusiveness in Egypt is not usually a difficulty in the way of expropriation ; it is well known that mortgage institutions and money-lenders do not wish to retain property which they *buy* in, and a purchasing cultivator from another district or village, if he shows himself to be suitably hospitable and free-handed, will soon be accepted by the community. Nor is there often an organized opposition to the representatives of the bank or of judicial authority in the distraint of property ; *arrears* are not collected by the village *sarrafs*, and if the branch manager cannot realize by messages or personal visits to the defaulter, legal proceedings are taken. A notice of suit is often sufficient, and losses on the sale of land are inconsiderable.

4. The Egyptian Government, which issued the original concession, appoints under the by-laws two Commissioners who attend meetings, have access to all papers, and watch over the observance of the by-laws. No friction has at any time been caused by this arrangement.

The assistance given under the by-laws by the *sarrafs*, and demi-officially by the higher local authorities, in the collection of the annual dues of the bank is of primary importance. It is improbable that a non-co-operative bank could operate effectively without it among an illiterate and unpunctual peasantry.

5/ The bank is European in origin and constitution, and its directors and branch managers are non-Egyptians. There are six branches in provincial towns, the European managers of which maintain friendly relations with the

Tillagers and move freely about the country as occasion arises. They are responsible for the necessary inquiries as to the status of a borrower in case of a B (mortgage) loan, while the statement of the sarraf as to the applicant's land-holding is accepted as adequate for an A loan. However active and alert the local managers may be, they cannot possess the intimate knowledge enjoyed by the villagers of each other's character and affairs, nor can they exercise the same brotherly pressure to secure repayments. The bank has declared itself ready to lend to co-operative societies, and has in a few cases done so upon the endorsement of the leading members ; it is anxious for an extension of this business, and the managers have exerted themselves to promote societies. Their failure has perhaps been due to the imperfect knowledge of co-operation to which the ordinary business-man attains, the lack of organized supervision, and the demand of the Agricultural Bank for personal endorsements of the bond in case of a loan to a society. Reasons given by the bank for this insistence are that the societies (i) are new and unproved, and (ii) that they are of limited liability.

In conclusion, I must offer my personal opinion that such a mortgage institution as the Agricultural Bank, though generously intended and ably managed, was never suited to Egypt, would be a danger in any part of India, and a calamity in the Punjab.

The chief " commercial " mortgage bodies of Egypt are the Credit Foncier Egyptien, the Land Bank of Egypt and the Mortgage Company of Egypt. There are also several other mortgage institutions. There are also several reputable but smaller institutions, one at least of which is in process of liquidation, the swollen prosperity and the land boom of 1920, due to the abnormally high price of cotton, having reduced the demand for mortgage loans.

The Credit Foncier, founded in 1880, shows a balance-sheet of £ 40 millions, has £ 18 millions on mortgage loan, and £ 4 millions of reserves. Its average loan is of about £ 4,000 on an average area of 100 feddans per borrower; roughly one-quarter of loans are to urban or semi-urban borrowers. £ 800,000 of ita due* remained in arrears at the end of 1923, of which five-sixths were for that year and one-sixth was of older date. A dividend of 15 per cent, was paid.

The Land Bank of Egypt, with headquarters at Alexandria, was founded in 1884 and is a similar institution to the Credit Foncier, though on a smaller scale. With a balance-sheet of £6 millions, it has £4 millions of loans, and £1 million of reserve funds. Its other resources are derived from share capital and public debentures, though during a period of stringency the Credit Foncier placed a surplus sum on loan with the bank. Its arrears of 1923 were £250,000, and half as much was also overdue for previous years. A dividend of 12 per cent, was paid.

The Mortgage Company of Egypt dates only from 1909. Its money on loan is somewhat less than

domption of its own debentures, after the example of the Agricultural Bank, has brought its balance-sheet down to £3 millions. Arrears are £350,000 and dividend 12 per cent. This company has since 1914 been controlled by the Agricultural Bank and used as a channel for the investment of surplus funds in loans to bigger cultivators.

The three institutions are of a commercial nature only, under skilful administrators and successful in their intention of lending the money of their share-holders and debenture-holders to mortgagors on good security and at a reasonable and profitable rate of interest. They quite properly leave the borrower to consider his own welfare, excepting only that no prudent banker will advance money in a line of business, e.g., urban building or land purchase, which at the moment appears to him to have absorbed as much as it can healthily take and to be becoming speculative. He has no desire to provoke a business crisis. Loans may be made up to 50 per cent, or 60 per cent, of the value of the property, as assessed by the lender's agents; a more usual limitation in practice is 40 per cent. The institutions are closely connected with each other through their directors and their financial relations, and follow a single policy. Their transactions have been somewhat less important, on account of the prosperity caused by the war, than they formerly were, and the uncertainty of the political situation has also led them to adopt a cautious policy. Though the cash total of their balance-sheets has not been diminished, the number of loans and the area of land concerned are appreciably less, since the lower value of money involves a higher outlay per

unit of land. An experienced financier of Cairo estimates the total mortgage debt of the country at £80 millions or a little more, and these three bodies, with the Agricultural Bank, are responsible for £28 millions; there remain the private mortgages, to which reference is made below.

The applicant for a loan knows that a local investigation into his circumstances will be carried out at his expense; the banks employ a permanent staff of surveyors,¹ of whom two travel together in important inquiries, and engage special experts if required* for a temporary purpose. The surveyors, in addition to examining the land and buildings of the applicant, will further collect information of all recent land sales in the immediate neighbourhood, which are then recorded and filed in the office of the bank. Although the purpose of the loan is not supposed to be of interest, it can hardly fail to be mentioned by the borrower, either in the course of the local survey or when he visits the head office. The cost of the survey and valuation will clearly be such as a small cultivator's property could not conveniently bear; in practice the Credit Foncier does not often lend less than £600, or the Land Bank less than £400, while the minimum area is about 10 feddans and 8 feddans in the two cases. The average loan per acre is from £40 to £50,² varying according to the quality of the land from £15 in Assuan to £60 in the rich province of Menufiah. The term may be from a year or two up to 50 years, the average being slightly over 20 years, but the experience both of the mortgage bank and of the Land Survey Department (the work of which on the subject of mortgages is mentioned below), shows that every engagement, whatever its nominal term, comes up for amendment or renewal in ten years at most³; under Egyptian law every mortgage must be registered in the mixed courts if a foreigner is interested in it, and must be renewed every ten years. In addition to this, the occurrence of a death, a default in payment, or an application for an increase of the loan will all be occasions for a re-examination of the papers and possibly also of the land.

A few short-term advances are also given, either without a mortgage loan or as a cash advance, in addition to a

* The Credit Foncier employs 0, of whom one is French, 2 Syrian, 3 Jewish. The Land Bank has 4, of whom one is Egyptian. The Mortgage Company works partly through the branches of the Agricultural Bank, and partly through a special staff.

² If the loan is usually up to 40 per cent, of the value, the average value of mortgaged land in Egypt will be £100 per acre.

The same estimate was made by an important mortgage institution in Denmark.

mortgage loan. These appear to be a dwindling class of transactions, and are not always satisfactory,' the client sooner* or later applying for their inclusion in the mortgage.

The greater number of the mortgages are taken on rural properties, from J to ^ being wholly or partly urban. From 1880 to 1923 the Credit Foncier gave 15,849* loans, of which 4,479 were more or less urban in character. Since, however, the urban business is of shorter term, the number of urban loans outstanding at any given moment will be about -j^- or ^ of the total ; and they are of appreciably larger average amount than the rural.

The public, both in England, France and Egypt, has shown its confidence in the three institutions by a ready purchase of their debentures, except for a short period during the war. The debentures of the Credit Foncier and the Land Bank are subject to an annual drawing by lot with a view to redemption at par ; the Mortgage Company, which has no such provision, has bought up a large number of its debentures at a low figure and cancelled them, while the Credit Foncier has also a substantial holding of its own bonds. The Land Bank has a sub-committee of its directors which sits in Paris, the Mortgage Company (as also the Agricultural Bank) has such a sub-committee in London, while the Credit Foncier, having no such extra-Egyptian supervision, is provided with a commissioner and two censors from the side of the Egyptian Government. The share-holders do not attend general meetings in large numbers, the last meeting of the Land Bank, for instance, having only¹ ten present in person, though there were many proxies.

The rate of interest charged to borrowers rules at 7 or 8 per cent.

When these banks or companies are criticized from the borrower's point of view, it is obvious that they are unsuited to the five-feddan cultivator ; and so definitely has this been the case from the beginning that the passing of the five-feddan law is scarcely mentioned in their reports and has apparently exercised no unfavourable influence. The bigger laud-owner, from eight acres upwards, is regarded as competent to control his own use of credit, and though the Credit Foncier provfdes in its by-laws for loans to co-operative societies,

¹ The Agricultural Bank claims to have had as many as 80, demanding a higher dividend. The by-laws do not permit the general meeting to enhance the dividend proposed by the board.

it is believed that none such have been made. That the borrowers are on the other hand not always wise judges of their own advantages is proved by the proportion of them against whom the remedy of foreclosure and expropriation has to be employed. One of the banks gave 10 to 20 per cent, as the approximate number, though the cause was said to be the misfortune of the defaulter, rather than his fault. Co-operators will find it difficult to believe that 10 per cent. or more of cultivating mortgagors meet with such adversity, despite their industry and thrift, that they cannot meet their obligations even under pressure. Egyptian land is more productive than that of the Punjab, as at present cultivated, yet very few thrifty and hard-working Punjabis really come to grief. The process of expropriation in Egypt was simplified by clause 1¹ of the five-feddan law, and since a notice of foreclosure, issued from the court, converts the standing crop legally into immovable property, inseparable from the land, the security of Egyptian mortgagees is extremely good. The creditor is often compelled to buy in the land, since only a short time is allowed to auction-vendees within which to pay the full price, and speculators are thereby deterred ; the property is resold, usually within the year, to a new purchaser, who frequently gives a new mortgage in lieu of immediate payment. The Land Bank in January 1923 held 24 properties, worth £50,000 with an area of 1,041 acres ; during 1923 it bought in 31 more for £100,000 and sold 11 for £50,000 and in January 1924 held 40, worth £100,000. The Mortgage Company in March 1924 held expropriated properties of a value of £150,000, and the Credit Foncier, which in 1914 held 4,000 feddans, in January 1924 had 217, worth £25,000. These three companies may be regarded as a channel through which 5,000 acres change hands, in consequence of expropriation, in each year ; if the Agricultural Bank and the minor mortgage companies be included, the total will be perhaps 10,000 acres. The persons affected are often of moderate status (c/, the Land Bank's figures, 24 properties = 1,041 feddans), and it is impossible to guess how many of them could have averted the disaster under a system of controlled borrowing. It is not the duty of the mortgage banks to control them, and it will be advisable for India to supply the defect in her own case by means of a co-operative organization.

¹ A long *olauw* amending procedure ; not given in Appendix A.

Although a definite conclusion cannot be reached, it is attractive to speculate on the total burden of mortgage debt in Egypt. Registered and unregistered mortgages. Every mortgage to which a foreigner is a party, and every mortgage between Egyptians which it may hereafter be necessary to plead against a foreigner's claim, should be registered in the mixed courts. In order to avoid the costs of registration, many persons are content to present the deed in court under the French "date certaine" system, i.e., it is endorsed by the court as existing on the date in question, and the contents will thereafter receive equitable consideration if it should be put forward in legal proceedings. Registration must be renewed after ten years; no intimation of mortgages, presentation of deeds, or renewals is sent to the revenue authorities and no combined record of such documents is kept in the courts. Registration of documents can also be effected in the indigenous courts, which also send no intimation and keep no collected record; such documents cannot be produced in evidence against a foreigner in the mixed courts.

Now there is no up-to-date revenue record, as understood either in the Punjab and some other provinces of India, where it affords a presumption of title, or in Germany, Switzerland and perhaps other countries, where it is proof absolute of title, and if an incorrect entry is proved, Government itself pays full compensation to the sufferer. A system of field survey, now started in Menufiah province, may lead to the compilation of a revenue record, though whether it is wise to aim, among an illiterate and inaccurate peasantry, at a higher standard than that of presumptive title may well be doubted. Registration offices have been set up by the Land Survey Department in all provinces, in which documents may be registered, and to which copies of the deeds registered in the mixed courts are sent. In Menufiah the Surveyor's staff, after a local inquiry of a summary nature, intended to secure publicity rather than establish a right, mark out with iron rails, imbedded in the ground, the corners of the plot to which each deed refers, leaving the dissatisfied neighbour, if any, to seek his remedy in a court of law. Hitherto there has been no such up-to-date demarcation; when the land tax was reassessed for 80 years in 1905, a record and map were prepared, but these are now obsolete, since exchanges of land and alterations of boundaries have transformed the cultivation and ownership more rapidly

than would be the case in India, while the tax is collected from the occupier, and the name entered in the land tax register in the office of the local magistrate may be that of an owner «lead and forgotten.¹ The sarrafs are charged with the duty of entering up transfers, but it is doubtful whether even this labour is properly carried out, and in the absence of a transfer the original name is left standing. The cultivator does his utmost to conceal his alienations and his debts, even going so far as intentionally to enter incorrect field numbers and boundaries in the deed, whether only to avoid the ignominy of the entry in the land register or in the hope of eventually cheating his mortgagee. In any case the location and identification of mortgaged land is a recurring difficulty. In Menufiah, where the special survey is in progress, every plot is identified on the spot, and in the course of ten years it is probable that all fields affected by a legal document will have come under examination ; there will remain those as to which no legal transaction of any kind has taken place, and special authority or legislation to handle them may be required. Persons intending to execute a document with regard to any property are now accustomed to make a previous reference, at least in Menufiah, to the Survey Office, and out of 4,500 such references made by parties during 9 months of 1924, 3,000 resulted in the registration of deeds either in the mixed courts or in the Survey Office. One survey office estimates that 1,000 of the remaining negotiations may have resulted in nothing, and 500 will have led to the execution of deeds between Egyptians, which have not been registered or presented. Another survey officer, as a result of general experience as well as of Menufiah duty, reckons that 25 to 50 per cent, of the mortgages in rural areas will be unregistered. The latter will be the smaller transactions. Now if the Mortgage Banks and Companies have lent £ 28 million?, and private persons have lent £ 2 millions on registered mortgages, as estimated by the financier above-quoted, and if further 33 per cent, of the mortgages executed are unregistered, being the smaller mortgages, the total mortgage debt may be £ 40 millions. This, however, will include some urban debt, the amount of which can only be guessed ; 900 new mortgages of property in Cairo and Alexandria cities were registered in nine months, out of

¹ The sarrafs have hitherto been summoned to the district headquarters in order to prepare the demand statement for the tax. It is now proposed to use the headquarter* staff for this duty, but in view of the condition of the register it sounds a difficult task.

a total of 2,760 in all Egypt; the average amount of an urban is higher than that of a rural mortgage, but the latter is of longer term. Cancelling these two differences against one another, we find that urban mortgage debt may be one-third, and rural mortgage debt two-thirds, of £ 40 milUoixsh. A rough figure of £30 millions may be taken for the rural debt. This lies on an area of 5,750,000 acres, and works out at £ 5-4-4, or Rs. 78 per acre. The value of this land is from about £80 per acre in Assuan, paying 9 shillings, or Rs. 6-12-0, per acre of land tax, to £ 250 or even (speculatively) £ 300 in Menufiah, paying £ 1-11-5, or Rs. 23-8-0.

An inquiry made in all provinces under the directions of Lord Kitchener in 1913 revealed that out of 1,667,000 " five-feddan " peasants, cultivating 1,323,000 acres, 619,000 persons were indebted to the extent of £ 16 millions, of which £ 3,867,000 was owed to the Agricultural Bank almost entirely on mortgages. The average total debt per indebted peasant was £ 26, and the average mortgage debt per debtor slightly over £ 6 (or Rs. 90). The average mortgage debt for the 1,323,000 acres was under £ 3 (Rs. 45).¹ The mortgage loans of the Agricultural Bank and the three other mortgage institutions which have been examined were a little less than £ 39 millions in 1913, and if two-thirds of this debt was rural, and be divided by the area of taxed land (then 5,500,000 acres), the rural mortgage debt for all Egypt was £4-14-6, or Rs. 71 per acre. The small peasant's mortgage debt was therefore considerably below that of the wealthier man. The figures and estimates are very uncertain, and it is to be hoped that the completion of a revenue record will render a real estimation possible.²

DENMARK.

The contrast between Denmark and Egypt is very striking. With only accidental exceptions the Dane is not merely a literate

¹General conditions.

¹ The entire land (about 618,000 acres) of the 619,000 persons was not mortgaged, so their debt per encumbered acre cannot be given. This inquiry of Lord Kitchener's gave mortgage figures for the Agricultural Bank only, and some addition must be made for other mortgages. The Mortgage Banks and Companies did not do much business with small men, but the private money lender did more than he is now doing.

² In 1921 the mortgage debt of the Punjab was estimated by the revenue authorities at Us. 36*840 crores (£24 millions) on 3,000,000 acres of cultivated land, i.e., £8 (Rs. 120) per cultivated and encumbered acre. The burden for the whole mortgaged area of 4,000,000 acres was £6, or Rs. 90, and for the whole cultivated area of the Punjab (28,716,000 acres) was about 16s. 8d. (Rs. 12-8-0) per acre. The comparison should be with the cultivated, not the total area of the Punjab, since the huge uncultivated area of Egypt has not been taken into account; a still more exact comparison would be given by the mortgaged area of irrigated land in the Punjab, but this is not available.

but an educated man; in tiny farms of five or ten acres will be found men who refer intelligently to subjects of interests throughout the world. They have some idea how India is governed, and will mention Tagore, perhaps Gandhi. Of the total area (106 million acres), 80 per cent, is used for agriculture,¹ but only 40 per cent, of the total population (81 millions) is directly supported by the land. The soil is decidedly poorer than the Egyptian Delta, and taken as a whole is lighter and poorer than the Punjab; the mainland (Jutland) in particular contains large tracts of sand and scrub comparable in appearance with the Punjab Thali, and much less fertile under rain or irrigation. It may be argued that the Dane at least does not suffer from drought; he has, however, to face the equal dangers of storm and blight, so that half the landowners find it necessary annually to insure their crops against damage from storms, and one-third against hail. The average size of a farm is 38 acres, and out of 206,000 fanners (over 90 per cent, of whom own their own farms) 52 per cent, have not more than 25 acres, and the average of a holding is 32 acres. Their cultivation of these small farms is intensive, and involves constant labour, together with the use of science and capital. By the manufacture or importation of artificial manures to feed the land, and of maize and oil-cake to feed his stock, the Danish farmers support 41 milch-cows (not cattle) per 100 inhabitants,³ and a proportionate number of horses, swine and poultry*. His stock are for the most part not carried on pasture land, but are either stall-fed or carefully tethered on the edge of a clover or other fodder crop so that each animal can eat up to the radius of his rope without encroaching on his neighbour or trampling down to-morrow's supply. The outturn of wheat averages 48 bushels (36 maunds)³ per acre, and of barley 34 bushels (25 maunds); and, though an average* cannot be given for all the milch-kine⁴ of Denmark, yet 52,000 cows, somewhat superior animals, of which a full

¹ Area of the Punjab 56 million acres, cultivated 50 per cent.

					Cow* and buffaloes.
³ Sweden and Norway	..	.	..	?	27
Holland	..	..	.	..	18
Belgium	..	..	.	..	11
England	..	..	.	..	8
Punjab	..	..	.	..	20

But what amount of milk do the Punjab kine give ?

» Punjab 12 J maunds (irrigated), 8 maunds (unirrigated).

⁴ In 1880 it was 1,500 kilos or 1,320 Punjab seers, but is now much greater : roughly double as great. How many Punjab cows yield 7 seers daily through the year, and when will this be the average for all Punjab cows ?

record was kept, in the island of Fiinen gave in 1928 an average of 8,750 kilos, or 8,300 Punjabi seers, throughout the calendar year. It is no lazy or unskilled farmer who produces these results, nor one who is content to walk in the old track, rejecting new ideas and accusing the Government of burdensome taxation. He is a sturdy, independent and open-minded peasant, who pays his taxes¹ and sets to work to increase his profits by a wise expenditure. From one evil of India he is preserved by legislation ; a peasant farm of 10 to 50 acres, and a small holding of 5 to 14 acres (varying according to the value of the land), may not be further subdivided, though a charge may be laid on his land by a testator for the benefit of the excluded co-heirs ; the heir inheriting the property has to support this burden.

To finance this intensive form of agriculture and to meet the claims of co-heirs, the Danish farmer needs a careful system of credit. He sells his dairy produce to a Co-operative Dairy, his swine to a Bacon Factory, his eggs to an Egg Society ; they insist on first-class quality, rejecting his supply and fining him also if it is below the standard, and he must therefore buy and maintain good stock in healthy buildings, must insure his farm and his animals and must pay experts to check (through a Milk Control Society or otherwise) the economy of his methods and his results. Through an accident, fortunate or otherwise, co-operative credit, as commonly understood, had not spread itself widely in Denmark before the last ten years. The Dane of the early 18th century was a serf on the land ; by an act of benevolent autocracy he was released from this status, and small farms³ were sold to him by instalments out of the great estates ; the bulk of this transformation was completed by the end of the first quarter of the 19th century, so far as concerned the existing peasantry, but the increase of the rural population led to a further pressure for the break-up of the estates, and, in order³ to facilitate the transfer of land to the new applicants, there came into being the Danish Mortgage Credit Associations. The first of these was founded in 1851, and there are now 14, of which nine are predominantly rural. Their creation was due to the demand of large land-owners for facilities to borrow with" a view to agricultural improvement (the agricultural

¹ Much higher than the Punjab. He pays a tax on unimproved land value, also on its improved value and also on its income.

* After a thorough reallocation and consolidation of all scattered fields.

• Not, as in Germany, to relieve the indebted land-ownera.

revival of Denmark began in 1850-60), and the desire of liberal politicians and thinkers to assist the purchase and development of holdings by small farmers. The politicians conferred the privileges and imposed the restrictions (see appendix B, law of 1850) required by institutions of so great an importance, while the prospective borrowers actually formed the associations with the help of legal friends. Their joint and (*prima facie*) limited liability supported the bond issues.

A detailed discussion of the German Mortgage Associations or *Landschaften* would be superfluous. They date from 1769, and the Scandinavian and many other institutions are modelled more or less on them. Their landings are as a rule on rural property only, and in the majority of cases the bonds which they issue to the public are secured by a collective, but limited, guarantee of the property of the members; this guarantee by individual members may, however, be unlimited or may be entirely abolished, according to the financial position and reputation of the *Landschaft*. They give loans to borrowers in the form of bonds only, which must be sold privately or through a bank, or, if the *Landschaft* is a member of the Central *Landschaft* of Berlin, may be exchanged for central bonds; the latter have then to be sold. Loans are ordinarily amortized by instalments, and a small further charge is made to cover the cost of administration. The repayments are carried to a sinking fund, which is used to redeem the bonds either as they mature or when recalled after a drawing of lots. The limit of lending is from 50 to 66 per cent, of the value of the applicant's property, but an amount not exceeding a specified (15 to 25 times) multiple of the land tax is given without special valuation. A *Landschaft* may recover its dues by summary distraint on the mortgaged property, or by a provision peculiar to Germany may take over and administer the property for its own benefit. The *Landschaft* is a public institution, its employees are public servants, it enjoys a subvention from the State; and a State Commissioner, with a right to preside over meetings, exercises an active control over the proceedings. Many of the appointments and transactions are subject to official approval. The general meeting consists of the executive-committee and of representatives chosen by the members in each district, and appears to resemble in spirit a Homeric assembly, expressing an opinion only on proposals laid before

it by the directorate. From the co-operative point of view, real participation by members is very slight.¹

The Danish institutions, though supervised by the State, are less closely controlled. Their found-
Mortgage Associations in Denmark. regulated by a general law until 1861,² since when a special law has been required for each new association. Their members are the borrowers only, and there are no shares. All profits are carried to the reserve fund, from which, when it reaches a certain percentage of the outstanding loans, a bonus is paid by credit to the borrowers' accounts. They lend partly, and in five-cases principally, on urban properties, and the liability of each borrower is limited to 60 per cent, (or on small sums even less) of the value of the loan taken by him, in addition to the duty of repaying the loan itself. Within these limits the liability is collective. Lawyers apparently disagree as to whether an association, in the event of inability to meet its debts on liquidation by means of this guarantee, could further proceed against the individual member in the capacity of an unsecured creditor. Loans are issued not in cash, but in bonds, which cannot be exchanged by the borrower for bonds of the Central Mortgage Bank (Hypotek Bank); the associations will, however, assist him by selling the bonds on his behalf, -such an arrangement being more advantageous to the Danish peasant than to the German farmer.³ The bonds were formerly quoted on the French and German markets, and were readily bought in those and other countries. The financial conditions during and following the war have confined their sale for the most part to Denmark, where they are held by banks and public and private companies and institutions, as well as by townsmen and prosperous farmers. Loans without amortization may be granted up to not more than one-third of the value of a property, either with or without a further amortizable sum, but such non-amortizable loans, which were introduced experimentally as a result of competition, are now little favoured by either borrower or lender. The limit of lending is 60 to 66 per cent, of the value, on first mortgage only, the Hypotek Associations, nine in number,

¹ I did not think it useful to visit any Landschaften, since the changed value of the currency has disorganized the work of all lending associations.

^a See appendix B,

* The German peasant, who was originally not qualified for membership of a Landschaft, and whose needs are not therefore as prominently in view in the by-laws, will resort to a Loan Bank.

dealing with second¹ charges. Instalments repaid are credited to the borrower's account, as in Germany, but, since the annual redemption of an equivalent number of bonds (which are repaid at par) drawn by lot is here the general rule, a smaller balance of bonds than in Germany remains unpaid until the date of maturity. Surplus funds are, however, used in both countries to buy up bonds in the open market when the price is below par, the excess cost of a repayment at par being thus avoided. All loans are made after valuation and, though the tax and other charges on a property are noted by the valuer, they are not in Denmark considered sufficiently exact or up to date to form the basis of an assessment for a loan. No State subvention is received, and the employees of a mortgage institution are not public servants, but stamp dues on documents are remitted, the bonds are trustee securities and summary methods of execution against a defaulter are allowed.² There is no State Commissioner, but one of the two auditors is nominated by the State, to which also quarterly accounts have to be submitted. The Ministry of the Interior may at any time order an inquiry into the affairs of the association at the cost of the latter, and, if its working is not amended to the satisfaction of Government, may either take over the management of its business or bring its operations to an end. The general meeting resembles that of the German Landschaft, minus the State Commissioner.

Let us now examine a specimen mortgage credit organization (Kreditforening af Grundejere i de Danske Østifter), the Credit Association of Property-owners in the Danish Islands. This is the largest institution of its kind in Denmark, founded in 1851, the year after the enabling law, and has its headquarters in Copenhagen; it operates in the Danish Islands (about a third of the area of the country), although now doing little business in the Island of Fiinen, which has set up an independent association. In 1924 the value of mortgage loans on one side of the balance-sheet and of bonds on the other was 751 million kr.;³ the reserve and administration fund was 28J million kr., of which 20 million was invested in the association's own bonds (bought in the market), and the balance in cash and movable and immovable property.

¹ The actual percentage of value lent by the credit associations is about 45 per cent*
fend by the Hypotek or mortgage association 75 per cent.

² As also in Germany, Belgium and Holland.

³ At the exchange values of 1924 assume roughly that 1 Indian rupee » 1) Danish crowns.

The custom of the associations is to publish in their annual reports all details as to the movement of loans, bonds, reserves, etc., but to include no ordinary combined balance-sheet; an abstract of the position is therefore difficult to prepare. Loans are given on both urban and rural property, and this association is described by outsiders as having a sympathy with, or following methods convenient to, the townsman or the wealthy farmer rather than the "middle" or small man. The limit of loans is 60 per cent, of the value of a property, but in practice about 45 to 50 per cent.¹ is said to be given, and the management maintain that it is financially sounder to distribute the risks over two classes of property than to concentrate on one. During 1922-23, 4,727 loans were granted, of a value of 93 million kr., the average being 30,000 kr. (Rs. 20,000); five loans exceeded 1,000,000 kr., and the minimum permissible is 600 kr. This tendency to large loans and to an urban interest is ascribed as the reason for the creation of the Credit Bank for Landed Properties in the Islands in 1866. The loans are issued in series, *i.e.*, when the total amount issued has reached a certain figure, the "series" is closed, and the borrowers who have borrowed from it are mutually and jointly liable for the bonds of this series. The minimum for a series is 20 million kr., but this is sometimes divided into several sub-series, each series having a separate reserve fund, which must be exhausted before any one of them can draw on another. A loan may be without amortization up to one-third of the value of a property, and a few such loans are still issued. The ordinary rule is, however, to pay off by half-yearly instalments; a borrower who takes his advance² in bonds paying 4 per cent, interest will first of all have to contribute 1J per cent, of their nominal amount for the reserve fund; he will then sell the bonds in the market and repay 4'62 per cent, annually in two equal halves, of which at first 4 per cent, represents interest, -20 cost of administration and -42 an instalment of principal. But, as his debt is gradually repaid, the net amount credited to interest will diminish, and the payment to principal grow, with each half-year. If the reserve fund of any series falls below 1 per cent, of the bonds outstanding in that series,

¹ Another account estimated 40-42 per cent, and from this must be deducted the prior charges on the property, if any.

* Thus he borrows 10,000 kr. in 4 per cent, bonds, and must pay 150 kr. in cash to the reserve; four instalments are allowed. He sells the bonds (say) at 80, and receives 8,000 kr.; on his 7,860 kr. he will now pay 462 kr. annually, which works out at 5'886 per cent. But he will receive a rebate from the reserve fund.

the borrowers concerned may be called upon to bring it up* to 1 per cent. If it exceeds a certain percentage (between 8 and 5 per cent.) of the bonds, the surplus will be distributed to the borrowers, and, when an individual clears his debt, a share in the reserve fund is paid back to him if the accounts, as passed by the official auditor (for Government), permit this. The usual period of loan is about 60 years, and bonds are issued at rates varying from 3¹/₂ to 5 per cent., the borrower taking whichever he pleases of the rates then being issued by the association. The association is administered by three directors, chosen by a committee of 21 representatives; the latter are chosen by the members (more than 58,000 in number) in local meetings held in 21 circles. There is an annual general meeting, but the attendance, when the meetings of 1922 and 1923 were opened, was about 100, and increased slightly before they ended; probably the majority were townsmen. A member may cast up to five votes, according to the size of his debt and his property, and one member may hold a proxy for another. The quorum is of 100 votes. Local meetings for discussion and explanation are held by the circle representatives, but have no powers, except that of electing the valuers, of whom there will be several (usually three) for each sub-division of a circle. The valuers assess the property of an applicant, and include his movables and crops in the general estimate, though not assessing a separate value on them, as on land and buildings.² No inquiry is officially made as to the purpose of a loan, and no supervision is exercised over its employment, but the valuers revisit the property after every three years in order to observe that it has not deteriorated. A valuer receives from 6 to 18 kr. daily allowance for work done, and a percentage on the value assessed; this is paid by the applicant to him directly. Travelling and conveyance allowance is paid by the association. In case of default, the mortgaged property may be seized and auctioned [see appendix B, clause 2 (6) of the law of 1850]. The arrears of principal in this association were 600,000 kr. in 1919, and 1,300,000 kr. at the end of 1923, the increase being no doubt due to the post-war crisis.

¹ If my farm is worth 50,000 kr., and the association declares itself ready to advance to me not more than 22,000 kr., it means 22,000 kr. of bonds. If I need nearly the full amount of money, I must take 5 per cent. bonds which may sell for 21,000 kr.; if 20,000 will suffice me, I may take 4¹/₂ per cent. and so on. The bonds of lower interest are slightly cheaper to the borrower because the increased interest does not raise the market price of the bonds in quite the full proportion.

* In Danish law the movables follow the land in case of mortgage, and may not be seriously reduced without informing a mortgagee.

One property was then in the hands of the directors awaiting sale; several others had been sold without loss, but a loss of 5,000 kr. had been incurred in one case of bankruptcy, where the property had been destroyed by flood.

When the Credit Association of the Islands had been working for 15 years, a rival institution, the Credit Bank for Landed Properties in the Islands (Kreditkassen for Landejendomme i Ostifterne) was set up in 1866. It is explained that the second Schleswig War in 1864 had given rise to a sense of the insecurity of urban property in case of a bombardment or siege; that at the same date the radical movement of the peasants gathered strength, leading to a demand for separate organization; and that in any case there was and is room for competing bodies, Government itself favouring the idea of competition. The advantages of competition are still disputed; a co-operator's comment would be that, if the control were really in the hands of the members, no question as to the neglect of their interests could be raised; competition is only desirable in the interests of consumers (in this case the mortgaging members) when the organization may be guided by sectional or selfish motives. There was, however, much argument as to whether the delimitation between one association and another should be on the basis of territory or of the class of borrower, and no solution was reached. The Funon association, dating from 1860, covers one of the largest areas in which the two "Islands" associations operate, and on the mainland of Jutland there are no less than five competing bodies with territory imperfectly, if at all, demarcated. The failure of an urban association in North Jutland in 1860, though no loss was incurred, and the financial difficulties of a private mortgage bank in the same district, had excited public alarm, and the law of 1861ⁿ, which was chiefly concerned with the introduction of the system of "series", required that future mortgage associations enjoying the privileges of the law of 1850 must be specially authorized by law. The law of 1866 therefore, authorizing the Credit Bank, imposed the right of official investigation and closure and an official approval of the auditors and audit rules, laid down stricter rules as to the formation of reserve funds, and provided that properties taken over from a defaulter must be sold within a year or heavy depreciation allowed on them.

¹ Appendix B.

The name of Kreditkasse was deliberately taken in order to emphasize the pre-occupation of the institution with the interests of the smaller land-owners, to whose credit unions this term was considered to belong. The general methods of the Kasse are the same as those of the Credit Association, but it claims to lend less on buildings, whether urban or rural, and to encourage small men and small loans. Its balance-sheet is of 195 million kr. only, of which 189½ millions are bonds and mortgage loans, the remainder being reserve fund held in the form of cash and the bank's own bonds. There are 9 circles, electing a committee of 18 representatives, who elect the three directors, of whom one must be a jurist and one an agriculturist. The valuers are not, however, in this body chosen by the circle meetings¹, but by the directors from names sent up by the representatives. The general meeting is almost nominal, only once having a single individual put in an appearance, in addition to the members of the committee. The method of lending is similar to that of the Credit Association, but the average loan in 1922-23 ruled somewhat lower at 22,500 kr. (Rs. 15,000); 15 out of 680 loans given in the year were of less than 1,000 kr., and 55 others were below 2,000 kr. The limit of loans is stated in practice to be from 40 to 47 per cent, of the property. As required by the law³ of authorization in 1866, the preliminary contribution to the reserve is usually 2 per cent., instead of 1½ per cent., and a refund is less frequently made than in the Credit Association. As, however, the Kasse builds up its strength, this provision of law is being modified. The legal requirement to dispose very promptly of a debtor's property, bought in by the Kasse in execution, which was first laid down for the Kasse in 1866³, was recommended to all similar associations by the law of 1896, and has now been adopted by the Credit Association of the Islands and by other bodies.

The Kasse, coming later than the Islands Association into the field, has adopted a more progressive or adventurous policy. From 1875 to 1892, it employed a number of local agents in the districts, who handled its business, and no doubt endeavoured to increase it, on a commission of 1 per cent. These were abolished in 1892, except in one remote island. The conversion of bonds to a lower rate of interest when

* Appendix B, Act of 24th April 1896, clause 2 (27).

* Appendix B, Law of 1866, clause 3.

9 Appendix B, Law of 1866, clause 4.

the market was favourable was first undertaken by this institution, and raised neither the difficulties nor the opposition which critics anticipated. It aims also at emitting a bond which will stand at par, while other associations somewhat hotly dispute (the wisdom of paying the high interest needed for this purpose. The emission of 5 per cent, bonds was, however, only continued by the Kasse for a short time.

The Credit Association for the Diocese of Funen is a smaller body of a nature akin to the Kasse. It was founded in 1860, and resembles the Kasse* in attending chiefly to agricultural business, and having its valuers chosen by the directors from a list put forward by the representatives, but differs in giving no non-amortisable loans and in making easy arrangements for the sale of bonds on behalf of the borrowers, the latter simply receiving the loan in cash if they have taken advantage of this convenience. To meet this and other temporary necessities the association takes short loans from the Joint Stock Banks. It is a peaceful and friendly institution¹.

A new association was founded in 1920 in that part of Slesvig which was redeemed from German rule as the result of a plebiscite. There were formerly two German Landschaften operating in Slesvig* both with headquarters at Kiel, one of which was affiliated to the Central Landschaft at Berlin, while the second was independent. The by-laws of the former Landschaft founded in 1895 show that it is under the close official control which is customary in the German Landschaften, and that loans are granted on properties of not less than 12 acres' area or paying not less than 50 marks (Rs. 37/- at pre-war rates) of land tax, a special assessment being made only if the loan exceeded 15 'or in some cases 20) times the tax. On giving a loan, the Landschaft issues to the borrower the bonds of the Central Landschaft, and its liability is apparently towards the central body, not directly towards*the bond-holders. The depreciation of German currency in recent years having rendered nominal the mortgage debts, a special German law provided that pre-war debts should be repaid to the extent of 15 per cent, in gold at the pre-war rate ; many debtors have, however, been

¹ The little town of Odense appears to have been copied from a picture in Hans Andersen's fairytales. Andersen was born here.

unable to achieve this. Upon the transfer of North Slesvig to Denmark, the Danish mortgagors borrowed Danish crowns to pay off their German debts, but the subsequent fall in the value of the Danish crown and the high rates of interest charged by the banks from which they borrowed have landed many of them in an embarrassment. The new South Jutland association was set up by a special Danish law of 1920, requiring a 2 per cent. contribution to the reserve, allowing only amortizable loans (with a limit of 60 years), and providing that a property taken over from a defaulter may not be held longer than three years. Five other Credit Associations were also empowered to work in South Jutland; some of these are urban or otherwise specialized, but others are of the ordinary rural type, and it would have been simpler if these competing organizations had been invited merely to finance the new association. This body has for the present issued bonds only at 4½ per cent., the discount on sale being appreciably greater than in the case of bonds of other associations, no doubt on account of its recent creation and its political situation near the German frontier; the help of the Danish Mortgage Bank had at one time to be specially obtained for the disposal of its bonds. The total of bonds on the market was 99 million kr. in September 1924. The average loan is 20,000 kr., and the minimum 500 kr.

Some interesting points of difference between the Danish and German systems arise from an examination of the South Jutland Association. In the beginning a number of loans were granted on the basis of 30 times the land tax, but valuations on the Danish method are now substituted. Again, the German Grundbuch, or Land Eecord, is proof absolute of title, Government bearing the cost of any compensation found to be due to a person whose rights have not been duly recorded; the same validity has not hitherto been allowed to entries in the Danish Land Eegister, but in the redeemed area of Slesvig the status of the Grundbuch is to be maintained by the Danish Government, and a modified form of responsibility for entries in the record has now been devised, and will probably be given legal force in the entire country. A mortgage too is certified in Germany by a " deed of mortgage " (Hypotekbrief), bearing an extract from the land record, and since the entry in the land record is in Germany (and Slesvig), the legal basis of the mortgage, the " deed of mortgage " is universally accepted as sufficient and passes

from hand to hand as a security, whereas in Denmark the legal basis of a mortgage is a recital in court, and a certificate of recital will not give the same assurance that a contrary or superior right may not hereafter be set up. Lastly, the German *Landschaften* grant from their reserve funds a supplementary loan to make good the borrower's loss by selling the bonds at a discount; the *nominal* amount of the loan granted is thereby increased beyond the sanctioned figure, and accounts are complicated. The South Jutland Association has abandoned this custom, and will no doubt be able, when its bonds obtain a better quotation on the market, to minimize their discount by issuing bonds at a suitably high rate of interest.

This association is under particularly able and zealous management, and has greater obstacles to overcome than its fellows. Coming last into the field, it has been able to learn from the experience of all the existing institutions.

The small holders have for more than a century comprised a large proportion of the land-owners in the country. In 1869 their number was given as 70,000; at the present time they are estimated at 133,000 men, having not more than 12½ acres, of whom 67,000 own more than 1½ acres and may be presumed to depend entirely or mainly on their agricultural income. These small men found themselves for the most part unable to derive benefit from the Credit Associations founded under the law of 1850; they were out of sympathy with the "middle" farmer (owning an average of 60 acres)¹, and did not always require a loan so large as the minimum which the associations would give. To suit their purpose therefore, two Credit Associations for small holders were created by a special law of 1880 to operate in the Islands and in Jutland, respectively; in addition to the privilege as to exemption from stamp duties and the investment of trust funds, which are common to all Credit Associations, they were given each an initial grant of 10,000 kr. for the expenses of foundation, and a Government guarantee of the interest on their bonds up to 4 per cent, (later raised to 4½ per cent.). If an application resulted in the grant of a loan, the cost of valuation was to be paid by the State; otherwise by the applicant. The State required in return

¹A big farmer in Denmark is one who owns 150 acres or more; there are between 6,000 and 6,000 such men.

that the property of a borrower should not exceed 4,000 crowns¹ in value ; that the loan should not exceed 50 per cent, (later 60 per cent.) of the value of the property ; that all borrowers should be jointly liable for the debts of the association, with the full value of their mortgaged property (*i.e.*, in the case of small holders a practically unlimited liability) ; and that the president be appointed by Government. Further, the term of amortization was limited to 45 years (later extended to 60 years) ; if 1 per cent, of the dues fell into arrears, Government might take over or close the institution, and should be bound so to do if the arrears remained at 1 per cent, or more during three successive years². In 1915 the maximum value of a borrower's property was increased in accordance with the rise in prices, and again in 1918 and 1920, so that in 1924 it stands at 16,000 kr. if the property is not more than 21 acres in extent, and 20,000 kr. for a larger property. The cost of valuation will, however, only be borne by Government on a property of 8,000 kr. or less.

In practice, the smallholder to whom these figures apply will be men owning from 2½ acres of first-class land to as much as 25 acres of poor land. The procedure of the directors, representatives and valuers is not materially different from that of the other credit associations, but small holders almost always request the management to sell the bonds on their behalf, and this is done. The average loan, which in the two "Islands" associations was 30,000 and 25,000 kr., was below 3,000 kr. in 1923 in the "Islands" Association of Small Holders. As usual, no inquiry is made as to the object or use of the loan, but, owing to careful supervision, only 40,000 kr. of property have been sold up by the "Islands" association since its foundation; defaulters are given warnings and short extensions, and, being as a rule close to a town, are more accessible and amenable. Buildings are taken into full account for valuation on the smallest properties, where they have often an independent value (*e.g.*, a mill or a glass house) apart from the land ; in larger properties they are assessed only on their direct utility to agriculture. Thanks to the Government

¹Say 13 acres of irrigated land in the Punjab.

*This stern provision calls for the attention of Indian co-operators; default in a mortgage bank is a much graver offence than in a society of short-term credit.

guarantee, the bonds enjoy a slightly higher quotation¹ on the market than those of other credit associations.

A few of the smaller German *Landschaften*, *e.g.*, that of Nassau, receive a guarantee from the Local Governments.

The Danish Government has been induced by its connection with the Small-holders' Credit Associations to take action which is variously criticized. Interest on the bonds of the Small-holders' Associations was in pre-war days payable in several foreign countries and in foreign currencies at par of exchange, and the bonds were themselves inscribed in English, German and Danish. Thus a bond for 50 crowns was also a bond for 5GJ German marks or for £ 2-15-0 in English money, and a foreign holder could demand his interest at 4½ per cent, in whichever currency and country he preferred. When the Danish crown fell from par (18 crowns=£1) to 27 kr. or lower, the payment of interest in English money became ruinous: many of the bonds were held abroad, both by Danes in England and America, who thus invested their earnings with a view to returning eventually to Denmark, and also by foreigners. The balance of trade had been unfavourable to Denmark during the last years of the 19th and the first years of the 20th century to an average amount of 100 million kr. yearly, and the excessive cost of her imports had been paid by the export of bonds of the Credit Associations—a proceeding not unprofitable to Denmark, since, with the goods and money thus obtained, she developed her land and increased her agricultural exports. The total of issued bonds is now 3,000 million kr. The fall in the exchange, however, began to cause so great a loss to the Small-holders' Associations in respect of interest (the Small-holders' Association in Jutland had already lost 1,000,000 kr.), and more bonds were being so rapidly exported, in order to obtain the advantage of the English exchange by drawing interest abroad, that the Danish Government, in alarm, both for the general welfare and for its own liability to pay 4½ per cent, on the bonds, forbade their export. The two Small-holders' Credit Associations and the Small-holders' Association of Second Mortgage were thereby saved from heavy losses, but the shock to foreign confidence is said to have been severe, and to have

¹ 4½ per cent, bonds on the 13th September 1924—

Islands Credit Association	..	..	..	84	kr.
Islands Credit Bank (Kasse)	..	..	..	84	"
Islands Small-holders' Association	..	..	..	86	"

affected unfavourably the market for the paper of all the Credit Associations. The export of their bonds has come to an end, though the adverse balance of trade remains, and was 857 million kr. in 1928 ; the crown exchange, consequently, deprived of its customary support by the export of bonds, continues to fall. The South Jutland Credit Association is now selling a certain number of bonds to Danes in America, with interest payable in either currency, but only at the prevailing rate of exchange, as in Danish money, and the position will perhaps be gradually restored in this way.¹ The Small-holders' Associations will be constrained to meet the loss on the interest of bonds already held abroad by making an annual call on their members for the benefit of the reserve fund, as permitted by the laws, unless the members settle the question finally by paying a higher rate of interest on their own loans.

In addition to the 14 Credit Associations, there are nine so-called Mortgage Associations or Hypoteki'oreir'nger, which take second mortgages up to 75 per cent, of value. Their bonds are emitted and sold in the same way as the bonds of Credit Associations, but stand at a lower figure² in the market on account of the lesser security of a second charge. The first of these institutions dates only from 1897, and the total of their bonds is one-tenth of those of the Credit Associations. Several of them confine their dealings to urban property, and one is for small-holders. Their assessments are, it is claimed, more exact and trustworthy than those of the Credit Associations, which are regarded as optimistic and even unbusinesslike. An accurate valuation is obviously more important for a second than for a first mortgage. Their management is at the same time more centralized and less democratic than that of the Credit Associations; they reject, for instance, the idea of valuers selected by the members, and in many cases the directors personally examine the property before accepting the assessment. A contribution of 2 per cent, is paid by a borrower to the reserve fund, from which a rebate is paid if and when it exceeds 5 per cent* of the liabilities.

"There is a lesson and a warning for India in this story. I have heard of some wary Scots embarked on a scheme to sell Indian bonds in Scotland !

				Per cent.
Islands Credit Association	..	..	. . 4 4	76½
Ditto	..	..	4½	84
Islands Mortgage Association	..	..	.. 4½	77½
Ditto	..	..	. . 5 5	84½

The Prussian Central Landschaft, formed in 1873, is supported by only half of the Landhaften in Prussia; those which affiliate themselves to it may issue their own bonds to borrowers or may obtain bonds from the central body ; and it aims at strengthening the weaker Landschaften by merging the liability of all its supporters and of their members in a joint liability through its own bonds. Owing to the limited support given to it, it has not been entirely successful in its object. It is managed by a committee of the presidents of the affiliated Landschaften. The Royal Norwegian Mortgage Bank, founded in 1850, is a semi-official bank with no co-operative elements. The Mortgage Bank of Sweden, founded in 1861, resembles the Prussian Central Landschaft in combining official and co-operative features in its constitution and management. The Royal Danish Mortgage Bank, dating only from 1906, was in a position to compare the methods of its predecessors, and is a non-co-operative organization ; it is interesting to observe that it has very largely failed of its purpose, and is certainly less valuable than that of Sweden, though the objects of the two banks are not identical. The law of 1906, as amended in 1917 and 1921, grants to the Danish bank State capital of guarantee to the extent of 20 million kr. This is not paid up, but may be drawn by the bank if required, interest being then payable on it ; no occasion for drawing on it has ever arisen. The bonds of the bank are as usual exempt from stamp duties, etc., and are trustee securities. They may not exceed eight times the guaranteed capital unless the latter is, with the sanction of Government, increased by transfer from the reserve fund. They are issued on the open market from time to time, or may be given in return for a large loan taken up through a bank in Denmark or abroad, and are repaid by repurchase in the market, by a drawing of lots or by calling in ; in the latter two cases repayment will be at par. The funds obtained by the emission of bonds are to be invested in the following securities :—

- (1) bonds of the Credit Associations ;¹
- (2) bonds of the Tithe Bank (a State institution for the redemption of tithe charges) ;
- (3) State-guaranteed bonds (e.g., those of Smallholders' Associations) ; and

¹An impression prevails in the bank and elsewhere that bonds of the mortgage associations may also be bought and held, and this has apparently been done ; but the law does not mention such bonds, and none were held at the time of my visit.

- (4) bonds given by the Danish local authorities to the mortgage bank in return for a loan. ***

The two auditors are selected by the Parliament, and the working rules laid down by the Finance Minister. The three directors are nominated by the State, and are guided by a Council of Supervision of seven members appointed by the Government and by Parliament; all important questions have to be referred to the council, and this was given as a reason to explain the apparent non-existence of any formal body of rules or by-laws ! The bank is also subject to a Joint Parliamentary Commission of 30 members. The Lower House and the Government in 1906 proposed the creation of a simple State bank ; the Upper House, for political reasons, demanded that the bank be more independent of successive Governments, and the council, the members of which sit for eight years, was intended to secure this result. No person or party appears to have argued on behalf of a co-operative bank on the Swedish pattern.

The bank originally raised loans on the French market, but since the war has operated chiefly in Denmark, and there is probably now no quotation on the French Bourse ; bonds are, however, still held abroad, and a loss of 150,000 kr. has been incurred by the payment of interest, which can be claimed in sterling. In March 1923¹ the balance-sheet stood at 110 million kr., including the formal entry of 20 million kr. as guaranteed capital on each side of the account. Eighty-nine million kr. of bonds have been sold, against which the bank holds 70 million kr. of bonds of Credit Associations and of the Tithe Bank and local authorities, as permitted by the law (but none of Mortgage Associations), 5 million kr. of its own bonds, 7 million kr. cash, and shows a debit of 6 million kr. as loss by discount on the sale of its bonds below par ; this item is being gradually written off. The reserve fund is nearly 600,000 kr. The total of Credit Associations' bonds alone being nearly 3,000 million kr., it is evident that the Mortgage Bank has not exercised an important influence on their price.

Let me now summarize the leading features of the Danish Mortgage Associations with reference to the points mentioned on pages 5-(j):—

¹ I was not able to obtain the 1924 figures.

(1) The object for which a Dane borrows is usually the purchase or development of property. For this purpose the associations were originally created, and in its fulfilment they have become extremely popular and useful, from 45 to 50 per cent.¹ of the Danish farmers having given mortgages to them. There is no shyness (as in Egypt and Ireland) about a mortgage, and no strenuous effort is made to pay it off, since intensive cultivation involves the outlay of a relatively large capital per acre, and a mortgagor is enabled both to buy and to work a larger farm than his unaided means would place within his reach. A mortgaged farm tends also to sell better than an unmortgaged because the mortgage institution has placed its value on record, and will be ready to continue its advance to the new owner. There is, further, a presumption that the land is well developed. Moreover, a farmer who has drawn as much as 75 per cent, of the price of his land from a Credit Association and a Mortgage Association has the added advantage that, when assessed to taxes, he may hope to convince the assessor of his poverty. Advances for other objects, such as the repayment of a private mortgage or an expenditure on sickness, are no doubt given, though less frequently, and, since no formal inquiry as to the application of the money is made, a borrower can take a loan for an extravagant and unprofitable purpose; a few such instances were described to me. Now, a controlled Punjabi land-owner will, for the present in most cases, borrow to pay off private mortgages, and will therefore wish to repay the bank's advance and free his land as rapidly as possible. A smaller number of loans is demanded for improvements, though this class should increase with time. If the application of the money is not controlled, the Punjabi will borrow abundantly, as was formerly done in Egypt, for extravagant purposes.

(2) The funds are derived from debentures issued to the public. There are no deposits and no shares. Deposits would not be suitable to Denmark, since the loans may be for 50 years, and shares cannot be subscribed in large quantities by borrowers. The debentures sell freely, and offer a sound security to non-speculative investors. The system of financing by deposits will be seen in Belgium and

¹ In Germany it is estimated that 60 per cent, of the large, and 13 per cent, of the Braall, estates are mortgaged to *Landschaften*. The Dauisb estimate may be too low, for the number of loans owed to credit associations in 1923 was 300,000, and there are only 206,000 agricultural holdings.

Holland, and the two alternatives will later be compared with a view to Indian needs.

(8) The security given to the lenders is the total of all the mortgaged lands, with an extra liability of 60 per cent, on each borrower, plus a moderate reserve and administration fund. Alienation of land is unrestricted, and is, in fact, facilitated by special legislation. This security is found to be adequate, since Danish farms are well stocked, and public opinion approves the payment of debts. Indian public opinion is apt to be less insistent on this duty, and the value of an extra liability on the borrower, unsupported by the mortgage of additional property, may be ambiguous. It will consequently be wise to take personal sureties where such additional real security is lacking or inadequate.

It must be admitted that the facile mortgaging of Danish land, bringing farms within the means of poorer men, increases the number of buyers, and may raise the price to a figure which is misleading for the purpose of security and is in itself uneconomic. The net profits of farming were reckoned¹ at 5¼ per cent, in 1914-15, rising to 10 and 11 per cent during the war, and falling to an average of 8 per cent, in 1920-21 ; the slump in 1921-22 brought them down to about 1 per cent., and, though they have since recovered from this low figure, some Danish agriculturists hold that at the present price land is not a safe investment.

(4) The associations enjoy privileges² from the State as such associations, when formed by or for farmers, commonly do. There is in return a measure of official control, and particularly of audit. With the exception of the Royal Danish Mortgage Bank and the Small-holders' Associations, which are semi-official institutions, the official element does not exceed that which is customary in India, and is unobjectionable.

(5) The constitution of the associations is co-operative in form, but the working is at best semi-co-operative. The members are numerous, and are dispersed over a wide area ; the representatives whom they elect, being chosen in meetings which have little permanence, separate them from the directorate rather than unite them. Only the representative and the valuer interest themselves in the use and

¹ Final Report of the British Agricultural Tribunal of Investigation, page 266.
² Appendix B.

repayment of loans, and only in order to see that the security is not deteriorated. The difficulty of co-operative control is intensified by competition; the associations overlap in territory and function, and may be led by rivalry in the direction of risky business. Expenses are thus increased and the mutual knowledge of members diminished. This defect is due to the Danish doctrine of liberty, carried to excess; it is not likely to be defended in other countries. The weakness of co-operative control, on the other hand, is less detrimental in Denmark than it would be in India. Communications by land and water are excellent throughout the country, while the Danish farmer is educated, independent and thrifty, prompt to listen to scientific advice and well supplied with agricultural schools and advisers. A system and an area adapted to his needs will be entirely unsuited to an illiterate and thriftless community, suspicious of improvements and remote from the source of guidance.

NORWAY.

Norway covers an area about eight times as large as Denmark, but markedly less fertile. Agriculture and forestry are carried on in only 30 per cent. of the country, the balance being mountain, heath and water. The land under tillage, meadow and open grazing is only slightly over 3 per cent.¹ of the total, as compared with 75 per cent. in Denmark, forestry being excluded in each case. The population is only 2½ million persons, of whom about 1 million live directly by the land. The number of farms is 205,000 (Denmark 206,000), of which 94 per cent. are owned by the cultivators, and more than 92 per cent. are of 25 acres or smaller. The average farm is of 12, and the average holding of 8½, acres. Agriculture is less advanced, the output of wheat being about 26 bushels² per acre, and the yield of milk per cow considerably less than the Danish³. There is *prima facie* a constantly adverse balance⁴ of trade which, as in the case of England is corrected by the income from shipping freights. Consequently, though the Norwegian

¹ 2,500,000 acres.

² or 10 raaudp. Punjab irrigated land 12¼ maunds.

³ 62,000 "controlled" cows in the Danish Island of Funen give 3,750 kilograms each, and the average for the country may be 3,000 kilos; 33,000 "uncontrolled" cows in Norway averaged 2,341 kilos, and the average for all cows may be 2,000 kilos, or 1,760 seer?, throughout the year.

⁴ averaging 1,000 million kr. annually from 1916 to 1920,

crown has fallen lower than the Danish, the derangement of trade is less serious, the shipping business being independent of a single currency.¹ Moreover the Norwegian Government has balanced its post-war budget.²

A possible reason for the relative backwardness of Norway is that she has been independent only since 1905, before which time her interests may have received imperfect attention from her more powerful neighbour. As she stands now, no country can on the agricultural side be more typically the home of small farmers, and her political movement is now continually in the direction of their improvement by methods wise or unwise. She is, however, still unprovided with the Danish equipment, and is struggling with troubles which the latter has overcome. We shall not be surprised to find her less advanced than Denmark in the field of mortgage credit and of all agricultural organization.

There is one urban and one rural association for mortgage credit. The latter, the Norwegian Credit Association for Land and Forestry, was founded in 1915. It works under a law of 1907, which renders its bonds a trustee security, but has only increased its balance-sheet to 20 million kr., of which 19 million kr. has been raised by the issue of bonds. The present bonds receive 5 per cent, interest and sell at 90. The minimum loan is of 600³ kr. and the average 13,500 kr. The bonds have not yet established themselves fully on the market, and are largely taken up by banks, savings banks and insurance societies. In many cases the borrowers are said to deposit them in savings banks as security for a short-term loan. All borrowers in a series are jointly responsible, with a liability of two-thirds more than their outstanding loans. The constitution and management in other respects resemble those of a Danish Credit Association, but this association has six provincial branches, and hopes to extend over the whole country. Out of 1,435 loans outstanding in 1923, 48 cases of foreclosure occurred, but the number had been less in previous years; the association has never had to take over an auctioned property. It is admitted that some borrowers are lazy and improvident, whereas in Denmark the associations are unwilling to make

¹ 2 Norwegian crowns roughly = 1 rupee.

² Denmark hopes to do so in 1924-25.

³ Rs.300.

this admission ; the Danish farmer is no doubt not only thrifty and industrious, but also better skilled in the use of money ; he is surrounded by neighbours who are carrying on a highly developed dairy industry and can learn from their experience. In comparison with him the Norwegian is still a pioneer. A considerable number of the borrowers are colonists, settling on new lands, and to such men the association pays out cash, selling the bonds on their behalf. Since the Mortgage Bank is not at present giving new loans, on account of the unfavourable market, the association has a clear field, but time is needed for it to grow.

The dominant mortgage institution is the Royal Norwegian Mortgage Bank, founded in 1850 on which the Royal Danish Mortgage Bank has evidently been modelled in many features, though differing largely in its functions. It is a semi-official and non-co-operative bank, with a paid-up State capital (not merely a guarantee, as in Denmark) of 27 ½ million kr. 101 million kr. from its own reserves have also been transferred to this head, and the issue of bonds is permitted to be eight times this total. The bonds on the market are 104 million kr., and the total of the balance-sheet was 38.5 million kr. in 1923. Two out of three directors, and two out of three members, of the loan committee of the bank are appointed by the Parliament, and the third in each case by the Government. A supervisory council of five persons is also appointed by the Parliament, and important questions are referred to the Finance Department. It is stated that no loan may be given in excess of 25,000 kr.,¹ but there is no provision in the law or by-laws to this effect; it is probably a departmental order. Loans may be to 50 per cent, of the valuation of the property, but are in practice well below this figure. Bonds may be issued for 30-80 years, and are redeemed by repurchase or by drawing lots. Loans must be for at least 40 years, and are issued ordinarily in cash. The number of loans in 1923 was 94,000, and 63 properties were sold after foreclosure

¹ The Credit Association has given one of more than 1,100,000 kr.

					Properties.
•Average in 1909-12	..	..	.	..	.. 83
Do. 1913-16	..	..	.	..	.. 46
Do. 1917-20	..	..	.	..	.. 5
Do. 1921-23	..	..	.	..	.. 30
The total number of loans in 1909 was 80,000.					

in that year. The policy of the bank is not to hand over bonds from day to day to each borrower whose application for a loan is sanctioned, but to emit bonds in large quantities through banking houses on a favourable market, and invest the cash proceeds for short terms ; from this fund it issues its advances, paying out the full sanctioned value and adjusting its rate of interest to the interest paid on the bonds, plus any possible discount. The borrower is without doubt relieved by this simplified procedure, but it involves as a consequence the suspension of the bank's dealings when it finds the market unfavourable to a large emission of its securities and has no cash in hand ; such a suspension may even last for years, and to this extent the bank fails to meet the recurring needs of the public.

The Bank for Small-holders and House-building is also a State-run institution under the same root and management. Its object is to finance the business shown in its title, and reference will be made to it in connection with colonization,

Various proposals for the reorganization of the Mortgage Bank have been put forward. The complaint is that the bank is too conservative, and only works intermittently; the bank's answer is that it lends more cheaply than the association and saves trouble to its borrowers. It is probably correct that, when lending, the bank is cheaper than the association ; but, if it lent at all times, as a mortgage institution should, it might not be cheaper. The saving of trouble to borrowers is not desirable if it leads to foreclosure and the sale of their properties. A further objection is raised to the State capital of guarantee,¹ whereby the State competes with co operative associations; this objection seems to be valid as against a bank lending to individuals, though, in the public interest, the State may more properly guarantee a secondary institution. It is suggested by Norwegian critics that the bank should work in the manner of a Credit Association, lending at all times and handing over either the bonds or their value at the moment; or that the existing bank remain unchanged, and a new department of it be opened (without the 25,000 kr. limit) on these lines. The State capital should be withdrawn, a

¹ Two very competent authorities told me that the bonds were guaranteed by the State, but I can find no authority for this in the law.

guarantee of the same amount being given as in Denmark. The State would continue to appoint directors, etc., as at present. On this proposal one may remark that the same objection, viz., that the State should not guarantee (or appoint officers of) a primary organization, holds good against it, and that the Mortgage Bank will not be altered without compulsion. Pressure can only be applied through political action or through financial competition. In either event the simplest course would be to convert the Mortgage Bank into a central institution, similar to the Mortgage Bank of Sweden, which would float the bonds, while leaving to local associations the approval of advances.

What was said in my concluding remarks on the Danish associations will hold good, with a few exceptions, of the Norwegian association, but less fully of the Norwegian bank. A frequent object of a Norwegian borrower is still the repayment of a private mortgage, whereas in Denmark oppressive private mortgages are now few. The methods of agriculture being less advanced and farms less richly stocked, a mortgage is not in Norway regarded as part of a farmer's ordinary working capital ; he prefers to pay it off.

The funds of the association are raised as in Denmark, except that its paper has not been quoted on foreign markets. The bank does borrow abroad when an opportunity offers, but is also financed by the Norwegian State. There are no deposits. Its intermittent mode of raising money restricts its utility, and the number of loans of the bank and the association together is less than one-third of those advanced by the Danish associations, the number of farms in the two countries being approximately equal. The bank's plan of finance by large bond emissions appears to me to be partly responsible for this lack of popularity and to be based on a wrong principle. A borrower will often prefer a timely to a cheap loan.

The security of the association's bond-holders is, as in Denmark, the land, the additional liability and the reserve fund ; in the bank it is the first and last only. The price of land has not been unduly inflated by a growing demand or by a tendency to work on a permanent mortgage, and there is no reason to doubt its sufficiency as a support for the bonds. The bank is also in a position to rely upon the State, but, apart from the use of the State capital, it has no occasion to ask for help.

The control over the association is semi-co-operative, as in Denmark.

The bank, though semi-official and non co-operative, is not commercial in the sense of having shareholders, whose interests may be adverse to those of the borrowers. In principle therefore there are grounds for approving an institution directed solely towards the public good, and neither deflected towards severity by a desire for dividends, nor towards laxity by a neglect of precautions. It may in practice make more inquiry into the object and application of a loan than will a semi-co-operative association. The absence, however, of even a semi-co-operative control at long range prevents the borrowers from adjusting its mode of lending to their requirements, as in an association they would be enabled to do.

SWEDEN.

With an area a third as large again as Norway, and ten times as large as Denmark, Sweden has two-thirds of her land devoted to agricultural purposes (forestry 52 per cent., tillage 9 per cent., meadow 3 per cent.), while the remaining third is mountain or otherwise unproductive. The southern district Scania enjoys a greater fertility than any part of Norway, and any part of Denmark except Funen; the centre becomes less productive, while in the north the struggle with nature is severe, and the land lies under snow for more than half the year. A population of 6,000,000, of whom somewhat less than 40 per cent, live directly on the land, supports a National Debt of 1,500¹ million kr. and the national budget is balanced. The war brought less distress to Sweden than many countries, and her financial position is sound. The adverse balance of trade is slight, and is in reality only apparent, being more than corrected by the profits of shipping. As regards natural fertility, internal development and national prosperity she stands midway between Denmark and Norway, and her agricultural and co-operative advancement is less than the Danish and greater than the Norwegian.

There are 480,000 holdings in the country, of which " 14 per cent, are rented, and 86 per cent, are owned by the cultivator. The size of farms and holdings is smaller than that of Denmark, but larger than in Norway, for the average area of a farm under tillage, meadow and grazing works out

*The Swedish crown stands above the par of sterling, and may be reckoned as roughly equal to a rupee.

at about 35 acres, and that of a holding at 30 acres. In intensity of cultivation too Sweden holds a middle place, the estimated outturn of wheat being 32 bushels,¹ and the yield of milk per cow perhaps 2,700 kilos.² The two prime causes of mortgage debt in all countries are extravagant living and agricultural progress. In a European country we should expect to find the former most active where a large proportion of the land is in the hands of non-cultivating landlords, whereas the peasant owner in Europe is noted for a thrift which lapses into parsimony: the latter cause will be most active in a country which sells its agricultural products on a foreign market and must there face the competition of other nations. We shall therefore expect mortgage debt in Sweden to be less heavy than that of Denmark, where the land is fully developed, but heavier than that of Norway, which has not the big feudal landlords still found in Sweden.

There are in Sweden ten Mortgage Associations, which here bear the name of Hypotekforening, applied in Denmark to associations of second mortgage only. They operate each in one or more of the provinces into which the country is divided, but are affiliated to the General Mortgage Bank of Sweden, which alone issues bonds for them all. It is therefore appropriate first to examine this bank. Prior to its creation, the function of taking mortgages on landed estates was performed by the Bank of Sweden founded in 1668. In order to prevent the permanent detention of the bank's funds, a system of annual amortization was introduced in the middle of the 18th century, loans being granted to an amount varying from 50 to 75 per cent, of the value of a property. By the same date the rate of interest, which had been "gradually falling had come down from 8 to 4 per cent. There resulted a greatly increased demand for such advances, which exceeded the funds available to the bank for long-term investment; the political uncertainties and consequent financial stringency in the last quarter of the 18th and first quarter of the 19th centuries also contributed to the embarrassment, and the bank was from 1770 to 1815

¹ 23J rnaunda.

² 2,376 seers. 35,000 " controlled " Swedish cows average 3,870 kilos (Danish 3,760, Norwegian 2,341), but there is more variation in Sweden, the average in the north being as low as 2,475 kilos. No cow with this low yield would be retained by an intelligent Dane, but the northern Swedes are backward and their climate is adverse. I think 2,700 kilos may be too high an estimate.

entirely unable to lend. The various Mortgage Associations were created by land-owners between 1836 and 1858 in response to the general need, each giving amortizable loans on first mortgage and issuing their own bonds on the German system. Their competition, however, both on the Swedish and the German money markets, proved so detrimental to their common interest that in 1861 the General Mortgage Bank was established to act as their sole representative. The existing debts of 6 million kr. due from mortgagors to the Bank of Sweden were transferred to the new institution, together with a State capital of guarantee in the form of State bonds. The State capital now amounts to 80 million kr., but no occasion for its use has ever been found. Some opposition to surrendering the monopoly of bond issues to the mortgage bank was raised by the older and stronger associations, and the association of Scania at one time practically defied the order by "reissuing" its existing bonds as they matured; but this question is no longer in issue, and the last bonds of the associations expired in 1900. The mortgage bank, though controlled by Government and enjoying an official monopoly, is more co-operative in its constitution and methods than the central bodies of Denmark or Norway. While the president is appointed by Government, and the vice-president by the National Debt Board (Finance Department), these officers do not usually participate in the active management; the three other directors, including a chief director, are chosen by the 80 delegates of the ten affiliated associations. The three directors appoint the manager, and the chief director is supposed to remain at all times present. The National Debt Board appoints one out of the five auditors, and the working rules of the bank, as also of the associations, require the approval of Government. The associations are liable without limit for the debts of the bank, in proportion to the amounts respectively borrowed by them. From this account it will be evident that the elected directors and the manager are free, subject to reasonable behaviour, to conduct the affairs of the bank, and, in the absence of a permanent controlling registrar and his staff no more co-operative organization can well be contrived. No State however democratic, can entrust the monopoly of issuing mortgage bonds to an entirely uncontrolled body, and if provision or external supervision has not been made, it must be supplied internally in the constitution. The balance-sheet at the end of 1928 stood

at 886 million kr., not counting the **guarantee capital**; the reserve **fund** and profits were 5 million kr. and **bonds** outstanding were 825 **millions**, of which 6 million kr. were held by the bank **itself**; the remainder (819 millions) were held by the public, while a corresponding debt of 325 millions was due from the associations to the bank. The bank lends only to its associations, which in their turn lend to individuals. The mortgage deeds given by the borrowers to their **associations** remain in the custody of the **latter** under triple lock, and a **representative** of the bank who resides on the spot holds the key to one lock. The **bonds** were formerly floated on the French and Gorman markets in largo amounts by means of financial **houses**, after the manner of the Mortgage Bank of Norway, and during **this** period the Mortgage Bank of Sweden was not **always** able to meet the needs of its constituents, but at present it **operates** on the Swedish market only and **succeeds** in supplying what is required; a judicious **advance** in the rate of interest no doubt helps in checking a too urgent demand. Bonds were issued from 1920 to 1922 at 6 per cent., but 5 per cent. paper can now be sold at **par**, and it is noteworthy that no such anxiety is **felt**, as in Denmark, with regard to the effect of an **enhancement** of interest on the general money market; the bank distributes its money to the associations in cash, though, with the sanction of **Government**, it can deliver only bonds; the associations similarly pay bonds, and it simplifies the transactions to the rural borrower if he receives a round sum and there is no talk of discounts; where possible **therefore**, the Swedish bank aims at a par issue, and adjusts the interest accordingly. Associations send in a quarterly estimate of their requirements, and the rate of issue to them, with discount, if necessary, is then fixed; they receive a lump sum as allotted to them and charge their borrowers such higher rate as may be desirable, usually $\frac{1}{4}$ per cent.; but the Mortgage Bank, having accumulated sufficient **reserves**, and wishing in a truly co-operative spirit to remove all **complications** which may confuse a borrower or his association, now makes no charge on account of reserve or administration, and **the** associations are likewise reducing their charge to $\frac{1}{8}$ per cent. or even $\frac{1}{10}$ per cent. In case of need, the bank may make a levy on the associations, and they on their members, for the benefit of the reserve fund. The discount on the bonds has varied over a considerable **range**; it **was** $11\frac{1}{2}$ per cent. in 1867, but disappeared entirely in 1872, rose

to 8 per cent, from 1877 to 1880 and 4 per cent, from 1889 to 1897 and disappeared during 1881-88 and 1898-99; from 2£ in 1900 it grew to 15 in 1916, after which the emission of bonds at higher interest has reduced it to a maximum of 8 per cent. Sales at par¹ were resumed in 1922. In addition to private persons, the savings banks, insurance societies and provident funds buy up large quantities of the Mortgage Bank's paper, since they are required to hold a percentage of their funds in a readily realizable form, and the banks' bonds are regarded as practically equal in safety to Government stock, and there is no important difference in the price. The advance made to an applicant by a mortgage association may amount to 50 per cent, of the value of his property, and in practice has been from 45 to 48 per cent, of the valuation,² excluding buildings (on rural property) and forest, and 34 per cent, of the total valuation. A loan may not be less than 500 crowns. The bank is entitled to recall and repay its bonds after 10 years, and an association may likewise repay a loan to the bank, and a borrower to his association, after the same period, the nominal term being from 60 to 75 years. The bank may recall a loan from an association after 20 years.

In considering these various options, which might be dangerous if a selfish policy were to be followed by either party, it must be remembered that this bank is co-operative in a degree in which the Danish and Norwegian are not, and a co-operator will understand that the sense of mutual interest and good-will will prevent the straining of any privilege. The bank exists for the benefit of the associations which control it, and its strength is their strength; nor does the most independent of the associations wish to alter or weaken the present organization under the mortgage bank. The ten constituent associations are free in respect of their lendings and relieved of difficulties as to their borrowings; they have built up 8 million kr. of reserves and in 1923 had 58,000 borrowing³ members. The Swedish organization of mortgage credit is in some respects more economical than the

¹ This seems to me very much the best system for an Indian Mortgage Bank. Any complexity will make the borrower suspicious.

² A percentage of the assessment for land tax is frequently given.

³ Their constitution admits also of non-borrowing members, though these are not numerous. The smaller total of members as compared with Denmark is no doubt due to the less intensive method of agriculture. But the savings banks are also old and strong, and are more accessible; Swedish communications are worse in many regions than the Danish.

Danish and more simple; the institutions do not overlap, and the borrower receives in cash the amount which he started out to borrow. There is also on the whole less official intervention. But the demand for mortgage credit is less keen than in Denmark, and it is possible that in any country of highly developed agriculture a local market could easily be found for the bonds of each association, and a class of investor reached who would not be interested in the paper of a central and more remote body. In respect of their less advanced conditions and the uncertainty of arranging a local sale of bonds, India and the Punjab resemble Sweden, and it will perhaps not be possible to place mortgage bonds with the public in large quantities, except through a central institution. Districts containing a large town might be able to finance themselves to the exclusion of the less populous areas, where mortgage credit is at least as necessary and the advantages equally great.

The Mortgage Association of Lund in the southern province of Scania is the largest of the Scanian Mortgage Association its kind in Sweden. Founded in 1836, the association it was opposed to the creation of the Mortgage Bank, since its location in the wealthiest province and the nearest to Germany facilitated the disposal of its paper through German banks. This sentiment has now entirely disappeared, and the association is as loyal a supporter of the bank as any of its weaker fellows. The business management in the earlier years of the association was somewhat injudicious, the bonds being repayable on the demand of the holder at six months' notice, while the loans were given for an average period of 38 years. This short-term type of bond was almost peculiar to the Scanian institution, and cannot be commended. Difficulties with regard to repayments arose from 1857 to 1861, and, when they had been overcome by the issue of ten-year bonds, there still remained the ten-year bonds to meet long before the loans were fully amortized. The amortisation payments, however, assisted in meeting the demand, and the task of bond issue has thereafter been in the hands of the Mortgage Bank. Loans are given up to 50 per cent, of the value of a property as assessed to land tax,¹ the recent valuation of land by the State in 1922 being at post-war prices; or a special valuation may be made by the association. The average loan from the beginning

¹ This extremely convenient "rule of thumb" will have a diminishing value in India as each resettlement of land revenue becomes gradually obsolete.

has been a little over 10,000 kr., but has increased in the last few years. The minimum loan is of 500 kr., and, though a few exceed 1,000,000 kr., the majority are made to small men owning sometimes only $2\frac{1}{2}$ acres.¹ Loans are issued always in cash, which is received from the Mortgage Bank on a quarterly indent, and debtors pay at present 5 per cent, interest with a small sum (usually J per cent.) for amortization. Non-amortizable loans may be given to one-third of the value of a property, but are now rare. An addition of 20 per cent, on account of the administration fund has hitherto been added, but from 1924 this has been abolished in the case of loans bearing interest at 5 per cent, or a higher rate. The profit-and-loss account of 1923 showed a small deficit of 5,000 kr., which was made good from the disposition fund, a second reserve for such administrative expenses. The balance-sheet of the association stands at 84 mil' lion kr., with 7,872 borrowers and 8,437 loans; borrowings from the Mortgage Bank are over 80 million kr.; the reserve fund is 1½ million kr.; and the disposition fund 270,000 la'. The associations collect applications until the end of a quarterly period, when they obtain their money from the Mortgage Bank and issue their loans; this intermittent form of business is not so inconvenient as it might appear, since a mortgage loan is seldom a matter of instantaneous urgency, and a certain time is in any case required to ascertain the assessment and examine the relevant documents. The election of the managing committee and the directors is democratic, but each 5,000 kr. of debt confers one vote in the Scanian Association, subject to the rule that no man may exercise more than one-tenth of the votes present in the meeting.

On 1st December 1928 the arrears outstanding on the half yearly instalment of 1,474,000 kr. due in the previous July; were 260,000 kr.; out of this sum 41,000 kr. remained overdue for the same instalment on 1st March 1924., and 9,500 kr. on 26th August 1924.² Penal interest of 12 per cent, is charged on arrears. During the year 1923 legal proceedings were initiated in 150 cases, though only 20 continued to the stage of auction; this number was felt to be exceptional, and there had been only ten such auctions in eight months of 1924.

¹ on which a cultivator growing beetroot and wheat can make a living in fertile Scania.

² The date of my visit. I am speaking of the instalment of July 1923 only.

It is curious to observe that, in the opinion of the Scanian Mortgage Association, no joint or additional liability rests on the members beyond the amount of their debts; any losses that occur, it is explained, fall on the reserve fund. If this were accurate, the security of a new Mortgage Association which had not yet accumulated a reserve would be ambiguous. But in the official¹ rules for the constitution of Mortgage Associations it is provided that all members shall be jointly responsible for the obligations of their association in proportion to the debts owed by them to it. This rule which, as mentioned above, governs also the relation of the associations to the Mortgage Bank, is one of unlimited⁹ liability. A special-call can also be made on the members if the reserve falls below a certain rate.

The internal principles on which the primary mortgage associations of Sweden work are similar to those of Denmark, though there is a marked difference in their external relations and superior organization. An association lends for the same objects, though agriculture, being, as in Norway, less intensive, calls for fewer permanent or semi-permanent mortgages. The conditions of South Sweden are, however, in this respect very close to those of Denmark. No inquiry is made into the object or application of a loan, and co-operative elements are to be found only in the joint liability of the members and in the election of the managing committee and the directors. There is nothing to prevent a member from borrowing for extravagance if the security offered is adequate.

There are no shares or deposits; the funds are raised by the issue of bonds on the home or foreign market. Issues are made when the market is favourable, but more frequently than in the case of the Norwegian Mortgage Bank. There is no shrinking from a high rate of interest, and Swedish borrowers have not to complain, as in Norway, of an entire stoppage of loans. The restriction of bond issues to the General Mortgage Bank prevents undue competition, and

» So far as I recollect, I was not able to obtain a copy of the by laws of the association, though the management was in every way courteous and ready to assist.

⁹ An association which owes 80 million kr. to the Mortgage Bank, and has 80 million kr. due to it from its members, is brought under liquidation. Some of its members are bankrupt, and 16 million Kr. are lost, only 64 million kr. being paid. The members who have paid 64 must now pay 16 more, in proportion to their debits, which formerly composed the 64; when thus called upon, some more of them fail, and only 12 million kr. are recovered, and 4 million Kr. are still due. In my opinion, those who paid the 64+12 can still be pursued for the remaining 4; i.e., there is no limit of liability. It is the experience of -nquire/- in several countries that members of an association often pay less regard to an unlimited than to a limited liability. This can be regarded as desirable, or the reverse.

is in my opinion an advantageous arrangement. There is no reason why such a mortgage bank should not place its bonds on more than one local market if this were found convenient; and such a course may be suitable to Punjab conditions.

The security offered by the land to the associations and to the bond-holders of the Mortgage Bank is no less sound here than in Denmark and Norway, but, as I have pointed out, the members being jointly liable for the debts of an association, and no specific limit being set, as in the Danish and Norwegian associations, to their additional liability, it becomes unlimited. No doubt for this reason they do not pay a rebate from the reserve fund or the disposition (administration) fund, and these funds have been raised to a higher point, in proportion to the capital, than in the other countries mentioned. Being free from competition, the Swedish associations are fortunately able to think only of stability, while the borrowers receive the ultimate benefit in that the income from these funds tends to lower the rate of interest and the charge made for administration. This appears to me a more prudent policy than that of Denmark,

Privileges are less freely granted to the Swedish associations which, issuing no bonds, need no concessions with regard to them. Similarly they are subject to no official audit,¹ though their by-laws require the approval of Government. The Mortgage Bank, on the other hand, includes nominees of the State as well as elected co-operators among its directors and auditors and enjoys a capital of guarantee. It is comparable with a Danish Credit Association, though not with the semi-official Danish and Norwegian Mortgage Banks, which present no co-operative features. Its official element appears to me unobjectionable in view of its national importance.

Co-operative control, as in Denmark and Norway, is adequate over the directors of the associations and inadequate as regards the borrowers. Local credit societies being of very recent creation, the idea of utilizing them for control has apparently not been considered. As they spread, it should be possible to develop such a system, and for Sweden, where communications, agriculture and education in the northern

¹ I believe and hop that I am right on this point; no such audit was ever mentioned orally, and is not prescribed in the by-laws.

and central regions are less advanced than in Denmark, a local supervision seems very desirable.

The control of the associations over the Mortgage Bank is, except for the official participation, co-operative and satisfactory. This bank is the most appropriate of those which I have seen for imitation as a central institution in India or the Punjab.

NOTE ON MORTGAGE DEBT IN SCANDINAVIA.

The figures are too uncertain to supply the basis for any argument or conclusion, but it may be convenient to bring together what is known. The debt due to the Danish Credit and Mortgage Associations in 1924 was 3,000 million kr. and the mortgage debt of the savings banks 750 million kr. The assessors of the land tax in 1909 believed that the Credit and Mortgage Associations held half the total mortgage debt of the country, assigning the other half to the savings banks; private banks and institutions, including insurance companies and provident funds and private individuals. If the total be taken as 6,000 million kr., the debt per acre on 8,000,000 cultivated acres is 750 kr. (Us. 500). But some of the loans of the associations and of the savings banks are on urban land, though the assessors of the land tax were speaking of rural land only. At the same time, the business of the associations has increased since 1909, when it was at most 1,500 million kr. If 300 million kr., be deducted from their 1909 total on account of urban land, leaving 1,200 million kr., and, if the assessors were right in thinking that the associations held half the rural mortgages, the rural mortgage debt was *then* 2,400 million kr., and, deducting an equal proportion for urban mortgages from the total of the associations in 1924, and assuming that they now hold 60 per cent. of the rural mortgages, instead of 50 per cent., we have $(8,000 - 600) \times \frac{1}{2} = 4,000$ million kr., which gives 500 kr. (Rs. 333) per acre.

In Norway the Mortgage Bank, Small-holders' Bank and Credit Association (rural only) had a debt of 500 million kr., and savings banks had mortgages of 400 million kr. in 1924. The Bank of Norway and other joint stock banks had mortgages of 650 million kr. The private lender still holds a strong place in the field, and is described by his organized rivals as rampant. On the other hand,

agricultural development is less advanced than in Denmark. I would therefore assume that only 1,000 million kr. of the institutions above mentioned are rural, and that private persons have lent half as much; we thus have 1,500 million Kr., which on 2,500,000 acres gives 600 kr. (Rs. 800) per acre. But a good part of the debt may be on the developed forests, and, if that area of over 7 million acres be included, the debt is 150 kr. (Rs. 75) per acre. This is too uncertain to be useful.

In Sweden the mortgage bank has lent on mortgages 800 million kr., the Bank of Sweden 750 million kr.¹ and the savings banks 1,100 million kr., urban mortgages included. The total mortgage debt in country districts was estimated at 2,744 million kr. in 1917, and may now be 8,000 million kr, though in that case the share of private persons seems very large. If 3,000 be the right figure, the debt on 12,500,000 cultivated acres will be 240 kr. (Rs. 240) per acre, and, if 53,000,000 acres of forest be included, it is 46 kr. (Rs. 46). The forest is not, however, likely to bear a large portion of the mortgage debt in either Norway or Sweden.

The mortgage debt in Egypt was estimated at £4-14-6 (Rs. 71) per acre, and that of cultivated land in the Punjab at £0-16-8 (Rs. 12-8-0).

BELGIUM AND HOLLAND.

I was not able to return to these countries, which I had visited when examining co-operative societies in 1920, and have the more reason to regret the fact in that their arrangements for co-operative mortgage appear to be in many respects better adapted to Indian conditions than those of Scandinavia and Germany. There are co-operative central banks at Utrecht in Holland and Louvain in Belgium, which themselves carry on mortgage work, while a separate co-operative Mortgage Bank at Eindhoven in South Holland operates by the side of the Central Bank there established.

The Utrecht Bank, founded in 1899, had in 1923 687 affiliated societies throughout the predominantly in the northern provinces, and is authorized by its by-laws to lend against first mortgage to the individual

¹ The statistics do not separately show mortgages taken by other joint stock banks.

members of those societies, and to issue bonds of corresponding amount, the total maximum being prescribed from time to time by the general meeting. A total of 10 million florins¹ was fixed by the meeting in 1916, and at the end of 1923 long-term deposits of 6½ million florins had been obtained, and bonds issued against them to the depositors by name for a period of 10 years. A sum of 7½ million florins had been laid out in 328² mortgages to members of societies, the excess above the total of bonds being covered by the reserve fund. The balance-sheet of the bank stood at 61 million florins. New loans given in 1923 numbered 38, to an amount of 800,000 florins. The loans are paid out in cash. The maximum term of a loan is 20 years, though the bonds are for ten years only, but since 50 million florins of the bank's liabilities are short-term deposits from affiliated societies, no doubt is felt as to its capacity to meet any temporary emergency if the repayment of bonds should exceed the receipt of long-term deposits. There is no common or additional liability upon the borrowing individuals. The societies are not responsible³ for the mortgage loans made to their members, but inquiries as to the status and character of applicants are made through unofficial committees of local men, who will of course include co-operators, and there can be no question, in view of the relations between the central bank and its client societies, of their failing to give all possible assistance throughout the transaction.

At Eindhoven in South Holland there is an important central bank founded in 1898 to which affiliated in 1920⁴.
 The Mortgage Bank of Eindhoven. Loans to individuals, both members and non-members of affiliated societies, were given to a limited extent by this bank. Its business was taken over in 1908 by an allied mortgage bank, to which, at the end of 1923, there were 405 primary credit societies affiliated. Where a credit society exists, the Mortgage Bank lends only to the members of the society; other persons in those localities who wish to borrow can always join the society if they

¹ A florin at present is about Re. 1-4-0

² On an average therefore only one person in every two societies held a mortgage loan. There are commercial mortgage banks which supply many of the larger landowners, and the North Dutch peasant is thrifty and prosperous.

³ Nothing prevents a credit society from lending to a member to repay a mortgage instalment, but it would no doubt consult the central bank before so doing.

⁴ I regret that, having been unable to visit Holland, I have no recent figures of this central bank.

are of good character. Where no society exists, the bank will lend to any satisfactory applicant. The society is not directly liable for a loan made to one of its members if the loan is within 50 per cent, of the value of his property ; when, on the other hand, a loan is in excess of this proportion up to a maximum of 66 per cent., the borrower must either satisfy the Mortgage Bank, giving suitable security, that he will repay the 16 per cent, in full within ten years, or must induce his local society to stand surety for this amount. A loan may be for a term of not more than 40 years, and bonds, with interest from 4 to 5½ per cent., are floated on the market as opportunity arises, as in the Swedish General Mortgage Bank; the cash so obtained is deposited in the Central Co-operative Bank, and drawn as required. Borrowers receive their loans in cash, and pay from 4½ to 5½ per cent, interest, in addition to amortization and a charge for administration. In 1923 loans were being given at 5½ and 5½ per cent, (interest only) against 5 per cent, bonds. The total of bonds and debts then outstanding was 5½ million florins. The reserve fund stood, after allotment of the year's profit, at 38,000 florins and paid-up shares at 63,000 ; the latter sum represents, however, only 10 per cent, of each share, and nine times as much remains to be called if necessary. The total number of loans outstanding was 802, with an average of 6,500 florins. Out of 182 loans granted in 1923, 18 were for 10 years or less, and 91 for 35-40 years. The arrears of principal debt on account of 1923 stood at 3,829 florins of 12 debtors in the following June, with a somewhat smaller sum of interest. One case of execution against the property of a defaulter had occurred during the year. The managing committee and supervising committee are elected in general meeting by the shareholding societies, but the administrative staff is in practice the same as that of the Central Bank, the office of which the Mortgage Bank shares ; a certain proportion of the profits is paid over to the Central Bank for services of inspection, etc. Properties of borrowers are valued by the experts of the bank. All the mortgaged properties of the borrowers are jointly liable for the bonds issued, but no additional security is taken, since the capital¹ and reserve of the bank are considered to leave a margin of safety ; there is no difficulty in selling the property, and a summary right of attachment is enjoyed. The bonds are drawn by lot and paid off, and though a borrower's loan may not be recalled,

¹90 per cent, of which is uncalled.

except in circumstances causing a doubt as to its safety, he may repay it in whole or part (in multiples of 100 florins) at 30 days' notice.

From the co-operative standpoint the Eindhoven Mortgage Bank seems to be excellent in organization; in India loans of so long a term are probably not often needed at present, and bonds of a shorter term will more easily be placed on the market. Otherwise the control of the bank by societies, of which the borrowers are members, ensures a mutual understanding and a cautious control. It may be advisable in India to go a step further and throw the liability wholly or partially on the societies in all cases, and in the Punjab, where the land of agriculturists cannot be sold in execution by the bank, a personal surety must also be required. Moreover, since the growth of the short-credit movement must be gradual for some years, it may be inevitable to allow^r mortgage loans to individuals in cases in which no society can yet be founded, or where the magnitude of the loan is such that a liability for it cannot reasonably be undertaken by a group of small men.

A plan resembling that which is suggested above is followed by the Central Co-operative

The Louvain Central
Bank.

founded in 1897.

Loans are made only to the societies affiliated to the Central Bank, or to individual applicants from places which have no such society. There is no separate mortgage bank. The by-laws of a primary credit society provide for the unlimited liability of the members, and authorize the society to make mortgage loans to its members not exceeding two-thirds of the value of the property, and amortizable by instalments. Members are forbidden to join another society of unlimited liability, and may be expelled for borrowing from money-lenders. A member of such a society applying for a mortgage loan must send in a statement of his position, his title to the property offered in mortgage (including a note of the source from which he received it) and the use to which he will apply the money; this statement is checked and signed by the members of the managing and supervising committees of his society, and forwarded to the Central Bank, with a valuation of the property. The society will be fully liable for the loan, if granted on its recommendation, and must also take up a share of 100 francs in the Central Bank, carrying a tenfold liability,

for every 1,000 francs of mortgage loan. The rate of interest charged to the local society is $5\frac{3}{4}$ per cent, on loans up to 25,000 francs¹, and $5\frac{1}{2}$ per cent, on larger sums; the society charges $\frac{1}{2}$ per cent, more to the borrower.

Direct loans from the central bank are made at 5 and 6 per cent, if there is no local society which an applicant could join, the higher interest covering the greater risk of a direct loan. Only cultivators and small artisans are entitled to borrow.

Whether the loan be given directly by the central bank or through the local society, an agreement is signed by the borrower, undertaking to pay penal interest on arrears, acknowledging the mortgagee's right of summary execution in case of default and permitting the entire and immediate recall of the loan if the borrower dies, sells or otherwise alienates the property, allows it to deteriorate, lets it for more than six years or takes more than one year's rent in advance from a lessee. The mortgagor's title must be attested by a lawyer who has examined the public records, and he must insure his property against fire.

The term of loans extends to 20 years, but funds for this branch of business are raised by deposits for five and ten years, against which bonds are issued to depositors by name, though no objection is raised by the bank to a transfer of which intimation is given. The depositor may also in certain specified cases of necessity withdraw his money before the expiry of the term, sacrificing part of the interest; in other cases consideration is given to his application for refund if it is possible. After ten years² the mortgagee bank or society retains a right to enhance the rate of interest paid by the mortgagor, and thus guards against the eventuality of being unable to obtain at the same interest the money needed for the remaining years of the loan; if this should happen, the interest against the mortgagor will be raised to cover the new rate paid by the bank. The mortgagor may, however, at this or at any time repay his loan before due date.

The description of the Louvain system, as given above, is based on recent information, but unfortunately I can only refer to figures collected in 1920.² The Central Bank then held 62 million francs of long-term deposits, and had

¹ A rupee is about 7 Belgian francs at the present rate of exchange.

² The papers kindly sent by the bank in 1924 only reached me on my way back to India, and did not include a balance sheet. It will not now arrive before this report is published.

taken mortgages to the extent of 3½ million francs against the issue of bonds, in addition to the deposits. Three-quarters of the deposits were for 10 years, and the bank was therefore clearly in a position to increase its mortgage¹ business. There were then 667 mortgages outstanding out of 1,412 taken since this section was opened in 1914. One hundred and thirty-three advances given in 1919 amounted to 1,400,000 francs, of which 92, averaging 7,000 francs, were given through local societies, and 41, averaging 19,000 francs, directly to individuals, and this proportion in the two classes had approximately held good from the first year. Sixty per cent. of the loans through societies, and 50 per cent. of the direct loans, were for the purpose of buying land or houses; 14 per cent. and 20 per cent., respectively, were to clear old debts, and 3 and 5 per cent. to pay off the sums due to co-sharers in a property now undergoing partition (on the decease of the previous owner or otherwise). There were very few mortgages of peasants' land requiring redemption in Belgium.

I am anxious to draw particular attention to the co-operative mortgage arrangements of Belgium, since in my opinion, a system resembling that of Louvain operated either by a central co-operative bank, such as that of Louvain, or by a separate bank of co-operative mortgage, as in Eindhoven, is altogether more suitable to the conditions of the Punjab, and probably of all Indian provinces, than would be the Scandinavian or the German model. An imitation of the latter would in fact be dangerous, and it is regrettable that the Dutch and Belgian plan is so much less known in India than that of Germany and Denmark. All the European countries mentioned are alike in possessing an educated and thrifty peasantry which habitually pays its debts, and I do not suggest that Belgium and Holland could not work the Danish mortgage system; that does not, however, mean that they *ought* to adopt it. The reason for their basing mortgage credit on the credit society, wherever it exists, is that the credit societies were already widely spread over the country when co-operative mortgage was first undertaken, whereas in Germany and Scandinavia the credit movement had not begun when the first mortgage institution was founded. The sense of co-operative unity in Belgium and Holland was so strong, and the danger of setting up a semi-

¹ On the other hand, Eindhoven in 1923 reported that it could not meet all the applications for loans.

co-operative rival to the fully co-operative organization which they valued was so obvious, that even at the cost of restricting to a certain extent the sphere of co-operative mortgage and limiting the pace of its advance, they contented themselves to a large extent with their proved allies, and left other borrowers either to become full co-operators or to turn to a non-co-operative institution. The principle is not, and need not be, carried to its logical extreme ; individuals in the working area of Eindhoven and Louvain, who are not in a position to join a credit society, are accepted as borrowers of a mortgage loan, and in Louvain are gently reminded of their misfortune by a higher rate of interest. As credit societies grow up in every place, the number of such borrowers will diminish, and co-operative control will be completely established. India and the Punjab should follow the same general policy.

In both the Dutch banks an inquiry as to the object of the loan is made by the local society or by representatives of the central institution ; the inquiry is not confined to the sufficiency of the security offered, but covers all the points which interest a co-operative body ; the use to which the money will be put, the prudence of the borrower in putting it to such use, his economic and personal record and (subsequently) the use to which the money has actually been applied, and the reasons for his failure (if any) to pay his instalments in due time. In Louvain a similar course is followed in the case of all loans through societies ; and, though the rules in the case of non-co-operative individuals merely prescribe an inquiry by representatives of the central bank, the bank and the representatives are co-operative in spirit, and it may be assumed that they will apply the same tests. No loan will therefore be granted for an extravagant or immoral purpose, however wealthy the applicant, and there is no risk of increasing the unproductive debt of the country. Advances are made chiefly for clearance of prior debts and charges, and for purchase and improvement of real property.

The funds are raised either by private deposits for a long term, or by bonds issued on the market. I cannot account for the long-term loans (35-40 years) given by Eindhoven in Southern Holland, when the northern part of the country, which deals with utrecht, is the more highly developed and more fitted to utilize semi-permanent mortgages after the manner of Denmark. It appears probable that Eindhoven

could work no less well on 10-20 year loans than its neighbours to north and south. The shorter the term, the more quickly is the borrower obliged to repay ; and this is for his moral and material good. It need not be supposed that the shorter term of Utrecht and Louvain excludes a class of wealthy borrower to whom Eindhoven with its 40-year bonds offers facilities, for the average size of loans in Utrecht and Louvain is appreciably greater than in Eindhoven. I am inclined to regard the Eindhoven bonds as merely an incidental imitation of German methods, without a considered adoption of principle.

The Utrecht custom of giving loans for a longer term than that for which deposits are held, without special precautions, is less prudent than that of Louvain ; the Belgian provision for an enhancement of interest after ten years, if necessary, guards the bank against loss, and can lead to no injustice, as a hasty critic might suppose, in a body which is co-operatively governed by its members. If the borrower holds that the bank's enhanced rate is above that of the market, he is free to borrow from the market and repay the bank. Such a precaution is desirable in any Indian mortgage bank which has occasion to borrow for a comparatively short term, as may well happen in a bank's early years.

In Utrecht the mortgagors bear no common and no additional, liability beyond the mortgaged property, nor are the societies liable for their loans. This is in my opinion a precarious security. In Eindhoven too the society is only liable for that part of a loan to one of its members which exceeds half the value of his property, but all mortgaged properties are jointly liable. This also involves a certain risk, though the limitation of the loan to half the value, and the summary method of distraint on property which is permitted by the law, together with the reserve fund (from which no rebate is paid), strengthen the position of the lender. In the case of the Belgian bank, the society which takes a loan for one of its members is fully liable, and charges a small additional interest in compensation for its risk. A loan from the Central Bank to a non-member is unprotected except by the mortgaged property, and it would be more prudent to take personal sureties in all such cases.

If it be considered that in India a credit society should not bear the full liability for a loan to one of its members'

' partial liability can be devised. The essential object of securing a local control over the borrower will still be attained.

Dutch and Belgian co-operative mortgage banks enjoy no privileges from the State, so far as I know, except those which are common to all co-operative societies or all mortgage banks, co-operative or commercial. On the other hand, there is no official element in them whatever.

Co-operative control is complete in Utrecht and in loans made to Belgian societies. It is less complete, but still of useful quality, in Eindhoven and in loans to Belgian individuals; certainly more adequate than in Scandinavia, where neither the borrower nor lender nor the local valuer need feel any general interest in the co-operative movement; they are merely concerned with the financial safety of the transaction in which they may at any moment be engaged.

IRELAND.

My inquiries during a very short visit to the Irish Free State did not reveal a conspicuous need for further mortgage facilities. The old landlord has been in most cases bought out under the Land Purchase Acts passed between 1870 and 1909, thirteen million acres having been transferred to 300,000 cultivating peasants at a cost of £130 millions, and with the transfer all previous mortgages are cleared off, the State becoming the sole mortgagee. Two or three million Acres remain to be transferred. The new purchasers, who have not yet paid off their annuities, are allowed to mortgage their holdings with the sanction of Government, and, where valuation of the land has taken place for this purpose, the mortgage-value has been found to be as much as four times the capitalized value of the annuity now being paid. For this result the rise in prices is no doubt partly responsible, the land boom in Ireland having been as harmful as anywhere, and having left many new buyers (buying from private owners) burdened with an uneconomic debt. Most of the applications by annuitants for permission to mortgage

>I was not able to obtain exact figures. The Irish offices are extremely busy with work of "national reorganization" and their civil servants of the old school have yet to adjust themselves to the new conditions, while those of the new school have to learn the ropes. I gather that the ordinary business of administration has fallen somewhat into arrears.

The figure of 13,000,000 transferred must be wrong, though it was given to me by good authority. Another estimate was 0½ millions to 1909, and 10 millions now; that would leave 4½ million acres to yet transferred.

There have been found to be unsatisfactory and have been rejected. There is no co-operative or official Mortgage Bank. The Commission on Agriculture, appointed by the Free State Government, recommended in 1923 the creation by the Joint Stock Banks of a nominal mortgage bank in the form of a fund to which they would all contribute; this institution would take over the mortgages already given by the Board of Works, the Congested Districts Board and the Department of Agriculture, and further loans would be approved and guaranteed by the State, which would be represented on the board of the Mortgage Bank. The legislation needed for the creation of such a bank is not likely to find a place in the already crowded programs of the Free State Government; if such a scheme is to be carried out, it seems simpler to use the National Land Bank which was set up at the end of 1920. The general opinion, as expressed by those from whom I inquired, was that the Irish peasant¹ detests mortgaging his land, and there is no demand for facilities. There are also very few original peasant freeholders, and the larger landowner has been or will be bought out, under the Purchase Acts. The special case of the "landless men,"¹ for whom Landholding Societies were formed in 1921 and have been financed through the National Land Bank, will be noticed under the head of Colonization. If, when the annuities have been cleared off, or even before that, the new peasant-owner wishes to mortgage for improvements, a Mortgage Bank may be required. But the annuities will last for many years yet.

ENGLAND.

When analyzing the principle of a Land Mortgage Bank it was admitted that a community of educated, prosperous and efficient farmers might find a co-operative mortgage institution not only superfluous, but disadvantageous; and the case of Great Britain was then particularly in mind. There will be no lack of persons ready to deny to the British farmer all these characteristics, though they cannot deny that he is literate, adopts a comfortable manner of living and believes himself to understand his business. It is at all events certain that the reaction from the high prices of the war period which took place in 1921 and 1922 compelled many farmers, especially those who had

¹like the Egyptian peasant.

• who, having no annuity to pay, are of 03 and 3 years to next year.

bought their land during the boom of 1921, to live on a very moderate scale, even then involving the accumulation of debt, and to concede that their education in the practices of political parties was imperfect, and that their business methods might conceivably be defective. The purchase of land by tenants during the war was continuous. No less than 21,000 more occupiers were, owning their farms in 1921 than in 1914, the area concerned being $2\frac{1}{4}$ million acres, but 7,500 men with over half a million acres had been lost to the occupying owners by 1922. The Corn Production Act of 1917 and the Agriculture Act of 1920, assuring a minimum price for grain crops had contributed to the tendency towards buying of holdings, and many men found in the slump, which coincided with the repeal of the Agriculture Act in 1921, that the price of their produce no longer enabled them to pay the interest on the money borrowed for farm purchase from banks or relatives or on the mortgages held by the original vendors. Land which had risen in value, perhaps by 50 per cent., fell again by 15 or 20 per cent., and they could sell only at a heavy loss. Action was evidently called for on grounds of national welfare to prevent a cataclysm of bankruptcies, which might extend from the farmers to their creditors, and it was at the same time felt that the withdrawal of the guaranteed price, by the repeal of the Agriculture Act, entitled the farmer to special consideration. A Committee on Agricultural Credit was therefore appointed, which, when reporting early in 1923, dealt with the question of mortgage credit both for improvements and for land purchase.

The Land Improvement Company, founded in 1853, and a smaller company in Scotland, principal institutions Mortgage institutions for improvement. under the Improvement of Land Act (1864), and a new body, the Farmers' Land Purchase Company, created in 1920, has started work on a small scale. The Land Improvement Company lends for a period not exceeding 40 years, against a certificate from the Ministry of Agriculture showing the utility of the proposed undertaking and establishing a prior charge in favour of the mortgagee. The maximum rate of interest, formerly limited to 5 per cent., may since 1920 be approved by the Ministry at a

I had no time to make inquiries into agricultural mortgages in England, and my information is taken mainly from the report of the Committee on Agricultural Credit (1923).

higher figure. This Company has applied £18 millions to mortgages, while the total for all such companies to 1928 was £18 millions; the Land Improvement Company suffers from no shortage of money for the purpose, and, in the opinion of the Committee, nothing more than a general advertisement of their terms was needed to meet the situation. The farmer could be trusted to arrange for the execution of improvements certified by the Ministry and to repay the loan by annuities.

As regards land purchase facilities, the Committee referred to the proposal of a previous Commission of 1911 that a State-aided Land Bank should be created to assist tenants in the acquisition of their holdings. Other schemes, to which the Committee does not refer, had been elaborated before the war for the formation of a semi-official Land Purchase or Mortgage Bank which would issue land bonds with a State guarantee and promote a general policy of voluntary transfers from landlord to tenant. The Committee were not prepared to go so far as this, but the experience of the Farmers' Land Purchase Company, which lends for 20 years up to a maximum of 75 per cent, of the value of a property, but had been unable to raise a tenth¹ of the desired capital, indicated that official support was indispensable. The number of occupying owners in England and Wales was 87,900 in 1923 (21 per cent, of all holdings), with an acreage of 6½ millions, nearly a quarter of the total cultivated area. For the small holders amongst these separate provision is made under the special Acts applying to them, but they were not to be excluded from the new benefits. The Committee recommended that loans should be given by the State to approved mortgage associations, which would lend up to 75 per cent, value of a property with amortization in 40 years. When the public was familiar with these institutions/ bonds would be floated with a State guarantee of both principal and interest, to an amount sufficiently large to bear the expenses of flotation, and it was expected that 5 per cent, would cover both the interest on the bonds and the expenses of issue. The association would lend to-mortgagors at 5½ per cent, interest, plus an instalment of principal, and per cent, of the excess interest

¹The Company had lent £ 600,000, but needed £ 5 or 0 millions.

²The Committee evidently contemplated now associations similar to Land-fichaften or Scandinavian mortgage associations.

would be paid to the State in return for its guarantee. By this means both new purchasers, and the distressed farmers who had borrowed for purchase during the boom, would receive assistance.

The Agricultural Credits Act¹ of 1928 carried into law the first of these proposals, authorizing the grant of State loans to approved associations which would make mortgage advances for 60 years to those farmers only who had bought during the boom (1917-1921), but did not extend the privilege to other persons, or undertake to guarantee an issue of bonds for land purchase. In view of the keen dispute as to the advisability of interfering with the peculiar tenant system in England, where the landlord to a large extent finances improvements and helps his tenant through hard times, the Government no doubt felt it imprudent to endanger the passage of a comparatively simple measure, involving only a temporary liability, by complicating it with a detailed and contentious scheme. It is none the less interesting to find the idea of a State-guaranteed Mortgage Bank seriously entertained and approved by an official Committee on Agriculture in the country where both the tradition of individualism and the comparative neglect of agriculture during past depressions render such a proposal stimulating and novel.

MORTGAGE BANKS FOR INDIA.

Projects for a non-co-operative Agricultural Bank or Mortgage Bank have from time to time been debated in India. In 1884 an offer was made by a syndicate of Poona bankers to create such a bank in a limited area near Bombay, provided that Government supplied funds for a liquidation of the previous debts of the agriculturists and also authorized the recovery, through the revenue courts, of defalts due to the bank. The Secretary of State disallowed the latter condition and regarded the former as either unsound or unnecessary; and similar projects in Madras in 1904 and in the Punjab in 1907 were dropped in deference to co-operative opinion and on account of the summary methods of recovery demanded by the promoters. The trouble appears nevertheless to be endemic in Bombay, where a leading citizen again in 1916 recommended a system of

¹ Appendix D.

non-co-operative agricultural banks in preference to "netir' fangled co-operative societies. The smallness of the support and attention given to the scheme indicates that the danger is being gradually suppressed. It sprang up again in a project outlined in the *Indian Journal of Economics* for January 1924 for a Land Mortgage Bank partly controlled by Government and operating through the Imperial Bank of India and the treasury ; the experiment was to be tried on the *corpus vile* of the Court of Wards estates, and it is precisely this restriction which proves the unsuitability of this and all such proposals to Indian conditions. For on a Court of Wards estate the tenant, and the land-owner also, if he is taking part in the management, are under constant and careful control by persons who understand, or have opportunities of understanding, the use of credit, and can supply the backbone sometimes lacking in the borrower. When the restriction is withdrawn, and credit is given by a non-co-operative bank to individuals, the situation is totally altered, and no analogy from the Federal Land Banks of America or European institutions can be drawn to a land of mainly illiterate tenants and frequently extravagant landlords. The generous friends of the Indian cultivator who argue from the Egyptian analogy can find abundant material to upset their calculations if they will inquire closely into the history and working of the Agricultural Bank of Egypt, while those who apply European and American remedies to the Indian countryman should analyze the constitution of the patient. A non-co-operative Agricultural or Mortgage Bank would be poison to India. For the last 50 years, and in some provinces for a longer time, rural India has suffered not so much from a lack of credit as from an excess of uncontrolled or ill-directed credit. Rural borrowing is apt to be proportioned to rural security, i.e., the guarantees which the borrower can offer to the lender ; and the value of these guarantees is enhanced by confidence in law and order. During periods of disorder or uncertain rule the cultivator had little to offer as security to his creditor ; consequently he could not borrow to an excessive degree. Public order and the uniformity of laws reassured the lender, and the cultivator found a luscious feast of credit before him, which he consumed with too little thought of his future pains. What the co-operator seeks to do is to control the feaster's diet, to persuade him to control himself, and nowhere is moderation more essential to health

than in respect of mortgage credit—the richest and most indigestible dish of all. If the inexperienced proprietor be encouraged to borrow on mortgage or otherwise without guidance, he will sink more and more deeply into unproductive debt. Government itself cannot give him direct help ; the inconveniences apparently inseparable from the issue and recovery of Government loans, especially where illiterate cultivators are concerned, cut him off from this source¹ to a large extent, and he is turning more and more to co-operative credit for safety. The existing credit societies are not well adapted to long-term or mortgage business, but the principle of controlled credit is the same in mortgage as in short-term business, and is the more indispensable in view of the greater peril to be feared from a misuse of mortgage rights.

The Alienation of Land Act, which in the Punjab forbids an alienation of land by an agriculturist in favour of a non-agriculturist for more than 20 years, complicates the Punjab problem, and, while the need for control of credit remains undiminished, the value of the material security which can be taken is appreciably less than elsewhere. None the less the Punjab has been first in India to evolve a co-operative bank for this special purpose. The Jhang Co-operative Mortgage Bank. UnlimHed, was registered in 1920 and in imitation of it mortgage banks have come into being in 1924 in Mianwali and Sonopat, and others are in process of formation. The by-laws² of the Jhang Bank provide that any agriculturist of good character in the district may become a member, taking one share of Rs. 10 for every Rs. 500 which he wishes to borrow ; and one official may also be nominated by Government to an office in the bank. The business is managed by an elected committee. Loans at 8 per cent, for not more than 20 years may be granted on first mortgage, but may not exceed

¹ It is perhaps not generally realized how slight is the use made by agriculturists of the facilities offered by Government. Loans issued by the Government of the Punjab under the Land Improvement Loans Act and the Agriculturists Loans Act in the year ending 30th September 1923 were about Rs. 8 lakhs, while the loans given by primary co-operative societies in the province in the year ending 31st July 1923 for specified agricultural purposes were Rs. 32 lakhs, and in the year ending 31st July 1924 about Rs. 40 lakhs, in addition to this many loans issued for repayment of debts (Rs. 29 lakhs in 1924) are simply to repay advances made by other persons for agricultural purposes. Moreover there are only co-operative societies in a quarter of the villages in the province.

^B Appendix C.

15 times the estimated net profits of the mortgaged property. The borrower gives a further mortgage of all his immovable property as additional security and produces also two personal sureties. If he defaults, the bank has power to take possession of the mortgaged property for a period not exceeding 20 years as permitted by the law, and if the full debt is not paid by the income of the property during that period, can subsequently or simultaneously proceed against the remaining property and the sureties. The liability of all members, except the official, is unlimited, and all profits are carried to the reserve fund. Debentures may be issued, but this has not yet been done, and the bank derives its capital from loans given by Government and co-operative bodies. The bank combines certain elements of a Gorman Landschaft and of a primary credit society. It aims at controlling the use of credit by giving loans only for a stated purpose, demanding personal as well as real security, and reserving the right to recall the full amount due if the money is misapplied or the borrower behaves in any way which is held to be contrary to the interests of the bank or the co-operative movement. It possesses the great merits of being a brave adventure in an unknown field and of lending on moderate terms to land-holders whose good use of the money is guaranteed by respectable neighbours. The weaknesses, apart from the reduction of material security due to the Alienation of Land Act, are seen in the method of finance and in the wide¹ area over which the by-laws allow its operations to extend. Each of these defects must be separately examined.

On 31st July 1924 the Jhang Bank had 209 members, and a balance-sheet of Rs. 2,30,000. No less than Rs. 1,52,000

of this total is borrowed from Government, while IN. 50,000 is derived from other co-operative institutions, and Rs. 22,000 consists of shares² and reserve. Rs. 2,24,000 was then invested in mortgage loans, and Rs. 5,000 was held in cash. Nearly 3,000 acres have been redeemed from other mortgagees since the foundation of the bank, and this debt will be extinguished in a term of years by payment of instalments. Rs. 44,000 has been

¹ Jhang District • 3,400 square miles.

Mianwali District • 5,100 square miles.

² Shares are not important in a society of unlimited liability.

³ and 1,250 palm trees, which in this district are separately assessed to land tax and can be separately mortgaged.

issued for improvement of land, and Es. 65,000 for repayment of old debts, the amount of which exceeded the capacity of village credit societies. The Committee is now giving preference to applicants who wish to borrow for the purpose of redemption or improvement, rather than for clearance of unsecured debt. The repayments by borrowers regularly exceed in their total the amount due on each harvest, but hitherto 13 persons have defaulted, and legal action has been taken against nine, the remainder having satisfied the Committee. This short account will prove that the bank has not failed of its purpose, though it has abundant work before it, the mortgaged area in the district being over 150,000 acres. At the same time, it is clear that loans at 7 and 1½ per cent, from Government and other co-operative societies, granted in many cases for a comparatively short term, cannot be indefinitely continued, and that the bank must by some means raise long-term money. Jhang District contains no large towns or industrial centres, and the rural population is exceptionally backward and illiterate; it is improbable that deposits for five or ten years can be collected to any considerable extent, or that debentures will find a local market under present conditions. Funds on the large scale required can only be raised in the Punjab towns and from the urban classes, and, if attractive terms can be offered, the non-agricultural population, debarred by the Alienation of Land Act from investment in the land of agriculturists, should be glad of the opportunity for a safe and profitable investment.

The large area of operations tends to deprive members of that mutual knowledge which is an institution of co-operative credit. Three courses are logically open to the co-operator: he may either reduce the mortgage bank itself to a working circle of a few villages or a single village or may base his district bank on existing credit societies, or may retain individual membership and increase his margin of security until the possibility of loss through default becomes negligible. The first course presents a financial difficulty: the village has not sufficient security to support a bond issue and will be entirely dependent on its superior financing body; its existence becomes nominal. The second method avoids this fault; the local society has a real vitality, apart from its mortgage business, but a heavy burden of liability is thrown on the-

(2) Co-operative control
in Jhang.

general body of members for the benefit of a few mortgagors. The third course gives security to the bank, but does not assure a prudent application of the money lent.

The same problems have confronted other provinces of India. Burma¹ in 1922 registered two Co-operative mortgage in Burma.

of unlimited liability, which were to float village bonds and sell them either to the public or, if affiliated to a secondary mortgage bank, then to that bank only. The relation is similar in appearance to that between the Swedish Mortgage Bank and its Mortgage Societies, but the smallness of the Burmese Village Mortgage Societies and their inevitable inferiority in respect of security and management rob them of a real resemblance. The Burmese societies may under their by-laws issue loans up to Us. 5,000 on land not more than five miles distant from headquarters. Loans may be made to the full value of the land, but one-fifth of the amount is subscribed by the borrower (and presumably deducted from his loan) as share money, while two personal sureties are also taken. It seems improbable that such societies will succeed in disposing of their bonds, except to a co-operative mortgage bank, and their separate registration will then be of a formal character; further, since they are of unlimited liability, the borrower must either be a non-member of a co-operative credit society or must pledge his unlimited liability in two societies, a practice not recommended by co-operators, as rendering the pledge of doubtful value in both cases. Such societies possess the merit of co-operative control in virtue of their contracted circle of working, but do not show a promise of financial strength as independent bodies. To the best of my belief, a plan of secondary mortgage banks has not yet been completed in Burma, though the Burma Legislative Council desired to allocate a sum of Es. 3 crores for their benefit. The flotation of debentures would then presumably be superfluous. The Government of the province has for the present placed Rs. 2½ lakhs at the disposal of the special officer who is investigating the subject. Meanwhile, the two village societies have 289 members and a capital of Rs. 50,000, apparently derived from the shares and deposits of members.

A Bill to govern the grant of State credit for land mortgage in Burma was drawn up in 1922, which provided for

¹ For by laws see appendix C.

a body of Land Mortgage Commissioners. The Commissioners were empowered to lend State money to approved societies or directly to individuals up to 60 per cent, of the value of a property. They were authorized to issue bonds, which should be trustee securities and free of income-tax, and also to take up the bonds of mortgage banks. The Bill has not yet been passed by the Council.

Less affluent provinces than Burma must seek their money in the pockets of the public, and Government to lend confidence to the investor by giving practical support to the first issue of debentures. In Madras a draft of by-laws¹ has been worked out for mortgage banks of limited liability, each in a circle of six or seven miles radius ; the first series of debentures will be issued half to the public and half to Government, and will be repaid in 12-20 years. Mortgage loans will be granted to individual borrowers, and will not exceed Rs, 1,000. Deposits may be taken, but, whereas the term of the deposits *must* exceed three years, for which term Central Banks also accept them, the rate of interest paid on them may *not* exceed that paid by Central Banks. The deposits are not therefore likely to be large. Loans may be for 20 years and up to half the value of the mortgaged property, or three-quarters of its net income for the period of the mortgage, whichever be less ; further security, whether real or personal, may be taken at the discretion of the bank. The Registrar is to be a trustee, and all repayments will be made to his account. Now while the members of such banks will have sufficiently intimate knowledge of one another to maintain the co-operative spirit and are safe from criticism on this side, the banks will on the other hand be comparatively small, and the issue of bonds or debentures by each bank, as contemplated by the by-laws, will perhaps not be so successful an undertaking as would a joint issue by a central body ; if there is to be a central body, it will be advisable to found it before the first bonds are on the market, and, in that case, the small mortgage banks in Madras, as in Burma, will fall back to the grade of Guaranteeing Unions without a strong independent life. It may also be doubted whether competent unpaid directors or paid managers will be forthcoming in more than a few selected circles, and

¹ Appendix C.

whether this type of bank will be suitable for extension throughout the less literate districts. It is genuinely co-operative, and a region of advanced education may succeed in developing it, but small institutions are not convenient for more backward provinces.

The first detailed proposals in Bombay were prepared by a committee for the Gujrat Divisional Co-operative Conference in 1923. Their recommendation was to create District Mortgage Banks of individual borrowers, giving loans to one-third only of the value of the property mortgaged, and financed by shares and debentures. Government was to guarantee the interest on the debentures, and also to take up a portion of them; further subscriptions were expected from the Imperial Bank of India, estates under the Court of Wards, etc. By an amendment of the Indian Trusts Act the debentures were to be trustee securities, and an expert valuer was to be lent without charge by Government to each mortgage bank. After informal discussion between the Registrar, the Provincial Co-operative Bank and leading co-operators a provisional draft of by-laws¹ has been drawn up. The banks are to be of limited liability, and each individual borrower is to take one share of Rs. 50 for every Rs. 1,000 lent to him. Loans may not exceed one-third of the value of the mortgaged property, and additional security is optional. Valuation will be carried out by persons appointed by the banks, and funds are to be raised by debentures. The liabilities may not exceed 20 times the share capital and reserve. Loans to members of credit societies will be given on the recommendation of the societies. These by-laws do not mention the possible assistance of Government in respect of a guarantee, subscription to the debentures or the loan of the services of valuers, which will no doubt form the subject of discussion and can presumably be granted without legislation. There is a useful provision that the rate of interest on loans shall be 1 per cent, or $1\frac{1}{4}$ per cent. above the rate of interest paid on borrowings; the omission to specify a definite rate is prudent and allows for flexibility in business. On the other hand, I venture to suggest that the co-operative control over members is not prominent, and that if loans are given directly to individuals who are members of societies, on the recommendation of the societies,

¹ Appendix O.

without throwing liability on the societies, an unexpected result may follow; if the societies, having no liability, are lenient in their opinions, the mortgage bank may be misled and may suffer loss, while if, the societies are strict, intending mortgagors may resign membership in them in order to obtain a direct loan from the mortgage bank as a non-member. It seems to me both simpler and sounder to throw a responsibility on the societies. The percentage of value, up to which a loan on a property may be granted, is lower than that elsewhere approved; if the taking of additional security, real and personal, from the mortgagor were made compulsory instead of optional, the banks could safely lend to a higher value, more commensurate with a borrower's needs.

The by-laws¹ of a Mortgage Association in Mysore State provide for Rs. 50 shares with limited liability. Loans up to 60 per cent, of the value of a property may be granted, after a valuation by the nominees of the bank, at 7 per cent, for 30 years; they may not exceed Rs. 5,000 (or Rs. 20,000 to a society) or be less than Rs. 1,000, and are repaid by equated instalments. Bonds at 6 per cent, will be issued for 80 years. The directors will include one representative of Government.

There may be similar schemes for co-operative mortgage banks in other Indian provinces of which I have not received information. A Mortgage Union has been registered with limited liability in Ajmer which admits both societies and individuals to membership. Six societies and 17 individuals had joined at the time of the last annual report, and the intention is to ask Government to finance it, but the institution is still new.

I have now to draw to a conclusion my long description of mortgage banks in India and elsewhere. The principal questions are:

Suggestions for future improvement.

(1) What degree of mutual control is needed and attainable among the borrowing members? (2) Over what area should a bank extend its operations? (3) How can the loans be best secured? (4) What supervision and participation may be expected from Government? (These

questions cannot be separately answered ; they are inter-dependent. Nor do I claim for a moment that there is only one answer applicable to the whole of India or even of the Punjab ; various types can be tried, and we shall learn by experience. Meanwhile, I give my own opinion, and speak in the first person.

The German and Danish Mortgage Associations are intended for land-owners who are (1) ^{Co-operative control.} literate, and (2) thrifty. I say nothing of intelligence, since the Punjabi peasant does not seem to be inferior to the European peasant in natural capacity, and the same may be true in some other parts of India. But, as regards literacy and its effects, there is no comparison ; information can be conveyed to the German or the Dane, accurate answers extracted from him and a personal or national appeal made to him, by means of reasoned literature, prospectuses, annual reports and balance-sheets, which he can and will study in his own home ; he can further debate their meaning with his neighbours, explain their complexities and criticize their policy. The general illiteracy of the Indian peasantry alters the position radically. The [Indian peasant cannot as a rule read literature ; if he can, he is so unfamiliar with written communications as a basis for his opinions and actions that he will seldom apply what he has read to his daily life until it is enforced by oral argument ; and, above all, he is surrounded by men (and women) of simple ideas and strong customs and prejudices, which he can only contravene, even on the most rational grounds, by the use of all his moral courage and at the expense of his popularity. If therefore he is required to treat a credit institution intelligently, he must be grouped by means of propaganda and selection with men to whose intelligence the same appeal is being made : he will need their frequent company and encouragement to resist the indifference or disapproval of his other neighbours, and to build up a common sympathy, an *esprit de corps*, between all those who are engaged in a joint effort, I do not propose to enlarge further on this subject ; it is familiar to all Indian co-operators. My contention is that, if mutual encouragement and supervision are needed in an ordinary society of credit, they are even more indispensable when the borrower's stake is his most precious possession — his land ; and the Mortgage Banks now being founded in the Punjab, as also those of Denmark and

Germany which they follow, do not seem to me to supply them so fully as is desirable. A number of frequently illiterate individuals scattered over a circle of 3,000¹ square miles, with poor communications by road, rail and post, cannot be intimately acquainted with one another or able to watch each other's borrowings, use of borrowed money, resort to other creditors, extravagance of living, repayment of instalments or reasons for default; and, if they cannot do that, their bank is only semi-co-operative. Its affairs will be in the hands of a small group at headquarters, elected by members who for the most part are unknown to them, and probably relying on official or semi-official help both in the issue and the recovery of loans. In Europe this may be harmless, but in India I consider it unsafe, as it is also certainly un-co-operative, to depend on changing officials who may take a small or a large part in the management; and a consideration of the Belgian and Dutch methods confirms me in this view and convinces me that the evil can be remedied. One important point in which India, and above all provinces the Punjab, differ from Scandinavia, is that credit societies abound in every district and are still being extended. Huge as is the field still before the credit movement, it has now so far secured its position that only time, the accumulation of funds and the training of a competent staff to guide and audit limit its progress. Here is a strong and precious foundation of co-operators on whom a system of mortgage credit can be built up. It is unreasonable and wasteful to start again from the beginning with mortgage credit, as though the same person would not normally, or at least frequently, avail himself of both types of co-operative assistance. Consequently I prefer to connect the Mortgage Bank closely with the primary societies of credit, and arrive at the mutual knowledge and supervision of members through the village credit society. It is possible to restrict the advances on mortgage to the members of such societies, as is done by the Dutch Mortgage Bank of Eindhoven, or to dispense with a mortgage bank entirely, giving mortgage loans from the Central Bank to members of societies, as is the practice in Utrecht. But, if this restriction will exclude from the advantages of mortgage credit the residents of villages which

¹ The area of Belgium is about 12,000 square miles, of Holland much the same and of Denmark half as great again. A Dutch, Belgian or (overlapping and competing) British mortgage institution may have a working area of 6,000 to 8,000 square miles, with first-class communications by road, rail, water and just as educated, thrifty/borrowers. There can be no analogy of area drawn from Europe to India.

have no credit society, direct loans from the mortgage bank can be given to residents of such villages only, as by the Belgian Bank of Louvain, at a higher rate of interest in order to cover the greater risk. To persons who are eligible for a definite credit society and have not joined it no loans should be given by the bank ; if they are honest, the society will admit them, and if they are not honest, the bank cannot safely entrust its money to them. Loans intended for members of credit societies can be given either to the village society itself, which then would be the mortgagee of the property and would lend to the individual at a slightly higher interest than that paid to the bank, or to the individual through the society, which would then guarantee the whole or part of the loan, the bank being the mortgagee and paying to the society a small percentage of the interest as a commission. Such courses are open ; (in my opinion, is to admit credit societies only members of the bank, where such societies exist, for the issue of mortgage loans, each not exceeding a maximum sum fixed ; for loans within this maximum the society would be responsible as debtor. If a loan exceeds the maximum, the individual will join the bank as a member, the society guaranteeing his loan up to the maximum only ; the individual will pay the same rate of interest to the bank as he would pay to the society, up to the maximum sum, and on the excess sum will pay the interest charged by the bank to individuals in non-society villages. The bank will lend directly to individuals, at a higher rate than to societies, in non-society villages. No loan will be given to or through a society, except on its application, supported by a resolution of a *general meeting*, in order to prevent partiality by the more influential members in favour of their friends or relatives. Personal sureties will in all cases be taken, who will be members of the society when the loan is within the maximum, and members of the bank when the loan exceeds the maximum. In the latter case, if not already members of the bank, they will join it, in order to simplify proceedings against them, under the Indian rule of compulsory arbitration, on the default of the principal borrower.

The working circle of such a bank will be a district or tahsil (taluk). In the Punjab, and probably in most other provinces, the per-
Area of operations.

¹ If the society is not responsible for any part of the loan, its recommendation carries less weight.

sonnel for efficient management of a bank handling large sums of money cannot be found, unless in exceptional cases, in a lesser area, nor will the scale of business in a small bank enable it to pay a competent clerical staff. The primary societies are already affiliated to Central Banks and Unions, and economies of management and the advantages of experience can be obtained, in the early years of the Mortgage Banks, by placing them beside the Central Banks or under the same roof. If supervision over borrowers is arranged through the local credit societies, the purpose of a local mortgage society is met, and the chief objection to a large area is removed in respect of many of the borrowers.

The bank must be of limited liability, since it will include societies among its members ; the Punjab banks, formed by individuals only, have hitherto been obliged by section 4 of the Co-operative Societies Act to accept unlimited liability, and not only has the borrower, in consequence, if he is a member of a primary society, been pledging his unlimited liability in two places, but his village society might be unaware of the fact that the chief real asset which a member held had been specifically mortgaged elsewhere. When the application is made to or through the village society, this danger is dispelled.

Since liability is limited, there will be no objection to admitting to membership agriculturists who do not at present wish to borrow; and, in order to strengthen the committee, a limited number of non-agriculturist and co-operating sympathizers should be eligible ; it will be sufficient to provide that the majority of the managing committee shall be agriculturists. A small share only need be paid up, since the security offered to creditors is in reality that of the mortgages and sureties taken ; the share is only an unmistakable evidence of membership, and is not found in the Danish or German mortgage bodies, though the contribution to the reserve fund in Danish associations resembles shares in some respects. I am puzzled by the stress laid on shares in other provinces; it seems to ignore the difference between mortgage and other credit. Sureties of borrowing members will be admitted to membership and will take up a share. Since shares are small, a dividend is superfluous ; all profits will go to reserve, and add to the guarantees of the debenture-holders.

The Germans and Scandinavians raise their funds by transferable debentures only, while Utrecht and Louvain take long-term deposits, the receipt or bond for which cannot be transferred without the bank's consent. The Madras scheme allows deposits on terms which will not bring the Mortgage Banks into competition with the Central Banks. I myself see nothing to be gained by this precaution ; the Central Banks can continue to take their deposits as before, while the Mortgage Banks will pay higher interest for a longer term. Central Banks in the Punjab in some cases pay 7 per cent, on a deposit for three years ; Mortgage Banks can offer 1½ per cent. for five years and 8 or 8 for ten years. Deposits on these terms are more likely to come from institutions or from funds which have to be invested for long periods under official or semi-official control, than from individuals. The Bombay by-laws make little mention of deposits.

In any case, the principal source of working capital, if mortgage credit is to be commensurate with the country's needs both for redemption and for improvement of land, will be debentures. The banks, jointly or separately, will issue debentures to be secured by all the mortgages and other assets held by them ; the money must be raised before it can be lent, on the plan of the Swedish and Danish Mortgage Banks, and it is consequently impossible to state at the time of issue that the debentures *are* secured by mortgage ; this can only be said by the German *Landschaften* and Danish associations, which take the mortgage first, and then issue their bonds, leaving the mortgagor to realize them. Such an arrangement drives a borrower, whose land is already mortgaged* to another mortgagee, to expensive means of raising a temporary loan in order to pay off the old mortgagee before the association will take his land and give him its bonds ; it is unsuitable to Indian banks which contemplate redemption as their chief business. Nor will the debentures be based on specific mortgages, as in the oldest *Landschaften* ; the guarantee of all the mortgagors to all the mortgagees, plus the shares and reserves of the bank, is stronger than that of any specific mortgage. Provision should be made in the by-laws that the amount of debentures may not exceed the value of the mortgages taken by the bank from its debtors as the primary security for their loans (excluding further mortgages taken

as collateral security only), plus the other assets of the bank ; this will cover the money received from debenture-holders, but not yet lent out to borrowers. The limitation of the debentures to a certain multiple of the share money or other assets, which is enforced in the Land Bank and the Mortgage Company of Egypt, the Danish and Norwegian Mortgage Banks and the American Federal Land Banks, does not appear to me to serve a useful purpose; there is no such multiple limit in the Agricultural Bank of Egypt, the Credit Foncier of Egypt, the Scandinavian Credit or Mortgage Associations or the Swedish Mortgage Bank. The security of the debenture-holder depends on the margin between the loans given and the value of the mortgaged properties ; the shares are unimportant, and most of the co-operative and semi-co-operative mortgage institutions have no shares at all. The issue of competing debentures by all the mortgage institutions on a single market is detrimental to their common interests, as the Swedish Mortgage Associations found ; it will be much wiser to learn from their experience and unite all banks in a single issuing body, which will advertise and sell as required in all parts of the country, allotting to the banks the funds so obtained in proportion to their applications ; the loss of interest from idle money will punish any bank which takes up more than it needs. The rate of interest paid on such central debentures will, so far as I can foresee, be lower than that of any single bank, and the sale of debentures more successful. If in the beginning an attempt at an independent flotation has to be made by a local bank, its by-laws should provide, as in Burma, for the discontinuance of such business whenever a central institution is ready to undertake it. If this is not done, the districts containing large towns may continue to collect money, through no merit of their own, at a favourable rate, while the central debentures, floated by a group of the weaker districts only, will have to pay higher interest. The central institution can either pass on the funds to the local banks at a slightly increased rate in order to cover the cost of advertisement,¹ etc., or can pass on the debenture funds at the same rate of interest, and divide this cost among the applicants for its money, requiring payment by instalments. Debentures can

¹ The cost of advertising the loan will vary at the option of the advertiser, but clerical staff will also be a charge on a debenture issue of the mortgage union. Rs. 7,000 should meet all expenses, judging from the figures of a recent loan.

be redeemed either by annual drawing of lots, the drawn numbers being notified to the holders, and ceasing to earn interest after a short interval, as in Denmark, or by the formation of a sinking fund which will meet the total amount on the termination of their period, as in some German Land-schaften. In either case, the bank should be at liberty to buy in at a discount any of its debentures which are on the market, a transaction which, as in the Agricultural Bank of Egypt, may be highly profitable. By the drawing of lots and repayment at par the price and reputation of the securities is sustained, but their life is shortened and their number diminished ; on the other hand, a sinking fund formed from money repaid by the debtors of the bank may, if the market rate of interest falls, be unable to earn as high an interest from investments as the bank itself is paying on the debentures ; an annual loss will then result, and, since a fall in the rate of interest will raise the price of the debentures, it may be difficult to buy them in. Moreover, if the Government guarantee is attached only to a limited issue of bonds, which may not be reissued, the bank will be reluctant to repay them before time. The trustees administering the sinking fund will need all their skill on a falling money market.

The principle that Government, acting in the interests of the public, should support a central in-

Government and the
debentures.

many countries, like Swedish, Norwegian and Danish Mortgage Banks receive a large sum by way of paid or guaranteed capital from the State, while the Agricultural Bank of Egypt enjoys a State guarantee of its first debentures, and has since then been able to issue further debentures without a specific guarantee. There is no State help to the Dutch and Belgian banks, possibly because co-operative credit in those countries is allied with religious or semi-political groups, and mortgage credit has, in my opinion, been hampered in its progress by this lack of State support. In India it will be inadvisable for the State to stand aloof from a movement of such fundamental importance to the agricultural classes ; the beginnings of co-operative credit were fostered until co-operators could stand on their own financial feet, and similar aid to co-operative mortgage credit will be of the highest value for some years. The Indian public is being slowly educated to a safe invest-

ment of its money at moderate interest, in place of the precarious and extortionate money-lending which has hitherto been almost their only outlet, and particularly in the Punjab, where the Alienation of Land Act has cut off the land-holder (for excellent reasons and to the enormous advantage of the country) from the use and misuse of land mortgage, the desirability of turning back on to the land a fertilizing stream, instead of the former ruinous flood, is both obvious and undisputed. A guarantee of interest on the first issue of debentures is, in my opinion, more convenient for both parties than a participation in the capital of the bank; it involves no immediate expenditure by the State, and probably none at any time, while the withdrawal of the State on the gradual extinction of the guaranteed bonds is less perceptible than the return of its capital at a single moment. The retention of the State capital provokes criticism in Scandinavia, since it may be regarded by bankers as a permanent act of discrimination in favour of one among many mortgage bodies, and by co-operators as a permanent intrusion of the State in the co-operative sphere. The State guarantee of non-redeemable bonds in Egypt is open to the same comment. The most satisfactory form of help is a State guarantee of interest on a limited issue of debentures for a limited term in order to reassure the public as to the new investment and give them time to become familiar with it. The guarantee can be given either to a special Union of Mortgage Banks or to a Provincial Co-operative Bank which will finance them; the Provincial Banks in several provinces already hold a certain guarantee from Government, and it is possible that nothing further is required in their case. The guarantee of Government will no doubt be only of the rate of interest paid on its own borrowings; co-operators should reflect whether they will not issue their debentures at a higher rate than this in order that there may be no striking difference in the public eye between the guaranteed issue and the following non-guaranteed issues. If Government guarantees 6 per cent., it may perhaps be prudent to pay $7\frac{1}{2}$ per cent., or even 8 per cent., on the debentures, since the second series which will follow them will have to bear interest at this rate. The critical moment will come not on the issue of the first, but of the second, series.

Loans will ii) India be given for (1) redemption of old mortgages, (2) improvement of land, and (8) clearance of old debt. Since old debt

commonly indicates previous extravagance, an application under this head must be cautiously treated, and such applications should not ordinarily receive consideration so long as loans under the former heads can be given. As regards valuation" of the property, and the determination of the amount which can safely be lent on it, the European rule in most countries is to carry out a special assessment by valuers chosen in local meetings of the members or appointed by the board of directors ; Denmark uses both methods, and Egypt the latter. In Germany a multiple of the land tax is frequently taken, a special valuation being only made when the borrower demands more than he can obtain by this means. Nothing can be simpler than the multiple, and, in my opinioi., it should be used as a guide wherever it yields an adequate amount, and a special assessment made, as in Germany, if the borrower requires more. The maximum loan in Europe varies from 50 per cent, of the value of the property (Egypt) to 66 per cent. (Denmark). Burmese Mortgage Societies allow loans to the full value of the property, the Madras by-laws sanction only 50 per cent, and Bombay only 331 per cent. Madras also fixes as a second limit three-quarters of the net income during the period of the loan, and Jliang specifies the net profits for 15 years, irrespective of the loan period ; the profits of 15 years represent three-fourth of the maximum which can be recovered by a 20 years' lease under the Alienation of Land Act, and amount therefore to 75 per cent, of the mortgage value. The experience of Europe would suggest that this is in itself too high a proportion, but, since the mortgage value in the Punjab is limited to 20 years' profits, a high maximum is necessary if a loan of useful size is ever to be given ; the risk must be faced, and covered by additional security. A possible, maximum loan for the Punjab would be one not exceeding 15 years' profits of the property given in direct mortgage for the loan, and also not exceeding 10 years' profits" of the same property, *plus* other property given as additional security by the borrower or his sureties. In other provinces, where the mortgagor's land can be sold on default, 66 per cent, seems the wisest maximum, but always with personal sureties. A minimum for loans has also to be laid down, such that the mortgage bank will not trespass on the territory of the credit society, yet will not exclude the average member of a credit society from its benefits. The European minimum is fairly high—600 kr. (Rs. 400) in a Danish association,

£ 600 in the Credit Foncier of Egypt. Jhang has a working rule of Es. 800. No uniform amount need be fixed for all banks, though I think each bank should decide on a minimum in general meeting and observe it. In the Punjab Es. 150 might be the figure in unirrigated tracts, Es. 250 in a land of well irrigation and Es. 300 under canal irrigation. The valuation of buildings is always a moot point; in India I would advise placing no separate value upon them, since they may be unsaleable, whatever may be their use to the present occupier and mortgagor; if they are taken into separate account, they should be insured, as always in Europe, against fire, and also in India against damage by water; the Mortgage Bank could perhaps arrange with an urban insurance company on the borrower's behalf. Any land not provided with the ordinary agricultural sheds, etc., should be estimated at a lower price, since it is deficient in normal equipment, just as though it lacked the usual roads or water-channels. An excellent suggestion by a Madras co-operator is that sureties should undertake in their bond to take on lease the land of the principal debtor if he defaults and the lease is offered to them by the bank; this provision is well adapted to the Punjab.

Bepayment in Europe is made by equated instalments, *i.e.*, the total sum of principal and interest which will be repaid during the period of the loan is added together and divided by the number of years for which the loan is given, the borrower paying an equal sum in each year. This is the easiest system for an intelligent borrower, but requires a skilled staff of accountants, since the calculation of the instalments themselves, of interest on arrears and of interest to be remitted on repayments before due date is complicated, and leaves room for unlimited error. The usual method of repaying an instalment of principal only, with interest on the outstanding balance, is better understood by the rural borrower, and is preferable. Penal interest on arrears should be levied rigorously by a mortgage institution, in which punctuality is even more essential than in an ordinary credit society. In my opinion, compound interest should also be charged, provided that intimation of the fact is immediately given to the defaulter by post; everything possible should be done to impress on him the urgency of paying strictly on the due date.

The German and Scandinavian system is to charge the borrower the actual interest paid on the bonds, ^{Interest} ~~interest.~~ *plus* a small sum for administration, with each instalment. A deduction for reserve is made from the loan at the time of issue. Deductions of this kind are commonly used by the money-lender in India, and in my opinion should be avoided for that reason by co-operators. The general rate of interest should cover all charges, and a margin of 1 or 2 per cent, will generally suffice. For instance, in the Punjab, if the debentures pay 11 per cent, and the mortgage banks have to refund to their central union the cost of flotation, and also to accumulate a reserve, they can perhaps lend to societies at 8½ percent.¹ and to individuals at 9| or 9£. Societies can lend to their members at 9 per cent. So long as debentures have not been popularized on the market, mortgage banks may have to live on comparatively short-term loans and deposits, *e.g.*, for five, or even three, years ; if they lend for a period exceeding this, the Belgian right of enhancing the rate of interest against the borrower must be retained ; but, in justice to him, the interval after which such enhancement can take place must be fixed, and intimated to him when he borrows ; it will not be fair to vary the interest against previous debtors from year to year.

The Indian record-of-rights *in* landed property affords ^{Title.} a presumption of title, but is not proof absolute, as in Germany and some other European countries. A mortgage will ordinarily be entered in the record, unless it is extremely recent, in which cases the neighbours and sureties of the borrower can hardly fail to be aware of it. A search in the registration offices will cause expense and delay, and is not practicable for other than highly staffed banks. The precautions to be taken against doubtful titles are to require on the mortgage bond the signature of all co-sharers in the holding, to refuse all property as to which a dispute is pending and to take additional security, both real and personal. The surest way to prevent any concealment of facts relevant to title is to discuss every transaction publicly in the local credit society. The society will also protect the bank against secret sales and leases of mortgaged property ; as in Belgium, the right of leasing the land or receiving prepayment for more than one year must be carefully limited, and the by-laws should also provide that, on

¹ Punjab mortgage banks are lending at 8 per cent. I do not think they can * issue debentures at a rate which will enable them to keep their interest so low.

any permanent transfer of rights, whether by sale, decease or otherwise, the entire loan becomes immediately due. If the new owner wishes to renew the mortgage, the bank will no doubt entertain any reasonable application, but a by-law¹ calling upon a new owner, who is not a member of the bank, to take certain action is without force.

Co-operative mortgage banks will be entitled to the privileges and exemptions granted to other co-operative societies from which they do not differ in principle. In most countries they are free from taxation, and stamp duties and registration fees, if not altogether remitted, are reduced to a minimum. It is interesting to note that Denmark allows⁸ the remittance of the funds of mortgage associations by post on privileged terms. In the article in the *Indian Journal of Economics*, to which reference has already been made, it is suggested that the Imperial Bank of India and the Government treasury be utilized for payments of money belonging to the proposed Mortgage Bank. In my opinion, the use of treasuries will not be advantageous, since it will encourage the harmful idea, always recurring in the minds of the ignorant, that the banks are Government banks, distributing *takavi* loans which need only be repaid under compulsion. Any facilities which the Imperial Bank of India can offer will be gladly accepted, and will be profitable to all parties. There is, I think, no need for legislation in order to authorize a guarantee of interest on the debentures or an investment in the securities themselves ; the consent of the Provincial Legislative Councils will be necessary, and is likely to be given without hesitation where this has not already been done. A general order from Government under section 4 of the Co-operative Societies Act is sufficient to regularize the adoption of limited liability by a mortgage bank or society which has individual members only, if such are to be registered. As regards the functions of audit and inspection, the powers given to the Registrar under the Indian Act are adequate, and no special provisions such as those in the Danish Act are called for. In the Madras by-laws the Registrar is constituted the trustee to whose account all payments are to be made ; his authority over the banks will then be extremely great, and his duties may become burdensome. An alternative is to include, as in the Punjab,

¹ See Jhang by law 62.

⁹ Appendix B, Law of 1850, clause 2.

one local official, or one nominee of Government, as in the Bombay by-laws, who will watch over the general conduct of the bank in the public interest and will take part in the proceedings of the managing committee. No exceptional powers are assigned to him, since the bank is co-operative, not official; he is an adviser and helper, and lends authority to the bank when it addresses local officers in connection with the business of the bank, or when it refuses an unjustified advance to a local potentate.

CHAPTER II.

Credit and Co-operation.

EGYPT.

Co-operation was first introduced into Egypt in 1908 under French influence and in the French form of Syndicates. This influence has continued until the present time, and since the French agricultural syndicates, as distinguished from the French associations on the Eaiffeisen model, are only imperfectly co-operative, the reaction on Egyptian co-operation has been unfavourable. No official guidance was, however, given by the Egyptian Government, with the result that this unfamiliar type of mutual help, presented to the peasant without instruction in the methods of its working, was in many respects misunderstood and misapplied, and sooner or later was abandoned. The intention of Lord Kitchener, after the passing of the five-feddan law, was to restore to the villager through Co-operation the credit of which he had been deprived with the Mortgage Banks, and also to facilitate his relief from the burden of unsecured debt. The inquiry promptly started in 1913 as to the indebtedness of the fellahin, showed that out of 1,667,000 five-feddan men about 40 per cent, were carrying an average total debt of £26 (Es. 390) and a mortgage debt of £ 6 (Es. 90) per head, their average holding being only one acre a-pioce. The class of professional money-lenders was composed of Copts, Jews, Greeks Syrians and Armenians, while it was discovered to the general astonishment that Muhammadan peasant-women were conducting an extensive though intermittent business in small loans out of their dowry-money and the profits made by poultry-keeping. The interest charged by the professional was from 30 to 40 per cent., but the village woman who was not prepared to sue in court and had no means of recovery but the length of her tongue, charged 60 per cent. It was proposed to assist co-operative societies, for the organisation of which a Union had been founded in Cairo in 1912, with funds from the Agricultural Bank, the scope of which was much restricted by the five-feddan law, and six societies and 40 unregistered groups were being financed from this source in 1918. There was at this time no special co-operative law, and societies were registered as companies, generally with limited liability. There were a few keen co-operators

who really understood the principles of the movement, and a larger number of uninstructed enthusiasts. These persons, and the unregistered groups of borrowers, might all have been led on the path of genuine co-operation, had not the war and the transfer of Lord Kitchener in 1914 diverted attention from so homely a subject. The societies and the Union consequently fell into unco-operative ways and gradually petered out. A careful and illuminating review of the existing societies in 1919, published in *L'Egypte Contemporaine* by Sadik Pasha Henein, traces 47 known, of which only 15 were then active ; the others had been either still-born or short-lived, some being " paper " creations, due to the misplaced zeal of officials. At that time two living societies had been in operation since 1910, one from 1911, the other 12 from 1913 or later. Their liability was in most cases unlimited, and continued for five years after a member's resignation, but despite this provision they were seldom able to obtain advances from the National Bank or the Agricultural Bank except with the personal guarantee of their leading men. The commonest defects were the following : control by a single individual, the payment of excessive dividends on shares, the retention of excessive cash in the hands of the Treasurer, the issue of large loans to a few persons, the grant of credit on the sale of goods, and a laxity in the recovery of debt. In a few instances misappropriation had involved a criminal prosecution. But it is not to be supposed that these defects were universal, or that they were not outweighed by striking merits. Associations of peasants had conducted without assistance for a number of years a beneficial work in the form of mutual credit, supply and sale ; many of them were lively and united, and had devoted considerable sums from their profits to education or local works of public utility. Arbitration among the members was encouraged. The weaknesses are precisely what we should expect to find if a movement combining economic and moral objects were left to drift, and Indian co-operators may usefully speculate on the proportion of their own societies which would be discovered in no worse a condition after nearly 10 years of neglect. The Central Union, to which a few societies had affiliated themselves, but which consisted chiefly of more or less co-operative individuals, had never been vigorous and was in 1919 entirely moribund. It had aspired to be a Central Bank, a wholesale society, and a propagandist union.

Five of the co-operatives examined by Sadik Pasha were still alive in 1924 at the time of my visit, and I was able to see two of them* Kom-el-Nur Society. Kom-el-Nur, dating from 1911, began with 225 members and £1,090 shares; in 1918 it had 472 members, and in 1924 there were 456. The share-money at the latter date was £2,720, with £3,011 Reserve Fund, and £ 812 as loan from the National Bank of Egypt. £5,158 was due from members for cash loans and goods supplied, much of this claim being long overdue, £800 was held in the form of seed and manure, £120 represented the value of the office, and £500 was in cash. The village is large and semi-urban, the public works of the society (a fire engine, two schools, street cleaning and a breeding bull) having ended in the formation of a Municipality; the management is in the hands of an able but ambitious President, and a surprise visit would almost certainly not reveal the ostentatious exactitude which is displayed after due warning.¹ But a brief examination of the accounts proved that the society is really functioning, though the machinery is clogged by arrears; the public advantages are undeniable, and critics may be asked to state whether they could have done better in the face of similar obstacles.

The Society of Sintamai is more analogous to those known in Indian villages. It was founded

Sintamai Society. now 124 of whom 118 own not more than 5 acres of land. The President is a good co-operator and is not the village Omdah (headman); there is an excellent secretary, and the committee meets frequently. General meetings appear to be rare, and the attendance on the last occasion was 40; and whereas Kom-el-Nur is engaged principally in purchase and sale, Sintamai deals more generally in cash loans. Its share capital is only £220, but the Reserve Fund has grown to £1,007; a loan of £400 remains out of an original sum of £1,200 borrowed from the Banque Misr, and Education and Charity Funds are more than £200. Loans (some of them bad debts) are nearly £1,000, goods sold on credit £265, share

¹ The Society is full of national feeling, against which I could bear no possible resentment. The vexation must have been on their side not mine, for the cries of "Gandhi and India!" ; "Suez Canal and Sudan!", with which I was greeted, showed that an "Indian" visitor of a different complexion had been expected. As for the speeches in Arabic delivered to me by the schoolboys, my Egyptian friend, who possessed a sense of humour, and for whose kindness I was most grateful, assured me that it was fortunate I could not understand them.

in the union £20, and a large sum in cash. The Society ia from time to time helped by the deposits of the President. It pays a dividend of about 15 per cent. Now this Society has worked for 14 years, without any kind of official or unofficial guidance except one visit from Sadik Pasha in 1919; the village might be a Punjab village, standing beside a canal, swarming with children and buffaloes, entered by a perilous lane. There are faults in the management of the society and errors in the minds of the members, but no one can deny that a rural population which unaided can produce and maintain a single such society, is capable with skilled advisors of setting up a first class co-operative organisation.

The need of supplying short credit to the small cultivator*—despite the temporary and dangerous prosperity derived from the war-boom, is still urgent. The rate of interest is theoretically limited by law to 9 per cent., but as always occurs when interest is limited by law, the restriction ia effective in the case of the Agricultural Bank and of Co-operative Societies and is blithely ignored or easily evaded by the money-lender.¹ Even the five-feddan law is evaded by a "*Vente a terme*," i. e., a sale with the right of buying back at the same price after a fixed period; at the end of the period the transaction is sometimes repeated for a consideration. Lord Kitchener in 1913 announced that further legislation would be introduced if necessary to meet evasions. A provision seems to be required to the effect that such sales shall be treated as mortgages under which the debt is extinguished at the end of the period, as in the Punjab Alienation of Land Act. The more effective the prohibition of five-feddan mortgages is made, the more imperatively is a form of controlled credit demanded. Advances of seed may be obtained from Government, but there are other requirements, and advances from Governments, issued or repaid through the hands of minor officials, are not always cheap. The sarraf, who is often a Copt, is said to feel himself a member of the village community, to keep the accounts of illiterate peasants and to be on their side as against the money-lender. That may be so, yet even the Copt must live. It is becoming more and more plainly recognized throughout the world that the

¹ Where the money-lender misses his opportunity certain Muhammadan headmea fill the gap. They lend in kind, stipulating for a return of double the weight in 6 months ; waiting until the thoughtless borrower has sold his crop, they press for payment, and aa a concession (1) accept repayment in cash instead, i.e., 100 per cent, after 6 months. I ha<\$ this story from a merchant and from a landowning Member of the Egyptian Parliament.

small farmer must have credit, that he is the prey of every other class, and that his only safeguard is to have the control of his credit in his own hands. When he has that, he will sooner or later obtain control also of the conditions under which he buys and sells.

The Egyptian Ministry of Agriculture is scarcely more than a year old,¹ and has a long road to travel. A Co-operative Act, based on that which was drafted in 1918, was passed in 1923, and is shortly to be amended in the light of further consideration.² It is modelled on the law of the French Syndicates, and creates a co-operative institution of a legal and strictly economic description, with little regard to the social and moral ends which co-operators have also in view. Societies may be for purchase and sale, with limited liability, or chiefly for credit, with unlimited liability. They may lend only for exclusively agricultural purposes. A society which conforms to the legal provisions of the Act *must* be registered on application, however perverse its constitution or its intentions. It can only be cancelled when the Registrar can convince a court of law that it is insolvent, is in disorder, or is engaging in religious or political activities. There are a series of excellent penal clauses,³ and a system of propaganda; supervision and audit of registered societies by an official staff is contemplated.

A Central Board, composed partly of representatives of the societies and partly of nominees of the Ministry, is to advise the Co-operative Department and act as a union until the societies are strong enough to build up their own organisation. It is possible that this Board may tend to outlive its own utility, and be reluctant hereafter to surrender its authority to a fully representative body; the members, whether elected or nominated, are not all likely to possess the fullest knowledge and spirit of Co-operation, and may endeavour to direct an inspecting staff which is wiser than they. India has been content to wait for the democratic unions and institutes which are now gathering strength.

The functions of a wholesale society will perhaps be entrusted at first to the Eoyal Agricultural Society of Egypt

¹ This predominantly agricultural country has only just set up an independent Ministry for that branch of its national life which is overwhelmingly the most important.

² For a rough translation of the French text see Appendix D.

» For minor criticisms see Appendix D.

(Sultanio Agricultural Society),¹ but a Central Bank will be founded by the primary societies so soon as possible. Meanwhile the Government is willing to finance them through the Banque Misr (the only purely Egyptian Bank), and the sum of £250,000 has been budgeted in the first place as a loan. Co-operators who have practical experience will agree that it is desirable (1) to finance the societies through a bank or other central body rather than directly from the treasury, in order to minimize the tendency of the peasants to look on the society as an organ of Government for which they are not responsible ; (2) to demand a reasonable rate of interest; free or over-cheap loans are demoralizing; (3) to withdraw all State money from the ordinary societies whenever they are in a position to raise their own funds, even at a higher rate of interest.

The success of the new movement will depend primarily, and almost entirely, on the quality of the inspecting staff. As Chief Inspector a genuine co-operator has been selected, who while keenly patriotic may be trusted to see through humbug. If the Inspectors are men in sympathy with the peasant class, drawn if possible from that class and ready to be sympathetic as well as upright, the material to their hand in Egypt is such as to justify a confident hope. Indian co-operators will watch the progress of Co-operation in Egypt with the warmest goodwill.

Note.

The Post Office Savings Bank was first instituted in 1901. The number of branches was increased in 19E2 under Lord Kitchener's directions as part of his credit scheme, and Banks were opened in every village in two provinces, and less generally in the rest of the country. In villages having no such office, the sarrafa were authorized to receive and repay deposits. The rate of interest was at the same time raised to 3 per cent.; the Egyptian peasant has as a rule no religious objection to receiving interest. Deposits in the Saving Banks are exempt from seizure for debt. Lord Kitchener hoped by this system of Banks to encourage thrift among the peasantry, and the following year showed an enormous increase in the number of accounts to 128,000, of which 57,000 were reported to have been opened by cultivators. In 1918

¹ As proposed by Dr. Ibrahim Rashad in his article in " L'Egypte Contemporaine " Volume XIV, page 50. Dr. Rashad is now Chief Inspector of Co-operative Societies in Egypt.

the Savings Bank? proper had 130,000 accounts of a value of £880,000, and the sarrafs had 59,000 accounts for £59,000. These figures showed only slight changes until 1920, when the Bank accounts were 144,000 and those operated through the sarrafs were 58,000. In 1921, however, the Bank accounts fell to 78,000, and the rural accounts to 720, and remained at approximately these figures in 1922. The value of the deposits rose, however, from £1,110,000 and £11,200 in 1921 to £1,350,000 and £ 11,650 in 1922. One is tempted to suppose that the reduction in numbers without a fall in value is due to the elimination of nominal accounts, and to wonder whether the nominal accounts were for petty items deposited in 1912 at the instigation of local officials, in order to demonstrate the success of Lord Kitchener's scheme ! I had no opportunity of ascertaining the truth.

About £1,000,000 of Savings Deposits is also held by Joint Stock Banks. The system would seem to be useful to the townsman, but not widely appreciated by the peasant. Indian experience is much the same.

DENMARK.

The important point to impress on Indian readers is that Denmark is a naturally poor country, in her soil, her climate and resources, her political position. She is rich only in the thrift and intelligence of her people. Less than 8½ millions of people bear a national debt of 1,200 million kr. and a mortgage debt to Credit Associations alone of over 3,000 million¹ kr., and the latter at least is a profitable debt. Her exports are predominantly (86 per cent, in 1923) agricultural, and she maintains in consequence a Free Trade system, only 80 per cent, of her taxation being indirect. In an ordinary year she imports grain and fodder, and exports animals and their products. Yet the balance of trade has been against her for many years, while she has been developing her land, the adverse sum being 357 million kr. in 1923. Under these circumstances her situation needs careful watching,² and the slump of 1921-22 hit her hard. Live stock had been heavily reduced during the war, swine falling by exactly half, through lack of foodstuffs during the war and heavy export to Germany after it. Now by far the

¹ 80 and 200 crores of rupees. The debt of the Punjab land, now about 37 crores of rupees, is nearly all unproductive.

² So much so that in addition to prohibiting the export of bonds of certain credit associations, of which the interest was payable in foreign currency, the Government actually guaranteed until 1923 a private bank (Landsmansbank) which was in difflculties.

greater¹ part of the Danish dairy produce is delivered to co-operative dairies, and an equal proportion of the swine are slaughtered in co-operative bacon factories. The strain* of the crisis therefore fell heavily on the co-operative movement, and while the Co-operative Potato Export Society failed and was liquidated, the Co-operative Dairy Export Society suffered large losses and was for a time in danger.⁹ The shock dealt by the war to this nation of small fanners on a poor soil could not have been met if they had not been closely organized both on professional and co-operative lines.

Danish farmers are organized on a professional basis in their agricultural societies. The Royal Agricultural Society dates from 1769, and claims to be older than the Royal Agricultural Society of any country except Scotland ; it now confines itself to the study of special agricultural subjects and has only 1,100 members ; the number was formerly greater.

The Agricultural Council, created in 1919, is elected by the Royal Agricultural Society, the Central Co-operative Committee and the Associated Agricultural Societies. It is the co-ordinating link between the various organisations, though without specific authority, and the representative of the profession towards Government and the public. It is financed by contributions from the chief co-operative bodies.

Out of 200,000 farmers in Denmark, 115,000 belong to the associated local societies. The latter occupied with all kinds of improvement, both by breeding, instruction, and experiment. The associated societies of small-holders with 80,000 members, are radical in sentiment, and though many small-holders belong to the agricultural societies, the small-holders' societies have never affiliated themselves to the Agricultural Council, preferring to retain their independent means of expressing their views.

¹ About 85 per cent.

* The reason assigned is that these secondary organisations were founded from above, and were not actively demanded by the primary societies, however beneficial they might be to them. The Association of Cooperative Dairies, which had large funds in hand, hoped by this means to sell dried or condensed milk in foreign countries and expensive machinery was purchased at war prices ; when the slump came, farmers would not stand by societies to which they felt no attachment.

The number of farmers who are co-operators cannot be ascertained. The Council records 9 types of Breeding Society, 6 of Purchase, 7 of Sale, 7 of Agricultural Improvement, and 5 of Insurance. The total number of members in all societies is somewhere between 1J and 2 millions, and since the total agricultural population is less than 1£ millions, and probably not more than 400,000 adult males who own land or houses are engaged in agricultural or semi-agricultural pursuits, we can only say that every Danish farmer is a co-operator, and most men belong to several¹ societies of various types.

In 1898 a sum of 5 million kr. was set aside by the State to found Loan Societies for farmers. They increased in number until in 1913 they were 168 with over 21,033 numbers. The State loan had then been exhausted. Loan* not exceeding 3,033 kr. were advanced to farmers for a period not exceeding 9 months, and it appears that within the limit of their funds they were not unacceptable; few men object to having done for them what they ought to do for themselves. The State would not, however, allow them to receive deposits for fear of competing with the Savings Banks. When therefore the war brought the farmers a temporary surplus of cash, these societies were found to be inert, and since the funds belonged entirely to the State, the loan was withdrawn, and the societies were all closed. The disease of Loan Societies is epidemic in many countries from time to time,²

Shortly before the collapse of the Loan Societies* two other movements were started for rural credit, proving that the Loan Societies were only perverted, not superfluous. The Co-operative Bank of Denmark was founded in 1914 in the northern market town of Aarhus, and in 1915 the first Co-operative Credit Societies came into being in the villages. These societies are of unlimited liability, and aim at the grant of loans, often in the form of a cash credit, to their members, the encouragement of thrift by the receipt of deposits, and the financing of other local co-operative institutions. Their profits may be distributed, after provision for the reserve, to both borrowers and depositors in proportion to the interest

¹ Unlimited liability is accepted by Danish co-operators in more than one society. Though this is legally unsound, it is explained that no practical difficulty has arisen. It is more dangerous in a credit society than elsewhere.

² Many of the Irish Loan Societies are believed to be moribund or extinct.

which they have respectively paid and received during the year, but most of the societies have hitherto preferred to carry all profits to the reserve. Their by-laws originally provided that they should all become members of the Co-operative Bank, should borrow from and deposit with the Bank, and submit themselves to the Bank for audit and for guidance in all important matters. The number of societies had risen to slightly over 100 in 1922, when the Co-operative Bank demanded that the primary societies should submit themselves to the regulations of the Bank Act (which does not apply to such societies), and on their refusal to do so broke off the connection. A group of societies then formed a Union at Kvæindrup in the island of Fünen, and employ an auditor; but the majority of the societies are isolated and their future is uncertain. The Co-operative Bank has now 100 branches in different parts of the country and is in active competition with them. The constitution of the societies is genuinely co-operative on the Raiffeisen model. They borrow occasionally from the Bank at 8 per cent. and receive 5 per cent. on deposits; they claim to have deposited 2 million kr. in the Bank, but the latter describes their deposits as insignificant. The societies sometimes take mortgage security, which is probably unwise of them.

The Co-operative Bank was transferred from Aarhus to Copenhagen in 1919, and has branches all over Denmark, especially in Jutland, where the co-operative trading societies are most advanced. It deals both with institutions and individuals, taking from the latter a real or personal security or both. The borrowers incur no joint liability. Loans are given without fixed period, and may be recalled at 14 days' notice; usually, however, they run on for a long time. The interest is 1 per cent. above Bank rate, plus 1 per cent. for commission.¹ They are supported in most cases by an indemnity-bond, which though not creating a mortgage has the advantages attendant on a mortgage, since no suit is required for seizure of the land of a defaulter, but possession may be taken directly in execution. The legal maximum interest on a mortgage is 6 per cent, but this will not apply to an indemnity bond.¹ If a borrower's land is mortgaged to a Credit Association, he will be required

¹ Consequently if Bank rate is 5 per cent., the debtor of the Co-operative Bank will pay 7 per cent. (The Credit Societies said they paid 8 per cent). The futility of a legal maximum for interest is a lesson slowly learned.

to give personal sureties. If discounted bills be included, the sums due to the Bank from individuals exceed those due from societies. The fixed deposits are held almost entirely from individuals, while the deposits at call are equally divided between them and the societies. Two-thirds of the share capital, on the other hand, has been subscribed by co-operative bodies and some of the Savings Banks. As regards management, the local members in each district elect delegates, about 300 in all, who in general meeting appoint the auditors and choose a managing committee of 25. The latter elect a Board of 5 Directors, who in turn appoint 2 Managers (not from their own number). The local member is thus removed by several stages from the executive officer. The local members have no control over the branches of the Bank in their districts.

The balance sheet at the end of 1928 amounted to 197¹ million kr. of which 16 million kr. was share capital and 127 million kr. deposits; it held 25 million In*, of securities (chiefly of the State and of Credit Associations) and had 115 million kr. on loan, of which 12 million was against mortgages. The reserve fund in 1921 amounted to 3 million la*, but a serious loss of 4¹ million kr. on account of the Dairy Export Society had swept this away, caused the Bank to pass its dividend in 1922 and again in 1923, and still left it with a loss of 2 million kr. to carry forward to 1924. This loss will no doubt soon be made good. Under the by-laws one-fourth of the annual profits must be carried to reserve, and half paid out as dividend on shares; the remainder is allocated as the general meeting may decide. There is no limit of dividend. The Bank is inspected by a State Inspector of Banks who was appointed in 1919, and who visits every bank at least once in five years. An investigation made by him in 1923 on account of the loss incurred through the Dairy Export Society satisfied the public as to the Bank's stability.

The Co-operative Bank of Denmark is clearly an institution of high financial value and of a not particularly co-operative constitution; it is not a model suitable for imitation in India.

The Savings Banks are 535 in number, of which about

Savings Banks in towns town Savings Banks districts, Whereas
in villages and in hold 1,400

¹ 13 crores of rupees.

million kr. of deposits, the rural Banks hold only 250 million kr. Agriculturists are, however, in many cases eligible for loans from the urban Banks. They lend for short periods (often six months) against real or personal security, and will renew from time to time to satisfactory clients, adjusting the rate of interest to the market rate on each occasion. The borrowers have no control over the institution. Their funds are invested in securities, mortgages, and advances to municipalities and to individuals on personal guarantee. It is open to a farmer to deposit in a Savings Bank the bonds received by him from a Credit or Mortgage Association, in support of a cash credit account ; and it will pay him to do this when the Bank rate is low. He may likewise approach a Savings Bank directly either for a mortgage loan or for a cash credit account, with the advantage of comparative privacy and the inconvenience of uncertainty. The mortgage loans of the Savings Banks in 1922 were 750 million kr., both urban and rural, and 500 million kr* was in the form of other advances to local authorities and individuals. These Banks are non-official, and have either share-capital or a foundation or guarantee fund ; they are legally restricted as regards the distribution of profits to the owners of their capital, and are subject to official inspection, but are otherwise independent. Their service to Co-operation is less than in Norway and Sweden, since the Co-operative Bank holds the field: they also collect rural savings, though less than in those countries.

NORWAY AND SWEDEN.

There is in Norway an Agricultural Council similar to that of Denmark, an ancient Agricultural Society which takes a keen interest in Co-operation and maintains a special committee to promote the cause, and County Agricultural Societies, larger and fewer than those of Denmark, co-ordinated in the Council with the Norwegian Farmers' Union and the Small-holders' Union ; the two latter are professional and semi-political bodies. There is no Central Co-operative¹ Committee or Union. In Sweden there is at present neither an Agricultural Council nor a Central Co-operative Committee. The County Agricultural Societies (which draw a generous income from the revenue accruing to the State from the Jiquor trade !) are federated in a general Agricultural Society ;

¹ The Central Co-operative Committee of Denmark includes the consumers.

and the Co-operative Societies adhere to the semi-co-operative Swedish Farmers' Union. The small-holders do not appear to hold a separate position, and this is in accordance with the Swedish genius for uniformity and order.

Co-operation in both countries follows the Danish plan
 Credit Societies. slaughter houses, egg societies,
 Credit Societies. timber mills, and co-operative purchase
 of all kinds. The societies for purchase of peat, both for fuel and as stable litter, are a peculiar feature. Reference will be made to societies concerning cattle in a later chapter. Credit is on the whole a neglected branch in Norway ; such societies as exist date from about 20 years ago, and lack any conspicuous¹ central body. The other types of society are financed either by Joint Stock Banks or by the Savings Banks. In Sweden the credit societies have been placed on a more regular footing and are encouraged and recognized by the Ministry of Agriculture. At the end of 1923, 131 societies with 6,800 members were federated under four Central Banks, and had 7,500,000² kr. on loan while holding 3,000,000 kr. of deposits. The Swedish society is fully co-operative and professes to be modelled on the German, but it is developed in an interesting and novel manner. A member takes a share of 10 kr. for every 25 acres on account of which he "enters" the society; his borrowing power on every such area is 2,000 kr., and his liability 3,000 kr. He may "enter" for a smaller area than he actually possesses, his borrowing power and his liability being restricted accordingly, but may not enter for more than 250 acres with a borrowing power of 20,000 kr., or for more than one-tenth of the total area for which all the members have entered. His borrowing is usually on the cash credit plan, but the democratically elected committee is free to restrict him ; loans may be taken for productive purposes only. The societies take deposits from members and pay a limited dividend on shares. In
 * addition to the fixed liability, a levy may be made on the members to meet losses, to an extent of 5 per cent, of their borrowing powers in any year. The membership and liability of the primary in the central society is similar to that of the individual in the primary society. Central Societies, which have no individual members, receive deposits from non-members also, borrow from Savings Banks and other ia-

¹ I had not time to do justice to this question in Norway, and may be maligning the credit societies.

² Rs. 75 lakhs.

stitutions, and discount the bonds of their constituents in the Bank of Sweden. The movement, which was only regularized in 1915, is still growing and with the Swedish talent for organisation should be valuable and secure.

The Savings Banks which play a more prominent part in the finance of Scandinavia than of many other countries, are private institutions under a semi-public control. In both Norway and Sweden they have existed for just over a century, and numbered (in 1922) 572 in Norway with a capital of 2,500 million kr. and 491 in Sweden with 2,243 million kr. Two out of every three persons in Norway, and two out of every five in Sweden, are depositors, many of the accounts being of 20 kr. or less but the majority between 200 and 500 kr.; they represent therefore the small savings of small and thrifty men, the increase in deposits during the war having been particularly rapid. The Norwegian Savings Banks at the end of 1921 held 11 per cent, of their funds in the form of cash in hand or in other banks, and 15 per cent. in investments of a readily realizable description; 16 per cent, was lent against mortgages, 30 per cent, against bills of trade, and 23 per cent, in cash credits. Their clients include co-operative societies of all kinds, many of which are financed from this source. In recent years there has been a marked increase in the cash credits and in the holding of cash and securities, while mortgages and trade bills have declined. Two hundred of the leading Savings Banks are affiliated to a Central Association.

The Swedish Savings Banks are now governed by a law of 1923, which came into effect from 1924. They are exempted from property tax, and only liable to income-tax if their reserve fund exceeds 5 per cent, of their deposits. An official nominee, half of whose salary is contributed by the Banks, exercises a general control over their proceedings and makes an annual inspection; the by-laws require the approval of the local authorities, and a Bank may be compelled to include in its managing committee a certain proportion of persons drawn from the local council. In some of the older banks a foundation fund was subscribed by the original promoters, and in all new banks the creation of such a fund, with a dividend limited to 6 per cent., is to be compulsory; a further "security" fund with a limited dividend may be raised from the

members of the committee. There are usually no shareholders unless the founders be so regarded, and neither the founders nor the borrowers control the working of the bank or the appointment of the committee, which renews itself by co-option as its members retire in turn. The reserve fund on liquidation must be applied to an approved public purpose, and since the dividend to the founders is limited there is little inducement to any member of the committee to pursue a selfish end. The committee elects a smaller committee of Directors. The chief functions of a Savings Bank are to receive deposits at interest and to borrow from other banks on occasions of need. No depositor may draw interest on more than 30,000 kr.,¹ and the total deposits may not exceed 50 times the owned funds of the institution (foundation and security and reserve funds) plus the cash in hand or a call. They may invest in approved securities (including those of the Mortgage Bank), or lend to local bodies, or take mortgages not exceeding 50 per cent, of the value of a property; and may lend in other ways up to the amount of 12½ times their owned funds. But loans to societies of co-operative credit² if for not more than 1 year, are excluded from this calculation. The cash and short-term investments must be 10 per cent, of the deposits. Penalties are imposed by the law on members of a committee which transgresses these provisions. From this account it will appear that a Swedish Savings Bank resembles a Co-operative Thrift Society in the Punjab in many features, though the latter invests its funds in a Central Bank more than in loans. A Thrift Society differs in being controlled by the depositors, whereas a Savings Bank is not controlled by them.

Of the 491 Banks in 1922, 342 were rural; prior to 1866 they were to be found only in the towns. Out of a total balance sheet of 2,243 million kr., 2½ million kr. were foundation funds and 123 million kr. reserves. Mortgages were held to the extent of 1,130 million kr., 521 million kr. were invested in securities, 325 million kr. in trade bills or personal bonds, and 129 million kr. in loans to local bodies and co-operative³ societies. The mortgages are said to be largely urban, but this statement appears to count

¹ The original limit was 1,000 kr.

* Few such loans have been given in Sweden or Finland and the societies have made their own Central Banks. In Norway the Savings Banks do finance Co-operation.

³ The exact sum with societies is not known.

as urban the mortgages taken from small-holders who build houses on their small-holdings in the immediate vicinity of towns. The rate of interest paid on deposits is 4J per cent., and that charged on mortgages is 5J per cent, and on other loans 6 per cent. Mortgage business is said, contrary to the experience of Norway, to be increasing at the expense of other loans. It is suggested that the Savings Banks should open current accounts, and use cheques which they would cash for each other ; the new law does not contemplate such an extension, which would bring them into the field of Joint Stock Banks. It is, however, desirable that they should wherever possible remain open on every day ; some of the rural banks are open for one day, and others for only two or three, in each week. A Savings Bank offers to a farmer the advantages of informality and accessibility for purposes of borrowing; he has no amortization instalments to pay, and will sometimes obtain lower interest ; on the other hand he will pay higher interest when the Bank rate rises, if his Savings Bank is indebted to the Bank of Sweden ; and if he does not amortize his debt by instalments, he may fail to practise thrift.

A Central Association of Savings Banks exists in Sweden also. It is a representative and not a financing body, co-ordinating their activities and watching their interests in matters of legislation.

The Savings Bank of Stockholm City will exemplify much of what has been said above. There is no foundation fund, but deposits at the end of 1923¹ were 149 million kr., and reserve funds 7½ million. Seventy million kr. were invested in securities, of which 13 million were in bonds of the General Mortgage Bank, and 82 million in loans, including 02 million in mortgages on property in Stockholm. The Bank works also in the surrounding country and has lent 775,000 kr. to 10i small-holders who are settling on land. Loans have been given to 70 per cent, of the value of a property, but under the new law this proportion will have to be changed to 50 per cent. Deposits are taken of not less than one crown at a time, and interest will not be paid on more than 20,000 kr. One month's notice is demanded (as provided in the Uiw) for withdrawals up to 1,000 kr., two months for 2,000 kr., 3 months for 5,000 kr., and

¹ It was founded in 1821.

6 months for a larger sum ; but in practice the Bank pays out at short notice. There is a self-renewing committee of 48, which elects eight Directors.

This inquiry into Savings Banks was conducted in order to throw light on a branch of rural credit rather than to support a preconceived theory. It illustrates the possibility of collecting large sums of savings from the countryside by means of local thrift institutions, whether co-operative or other, if countrymen can be persuaded to save in cash instead of in ornaments and to invest instead of hoarding. In India where the grant of uncontrolled credit to peasants is dangerous, such institutions, if not themselves co-operative and able to control the use of the money, will be able to invest it, in one form or other, in co-operative institutions which *can* control the borrower. The Co-operative Thrift Societies of the Punjab are in the hands of their depositing members, and if they lend, lend only to them ; it is inadvisable to follow the Scandinavian example of lending directly to individual non-members, since Co-operative Credit Societies are sufficient for the peasant's daily needs and Co-operative Mortgage Banks will supply long-term loans under prudent control; but there is every reason to hope for the successful collection of rural savings, and Scandinavia shows how much can be effected.¹

IKELAND.

I. - THE FREE STATE.

To obtain or make an accurate statement about Ireland, never a simple task, has been rendered
General conditions. still more hazardous by the division of the country into the Free State and Northern Ireland; constant confusion arises from a comparison of figures taken from records prior and subsequent to the partition. Subject to this proviso, the area of the Free State is now 17,000,000 acres, of which 14,500,000 are devoted to crops, permanent pasture, light grazing and woods, while the remainder is not productive for agricultural purposes. Of this productive area only slightly more than a quarter is under crops and hay ; pasture and mountain grazing account for nearly all the remainder. The Free State is therefore predominantly a country for live-stock, whether for dairying or for meat, and this continues to be the position although some 300,000² of the

¹ The funds of British Friendly Societies, which like the Punjab Thrift Societies, work in both town and country, were £ 32½ millions in 1922.

* I am rounding the figures.

450,000 holdings have been transferred to the ownership of small farmers under the various Land Purchase Acts from 1870 to 1909. The average size of a cultivated holding works out at 32 acres, but the minority report of the Free State's Commission on Agriculture says that two-thirds of the holdings are between 1 and 30 acres. The number of milch kine (about 1,205,000)¹ is 38 per 100 persons, but the yield of milk does not average more than 420 gallons (1,680 sers) in a year. A few selected animals give 800 gallons, and the milk-testing associations now contain 35,000 cows, or 3 per cent, of the total number.

There is no prospect of such an industrial development in the Free State as will throw her agriculture into the shade ; 75 per cent, of her exports at present are of agricultural produce, and though the rural population fell by 23 per cent, in the 30 years ending in 1911, and may have fallen a little more since then, the establishment of 450,000 cultivating owners (and voters) on the land will secure to agriculture its importance and a measure of consideration. In fact, the attention of the new Government is being directed principally to the rural interest, and their very liberal² Land Purchase Act grants to the remaining tenants a right of purchase at a capital figure representing a substantial reduction of their rents as fixed by the Land Courts. The cultivator has suffered severely from the fall in prices, and was believed to receive for his produce in 1923-24 only 40 per cent, more than in 1914, while paying 80 to 100 per cent, more for his requirements. The area under tillage fell by 25 per cent, from 1881 to 1911, and corn crops in 1922 covered scarcely more than 1,000,000 acres, of which four-fifths were under oats, while green crops and roots fell to 730,000 acres ; hay meantime is increasing, and it is evident that the small farmer has not yet been convinced that he can more profitably maintain his dairy cattle, still less his fattening stock, on tillage than on grass. The Commission states that farms of less than 50 acres extent carry 14 cows to 100 acres, while farms above 100 acres carry 6 ; the latter feed more sheep but fewer pigs and poultry. The small farmer is a raiser of stock and a dairyman, and though

¹ The majority of the commission give 1,470,000 «for all Ireland in 1921, and the northern area now has 265,000.

• More liberal than that which has been drafted in the North, hence some discontent among the Ulster tenants.

it is desirable that he should grow roots and fodder rather than graze his animals, to demand more grain, as the minority of the Commission do, is a waste of breath.¹ On the other hand there are areas of rich pasture in the centre of the island, and of poor pastures on the west coast, which most farmers will admit to be suited to grazing only ; they will grow only a second or third-rate crop under the plough, and if these are to be chopped up into small farms, the fattening of stock on a commercial scale will come to an end, to the country's loss. Economically the best course would be for the farmers to whom they are allotted, to lease them in common on the co-operative method, but Ireland is not in this mood, and political pressure will probably cause them to be divided. Economically therefore the Free State has to live by her agriculture, and principally by export of livestock and their products. Her problem, like that of Denmark, is how to effect this in a community of small farmers, who are not progressive, nor always at present industrious.

The report of the Irish Agricultural Organisation Society for the year ending in March 1923 is on the whole a depressing document, though it is in no way surprising that the slump of 1922 should have involved the co-operative movement in difficulties. The total of registered societies was 1,022, including 340 dairies (usually called creameries in Ireland), 389 purchase societies, 121 of credit, and 68 of farming (landholding). Only 551 of these however were audited² by the Irish Agricultural Organisation Society during the year, the societies being free to use other audit agencies if they prefer, and the Agricultural Organisation Society by every form of inquiry was only able to collect or estimate figures for about 100 of those which it did not audit. Nearly 400 of them are supposed to be dead or moribund. The 600 active societies carried on a trade of slightly over £7 millions, a million less than in 1922, but the fall in prices will account for the difference. It does not seem useful to examine

¹ They propose that the maximum size of a holding be limited to 100 acres, or 200 acres if 16 per cent. of the land is under the plough. They also wish to forbid the 11 ninths' lease by which the Irish owner prevents his lessee from acquiring a tenant-right, but do not explain how the prohibition can be enforced. A simpler course, since the tenants have become owners, would be to abolish tenant-right.

² The funds of the audit department of the Society have now been separated from those of the general branch, and the audit work, which usually shows a profit, will proceed independently.

the figures of each class in detail; the dairies do three-quarters of the trade, and the Agricultural (Purchase) Societies most of the remainder. The former are able to attract better managers than the latter, offering higher pay and better housing to men who have sometimes received a good education and are often semi-urban in outlook. The dairies have also expanded in the field of other types of society, engaging in purchase and even in credit, though the inclusion of this branch was not originally contemplated in their by-laws. It is possible that the General Purpose Society, which is still regarded as the ideal by Irish co-operators, may be attained in many places by allowing the further widening of the dairy's functions; the business of dairying however tends to suffer if the manager gives his attention to other branches, and some managers argue that this duty, for which they are not trained, should not be laid upon them. Moreover as regards sale, the tendency of co-operators to-day is towards a separate organisation for each commodity. Several of the dairies were in a state of suspension as their premises had been destroyed in the disturbances of 1920, and a number of others had for various reasons ceased to work. The active societies were in a state of very fair prosperity, considering the agricultural and political crises through which the country had passed. The purchase societies lost a little ground, and suffer from the apathy of members and their reluctance to pay their dues and provide the necessary capital.

The Credit Societies, which might, have remedied this latter defect, are in low water; 66 out of 121 are working, 55 being at a standstill and only 53 out of the 66 having supplied an annual return. The total number, which in 1915 was 225 societies, had fallen in 1924 to about 100, and some of those which remain will be liquidated. There is no reason to anticipate losses in liquidation; the cause of failure is the indifference or ignorance of members rather than their insolvency. One trouble is that the larger farmers dislike the publicity of the society and prefer to borrow from a Joint Stock Bank, which also does not involve them in an unlimited liability; while the smaller farmers and peasants cannot without their help collect the required capital or offer a guarantee which will satisfy a bank. The Central Co-operative Bank has ceased to function and had never much support. The societies drew half their total funds from deposits, but as is found

in India, the deposits are received by only a few trusted societies. The prohibition against trading by credit societies is no longer enforced by Government, and some of them may have been saved by an extension into this field; an adoption of limited liability, whether with or without trading, may induce the larger farmers to join them, but the situation is at present doubtful. The Commission on Agriculture appointed by the Free State Government reported in 1923 in favour of State encouragement to the movement, and recommended that in view of the educative influence of co-operative credit a portion of the grant given to the Agricultural Organisation Society should be devoted solely to this branch. It would not be unreasonable further to suggest that the National Land Bank should be invited to finance such societies, and that the Registrar of Friendly Societies should be urged to take more vigorous action¹ against those societies which fail to submit annual returns. Another class of members who might be brought into the societies are the agricultural labourers; their number is estimated at 150,000, and they have 12 semi-urban societies of a special type, while they enter other societies from time to time. A campaign would no doubt bring in more, but campaigns cost money, which the Agricultural Organisation Society lacks. The universal complaint at present is that members *have* money, either hoarded in their homes, or lying on deposit in the Joint Stock Banks, but cannot be induced to bring it out, even to pay their legitimate debts to their societies; the disturbed state of the country in recent years will be the principal cause of this shyness, and only peace and good government can overcome it.

The Commission on Irish Agriculture also proposed that the existing Loan Fund Societies be converted into co-operative credit societies, and the functions of Government with regard to them be transferred to the Irish Agricultural Organisation Society. Societies of this kind came into existence nearly 100 years ago and were controlled by a Loan Fund Board,

¹ The Registrar has only a small grant for legal expenses, and if he prosecutes a defaulting society, the Court imposes only a trifling fine. Consequently he tends to do nothing. Registrars complain of the Courts in all countries, but the object of prosecution is not to increase the income of Government from fines, but to annoy lazy societies, and repeated prosecution will do that. The Registrar should be given money to annoy them. In some quarters however it is suggested that the Registrar's powers be transferred to the Agricultural Organisation Society. It seems hardly possible to do this, but societies could be required to work through the Agricultural Organisation Society as his agent, and fined if they fail.

the duties of which were handed over in 1915 to the Department of Agriculture. The funds are raised by deposits and small debentures (of £20 and over), and loans for 20 weeks are given up to £10 to borrowers who are not members and who repay by weekly or monthly instalments. The control is in the hands of the founders and debenture-holders. No inquiry is made as to the object of the loan, a second loan may not be granted to a person who has not fully repaid the first, interest for the full 20 weeks is deducted in advance from those who will repay by weekly instalments, and fines are imposed for default. By this method the borrower cannot be fully financed and has no sense of responsibility for the society's welfare. The Department of Agriculture has considerable authority in the model rules with regard to the employment and removal of staff, the approval of officers, and the rate of interest. In 1915 when the Loan Fund Board was abolished there were 51 societies with £170,000 capital, and 28,000 loans were given during the year; in 1901 the capital had been £216,000 and loans to 42,000. The number of societies in 1924 was 36, and many of these are believed to be moribund or extinct. It would appear to be simple to transform the survivors into co-operative societies, but borrowers who have been trained to a benevolent but misguided system of credit may prove slower pupils in co-operation than those whose creditor has been unmistakably free from altruism.

The accounts of the Irish Agricultural Organisation Society for the year 1923 show £5,000 excess of expenditure, and nearly £800 net balance of deficit. The annual fees demanded from affiliated societies are extremely small, but are not loyally paid, and the Agricultural Organisation Society has made both ends meet in previous years by grants¹ from Government, donations from co-operators and a reduction of inspection and propaganda. A grant is being given in 1924 also, but owing to the state of the public purse, and to the ease with which political capital can be made out of official support to any movement, however beneficent, the advisability of the grant has been called in question though the continued support of the Agricultural Organisation Society is recommended by the Commission on Agriculture and the value of co-operative organisation and education

¹At the rate of £2000 every £3 subscribed by agricultural societies. Punjab co-operators receive for their Union from the Government grant of about Rs. 2 for every Rs. 9 subscribed.

to an agricultural community can hardly be over-estimated. The movement was started by non-farmers; but so also was agricultural co-operation in practically every country, and the societies have abundant opportunity to elect farmers to control their central organ now if they will. The Irish Farmers' Union is more friendly to Co-operation than the similar body in England, and if the Agricultural Organisation Society is compelled to restrict its work through lack of income, the Irish countryman will pay the price.

The Wholesale Society is also passing through a period of stress. Unwise credits and purchases of stock in 1922 and the years preceding led to heavy losses, which with careful management can be made good. The English Co-operative Wholesale Society has a few urban stores in Ireland in its charge, but makes no attempt at expansion and leaves the field to the Irish Agricultural Wholesale Society. There is a Co-operative Agency in Limerick which sells the produce of a few dairies but is not extending its co-operative business. The Farmers' Union is favourable to the Agricultural Wholesale Society and a closer co-ordination between the local branches of the Union and the local purchase societies, wherever a dairy cannot undertake all forms of purchase and sale, would perhaps result in an economy of management and an increase of custom. The Agricultural Wholesale Society has now received further credits from the Joint Stock Banks¹ in return for the admission of their representatives to its Board of Directors, and is abandoning certain minor departments of its work, while seeking to extend those which are most profitable. Five out of six societies which deal with it are its affiliated shareholders and are being urged to finance the Wholesale with additional capital, to pay up their debts for goods supplied and to give their full business to it; at present they give only 30 per cent. If the turnover is raised to a figure well within the means of the societies, the Agricultural Wholesale Society will flourish and benefit its constituents. If their lack of loyalty drives it out of the field, they will be obliged to resort to less sympathetic agents. What is evidently needed and is recommended by the Commission on Agriculture is a "binding rule" both in the Agricultural Wholesale Society and in the local societies, compelling members, both societies and

¹ Including the National Land Bank; this sets up a certain State control over the Wholesale Society.

individuals, to buy their equipments from the wholesale or the primary institution to which they belong; there will then be less danger of an order being cancelled or goods being subsequently refused because an ingenious competitor has made an offer which either is or appears to be more favourable. The entire custom of a few members will be a more secure foundation than the partial custom of many. Another demand of the Agricultural Wholesale Society and the Agricultural Organisation Society is that co-operators shall attain, and be forced by Government to attain, a higher standard of uniformity and quality. This appears to be a function of the State which by legislative action can insist on the standard, and Bills for the marketing of eggs and for the establishment of a National Butter Brand were to be laid before the Free State Parliament in 1924. Consignments are to be indelibly marked by the shippers, the responsibility of accepting only good eggs being thrown on him,¹ but it is not yet thought practicable to have each egg marked as in Denmark with a precise number which in case of a defect will identify not only the offending farmer but also, if he shifts the blame, the guilty hen. The Dairy Produce Bill provides a brand for dairy butter only; the butter of private farmers, who are not likely to export to other countries and bring Ireland into disrepute, is neglected. Dairies are to be inspected, particularly with a view to ensure cleanliness and pasteurisation, and there will be an examination at the ports, while local committees and a Central Committee of Experts will arrange for laboratory tests. The maximum proportion of moisture is 16 per cent, but there is to be no grading for quality, provided that this rule is not infringed. The Bill, though offering an improvement on the present lack of regularisation, clearly leaves scope for future legislators. Every such regulation of the standard of goods contributes to the success of those merchants and agents, such as the Agricultural Wholesale Society, who aim at the highest standard, since their less conscientious rivals are no longer free to enter and spoil the market which their integrity has won.

II.—NORTHERN IRELAND.

The six counties of Ulster which are under the Government of Northern Ireland include 8,150,000 acres of cul-

¹ The Free State Government has also power to make local seizures under the ordinary law, and will not be severe on a shipper who does his best to help them. Shippers do not want to ship bad eggs.

tivated land, with 129,000 farms; 99,000 of these are below 80 acres, and perhaps 94,000 or 73¹ per cent, are below 25 acres. Under the various Land Purchase Acts some 85,000 of these, covering nearly 2,000,000 acres have been transferred to the ownership of cultivators, and 20,000 or more remain, with an acreage of perhaps 1,000,000 acres, to be handed over. The process of Land Purchase has been slower in Northern Ireland than in the Free State because the tenant farmers, for whatever reason, were on better terms with their landlords, prospered better, and were in the habit of paying their rents. A Bill has been drafted by the Northern Parliament to complete the transfer. There is no area of specially good or bad land, as in the Free State, which would be obviously more productive under a system of large management for grazing than in the hands of small men, and the entire remaining land of the former big landlords will now pass into small farmers' hands.

The distress of agriculturists has to some extent been mitigated in 1921 by a special grant
 Small farming. in aid of their rates, as recommended
 by a committee appointed to report on the subject. There is however a demand on the part of the farmers here as in the Free State, that the Government should charge the up-keep of roads and asylums to its own funds, relieving the local authorities of a burden which is not solely local. The same policy of enforcing standards for exported goods, whether by legislation or agreement, is pursued in both States, and it is obvious that whatever the territorial divisions may be, the reaction of the policy of one upon the other will compel them to follow one path in agricultural and many economic matters. The area under crops (including hay) in Northern Ireland is only 36 per cent, of the cultivated, and while the number of cattle and horses has for some years been stationary, that of sheep and pigs has advanced. The recovery from the agricultural crisis, and the increase of small farming owners under the new Act, are likely to reduce sheep-grazing for the benefit of other stock. The number of milch kine is 265,000,

	Per cent.
¹ Denmark	52
Norway	92
Sweden	70
JCgyir*	98.5
#maiali	94

giving a ratio of 20¹ per 100 persons, and the estimated average yield of milk is 450 gallons or 1,800 sers per annum. Some 6,000 cows are under test, but no conclusion can yet be based on the returns from so small a percentage.

Broadly speaking, agriculture in Northern Ireland pays, and the farmer is thrifty; there is no reason to suppose that the cultivating owner will so mortgage his lands, even when he has paid his annuities and acquired full ownership, that the land will pass out of his possession. Mortgage credit if required for improvements can be obtained from Government or from Joint Stock Banks, the terms offered by the former being sometimes more favourable but the procedure of the latter simpler and quicker. Corruption is not an evil with which European Governments have to contend in a question of this kind. The land-purchaser under the new Act will be able to mortgage his land, with official permission, up to 20 times the annuity, instead of 10 times as in the preceding Act, and it is in some quarters suggested that even this limitation be removed, though there would then be a possibility of injudicious borrowings. In any case there is no necessity for a special mortgage institution unless and until there should be introduced a far more intensive agriculture; and even this, if the change be gradual, can be financed from savings. There is no great surplus of landless men to be settled; nor until the bogs are drained, is there any surplus land for them. A landowner having more than one son ordinarily leaves his land to one only, making a grant in cash to the others; the grant is of a smaller value, as a fraction of the property, than in Scandinavia, and can be paid by himself or his heir in a term of years.

Co-operative credit societies in Northern Ireland are scanty and feeble. The Irish Agricultural Organisation Society in 1922 had 9 on the register, but the Ulster Agricultural Organisation Society has no knowledge of them, and they have taken no steps to affiliate themselves. There is no reason to suppose them insolvent. The example of England may cause Ulster to pass an Agricultural Credits Act, but it is doubtful whether direct loans from the State

	Per cent.
¹ Denmark	4 1
Norway	2 7
Sweden	2 7
Egypt	9
Punjab	2 G

are needed; what is wanted is propaganda, education, and {Continual inspection, which can be secured by a grant to the local Agricultural Organisation Society.

The Ulster Society was separated from that of Ireland, by agreement between the two bodies, ~~The Ulster Agricultural Organisation Society.~~ jji September 1922. Out of 141 societies (78 Dames and 63 Purchase) in the transferred district, 14 have been closed, and 87 of the remainder had affiliated themselves by July 1924. The problem for this Organisation Society also is one of finance. The turnover of the societies is £1| millions, but they are not loyal in making their annual payments, and the Government has followed the example of Great Britain in withdrawing the grant hitherto made, though making a new grant to the Ulster Farmers' Union. Closer connection with the latter body is indicated, but the Union represents chiefly the bigger¹ farmers and is not fully co-operative in spirit. The Government will no doubt use the Agricultural Organisation Society for the promotion of specified agricultural objects and will make grants *ad hoc*; it then remains for the societies if not too shortsighted, to support the institution for the advantage of audit and general inspection. Relations with the Farmers' Union are often intimate in the counties, and agricultural supply is undertaken sometimes by one, sometimes by the other ; it ought not to be impossible to form a co-operative and independent local society under the auspices of the Union. The agricultural societies which were affiliated to the Irish Agricultural Wholesale Society in Dublin have not been separated from it, but impediments may hereafter be created by the tariff. A further unfortunate circumstance is the creation of a commercial agency by the Ulster Farmers' Union for supply of agricultural requirements. If this had been organized on the co-operative principle it might have taken to some extent the place of the Agricultural Wholesale Society and worked in alliance with it. As it is, a non-co-operative body can in the end only result in harm to the cause of Co-operation and eventually of the farmers.

Tho control of butter, for which legislation has been planned in the Free State, is here to be arranged by a voluntary scheme; the Control of exports.

¹Hero, as in the Free State and in England, the Farmers' Union presents at times the appearance of an Kmployers' Union confronting the labourer. It does not and never mil represent tho entire agricultural body.

trade is organized in dairy centres, and while Government supplies to them the information at its disposal as to prices and markets, and marks with a semi-official brand all approved consignments, the dairies are to submit their consignments to examination, and to send samples for analysis on receipt of a "surprise" telegram. The system is voluntary, but two-thirds of the dairies are carrying it out, and those which neglect to do this are likely to lose the foreign market. The standard imposed is the same as that of the Free State, but here also there is as yet no attempt to *grade* the produce, which has only to comply with certain minimum requirements.

For eggs a special Marketing of Eggs Act has been passed, providing for the licensing of shipper?, the registration of storage premises, and the marking of all consignments of preserved eggs; premises are liable to inspection, and it is expected to receive from intelligent shippers such a measure of collaboration, in their own and the public interest, as will maintain the good name of Irish eggs abroad and prevent the sale of dirty or stale eggs, whether really Irish or not, under the Irish name.¹ It is not proposed to prescribe the marking of eggs by the farmer, but the Public Health Act,² extended to eggs; by the Marketing of Eggs Act, authorizes local seizures and a fine which may amount to £5 for each bad egg. The authorities intend to make strict inspections.

A regulation of the potato export trade is contemplated on the same lines, and legislation may be needed, though a voluntary scheme will first be tried. The industry is less closely organized than that of dairying and hence less easy to control by voluntary methods. The stock of the shipper will be examined at the ports, and the stock of the dealer on his premises in the markets and elsewhere. Export will probably be permitted at only a few ports which already handle the bulk of the trade. One of the evils in the potato industry is the spread of diseases which attack the tubers, and of which the infection remains in the soil. Potatoes grown in infected districts of Northern Ireland may not be removed into clean districts, but may be exported.³

¹ In July 1924 Irish eggs were quoted in Liverpool at 2 shillings per great hundred (120) below English and Danish eggs, and 2½ shillings below Dutch.

² The Act already applied to butter.

³ They go to England, where it is explained that the infection is already as general in the soil, that no harm is done.

This regulation of exporting standard should be of particular interest to India, which suffers heavily in reputation on the world's markets from the middleman's tendency to mixing and adulteration. The remedy lies in co-operative sale, supported by a legal enforcement of a standard of purity.

ENGLAND.

Co-operative credit societies have not hitherto been successful in England, partly because the Joint Stock Banks provide facilities through their numerous branches and partly because the societies have not been preceded and sustained by that continuous co-operative education without which their functioning will always be irregular and unsatisfactory. The credit given by the Joint Stock Banks is not in general unsuitable to the needs of the large or "middle" farmer, whose local status is well-known to the banks and upon whom they can rely for a certain degree of punctuality and understanding : but in England, as in Ireland, it is less well adapted to the circumstances of the small fanner, who is unfamiliar with bankers' forms and phrases and has also fewer resources from which to pay his debts on the occasion of a bad harvest or other calamity. The substantial English farmer is likewise reluctant to pledge his unlimited liability, whereas the man who has nothing but his land and crops to pledge will not be frightened by the lack of limit : what he has to lose is precisely that for which he borrows, *i. e.*, this year's crop and the land, and he recognizes that crop and land must serve as his guarantee. He has no capital locked up in an expensive dwelling house, and few or no investments. It is therefore not surprising that the credit societies of the past, both in England and in Ireland, have not attracted the owner or tenant of wide acres ; though a considerable number have existed in England, and a central financing society also lasted for a few years, yet it is believed that there were only 40 on the register in 1924, the majority of which were among small-holders, and many of which were in a state of decay. The bigger men had drifted back to the Joint Stock Banks or were living on the credit of their agricultural dealers, including their co-operative purchase society, while the smaller men lacked both credit and cash. The position was manifestly unsound, and when prices and the value of land began to fall in 1921, both banks and dealers saw the

security of their debtors dwindling and were obliged to restrict their advances. The Committee on Agricultural Credit in 1923 was disinclined to accept the suggestion of financing the co-operative trading societies with State money in order that they might more easily give credit for goods supplied, since it was felt that the individual traders with whom they compete would protest against this dis-

The Agricultural Credits
Act.

Agricultural Credits¹ Act passed later in the same year does not contain any special provision for helping such societies. It directs the Ministry to encourage credit societies with loans equal to the amount of their subscribed share capital, if one quarter of each share has been paid up. Loans may be for agricultural purposes only, and since there is no English custom of extravagant expenditure on ceremonies as in India and Egypt, the restriction is justified. Advances may not be granted for more than five years, and it may be assumed that a loan for a longer term would be more conveniently obtained by means of a mortgage in an appropriate mortgage institution. The ruled approved by Government further lay down that a member may not borrow more than five times his subscribed share capital, or more than one-tenth of the share capital of the society; deposits may not be accepted without special sanction, though the Committee on Agricultural Credit recommended that deposits should be allowed, and sympathizers who do not wish to borrow are invited to become shareholders. The liability is limited to the subscribed shares. This emphasis on share-holding has an unpleasant sound to Indian co-operators who know the purifying effect of unlimited liability and an indivisible reserve in rural credit societies, but it must be granted that without it the bigger English farmers could not be brought in, and that without them the smaller men might be held by public opinion to offer too uncertain a security for the money lent by Government. The spirit of the societies contemplated by the Act is less co-operative than that of a German or an Indian society, because the members are individualists and the fame of co-operative credit, on account of past experience, is not high in England. By impeding the receipt of deposits and aiming at the subscription of a large share capital, the promoters of the movement are protecting the money² of the State but rendering it less probable that

¹ Appendix D.

* The State money is lent at current Bank rate, with a minimum of 4 per cent.

the societies will ever be able to dispense with State help. The Danish Loan Societies afford a noteworthy instance of this policy and of its consequences. It is only by attracting deposits, in central if not in primary societies, that co-operative credit societies can maintain their life and can function in the right spirit, and it is to be feared that those English societies which omit to ask for, or fail to obtain, permission to take deposits will not in all cases be permanent. Five new societies had been registered by October 1924, but only that at East Hill in Kent was in working. This society was then composed of 43 members, either agriculturists or connected with agriculture, and had collected £500 in shares (£2,000 subscribed) and obtained a loan from Government of four times this amount. £1,400 had been lent out, and other applications were pending. Deposits may be taken from members but none had yet been received. Loans given are mostly for the maximum period allowed (5 years), and there is therefore a danger of finding the funds insufficient in future years; the Indian custom is to give loans at first for short periods only, but since the East Hill neighbourhood grows much fruit, it is possible that loans for development of fruit gardens are needed, which will not give an early return. A borrower must state the object of the loan, but no security is demanded; Indian experience warns us that (he borrower who cannot find a friend to trust him and to become his surety should not be trusted by the society, and that personal sureties should always be taken. This rule is however by no means general in Europe, where recovery of dues through the civil courts is more prompt and the service of processes more effective than in India. The society includes among its officers one who has experience of Co-operation in another country, and the members will perhaps be persuaded to remedy any defects in the working which experience may reveal.

It is strongly recommended by the Ministry that Co-operative Purchase Societies, which in Credit in Trading Societies. England are hampered by the practice of allowing credit to members on their goods supplied, should open a Credit Society to which such debts will be transferred. The Purchase Society will then operate on a cash basis, and the Credit Society will be entitled to an advance from Government under the Credits Act, which could not without exciting opposition be given directly to the Trading Society.

The idea is excellent, since the funds of the Trading Societies are continually locked up in credit, contrary to all co-operative principle, but the purchaser will under such a scheme have to pay interest on what he owes, whereas the Trading Society charges interest only after an interval, or not at all; the members will also have to find share money for the Credit Society. Such a solution for the difficulties of the Trading Societies is highly desirable, but no such Credit Societies had yet been registered by October 1924.

The sphere in which Credit Societies should be of the greatest utility is among the small-holders, who numbered¹ 322,000 in Great Britain in 1919, or two-thirds of the total number of holders, and have since then been increased in number under the scheme of post-war settlement. Most of these men are tenants, either of private landlords or local bodies, but the English small-holder does not lightly give up the land in which he has invested his labour and perhaps his capital; nor can he disappear and be lost to his creditors as is conceivable in India; the small-holders and the allotment-holders² will therefore be the best field for propaganda of co-operative credit, if both propaganda and subsequent inspection and tactful education can be arranged; but without this provision they are less likely to succeed.

The Sale Societies (co-operative dairies, bacon factories, etc.) are offered loans not exceeding £10,000 each, repaid in instalments during 20 years with 5 per cent. interest. They are intended to assist in the building or extension of premises and the purchase of plant, and are conditional upon the subscription of an adequate share capital by the members. These loans are not under the Credits Act; a sum of £200,000 was allocated by Parliament for this purpose in 1924, of which £20,000 had been lent by the autumn of that year. Since the preparation of building plans requires time and attention, it is natural that large advances should not yet have been made. Loans exceeding £10,000 for big schemes such as co-operative factories can be obtained under the Trade Facilities³ Act, the advantages of which are open to all traders.

¹ Holding from 1 to 50 acres each; two-thirds of the total, viz., 224,000, held from 5 to 50 acres and may be assumed to have been dependent on their holdings.

² Over a million men, cultivating up to 2 acres, and generally very much less.

³ A co-operative enterprise in the Punjab would be similarly eligible for a loan under the Punjab Industrial Loans Act.

Indian co-operators will observe with interest that the country which above all others has been indifferent to the idea of co-operative credit is driven to it by the depression which followed the termination of the war. If a network of agricultural credit societies had been spread over Great Britain and Ireland at the time when increase of output, economy of transport and labour, and the use of good raw materials and implements were essential to the feeding of the people and the prosecution of the war, the task of Government would have been appreciably simplified ; *and there would have been less profiteering.* If further the credit societies had been affiliated to a central financing body, the help now necessitated by the agricultural slump could have been granted under suitable conditions through a competent organisation and the trouble of examining applications and elaborating model by-laws would have been saved to the officials of the Ministry. As matters now stand State money must be employed in the societies, because they are being formed under stress of emergency ; there is no time to prepare the ground and train up co-operators who will finance and control themselves. Eventually the small farmers who feel the need of credit and are not too proud to submit to mutual control, may evolve co-operative and independent societies as in Sweden, but the more well-to-do will be less likely to appreciate them, except as a book-keeper's convenience for obtaining goods on credit from a trading society.

It is sad to record the end of the Agricultural Organisation Society. Founded in 1901, after the example of the Irish Agricultural Organisation Society, the Society has been responsible for the formation of the great majority of agricultural co-operative societies now in England. It aimed at becoming the Co-operative Union of the farmers, *i. e.*, a body which without financing them or engaging itself in trade would assist and stimulate them in co-operative work of all kinds. It avoided political rivalry with the National Farmers' Union, and sought to promote the business and other interests of agriculturists if they would contribute to keep it alive. In recent years persistent attempts have been made, by the public-spirited individuals from, whom the institution derived its vitality, to base it upon the affiliated societies, which should elect the Governors and direct the policy; but nothing has availed to make the societies subscribe on a scale which would make tho

Agricultural Organisation Society self-sufficient, and though private donations have been forthcoming and the British Government has made an annual but varying grant since 1909, rising in the post-war years to a large sum, the income from societies has been uneven and uncertain. Consequently on the withdrawal of the grants in 1924 it was decided to close the Agricultural Organisation Society, and the English¹ societies have now to turn to the National Farmers' Union or stand by themselves. The Union has the advantage of being more definitely in the hands of farmers than the Agricultural Organisation Society, which was led by men less accurately representative of cultivators, and having now appointed a co-operative branch in its own office the Union may succeed in winning support where the Agricultural Organisation Society failed. But the Union, as the organ of a profession and an industry, cannot be non-political and does not claim to be, and while there may be more vigour in its organisation of co-operative societies, there is a danger that their co-operative standard² may be lowered.

A new branch opened in 1924 in the Ministry of Agriculture will be of material advantage to the movement. One of the recommendations of the Agricultural Tribunal was that propaganda with regard to the grading and marketing of produce should be increased among farmers, and in accordance with this policy¹¹ marketing officers "have now been appointed in the Ministry to study the methods and needs of agricultural marketing in Great Britain; the first object is the collection of information, without which no well-advised plan of improvement can be put forward, and their duty is not to promote Co-operation as such; but existing and new Co-operative Sale Societies will be in a position to digest their reports, and such organised bodies should be better able than individual traders to profit from them.

¹The Scottish Agricultural Organisation Society is still working and a Welsh Agricultural Organisation Society has been separated from the English parent body.

²The British farmer is not of a co-operative temperament, and is likely to fall constantly away from co-operative principles unless he is equally often reminded of them and brought back. A comment sometimes made on the Agricultural Organisation Society is that its leaders were not farmers, but no more were Ratffisen, Schulze, Wollemborg or Luzzatti. A doctrine must be taught by priests and prophets, medicine by doctors, and law by lawyers; it will need a very co-operative class of farmers to carry co-operation to a success without help from "mere" co-operators. The National Farmers' Union leaders are also not solely farmers, since the prosperous farmer often becomes an agricultural dealer and has interests divergent from those of his weaker brethren. If they build up a genuine edifice of co-operation in England they will deserve credit for remarkable self-illness and patriotism.

The collapse of the Agricultural Organisation Society is the more regrettable, and the appoint' Cooperative progress.

timely, if the present number and membership of co-operativfr societies be taken into account. Excluding credit societies, with which the Agricultural Organisation Society used not to be often concerned, there were in England alone in March 1923 a total of 255 Co-operative Trading Societies with 68,000 members, and 824 Small-holders¹ or Allotment-holders' Societies with 108,000 members, doing a business of £ 11£ millions between them. The membership represents about 30 per cent, of the English farmers and 10 per cent, of the smaller men; many of the allotment-holders cultivate only a scrap of land, and since they consume all the vegetables that they produce, they can co-operate only for a small purchase of seeds or manure ; nevertheless in the experience of the Agricultural Organisation Society they are better co-operators and better subscribers than the farmers' trading societies. The National Union of Allotment-holders¹ which has competed with the Agricultural Organisation Society in the past for the loyalty of the small men will now be the sole claimant and should succeed in strengthening, its hold upon them. The figures above quoted, though intensifying our regret at the disappearance of the Agricultural Organisation Society, will testify to the importance of its achievements. In spite of, and it may be in consequence of, the farmers' troubles new dairies, bacon factories and other societies of purchase and sale continue to spring up, and anxiety has been felt by co-operators lest the working areas of neighbouring societies in the same class should be imperfectly delimited or unwisely contracted ; the cost of installation and maintenance can only be borne by a proportionately large turnover, and Ireland in some regions already suffers from an excess of dairies. In this connection it is unfortunate that in England there are no federations of the various types of society, and if the Farmers' Union or the societies do not give early attention to this question, overlapping and loss will ensue.

A branch of co-operative trade which has been developed Wool-selling.

selling Societies. These are being so formed that a single society will handle all the wool of each

¹ This division of the agricultural community may be compared with that between, the Agricultural Societies and Small-holders' Societies in Denmark.

breed of sheep, and though the breed will be best known in one locality, members having wool of that breed to sell will be admitted from any place. There are Wool Societies in Hampshire, Sussex, Kent, and Hereford, and one was under formation in 1924 in Wales. The Society of Kent Wool-growers, Limited, of Ashford, founded in 1920, has now 482 members, chiefly in the county of Kent, who keep the Kent breed, and handles 100,000 fleeces out of 750,000 estimated to be sold annually as of this breed. A special grader is employed, and all wool when graded is sold on the members' account for a commission of a penny per ft. Share money is £1,700, and a bank overdraft limited to £50,000 is obtained at 1 per cent, above bank rate on the personal guarantee of committee-members. One man one vote is the rule, no proxies are allowed, and little or no business is done for non-members. The society is an instance of successful sale of a single article drawn from a wide area, on the principle now generally approved for sale societies, but it falls short of co-operative purity in having no reserve fund and not ensuring the loyalty of members by a binding rule; the smaller farmers are said to sell most or all of their fleeces through the society, but the bigger men deal at one time with the society and at another with its rivals. This imperfect loyalty is on the whole characteristic of agricultural co-operation in England, and no such society can be sure of support in a temporary adversity. It would certainly pay the wool-growers in the end if they could afford to eject the half-hearted members; but the loss of the wealthier men would weaken them in the eyes of their present creditors. Thus we are brought back to the need for co-operative credit, which would enable the society to dispense with the overdraft, and the need for a central co-operative organisation which would keep the true doctrine ever before the farmers. These are the two chief lessons which we in India can learn from agricultural co-operation in England.

THE GUILD MOVEMENT.

Active discussion of the guild idea began in England in 1915. It had been privately debated for some years by a group of enthusiasts, and advocated in the writings of Penty, Hobson, Cole and others, but the temporary suspension of all the Trade Union "rules" in the factories on account of the war conditions of labour, and the various expedients'

to which resort was then had in order to settle workshop •questions arising between employers and employed, stimulated the imagination of those who sought for a more satisfactory relation between Capital and Labour. Progressive employers dwelt on the productiveness of "scientific" methods of using the labourer, and on the importance of unrestricted output, the employees elected shop stewards, and fought for control over workshop conditions and discipline as well as wages, while the Government encouraged Works Committees and conciliation as an impartial policy. After the removal of war regulations there was opportunity for experiment.

A guild is a workers' organisation which takes collective contracts on their behalf, employs them at a standard rate of pay, and invites them to regard and work for the guild as belonging to themselves and their class. The leading ideas of the guildsman are :—

- (1) Workers' control: Labour hires Capital, instead of the reverse.
- (2) Work as a national service, not for private profit.
- (3) Pay, not wages ; the worker is engaged and paid continuously as in any other national " service, " e. g., the fighting forces or the Civil Service.

The guildsman believes that on these principles the business of the nation can be so organized that the individual worker will receive the first place in consideration, and will be treated as an human unit rather than a commodity or labour-unit; that he will do his best if an appeal is made to him, as to the civil servant or the soldier and sailor, on the highest ground of public duty ; and that he is entitled to be a permanent employee without fear of recurring unemployment. Many critics of the guild doctrine will be ready to concede and act on the first and third of these claims, if they can be assured that the second is correct; others will not be convinced that in the present organisation of society, or any other which they will admit to be practicable, there can be continuous employment for all; in their view it is the duty of the State to maintain the unemployed worker, whereas the guildsman throws the burden on the industry to which the unemployed person belongs. There is also a difference, not necessarily a conflict, between what may be called the aesthetic or liberal school of guildsmen, who would revive the spirit and partly also the form of the mediaeval guilds, associations

•of individual craftsmen who value quality rather than quantity of production, and the modern or realist school who stress the importance of organisation and large production, appearing to consider the mass before the individual and bodily before spiritual good. The divergence of views between these groups rendering unity unattainable, the realists secured a predominating influence both in the National Guilds League, an association of individuals holding guild opinions, and on the National Guild Council elected by affiliated guilds and trade unions, which replaced the League as the central organ of the movement. The guilds which were accordingly thought out in 1919 and first launched in 1920 were guided by this "major"¹ opinion; they based themselves on the trade unions, with which all guildsmen wish to maintain an intimate connection, and hoped to derive financial as well as moral support from that source. Some went so far, no doubt unwisely, as to invite the trade unions to become trading guilds.

The widest development and keenest enthusiasm grew up among the operatives of the building industry. Led by Manchester and London, they created guilds which took contracts from local authorities for the construction of houses so urgently needed after the war. The first type of contract sanctioned by Government for local bodies was one under which the guild drew up a provisional estimate only; it was then paid whatever the construction actually cost, plus 6 per cent, for administration charges on the amount of the provisional estimate, plus £40 per house to cover pay during bad weather, on the guild principle of "continuous pay." If the work cost more or less than the estimate, the guild was paid the actual cost, and on many of the contracts the zeal of the guild-workers saved large sums to the local bodies: on all sides the quality of the work was admitted to be excellent. The materials were supplied to many of the guilds by the Co-operative Wholesale Society, and the Co-operative Insurance Society guaranteed the guilds against loss. Local bodies made payments on a running bill, and there was no serious trouble as to finance. In 1921 a National Building Guild was set up, in which the local guilds were legally absorbed as branches; there were 115 such branches at work when the form of contract was changed by Government, and the maximum sum shown in the estimate

¹ Some but not all guildsmen are of a Communist turn[^] of thought.

was thereafter not to be exceeded, the special payments being discontinued; in other words the ordinary commercial contract was adopted. On these terms the guilds could have carried on successfully if the practice of running payment had not at the same time been abandoned; they must now however find credit, and succeeded in doing so to a limited extent, as they had done hitherto, from the Co-operative Wholesale Society Bank and Joint Stock Banks ; but without running payment their need of credit was greatly increased, the Co-operative Insurance Society refused to insure against loss on the new class of contracts, and the financial disorder which had been spreading in the branches, owing to the haste with which the National Guild had been established and to the lack of local discipline and loyalty, led to the bankruptcy and closure of the National Guild in November 1922. It had then no less than 140 branch guilds, and contracts of £3,000,000 had been fulfilled. There were in 1924 only 6 in active work, with no central organisation. The London Guild of Builders, Limited, is one of the most vigorous, but is hampered by the share of the National Guild's liabilities which it was obliged to undertake on separation; it is building for local authorities and private persons, and would make progress if it could shake off the old burden.

The collapse of the National Building Guild was due to (1) hostility; (2) lack of credit; (3) indifferent accountancy; (4) bad discipline. Now the jealousy of rivals, and the hostility of political opponents, is an evil which the guildsman (and also the co-operator) has always to face ; he can overcome it if he gives the enemy no grip upon him. But credit is to be secured, in the absence of material assets, by a clear balance sheet and good and regular work; and if these are not forthcoming, the enemy finds all the grip he wants, and there will be no credit. The failure of the National Building Guild was largely caused by the manner in which it was formed; it was created by a group of leaders and sympathizers who foresaw the need of unity, in order to seize the immense opportunity offered by the new Housing Act, and who forgot that a unity imposed from above would be only apparent. The local guilds had never really demanded the National Guild, the use of which was seen by an acute group of thinkers ; and the local guilds accepted the National because they were controlled by the trade union which accepted it; the workers were not accustomed to govern themselves and could not resist. Consequently

the local branches of the National were not loyal, did not recognize the claim of the National to recall the funds which might be in the hands of the branch, and neglected to maintain that strict discipline in the course of their work without which the credit of the National would be and was spoiled. There was also a defect of accountancy in the National Guild, partly due to errors in headquarters and partly to lack of discipline in the branches. From this account co-operators will draw the moral that a society of working producers (1) must govern itself and not be controlled from outside; (2) should be assured beforehand of adequate credit, co-operative or other; (3) must be strict in the observance of its own by-laws and of the rules of good accountancy; and (4) must build up its central institution from below.

The scattered guilds which remain in Great Britain and Ireland appear to keep these essential principles more strictly in view. Some but not all of them are influenced by the dissident or "minor" guildsmen. The only National Guild operating in 1924 was that of the Tailors, with 5 active guilds which are not reduced to the position of branches but retain their legal status: it performs a useful duty of co-ordination but is not powerful. The two Engineering Guilds of London and Birmingham were engaged in forming a National Guild in 1924, and other small bodies are operating among the Furnishers and Piano-makers. The older guilds usually retain the system of subordination to their trade unions, the Board being composed of delegates from the local union branches, but some of the newer include in the Board several representatives of the actual employees, and even give a certain voting power¹ to the owners of capital. It was originally hoped that funds would be drawn from the trade unions or their members, but little has been achieved in this respect, and the operatives of the Building Trade Union did not respond freely to the appeal made to them in 1922 for a levy on behalf of the National Building Guild. Attempts are now made in varying trades to raise loan stock on the open market, and this is clearly the road for future advance. Each guild will remain a separate entity (under the Industrial and Provident Societies Act), and will perhaps adhere to a central *union*, which will not itself trade, but will prescribe a standard of work, of accountancy, and of discipline. On these lines the industrial guild movement may rise slowly

¹ A deflection from 'principle' which can only be justified on grounds of temporary necessity.

and patiently, as the co-operative movement has done, and may become almost identical with a co-operative producers' movement minus the division of profits.

Agricultural Guilds are of particular interest to us in India. They have many points of resemblance to the collective farms of the Italians, especially those in which the tenancy and farming is joint. All workers superior and inferior on a given estate are members of the guilds, drawing continuous pay and exercising the greater part of or the whole control. Their object is not merely profitable but also good agriculture, *i. e.* on lines conducive to the welfare of the community, and profits if not carried to reserve are devoted to development of the property and betterment of the workers. It has been proposed by various reformers and one political party to vest the ownership and superior control of all land in England in the hands of small local councils, elected by the local agriculturists of every grade and affiliated to regional councils and a national council of agriculture. The landlords would be bought out on the basis of a fair present rent (unless they are expropriated without compensation as some extremists would prefer), but a tenant, who might be the previous owner, would be left in possession so long as he cultivated to the satisfaction of the Agricultural Council, and there would no doubt be a tendency to prefer his natural heir as a successor in tenancy. The price of the principal food-crops would be fixed at a remunerative figure and paid or guaranteed by the State, which would also regulate the amount of exports and imports of the same goods, in order to ensure stability. The State would so vary its internal buying price and its imports and exports as to meet the possible loss of one year by the profit of another. Now it is not essential to the proceedings of the existing guilds that this scheme be adopted ; there may be better alternatives ; but every guildsman will endorse in the agricultural sphere the same principles which he applies in the industrial: the local agriculturists, of the estate or of the entire village, must control the operations, being continuously employed and seeking no division of profits, three Agricultural Guilds are working in England, of which the most prominent is the New Town Agricultural Guild, Limited at Welwyn Garden City in Hertfordshire. The ground is owned by the Company of Welwyn Garden City, Limited, and a separate

society, the New Town Trust, Limited, is registered under the Industrial and Provident Societies Act for the development and financing of industries in the new city ; the Agricultural Guild, Limited, was again separated from the Trust in 1921 in order to work the agricultural estate owned by the City, It is formed by 50 persons, most of whom were previously employed on the land under farmers, and had in 1924 taken over 1,000 out of 2,000 acres in the hands of the Trust; as it grows, more and more land is transferred. The employees elect 5 of the 9 members of the Guild Board, one of the five being a representative of the foremen and higher-paid staff, while the other four are agricultural labourers. Two others represent the Trust, and two are local farmers who supply expert advice. Each member takes a share of one shilling, on which no dividend is paid. The guild is financed by loans at interest from the Trust, and has a working capital of £40,000. Its balance sheet shows at the moment a loss of £4,000, but this position would be revealed by most of the agricultural estates in England if they were able to show a correct account of their income and expenditure from 1921 to 1924, and as the promoters¹ point out, agriculture must be judged over a period of years rather than on a single year. They feel no anxiety as to the financial future of the guild. The pay of the labourers is 80 per cent' above that ruling on the privately-owned farms of the neighbourhood, and this difference contributes towards the temporary loss ; meanwhile a policy of intensive farming is being pursued by means of fruit and vegetable-growing, dairying and the breeding of prize stock. The income of these investments is not fully realized in the early years. The guild is an experiment of great promise, and illustrates the possibility of securing keen and contented labour by placing it in control with an assurance of regular employment. The weakest point in it is that the employees' control is incomplete, since nearly half the Board is of non-workers : the Trust which supplies the money retains a share of the power, resembling in this respect the trade⁹ union in industrial guilds.

Although a guild differs in important details from a Co-operative Producers' Society, and the guildsmen of the⁴⁴ major " opinion would describe them as radically different,

¹ The Secretary of the Trust, a koeii promoter of the guild, is an ex-officer who served for many years on an Indian railway.

¹ One of the labourers' representatives on the Board is a representative also of their trade union.

there are points of resemblance which make it useful for less than 50 operators to examine them. The differences lie in the professed object of the society and the system of its control. A co-operative society of producers is directed towards the profit of its members, and is governed by the members ; a guild aims at the liberation and organisation of all persons engaged in a given profession or trade, and is not governed entirely by the persons engaged in the business of the guild from time to time but wholly or partly by the permanent vocational union to which they all belong. The first distinction does not appear to me to be ultimately valid ; the general desire of co-operative societies of working producers is in practice much less for large dividends on wages, when the members are employed in a workshop, than for regular employment at a steady wage ; and when they are independent producers, *e.g.*, agriculturists or cottage workers, whose main difficulty is to find a market, they are more concerned to secure a regular sale at an even price than to squeeze the consumer. When a co-operative trade is fully organised, any attempt to squeeze will at once receive the attention of the State and probably the condemnation of the producers themselves ; the central organ is then virtually a guild, co-extensive with the trade and actuated by the same motives of regulation and betterment. The second distinction with regard to the seat of control is valid : should government rest on the conscious assent of local groups or on the wise guidance of a central committee, which is not continuously responsible to its supporters and can only be ejected by them through an upheaval ? The antithesis is that between a democracy and a benevolent dictatorship, and co-operators choose the former. But it is not necessary for a guildsman to choose the latter, and guildsmen of the " minor " opinion do not do so. The line of division between a guild and a co-operative society of working producers then becomes faint.

India has nothing to gain by substituting for co-operation a movement so closely akin to it : the imputation of profit-seeking made against co-operative producers is only partially just, and will cease entirely to be so when their organisation is complete. As regards continuity of payment they are scarcely to be distinguished, while we shall disagree with their refusal of control to the actual workers. The guild plan is of value to England and to all industrial countries,

where a workers' trading and producing movement must avoid all suspicion of rivalry with trade unionism, and this can be done by throwing open the membership of the guild to all trade unionists. What we in India should note is the importance of keeping co-operative societies thus open to all, and preventing that exclusiveness of the original members which marks some Latin societies of producers; we shall also remember the necessity of strict audit and of mutual discipline.

CHAPTER III.

Cattle.

On questions of livestock Indian co-operators have many lessons to learn from Scandinavia, and will be interested to observe that Ireland is endeavouring to follow the example of those countries. I propose to discuss cattle only. The subject may be regarded from four points of view. Logically the first task is to breed good cattle, and in this connection the difference between the aims of India and those of Europe must be borne in mind. Europe wants milk and meat; the majority of Indians want milk and draught-oxen, and the term "dual-purpose animal" which is freely used does not carry the same meaning in the two cases. Secondly, the milk has to be "controlled" or repeatedly tested and measured in order to discover whether a cow is justifying her keep, whether she is being maintained at a loss or whether the substitution of a better cow will not increase the gain. In the third place the milk¹ has to be sold in a manner which will give least trouble to the farmer while bringing in to him the highest price, and in particular a higher price for good milk than for average or bad. And lastly a prudent farmer will wish to insure at least his more valuable animals against loss and provide funds for their replacement. But though this is the logical order, in practice the dairy comes first. Where the livestock are poor, there is a vicious circle which must be broken somewhere: good cattle are not kept because they do not bring in enough income to the farmer, bad milk sells for the same price as good milk, cow-testing for quantity and quality of milk is not worth the expense, the reason for the low price of good milk is that there is not enough of it on the market to educate the consumer, and no more can be placed on the market until the farmer breeds good cattle, tests their milk, and sells it in a pure state. Now the way in which this vicious circle was first broken in Scandinavia and Ireland, and must be broken in India, is by the foundation of co-operative dairies, owned by the producer, and selling the product to a selected consumer, who is ready to pay a special price for it. In Europe the consumer is in general more fastidious than in India, demands a pure article, and is ready to pay for it; and more particularly is he critical of imported goods. The lever which has raised the standard

¹ I am using this word to cover all dairy products.

of Scandinavia is the need of exporting to other countries, cattle to Germany, dairy products to England: it is in the English market too that the Irish farmer competes with Scandinavia, and to hold his place in it he is being constrained to improve his methods. What the Indian producer must do is to find a consumer who will be fastidious, and will realize the difference between good and bad milk and pure and impure ghi. Co-operative stores, owned by average and unselected consumers, do not seem likely to help him; the average consumer is content with average milk and ghi and fairly fresh eggs, but the producer, if co-operatively organized, wants to soil fresh and pure goods above the average. When he finds a consumer who will buy such goods, it becomes economically profitable to breed better animals, feed them well, test their yield, and insure their lives ; but until he has a market it is doubtful whether any of these efforts will repay their outlay.

I do not propose to give a detailed description of dairies or the export trade in dairy products, either in Scandinavia or Ireland. My report¹ written in 1921 contained a brief account of the co-operative dairy movement in Holland, Belgium and Italy, and it is sufficient to add that in the three Scandinavian countries and in Ireland the dairy or creamery was the first type of co-operative trading society to be developed and now exceeds all others in turnover and membership. Five-sixths of the Danish milk goes to co-operative dairies, and their membership in 1920 was 180,000, the total number of farms being 206,000. There are about 1,400 co-operative and 800 private dairies, the former receiving the milk of over 1,000,000 cows ; the private dairies, as would naturally be expected, are for the most part located on large estates, the small and middle farmers preferring the co-operative dairies. The latter have on the average 150 members with 1,000 cows, and a really efficient dairy on up-to-date lines in India would need twice as many, since the yield per cow is lower ; it is not however necessary to start on so complete a scale, and we may be content in India at first with the sale of fresh milk only. The Danish dairies manufacture butter and cheese, largely for export, and return the skimmed milk to the farmer, paying him at the end of each month the

¹ Studies in European Co-operation, 1922.

standard price¹ fixed by the committee, and distributing the profits as rebate at the end of the year. The strictest rules are enforced both by the dairy on the members and by the government on the dairies; for supply of unsatisfactory goods the member is heavily fined, if not expelled, and for neglect of rules or defect in quality the dairy will lose its right to claim the national "brand" on its products, which would then become almost unsaleable. The same conditions prevail in Norway, Sweden and Ireland, though the co-operative organisation and official supervision are less thorough.

Now why is the position different in India? Primarily, I think, because there is no export trade of dairy products under an official brand into the hands of wholesale merchants elsewhere; such men would examine and if necessary reject an article offered in competition with the goods of other countries, and it is for this reason that Indian agricultural products tend to receive a lower quotation on foreign markets, as being inferior in respect of purity and uniformity. Since however we cannot at present afford to export dairy products from India, which has already a deficiency of them from the ideal standpoint, the internal trade has to be controlled and improved by other means; the obvious line of advance is the co-operative, (though a more regular and careful examination of milk and ghi in the retailer's hands by public bodies would be eminently helpful. There being no examination by foreign buyers, fastidiousness of local consumers has to be encouraged, and we must find these consumers in public institutions (colleges, hospitals, etc.) and among the literate classes of the towns. Attempts to sell pure goods to them have hitherto in most cases been defeated by their own apathy and by the misguided zeal of their servants: the consumer also is not always willing to pay a higher price for purer food. Ultimately when the adulterated milk and ghi have been driven off the market, he will pay no more for

¹ Payment is made sometimes on a basis of milk, sometimes of butter fat, and occasionally on a combination of the two. The influence of all governments and agricultural societies is on the side of butter fat, and farmers who sell to a distant market will readily accept this standard, since butter (or ghi) and cheese can be sold to a distant buyer when milk cannot. On the other hand a dairy close beside a big town will sell much fresh milk and may prefer to pay for both milk and butter fat; also the breeder of cattle will be content with a light milk, since he welcomes a large quantity of skimmed milk returned to him by the dairy for his calves, and in Europe for his swine also. A good percentage of butter fat in Europe might be 3.75 per cent, and first class animals give more than 4 per cent, but the total yield of milk then frequently falls, and the former may lose on the balance. In India 3 per cent, would be a brilliant achievement. At 3 per cent. 100 seers of milk will give 3 seers of butter fat, and slightly more than 2½ seers of ghi.

good food than he now pays for bad, and it may be practicable, even before that golden age, to eliminate the waste and mismanagement of which the producer and seller of dirty goods are always guilty, and so sell clean food at the market rate. But it is not wise to promise this at first; the market rate is that of dirty food. A measure of success has been attained by scattered milk societies throughout India, though their life has often been short; the most notable instance is that of the group of co-operative milk societies in Calcutta, with their central union for distribution. In my opinion their experience and the example of other countries indicates that the root of evil in respect of pure food lies not in the producer but in the consumer. The producer may be careless, but he has no preference for selling dirt, and in reality he is not often the offending party; adulteration is the art of the retailer, and if the organised producers approach the consumers directly, evading the retailer, the consumers are too lazy or short-sighted to join hands with them. I have no novel remedy to suggest. Co-operative milk producers must sell either to official or semi-official institutions or to co-operative societies of consumers. In every case the consumers must be organised in a definite group with a community of interests and feelings. No legislation is needed in support of such milk societies, but much depends on a strict municipal inspector who will penalize dirty and adulterated milk and ghi.

The market being established and a dairy or milk society created to supply it, the producer will be concerned to know which of his cows are giving a yield of milk adequate to repay him for his trouble, and for his expenditure on feed. This is done by the Control or Cow-testing Associations which are being extended over all dairying countries. In Norway there are two types of these societies: a small group of farmers, usually from 10 to 25, and having 100 to 150 cows, appoints a skilled controller who spends at least one day in each month on the farm of every member, measuring the quantity of milk and the percentage of butter fat given by each animal in 24 hours, and the amount of fodder consumed by it. The various kinds of fodder are estimated in comparable food-units, so that the farmer will know how many gallons of milk and how many ounces of butter-fat each cow is yielding, and what the feed costs him; what he desires to find is not the

Control Societies.

cow which yields the greatest quantity of milk or the richest but the most economical with regard to its cost. His controller will show him the figures of cost and output, will possibly suggest changes in diet, and will then leave him to retain his least profitable stock or to replace them by others; there is of course no compulsion. Small farmers combine in larger groups than big men, the object being to give the controller the number of cows which he can accurately test in the working days of the month. The controller receives free board and lodging from the farmer whose cows he is testing, and the expenses of the society are recovered from the members in proportion to the number of cows owned by each. The expenses are trifling and in India would be met by a small annual fee. The other type of Norwegian society is somewhat larger, and suited to comparatively well educated men; the members themselves test their cows every tenth day, recording the result in a book. They are 50 to 100 in number, and their stock may run up to 500: the controller pays shorter and more occasional visits, giving advice and making tests, and adds up and publishes the results of all the members' records at the end of the year. The State contributes half the salary of such a controller, with a maximum of 250 Norwegian kroner (Es. 125), but in the smaller societies the State is more generous, giving 600 kroner¹ as an ordinary rule and 800 kroner if the society emphasizes by its tests the importance of butter-fat rather than milk. Denmark, Sweden and Ireland follow a similar method, the State authorities and the agricultural societies continually advocating control associations and supporting them by grants. It is especially urgent to connect them with dairies, since the dairies are to export milk products bearing the official brand, where such exists, and are the most convenient centres from which to disseminate knowledge among the farmers. The most general use of "control" is found in Denmark, where 25 per cent, of all milch kine in the country are tested, and the proportion is growing every year: nearly 900 societies had 24,000 members with 833,000 cows at the end of 1923. I have no exact figures for Norway and Sweden: the southernmost and most fertile region of Sweden has over one-third of its cows in control societies, but the average for the whole country will not exceed one-sixth; and the same holds good of Norway. Ireland and England are far more backward,

»In the province in which Christiania lies.

not more than 8 per cent, of cows in the former and 5 per cent, in the latter being under test.

The results obtained are astonishing, and will prove "what India stands to gain by similar organisation- The average milk yield of a Danish cow has been doubled in 45 years, and is now about 3,000 kilos or 2,640 seers per annum while the yield of butter per cow has been more than trebled and now averages about half a pound daily throughout the year. Readers in India should remember that these averages include the dry months as well as the time during which the cow is in milk, and include the worst cows as well as the best. The better herds (not selected individuals) give a third as much again both in Denmark and Holland, and a group of herds containing 3,600 cows in southern Sweden gave an average of 4,700 kilos (about 4,000 seers) in 1923. The percentage of butter-fat rises at the same time. Ireland is in a primitive stage in comparison with Scandinavia and Holland, her average being approximately 1,900 kilos or 1,700 seers of milk per cow, and the work of the cow-testing associations proved that of twenty cows, kept and fed side by side, ten gave four times as large a cash return as the other ten. Still more true is this of India, where a bold man might say that three-quarters of the cows are not economically worth their keep, and the owner would save money and his children would be healthier and fatter if he were without the animals and paid double the ordinary market price for pure milk from a hygienic dairy. What is wanted in the Punjab, and possibly also elsewhere, is not *more* cows but *better* cows, and the way to produce them is not to multiply bad or indifferent cows but enormously to reduce their number. There will then be room on the grazing grounds for good animals, and owners will value them and brood from them. All calculations of the total number of cows in India, and lamentations as to their fewness, are misleading, and obstruct the road to real improvement. Better cows can only be found by controlled and intelligent breeding, and an indispensable preliminary is to discover by controlled milking and feeding, which are the good cows and which the bad. At present too many Indian farmers value them all alike.

Control Societies may reasonably claim a subsidy from Government, as in other countries, particularly if they are in connection with a definite dairy and if they lay stress

on the percentage of butter-fat rather than the mere quantity of milk.

When the dairy farmer has arranged a regular sale for his milk, and discovered that all cows are not alike, but that one pays her keep while another does not, he will be anxious to buy or breed better animals. In a country which maintains herd-books he can purchase a cow guaranteed by her pedigree, though he will find it an expensive pursuit; it is cheaper to breed his own stock, and where there are no herd-books or pedigrees, any other method than home-breeding is a gamble. Herd-books in Europe grew out of the private records maintained by large breeders, who then combined to form a book for a stated breed: many of these now receive official recognition. India will have to pass through the same process, the various farms of Government,¹ of grantees or of private persons keeping each their own record until the buyer realizes the advantage not only of buying a pedigree animal but of entering its progeny, if qualified, in the same record with a view to their more profitable sale. In this process Co-operative Breeding Societies are powerful auxiliaries, and such societies, often known as Bull Clubs, are found in many European countries, keeping a pedigree bull for the cows of their members. The cows also are more or less strictly selected and bred, and if their progeny are to claim a place in a herd-book, it is required that the cow also and her dam and grandam possess a certain milking record and other qualifications. The prevailing breeds in Denmark are the red Danish and the black and white Danish, in southern Sweden the Frisian, which contains also a mixture of the old red breed in its blood. The Ayrshire is most common in central Sweden, and the white mountain cattle in the north. All these have herd-books. Frisians, Jerseys and Ayrshires are found in Denmark in lesser numbers. The Danish societies, 1,228 in all, had 1,400 bulls at the end of 1928, and if 100 cows be estimated per bull, commanded 1,400,000 cows, of 11 per cent, of the milch kine in the country. Most of the good bulls in Denmark are in the hands of the societies, and only selected cows are admitted to them; inferior cows may be covered by inferior bulls. The usual fee charged to a member is from 5 to 10 Danish kroner (Ks. 3[^]—7) per cow, but may run up to 25 kroner (Rs. 18) for a very

*In the Punjab the Government farms keep their own registers, and a public herd-book for the Dhauni breed is now being opened in Rawalpindi.

highly-bred bull. The bulls are kept in a stall or tethered in a field, as are also the majority of the cows for many months of the year : bulls are exercised by riding or driving, and competitions in this art are a not infrequent item in an agricultural show. A grant is made by Government for those bulls only which have won a prize in an agricultural show during the year, and their maintenance in proper condition is thus assured ; when however 60 per cent, of a bull's progeny, not less than 10 in all, have been passed as up to a certain high standard, it receives a grant without competing annually for a prize, and is thereafter exempt. The grant ranges from 80 to 140 kroner (Rs. 54—94), increasing in proportion to the number of cows which members of the Bull Club have entered in a Control Society. This interdependence of societies seems to me extremely judicious. The grant, made by the Swedish Government is higher, from 250 to 400 Swedish kroner (Rs. 250—400 at present rates), and members owning not more than 25 cows earn a further grant of $\frac{1}{2}$ kroner per cow. There is an excellent arrangement of five graded registers *below* the herd-book, for cows only, the animals being classed on percentage of butter-fat. A young cow in each generation can be placed in the class next above that of her dam, if her butter-fat justifies promotion, but not higher ; it will therefore take six generations of approved breeding before an applicant is admitted to the herd-book. In southern Sweden also the bulls are stall-fed and tethered ; there is practically no loose or common grazing. The experts recommend about 100 cows per bull in a Bull Club, though there is a short-sighted tendency of farmers to include more. The fee is similar to that of Denmark, non-members paying a slightly higher fee if permitted to make use of a club bull. Expenses are met from covering fees and from an annual levy in case of a deficit. The bull will cost from 1,000 to 4,000 kroner according to quality, and the keeper is paid about 300 or 400 kroner. In some provinces a permit for a free covering is issued to young cows which win a prize in a show, the fee being then paid to the society by the State.

The introduction of such societies into India has been attempted in several provinces ; there are a group of cattle-breeding societies in the Punjab and others in several provinces. Local authorities are generous, where funds permit, in supplying bulls of approved standard (though not always of pedigree breed) to villages and even to co-operative societies'

The question is complicated by the nature of the dual purpose at which Indian breeders aim. The Swedish Frisian and the two Danish breeds are more or less dual-purpose, but it is easier to produce a dual-purpose animal for milk and meat than for milk and muscle ; India demands milking cows and working oxen, whereas Europe demands milking cows and fat stores. This however is a matter in which co-operators can only appeal to veterinary experts for advice. There should be no insurmountable obstacle to a wide extension of breeding societies, if a sale can be found for pure milk.

Both Sweden and Ireland are taking steps to free themselves from one plague of India ; they are waging war on the ⁴⁴scrub bull." The Swedish Government proposes to prohibit the owner of a non-approved bull from allowing it to cover any other cows than his own ; the policy is supported by breeders, though it is less popular among the dairy-farmers, who will accept milk from any animal which can supply it. The Irish Free State's Commission on Agriculture recommends that after a short interval all bulls not licensed by the Ministry of Agriculture be compulsorily destroyed or castrated at the owner's expense, and the possession of such a bull be made a penal offence. Northern Ireland has actually passed an Act to compel licensing, and some prosecutions have taken place ; the complaints are of leniency in the matter rather than of severity. Such a measure in India could not be enforced without causing enmity and possible corruption ; we have to work by education of the cattle-owner, by recommending castration and by facilitating the acquisition of pure-bred bulls. Unfortunately the custom of open grazing stultifies all efforts towards improvement, since the scrub bull is as active in the common pasture as the pedigree bull, which indeed is sometimes sluggish. In my opinion the indiscriminating outcry often heard for more grazing grounds is as misguided as the cry for more cows ; if there are to be *better* cattle, their breeding must be controlled, and this seems impossible on an open grazing ground. It can be done in the case of stall-fed or tethered cattle, which can be watched and defended ; or if there is to be a grazing ground it should be in the hands of an organized body which will exclude other than approved bulls, especially the young and imperfectly grown. Such grounds may perhaps be provided in the neighbourhood of large towns, but admission must be limited to the number which the pasture can support, and scrub bulls barred out.

I have an impression that societies of co-operative insurance have not, except in France and Belgium, the same attraction for the ordinary farmer as they have for the breeder of valuable stock. Certainly when the small farmer in Scandinavia keeps pedigree animals, he insures them all and against all risks, though the bigger man who has resources upon which to draw in case of calamity may insure against epidemics only. Insurance of horses is more general than that of cattle, the average horse having a higher price than the average bullock or cow. In Denmark the number of co-operative insurance societies has dwindled markedly of recent years, and the same tendency is observed in Sweden; the agricultural official and the farmer speak of insurance without enthusiasm. One reason for the change will be that though commercial insurance companies of the towns advertise in the villages and by means of agents and lilloratuio secure the custom which in their absence would fall to the co-operative society. Insurance is not in Tairopo a class of business in which there is an appreciable d*m^e,r of fraud or <tu undue toll of profit taken from the individual client. Consequently the margin of difference between the cost of insurance in a company and in a co-operative society is not wide enough to concern the farmer; when he insures, he turns to the big town company which has a good reputation and gives him fair terms. On the other hand where, as in India, such companies do not everywhere exist, do not advertise in the villages, and are not understood by the villager, there is undoubtedly scope for co-operative organisation. As is well known, much has been done in Burma and a little in the Punjab and elsewhere, but enthusiasm is lacking in the Punjab, and I imagine that in Burma also the Credit Society has exercised a constant influence on its members to join the insurance society, and without such assistance the insurance movement would have made less progress. The Indian peasant has not the same urgent need to insure his stock as the Scandinavian small-holder; in those cold countries the stock are under a roof for 200 days in the year, and the danger of loss by fire is therefore great; the small-holder insures them for the most part in an urban company. But in India epidemics are recurrent, and if all risks are covered and a re-insurance society is assisted (as it ordinarily is) by a State guarantee, the peasant without large resources is safer if he is insured. The best mode of propaganda is,

I think, to sell his milk at a good price, then help him to breed milking cows, and only invite him to insure against their loss when they are worth keeping.

In conclusion let me mention a Swedish farmer, one of several whose farms I visited, and whose prosperity will indicate what a runjab peasant could well achieve on Swedish lines. Mr. A owns a farm of 50 acres. His father, who is alive but aged and has abandoned active work, owned no land whatever at first but began as a tenant. He invested his savings in the purchase of two or three good Frisian cows, and from these and from his own industry he laid by enough to buy this farm, no doubt on the mortgage system, in 1911. He has handed it over to his son free of all debt. Mr. A the son describes the land as fairly good. It is all under crops; there is no grazing; he grows principally grain crops, selling his wheat and a little barley, but retaining the oats and most of the barley to feed his stock. He owns 4 horses, 8 cows and 9 young stock, in addition to swine and poultry. Six of his cows are entered in the Frisian Herd-book, and the other two in the highest class of the supplementary register. Each animal will be worth from 1,000 to 3,000 kroner. All his horses and cattle are insured against epidemics, and though he has suffered no losses it is comfortable to feel secure, Mr. A is a member of at least six co-operative societies; a dairy which buys his milk, a control society which tests it, a breeding society which keeps a pedigree bull, a bacon factory which slaughters his swine, and two peat societies, one for supply of stable-litter, the other providing turves as fuel. He probably belongs to the agricultural supply society, but this point was overlooked in our conversation. Haying no debts or mortgages he has not found occasion to join the local credit society. He has Borne comments on the quality of the peat provided for his stable, but is otherwise contented with his co-operative societies. Nothing in this account is beyond the power of the Punjabi cultivator.

CHAPTER IV.

Consolidation of Holdings.

The expression used in the title of this chapter is that which in India denotes the redistribution of scattered and fragmentated fields into one or more large blocks, in order to secure economy of management, more convenient irrigation, and better protection of crops. The evils of fragmentation and dispersion call for no argument, and the advantages of consolidation, as carried out in the Punjab, are demonstrated by increased rents together with contented tenants' the sinking of many wells with extension of irrigation from existing wells, and the cultivation of land formerly lying waste or devoted to grazing. It is noteworthy that the practice of fencing, which in Europe has followed consolidation, has not been generally accepted in the Punjab, though one or two cultivators have enclosed their newly allotted lands. The right of common grazing of cattle in all fields after harvest time may in certain districts be responsible for this omission, and though consolidation in some village has led to the breaking up of the unenclosed grazing land where it is fit for cultivation, yet until good cattle are bred and valued, the necessity of protecting them from scrub bulte and contagious diseases by fencing or tethering will not be appreciated. European countries broadly speaking have adopted one or other of these remedies, England being the most conspicuous instance of thorough fencing, while Scandinavia, Holland and parts of Northern France have preferred to tether each animal and save the expenses of enclosure. Progress in this direction will no doubt be made in the Punjab as the breed of cattle is improved and special crops are introduced ; in the meantime the immediate benefits of consolidation are gradually convincing the conservative peasant that if an impartial agency can be found to carry out the re-allotment at a moderate cost he should swallow his prejudices and accept the new idea.

The description which I have given¹ of the size of land holdings and the general agricultural position in Scandinavia will illustrate the close resemblance between the peasants of those countries and the strongest peasant classes in India. It will be instructive to compare the method and cost of consolidation in the two cases, with special reference

¹ See the introductory remarks to the account of the three Scandinavian countries' in the chapters on Mortgage and on Co-operation.

to Sweden. The law and the procedure in redistribution have been explained by Mr. Patil of Baroda in his excellent Teport¹ on Consolidation of Holdings in Europe, to which I confess myself indebted throughout this chapter, and I shall not discuss them in detail; each country must elaborate its own procedure in accordance with the quality of its land-surveying staff and the temperament of its landholders. I shall confine myself to points which suggest a direct comparison with our own conditions.

Consolidation in all three Scandinavian countries assumed Consolidation of holdings a modern form in the latter part of the 18th and first part of the 19th century, and the Swedish system known as LAGASKIFTE or legal consolidation was established by a law of 1827. Prior to that there had been early attempts to reduce the number of fragments by the consent of all the proprietors or a majority, and in the form known as ENSKIFTE which immediately preceded Lagaskifte the consolidation was sufficiently thorough to call in most cases for no later change. But the consent of the majority was still required before a redistribution could be undertaken. A Lagaskifte in Sweden, and the corresponding form of consolidation in Norway, may now be initiated on the application of a single landowner, and carried through at his request alone. The consent of other landowners is not needed. The redistribution is effected by the agency of an official surveyor and two local assessors who are appointed in a public meeting of landowners. If their decisions are unsatisfactory, the person aggrieved can appeal within 60 days to a Land Court consisting of a judge and 3 local agriculturists, with a further appeal in 30 days to the Government. It will be noticed that such cases do not come before the ordinary civil courts, though disputes as to title, etc., which may arise in the course of the proceedings, will be decided by them. The procedure is very similar to that of a partition of agricultural land in the Punjab, where however the Revenue Officer not only performs the function of the Land Court but also controls the more important proposals of the surveyor (patwari), who is an official of lower status and attainments than a Scandinavian surveyor. The latter is free to continue his work without referring to higher authority, leaving it to the parties to

¹ Report on the reconstitution and consolidation of small and scattered holdings in various countries of Europe, by Ramchandra Shamrao Patil, Baroda, 1923.

appeal against him. In Norway the appeal may be made either to a commission of appeal, consisting of the same surveyor who is conducting the work and some new agricultural assessors, or to the civil court of law; the decision of the commission is also subject to appeal in the courts of law, if it has decided a legal point. It is therefore not surprising that consolidation cases are in general more prolonged in Norway than in Sweden. A Swedish authority estimated that appeals were made on some point or other in one-third of the cases, with the natural result of delay. From files which I examined the duration of a consolidation case in Sweden was discovered to be about 18 months; in Norway Mr. Patil estimates it at 4 or 5 years, and a Norwegian official gave me an instance in which six years elapsed before the work of consolidation actually began, and added that litigation might delay it for 10 years, but he regarded such a prolongation as exceptional, and I gathered that in his opinion four or five years was above the average length. In Norway the delays have been aggravated by lack of staff. The *average* area taken up on an application appears to be 400 or 500 acres, though there will be wide variation above and below this figure.

Now in the Punjab our experience of the first few years shows that a co-operative surveyor (Sub-Inspector) on consolidation duty can deal with 1000 acres in slightly more than 6 months on the average; 12 men completed an area rising from 6,350 acres in 1921 to 11,350 acres in 1924. There is no power of compulsion. The redistribution is only begun when all¹ landowners in the area, concerned have agreed to join in it, and only completed and sanctioned when every man (or woman) has freely accepted the new fields allotted to him. The landowners voluntarily form themselves into a co-operative society of which such consolidation of holdings is the slated object, and the surveyor is required to work to its satisfaction. There is no special law to control the re-allotment or enforce the agreement. Headers who have not seen the success achieved will perhaps hardly believe it possible to induce every person to accept the new allotment, and half of each surveyor's time is spent in fruitless efforts. There have been instances in which the completed redistribution of large areas, on

¹ Or nearly all. An occasional individual, if stubborn, is ignored, and left in possession of his scattered fields.

•which six months' labour had been expended, has been cancelled through the obstinacy of a single individual; the pressure of public opinion through the society is however often strong enough to overcome his resistance if he has no real cause of complaint. If time had not to be wasted on failures, a surveyor in the Punjab could complete perhaps 1,000 acres in a year, and show an outturn three times¹ as large as that of Sweden, but even without compulsory powers the outturn per man is increasing. There are no delays which can be traced directly to litigation, for the redistribution is voluntary and can only be made effective if no disputes remain; if the disputes which in Scandinavia are carried to the law courts can in the Punjab be settled by conciliation through the co-operative society, the work goes forward; otherwise it is dropped. Our instances of failure may therefore be considered as the equivalent of Scandinavian litigation.

The staff in the Punjab originally consisted of 10 surveyors paid by Government and known as Sub-Inspectors of consolidation, and two superior surveyors similarly paid and known as Inspector²: these men are drawn from the official land revenue staff (qanungos and patwaris) who are posted in all districts for survey duty and the maintenance of the record of rights in land. The number of these special surveyors has now been raised from 12 to 24, of whom 22 are paid by the State. The work was experimentally begun in 1920, and 40,000 acres have been redistributed by the end of 1924; slow progress was made while the idea was new to the peasants, but with a larger staff a rapid advance will now be possible. The Swedish surveyors are responsible for all minor cases of subdivision and redistribution, in addition to consolidation proper; 213 surveyors and 89 assistants in 1922 consolidated 105,000 acres, and carried out minor² operations in nearly 800,000 acres. In 1923, they consolidated 365,000 acres. The smaller operations would in India be carried out by the ordinary revenue staff, and are in themselves of less complexity than Lagaskifte; it is consequently not possible to compare accurately the number of persons employed on consolidation in the two countries. The Norwegian staff in 1923 and

¹ Since the average area in Sweden is 600 acres, and the average duration 1 year.

² The main duties of the Indian revenue staff, calculation of land revenue due, recording of annual crops and tenancies, and mutations of ownership through inheritance or alienation will not be performed by Swedish surveyors.

1924 was 52 surveyors, but I have no record of their outturn of work. Foreign readers will be puzzled to account for the adoption of the co-operative method in consolidation in India. The reason lies in the literacy of European peasants - and the higher standard of integrity maintained by their subordinate revenue officials. In an illiterate country the petty official, especially in an outlying village, has abundant opportunities for partiality and corruption, and in order to obviate this evil where the peasant's most precious possession, his land, is at stake, the closest supervision by an expert and upright staff of superior officers would be indispensable. The superior revenue officers are already sufficiently burdened with work, and if consolidation were placed in their charge, increased staff and expenditure would be required, and even then there would be complaints. By placing the surveyor under an obligation to satisfy each individual landowner, the danger of corruption and the need for supervision are reduced, though the operation itself is rendered ten times more difficult. The by-laws of a co-operative consolidation society allow the majority to compel the minority by their votes to accept the lots offered to them by the surveyor, but it has never yet been thought prudent to make use of this power. Authorities in Scandinavia gave me to understand that complaints against the integrity of surveyors are practically unknown, and my enquiry was heard with amusement. Appeals are brought on the ground of incorrect but not dishonest decision as to valuation or classification of land, etc.

Consolidation in Sweden is approaching completion. Out of 67,000 villages, 51,000 have undergone Lagaskifte or a satisfactory TCnskil'to, and of the remaining 16,000 about half are expected to require treatment, while the others, owned by a single proprietor or a small number of persons, will be left untouched. In Norway exact figures were not forthcoming and the work is less advanced; one-third of the enclosed land and one-fifth of the unenclosed (forests pastures, etc.) have been redistributed, but the area to be handled is not known. One-tenth of this land had previously been consolidated, but the work was either in itself not thorough or had been rendered obsolete by changed conditions. Norway is a sparsely populated country, and the growth of population and extension of roads and cultivation will lead to dispersion of holdings and necessitate redistribution in tracts not yet touched. For the same reason

the Norwegian law allows a second consolidation after 8 years, whereas in Sweden a second redistribution can take place only with the consent of all concerned; the suggestion that such an operation be permitted with the approval of the majority only is still under discussion, and no formal steps towards legislation have been taken. The consent of all the landowners in such a case has never been obtained, and no second Lagaskifte of the same ground has been done in Sweden. We need not therefore in the Punjab be alarmed by the warnings of pessimists, who tell us that fragmentation will be as bad as ever in thirty years after a consolidation : there will be no urgency for 100 years. At the same time no reasonable scheme for constant readjustment or exchange by co-operative means should be hastily rejected, if the useless subdivision or scattering of the fields can thereby be avoided. The question of subdivision¹ of small holdings will be considered in the following chapter.

Before passing on to reckon the expense borne by Government and the landowner in a Lagaskifte proceeding, let me mention a few minor points :—

- (1) The rights of a Scandinavian mortgagee are transferred in the redistribution from the original land on which he held his mortgage to other land of equivalent value belonging to the same mortgagor. The status of a mortgagee is, within the limited sphere given to him by his mortgage, that of a landowner, and he will be entitled to put forward his claim and press it in appeal if necessary just as a landowner may do, if his rights as alienee are in any way threatened. Such objections are not generally anticipated, since the surveyor and his assessors are impartial. Similarly in the Punjab a mortgage-holder who is not cultivating the land is as a rule satisfied without much trouble, while a mortgagee in possession as cultivator has to be convinced and dealt with in the same way as a landowner.
- (2) Persons under a disability on grounds of age or other incapacity are represented by guardians whom ~~incapable persons.~~

¹ I am anxious to distinguish sharply the question of subdivision and of the "economic holding" from that of consolidation. The cause of the latter has suffered from their confusion.

the Land Court appoints : there is no disability on account of sex. The action of the guardian can be called in question by a ward on attaining his majority, but redress will be sought from the guardian himself without upsetting the consolidation proceedings.

- (8) There are no occupancy tenants such as we know
Tenant right.

- (4) Absentees are advertised in the newspapers, and if their country of residence is known, for instance if they have emigrated to America, attempts are made to trace them through the Foreign Office. The advertisement is legally adequate, and the Court will then appoint a representative who is personally responsible in case of ill faith.

- (5) No common land is reserved for grazing in or near the cultivated area of the village. If there is common grazing in mountainous regions, it will be on a remote upland where a herdsman from each farm lives for several months continuously in charge of his stock.

- (6) Those landowners whose houses stand on land assigned to others in the new distribution may be required¹ to move on to their own land. The more substantial houses are left where they stand, and the smaller removed. The cost of the removal is met by a levy on the other owners and by a contribution from Government. This levy in Norway may not exceed a certain sum varying with the assessed value of each man's land, Government paying the remainder if the levy does not cover the whole cost ; in Sweden half the cost is paid by Government and half by the landowners. In Sweden the Government also pay, in accordance with a recently introduced rule, the cost of removing the houses of all poor men who obtain a certificate from the local

¹ Mr. Patil states that they go willingly, I was given contrary information' Both versions are no doubt correct in different cases.

authorities. This provision is not yet widely known, and the charge on public funds for removal is likely to increase when fuller advantage is taken of it by the poor. Where the farm houses in a village all stand close together and the owners are content so to leave them in a village site, the surveyors and assessors will include the house-site in each man's allotment of land. Removal will take place either when a farmer wishes to live on his land which has been collected in one place at a distance from his present dwelling, or when he is on land now allotted to another but *not* in a regular village site. No necessity for such a provision has arisen in the Punjab, where each man's house, if not in the village site, is usually allotted to him by the surveyor with the approval of the society.

- {7) If it is inevitable that in order to assign a collected ^{Compensation} block to each man, a farmer ^{impensation.} should be allotted land inferior to that which he formerly held, compensation is paid to him in cash by the gainer who now holds the superior land.

In Norway and Sweden these arrangements are defined by a special law on consolidation. In Legislation. the Punjab where voluntary methods are used, the co-operative society can under its by-laws bind all persons who are present and capable of entering into an obligation. Such members of a society must refer their complaints to arbitration and may not take them to a law court. There is however no means of appointing, except possibly by a wearisome process in a civil court, a representative of an absentee. Widows also in the Punjab have only a life interest in agricultural land, and though the consent of their apparent reversionary heirs may be secured to the consolidation, these heirs may die and the land revert to other heirs. In all such cases, and also where wards on reaching majority quarrel with their ex-guardians, there is a possibility of a suit, probably malicious but technically maintainable, being launched for the reversal of the redistribution and the return of the land surrendered by the representative of the plaintiff. The only legislative provision that is at present needed in the Punjab is one to provide that in such

a suit (1) the burden of proof shall lie on the person who complains against the redistribution; (2) *ii* such a person proves that his rights were impaired, he shall be awarded compensation in money and the redistribution shall not be upset.

The peculiar status of the hereditary tenant in the Punjab needs special consideration. He is not permitted to exchange his holding for other land without the consent of the landlord or otherwise to alienate it, and it has been doubted, owing to the form in which a proceeding of redistribution and consolidation is recorded in the revenue papers, whether it is an exchange to which a landlord can give consent. If it is not, a dishonest landlord could at a future date denounce it as an unauthorised alienation and destroy the tenant's hereditary rights. Moreover the reversionary heirs of such a hereditary tenant only succeed him in land which was occupied by their common ancestor; the exchange therefore endangers their rights of succession unless a special agreement is taken from the landlord. These impediments to the progress of consolidation can be removed by an amendment of the Punjab Tenancy Act, authorising the exchange of an occupancy tenant's lands in consolidation and conserving the reversioners' rights.

The expense of consolidation in the Punjab is lower than that of Norway and Sweden, but not to so marked a degree as I had expected to find. The cost of staff in the Punjab has been Rs. 53,000 up to the end of 1924; this covers the pay, travelling charges and contingent expenditure of 12 surveyors until 31st March 1924 and 22 surveyors from 1st April 1924, but does not take account of the superior staff paid by Government for registration and supervision of co-operative societies in general, a part of whose time is devoted to supervision of consolidation. The area completed is approximately 40,000 acres, and another 10,000 acres is under treatment at any given moment but the work is incomplete. If a share of the cost of superior officers be debited to consolidation, Rs. 1-8-0 per acre will be an outside estimate of the charge falling on the treasury. The cost to the landowner is not easy to estimate. One central co-operative bank has paid for two surveyors out of profits derived from the financing of co-operative societies, and the local unofficial staff of

Expense in the Punjab.
Expense in the Punjab.

co-operative Sub-Inspectors, who supervise and audit the societies of all kinds, and are paid by them, use their influence to support the surveyors from time to time. Local labour and an office, with a free residence for the surveyor, are provided by the village. Fees for such copies of the revenue papers as are taken from the revenue staff will also be a charge on the villagers, as will also the books and papers of the co-operative consolidation society. A levy for removal of houses has never been made, and compensation for difference in the quality of land given and taken, which has occasionally been awarded, is simply a payment by a buyer for value received. A reward is sometimes given to the local subordinate (patwari) of the revenue staff for his assistance, if his officers permit him to receive it. The total cost per acre to the owners cannot be stated with certainty, but I estimate it at¹ one anna at the outside.

In Norway the State pays the salary and travelling charges and daily allowance of all surveyors and their office clerks; the daily allowance and travelling charges (if any) of the local assessors, the cost of local labour and of the office building, and stamps and fees of experts and law courts, are debited to the landowners. The expense of removing houses is levied for the most part from the landowners, as described above, the State making good any deficit. Figures of actual cases were supplied to me, and I give two instances. Consolidation of 100 acres in one village cost 500 Kr. (Rs. 250) to the owners, and 680 Kr. (Rs. 340) to the State; this is much below the average, since no appeal was lodged and no houses were removed. The value of the 100 acres was stated to have been enhanced by 1,600 Kr. Another consolidation of 4,000 acres, mostly uncultivated and very easy to divide, cost 574 Kr. to the owners, and 1,040 Kr. to the State. These are exceptionally low figures. The Norwegian budget for 1924 contains an item of 1,432,000 Kr. for consolidation, of which 150,000 Kr. is for removal of houses, and the bulk of the remainder represents the pay, etc., of 52 surveyors and of an unspecified but evidently larger number of assistants. The 1923 budget was 1,581,000 Kr., with 850,000 Kr. for houses. Eoughly I reckon that two-thirds of the expense is borne in Norway by the State, and one-third by the landowners. It is unfortunate that I could

¹ One penny.

obtain no return of the area consolidated in any given year.- In Sweden it was 105,000 acres in 1922 and 365,000 acres in 1923. If for the sake of caution not less than 300,000 acres be assumed for Norway, and this is almost certainly excessive, since the work is less advanced and staff smaller than in Sweden, the cost to Government will be about 5 Kr. or Es. 2-8-0 per acre on a budget of 1,500,000 Kr. This budget does not include any part of the pay, etc., of superior departmental officers.

In Sweden the Government pays the salary and other allowances of the surveyor and his staff, and the travelling charges of the assessors, which last item is in Norway met by the owners. The owners pay for the local labour and offices, stamps and fees for maps and documents, the daily diet money of the assessors, and also an additional sum to the surveyors which I understand to be a charge based on the work actually done in a consolidation case. The removal of houses and construction of roads and drainage is debited to Government and the owners in equal shares. Accurate figures of outturn were here available, and of cost to the owners; they contributed 215,000 Kr. for 105,000 acres in 1922, or about two Swedish Kr. (Us. 2) per acre, and 850,000 Kr. for 305,000 acres; in 1923 which amounts to 2 1/2 Kr. and the same¹ number of rupees. The cost to Government is less clear. The State paid 250,000 Kr. to surveyors and salaries in 1922 on account of travelling charges and daily allowances, but this money was drawn for work on minor partitions, etc. (nearly 800,000 acres) in addition to consolidation cases (105,000 acres). The minor work will probably be less costly than that of consolidation, since fewer people and smaller estates are concerned. Landowners paid 9 times as much to surveyors for minor operations as for Lagaskifte. If similarly one-tenth of 825,000 Kr. be attributed to Lagaskifte, we have 82,500 Kr. for 105,000 acres. Roads and removal of buildings in 1923 cost the State 250,000 Kr., the consolidated area being 365,000 acres. In one detailed instance the work on 181 acres cost 1,079 Kr. or about 6 Kr. per acre, of which roughly half fell on public revenues. In my opinion the total cost

¹ The Swedish crown has at present nearly double the exchange value of the Norwegian crown, but though prices in Norway have risen more than in Sweden, the internal value of the Norwegian crown has not fallen by half. A conversion into rupees is consequently somewhat misleading.

to the State in Sweden is 2J or 8 Swedish Kr., giving the same approximate figure in rupees as in Norway, and nearly double that of the Punjab.¹

The land in Denmark was distributed among the peasants, compact holdings² on their liberation from serfdom. The consolidation of freeholders' land was carried through about the same time, in the last half of the 18th. and first quarter of the 19th century. The procedure was regularized by a law of 1781. There is now no regular procedure for consolidation in most of the country, and no compulsory power; farmers remedy the evils of dispersion from time to time by voluntary sales and exchanges, but the State takes no part, except when a land surveyor checks the new measurements of a holding for the purpose of taxation. A redistribution is said to be really desirable in 10 or 20 per cent, of the estates, but the political strength and independent spirit of the farmers forbid any attempt to apply pressure to them, nor have they seen the wisdom of applying it to themselves. Sub-division is proceeding and in some areas the evil is on the increase. The Danish situation throws an interesting sidelight on that of her neighbours. Consolidation in Sweden came later than in Denmark, and the need for a new redistribution is only beginning to be felt. Norway, coming still later, wisely guarded against it by allowing a second compulsory operation after 30 years. Ordinarily 100 years seems to be the average period for which a consolidation is effective.

A special law of 1924 introduced a procedure for voluntary consolidation in the redeemed district of north Slesvig, where an old and partial redistribution done in the 18th. century is now found to be obsolete. A commission has been appointed to encourage farmers to undertake the enterprise and to receive applications. The farmers themselves work out the allotment of plots, the commission being ready to help if invited, but moving very cautiously in order to excite no resentment by pressure. The Land Survey Department can be called in to measure the agreed plots, but since in this district the

¹ Mr. Patil gives 7,000 Kr. as the cost of consolidating 184 acres at Kragstaby. There appears to have been an error since there are 6 villages of this name and the case in which 184 acres were consolidated cost only 1,079 Kr.

² The land purchased from Irish landlords under the Land Acts has with a few cases been re-allotted to peasant owners in the same way, and there is at present no serious dispersion of holdings in Ireland.

former German record of rights (Grundbog) contains an accurate plan and calculation of each field, their intervention is seldom required. Any farmer may send in an application, and upon the registration of the case by the commission all stamp duties and revenue fees on the proceeding are remitted. All other expenses are paid by the farmers. A number of applications have been received, and the first case had at the time of my visit been completed and was being entered in the records. There is a proposal that this voluntary system with propagandist commissions be extended to other parts of Denmark. It approximates to the co-operative methods of the Punjab.

CHAPTER V.

Colonisation and small-holders.

The maintenance of small farming is in every country acquiring a greater importance from year to year. The loneliness and lack of interest of which educated men are sometimes conscious in rural life, the low returns which agriculture* yields to a farmer following obsolete methods, and the helplessness of a small man in respect of credit, purchase and sale, in an industrialized world, unite to drive him out of farming and into the towns. Yet never has the urgency of settling and retaining an independent yeomanry and peasantry on the land been more keenly felt for reasons of political stability, food supply and national health. The rural worker whom it is proposed to settle or retain must be treated as a man similar to other men, not *merely* as a public servant for feeding the towns ; when the produce of his work can be sold at a profit covering his expenses and leaving him a reasonable margin for his own subsistence, he will then listen to the advocate of better technical methods and the apostle¹ of a better life.

There are three principal schemes for the establishment of small farmers ; the creation of landholding groups, usually co-operative, in which farmers own or hire land in common : the encouragement of colonisation societies for selling or letting land to farmers : and the direct settlement of individuals by the help of loans and subsidies from the State. We shall find the first of these schemes used in England and Ireland, the second in Denmark and Norway, and the third in all the Scandinavian countries and the British Isles.

Having examined the Italian landholding societies in 1920, I was interested to learn that the Irish State, which in 1920 set up a National Land Bank with the funds of its national loan, had in 1921 transferred 13,000 acres of land, taken over from landlords under the Land Purchase Acts, to 40 landholding societies, and financed them with loans to the extent of £870,000 from the Land Bank. The proceeding was

~~Co-operative~~ Landholding
in Ireland.

¹ As in the chapter on cattle I have placed better business first, better farming will follow, and better living can then be organised. In practice all three are pursued together, but business needs most attention in the beginning. The danger to-day is of being content with better business and farming; better living does *not* follow automatically and nothing is grosser than a prosperous materialism. Better living must be preached, and we have tried to preach it in the Punjab by Adult education and Arbitration. See the next chapter.

ambitious and somewhat hasty, though excellent in principle. The members who were "settled" were landless men who had for several years been living in a state of protest against the existing system of law and order in the country, and the mental condition induced by such a manner of life is not favourable to any form of peaceful co-operation or steady work. They were intended to cultivate either jointly or separately as they wished, but the former was recommended at all events until the land should have been developed; co-operative purchase and sale were also contemplated. At the time of my visit to Ireland in 1924 three-quarters of the societies had divided the land among themselves, and were carrying on no kind of voluntary co-operation; they were obliged to pay jointly the interest and annuity of their purchase money, since the society owns the land, and the Land Bnnk does not recognize the individual. They have no co-operative value. The remainder were still nominally joint in their cultivation, but had in reality leased out the land to other cultivators in order to build up a reserve fund and to take over the cultivation themselves when the initial difficulties had been overcome. These do not appear to be men of a temperament suited to co-operative colonisation, and I anticipate that many of them will never settle down. The Free State Government has now created a Land Commission to complete land transfer throughout its territory under the latest Purchase Act, and the societies are being placed under this commission which has authority to cancel the grant if it thinks fit, and to allot the land to other persons. The reason for the failure of these societies is that they were founded at a time of disorder and composed of men who had been engaged in resistance, rightly or wrongly, to the law; there was also no co-operative organisation to guide and teach them. Co-operative farming can only be practised by peaceable and industrious men, with the constant advice of co-operative and agricultural experts.

A committee under Sir H. Verney in 1916 recommended the formation of Central Farms to be cultivated on a joint and co-operative system, as a means of training ex-soldiers in agriculture and with a view to their settlement on the land after the war. Under the Small-holding Colonies Acts of 1916 and 1918, 25,000 acres were accordingly acquired, and a small area was received by gift. Fifteen estates in all were created, but under a subsequent decision of 1920 thirteen of these have

been transferred to County Councils as colonies of small-holders or have been let or sold to individual farmers. Only two, at Amesbury and Paltrington, are to be retained as profit-sharing farms under joint management. They are entirely financed by the State, though the local Director enjoys considerable freedom in administration. On these two estates, each of about 2,800 acres, 24 and 59 ex-soldiers respectively had been settled by 1924. Owing to the agricultural crisis the former shows in its balance sheet a loss of £8,000 and the latter of £38,000, but the Ministry points out that both farms made a profit in 1917-18, and all farmers worked at a heavy loss in the slump, especially if they reckoned the full depreciation of their stock and debited the full interest on their capital. On these correct lines every agricultural enterprise will from time to time show a loss, and as was pointed out when speaking of the Welwyn Agricultural Guild, the results must be examined after a long period of years. Meanwhile a number of untrained men have learned farming and are now competent cultivators. The Pattrington settlement, lying in an isolated position in Yorkshire, has developed a commendable social spirit.

Grants of Crown land recently brought under canal irrigation in the Montgomery District in the Punjab. were made by the Punjab Government to six groups of agriculturists under the auspices of the Registrar of Co-operative Societies. The land is of poor quality and was consequently granted on easy terms. The area is 2,500 acres, and in five of the groups, numbering about 100 men, the members are tenants of their co-operative landholding societies, and pay rent to the societies for their holdings. The object of the scheme is that they shall be led by the managing committees to develop and improve the low-grade land, and cultivate on less primitive methods than those to which they have been accustomed. The landholding societies act also as credit institutions and are free to carry on purchase and sale. The settlements are new, and the colonists have not yet overcome the initial difficulties due to the nature of the soil. They tend to absent themselves, and quarrels have very naturally arisen between the more courageous settlers and the absentees. They differ from the English and Irish settlers in being already regular agriculturists. At this early stage no improvements in agriculture can be introduced, and the fate of the experiment is uncertain. On land of ordinary quality there is no

reason to doubt its success, and the settlers would be saved from the burden of usurious debt which they have hitherto found it impossible to evade, on settlement in the Punjab colonies. A few co-operative landholding societies have also been registered in Southern India.

The Norwegian and Danish governments have supported colonisation societies, of which there is one in Norway and a dozen or more in Denmark.

Colonisation Societies.

The Norwegian society of Ny Jord (New Land) was founded in 1908 in order to counteract the tendency towards emigration; in 1917 it adopted the plan of internal colonisation as the best means to this end. Its function is to buy from private individuals tracts of land which they can not or do not cultivate intensively, and after draining it and laying it out in plots to sell these to small farmers on the instalment system. The settlers are usually sons of farmers in adjacent villages, who would otherwise have left the countryside for lack of land, since a farmer leaves his farm to one son only. No attempt has been made to train or settle non-agriculturists. An estate will be broken up into 20 or 25 plots, which vary from 20 to 60 acres. The settler builds his house as a wage-earner under the society and can continue to support himself by similar labour until his land is developed. When this has been done, after an interval of perhaps 3 years, he becomes the owner of his house and land and repays the society by instalments; the latter holds in the meantime a mortgage on his property. The society is financed almost entirely by the State, and may be described as semi-official. It is however open to any colonist to borrow directly from the official Smallholders and Housing Bank (which is managed by the Royal Mortgage Bank of Norway) and repay the colonisation society. Settlement has been impeded by the high cost of building in post-war years, and by the middle of 1924 only 250 farms had been laid out on 10,000 acres, though others were under preparation. The State, on the other hand, has settled 67,000 men up to date through the Smallholders' Bank. The society is still young, and as the cost of building becomes more reasonable it may hope to find the settler more willing to borrow from the Bank for his house, leaving to the society the duty of purchasing and laying out the land: in this way the State will be relieved of a certain burden. At present however there is a net loss on the houses, which is made good by the State.

The chief Danish body is the colonisation society of Zea-
 In Denmark. Funen and South Jutland. The society dates from 1906, but the high cost of building caused it to suspend operations from 1916 to 1921; the remote district of South Jutland was included in its sphere when redeemed from Germany. The Danish government also will advance money to such societies, but the Zealand society, though qualified for a loan—its interest on shares is limited, and all profits on its dissolution must be applied to an agricultural purpose—has not found occasion to borrow. It buys up large estates in the market, and claims to be able to buy more cheaply than the State, which has not, as in England, the right of compulsory acquisition. Estates on which the residential house has been destroyed by fire are very readily bought by the society, since it is not then encumbered with a building unsuitable for small settlers. Where such a building is on the property the society aims at selling it first at a profit, as a residence only, and then divides up the land into plots of only 10 or 20 acres. The Directors estimate that in Denmark a smallholder can live on about 10 acres of good or 15 acres of middling land. From its foundation until September 1924 the society had settled over 1,500 men on about 25,000 acres, the purchase price being 16 million Kr. (Es. 1,00,00,000 approximately, or Bs. 400 per acre). The size of these estates has recently ranged from 50 to 350 acres, and the cost from 15,000 to 800,000 Kr. The society is managed by a committee elected by the *guarantors* of share capital: all actual capital has been withdrawn since a reserve fund of over 300,000 Kr. has been accumulated. The society is financed by the banks when purchasing an estate, and the settler repays to the society in cash one-tenth of the price of his lot, and borrows either from the State or from a Credit Association (of first mortgage) and further, if possible, from a Mortgage Association (of second mortgage), the money to clear his debt to the society. He should also borrow from the State for his housebuilding, but the high cost of building has recently forced the society to undertake the task, and to recover the price of the house, and any balance of the price of the land which is outstanding, from the settler by instal[^]

,It is not easy to convert Danish figures of land into English, since Danish land is measured and described not by its area but by its taxable value, as though in India one should speak of land of Rs. 500 land revenue without mentioning its area, which of course will vary with its quality.

meats. There have been no losses. The other societies work on similar lines, but are smaller and borrow from the State as occasion requires.

There does not appear to be scope for such societies in the Punjab under present conditions and possibly not in India. I do not know of any now existing. Where land is capable of more intensive cultivation, small farmers would be reluctant to trust themselves to a company or non-co-operative society which they could not control, while public-spirited men who would promote such a society for the national good and without personal advantage are still few. If such a business be undertaken it must either be co-operative or retained in the hands of the State.

Direct aid from the Danish State may be given either to ~~Direct aid to settlers.~~ ^{persons} settling in groups without joint tenure, or to individuals one by one. No line of distinction can be drawn between these policies, since the area to be developed in a given district will decide the number of settlers : in addition to colonists on State lands help will also be given to single persons who buy a plot by private treaty from a larger farmer, but a buyer from a previous small farmer will have recourse to a mortgage loan from a bank or association.

The Norwegian government has up to date settled 67,000 persons, of whom 40,000 are farmers living solely by agriculture, while the remainder are smallholders on the outskirts of towns, who may engage in other work in addition to agriculture. The latter demand no special arrangement for social amenities or organisation, and the former also are for the most part situated in the neighbourhood of a village and adhere to its community. The extension of settlement both in Norway and Sweden is made from the centre outwards, from a village into the surrounding forest or waste ; there is in these countries less occasion than in closely populated England and Denmark, for breaking up large estates, though in the southern provinces and in the neighbourhood of towns this is done. An experimental colony of 14 men with 50 acres apiece, of which half was cleared for cultivation and half was forest, was established by the Norwegian government, but the cost worked out at 40,000 or 50,000 Kr. per plot, and the selling value of a plot was only 20,000 Kr. The loss was no doubt partly due to fluctuation of prices during and after the war, but the

venture is not likely to be repeated: the grant to the Ny Jord colonisation society is less expensive.

I have not heard details of colonisation societies, though the Provincial Agricultural Societies guarantee loans given by government to settlers whom they recommend; but a big project for settlement on the borders of forests is being realized by the Forest department. Crown land is allotted either in small farms of 15 acres or larger of 40 acres. The 15-acre men can not live by cultivation alone, in view of the climate, communications, and agricultural possibilities of the remote regions in question: they add to their earnings by work both in the surrounding State forests and on the land of the 40-acre men. The settlers are usually grouped with a view to social life, provision of a school, etc., but in some cases are sufficiently near to old villages to need no special organisation. Most of them are rural men; townsmen do well on the land if they are willing to learn and are placed in the midst of rural folk, but three special groups of urban unemployed which were settled under political influence in 1921 have proved unsuccessful and half of the men have deserted. The most common cause of desertion is their wives, dislike of the rural life. The complete project is for 10,000 men, of whom 600 had already been established and 100 more holdings had been prepared by the time of my inquiry: the control was at first in the hands of agricultural inspectors, but is now left principally to the Forest officials. Twelve million and five hundred thousand acres of Crown land are available for settlement on these lines, but one of the main objects is to exploit the forests, and the depression in the lumber trade has temporarily reduced the demand for timber and for the holdings.

In both countries official funds or institutions have been created to give financial assistance to settlers. In Norway the Land Cultivation Fund will lend a sum not exceeding 5,000 Kr. to an individual applicant at the privileged rate of 2½ per cent, for purchase of land, provided that his income does not exceed 5,000 Kr. annually; he pays only interest for 5 years, and then the principal in 15 annual instalments. Or if he borrows through Ny Jord or the Smallholders' and Housing Bank the State will pay the interest on his loan.

in excess of 2£ per cent. Further to such small men a free grant of 500 Kr. per acre is made for development of their plots, and 800 Kr. per acre towards their buildings. More substantial farmers will borrow from the Royal Mortgage Bank of Norway or from the Norwegian Association, and repay by instalments over a long term.

Similarly in Sweden the State builds the houses of the 15-acre men settling under the forest scheme, and incurs a small loss. A free gift of 500 Kr. for development is made to the 40-acre class, and will probably be sanctioned for the smaller¹ men likewise." The latter can borrow at 5 per cent, from government for purchase of their first cow. Loans up to 15,000 Kr. are given from a State fund to other small holders, usually through and on the security of agricultural societies, smallholders' societies, and local authorities. The present rate of interest is 4½ per cent.³ and after the first 5 years during which only interest is paid, the first half of the loan is repaid in about 40 years and the second half in the following 5 years. The numbers settled in Sweden are not clear from the published information: the independent settlers up to 1920 were 19,000 and the money lent to agricultural societies and private bodies was 65 million Kr., which if 7,500 Kr. per man be estimated as an average of big and small men, would represent only 8,000 persons.

For the purpose of the Punjab I note three relevant points in this account of Norwegian and Swedish settlement. It is considered proper by those governments to lend money for the settlement of small farmers below the market rate of interest, to make free grants for the development of land and the erection of buildings, and to subsidize societies or other bodies which have such settlement as their aim. In India the chief obstacle to settlement on uncultivated lands is the scarcity of water,³ which can only be corrected by costly and intricate schemes of irrigation. There is neither available land nor national necessity for a general colonisation movement. When in the Punjab a waterless tract of Crown land is irrigated, plots are granted to settlers without an initial payment; the land tax is remitted for a suitable number

¹ New regulations were to come before the Swedish Parliament in the autumn of 1924.

² Appreciably lower than the rate at which the Government can raise money in the market.

³ And sometime the abundance of wild animals, especially in Indian States.

of harvests* add the charge for transfer of ownership to the co-operators, when their settlement is completed, is extremely moderate.¹ These concessions are fully equivalent to, perhaps greater than, the grants made in Norway and Sweden for development, but the burden of debt which is incurred in India for buildings and for livestock can be escaped in Scandinavia by means of cheap loans from the State and the assistance obtained from colonisation societies.

Now in India a State loan is not always profitable to the small farmers, as I have pointed out while discussing Mortgage Banks for India, on account of the characteristics of the borrower and also of the agency with which he has to deal, and a plan of financing colonisation by direct advances to the settler will be open to criticism on this score. What an Indian government can do is to lend to and through a well-organised co-operative agency controlled by the settlers and supervised, as all Indian co-operative societies are, by official co-operators. The money demanded by a large new colony exceeds the means of the co-operative movement, at least in the Punjab, and though credit societies are opened as fast as possible, they cannot be created before the settlers are settled; but by that time the evil has been done and debt incurred. If State funds at a reduced rate of interest were placed at the disposal of a central co-operative institution, formed by co-operative *landholding* societies which were themselves the grantees of the land, and without joining which no settler would be admitted, the customary debt could be avoided by the exercise of co-operative control over credit. Better farming could be assured from the beginning by the co-operative purchase and distribution of improved seed and implements, better business would be the function of co-operative commission shops, and better living would follow through the encouragement of co-operative education, arbitration and irrigation.

The most striking difference between the law of settlement in Denmark and that in Norway and Sweden, is that while the latter, having still many millions of acres of Crown land in their

¹ Rfl. 12\$ per acre as a rule. Re. 15 — £1.

* It may be surprising to find co-operative irrigation placed under the head of better living, but I am impenitent. I believe that Co-operative irrigation would reduce crime and purify the administration.

pmsseskm, are willing to sell the ownership to the settler,¹ Denmark having now comparatively little Crown land retains the ownership, conceding only a hereditary tenancy to the toudyer. Under a law of 1919 any man who can show that he possesses a certain minimum sum (fixed from time to time by the Ministry, and at present 1,500 Kr.) and wishes to take up Crown land worth not more than 20,000 Kr.⁹ can borrow nine-tenths of the amount which he requires for his buildings, not exceeding 11,000 Kr.^a He will pay 4| per cent.² interest on the value of the land as assessed every five years,³ and 4| per cent, on his building loan up to 8,000 Kr, the excess being free of interest ; the principal of the building loan is repaid in instalments of 1 per cent. He remains a tenant or subordinate owner on his holding, and can legally sell it, but the State retains the right then to resume it, compensating him for improvements, or to call on the vendee to pay up the full value of the land. He may let it, and mortgage to a limited extent, but it may not be seized for debt. No advance LS given to such colonists for cultivation or stock, but a proposal to this effect is under consideration ; they can however always resort to a smallholders' credit or mortgage association. A colonist on Crown land must maintain his cultivation and buildings in good order, insure his stock and machinery against fire and his buildings against fire and storm. Under this law and its predecessors 10,000 men have been settled in 22 years ; the lands under division are partly old Crown lands derived from the former feudal estates, and partly those obtained from the church by the conversion of tithe payments into cash ; the available land is said to be sufficient for 5,000 more men, and will be finished in 5 years' time. The State must then resume the partition of "large³ estates/" by direct purchase or through the colonisation societies. A law of 1924 extends privileges to persons buying from others than the Crown ; a Commission is constituted in each county, under the Ministry of Agriculture and the local authorities, which assists agricultural applicants to buy from public and private owners. Preference is given to thrifty persons who have saved the minimum (1,500 Kr.) from their wages. No compulsion

¹ Ownership passes when the conditions of building and cultivating have been fulfilled, i.e., in about three years; the State retains a mortgage until the purchase money has been paid.

^a These figures are changed by executive order as circumstance' require.

³ It was explained to me that 150 acres is a large estate.

can be used against the owners. A loan amounting to nine-tenths of the value of the land and buildings will be advanced at 4 per cent.; the loan for buildings is repaid, after the usual interval of 5 years, by instalments of 1 per cent, and the price of the land in 20 instalments after that. The State meantime holds a mortgage. The confidence with which Denmark transfers the tenure of her land entirely to small farmers, making no effort to maintain any large estate, is remarkable in view of the economic arguments advanced elsewhere, especially in England, in support of large farming. The richest meadow land, on which cattle are fattened for export to Germany, is held by small men, and the breeding of prize stock is also in their hands. Yet these are the specialized classes of agricultural business for which large scale farming is advocated in England. The small Danish farmers simply arrive at the position of a big farmer by means of co-operative organisation, and it will need exceptional arguments to prove that what can be done in Denmark cannot be done in England, if the same road is followed. In other words, the advantages of large farming in England and elsewhere can be gained by small men *if* they will co-operate. In the Punjab the large farmers are relatively few, but a peasant political movement against the big man has been seen in other parts of India and may prove infectious. There is no necessity to provoke it, but if it takes place it does not connote economic or agricultural disaster.

It is not correct to imagine Britain as a land of large
 In Great Britain: fanning : there are very large holdings,
 cultivated well and ill, but the total number
 of holdings is about 410,000, and the average size of a holding
 70 acres or less. A " smallholding " is ordinarily from 5 to 50
 acres, and one-sixth of the agricultural area is occupied by such
 small men, 235,000 in number. About 45,000 of these have
 been settled by the State.¹ Under the Smallholdings Act
 of 1908 all County Councils are permitted to buy or hire
 land by agreement or by compulsion for individual colonists
 or for smallholding (co-operative) societies, and may raise
 loans for the purpose. If they neglect their duties in the
 matter, the Ministry of Agriculture will repair the omission
 and debit the local body. The settler must pay in cash 20
 per cent, of the purchase price, including the cost of develop-
 ment, 25 per cent, may stand as a perpetual rent-charge,

¹ Including local authorities.

and the remainder is paid off by instalments in 50 years. A smallholder who wishes to buy from a private owner may borrow 80 per cent, of the money from a County Council, but in most cases the land is provided by the Councils themselves, and the smallholder prefers to remain as a perpetual tenant. The power of compulsory acquisition was temporarily increased by the Land Settlement Act of 1919, the condition as to prepayment of 20 per cent, was suspended, and the term of repayment was extended to 60 years. The appreciation of smallholders as a national and economic asset, and the demand of both the rural and the urban population for land, are growing steadily in Great Britain ; but disunited small farmers encounter great difficulties, and though they have realized the value of union better than the bigger men, they have still much to learn and to gain.

A curious difference is to be observed in the demand for land in England and in the Punjab ; in England the demand proceeds from those who wish to live on the land and cultivate it themselves : in the Punjab the outcry is chiefly of those who wish to instal a tenant and live on the rent.

It is also noteworthy that in England a County Council is not only permitted to had money to co-operative land-holding societies of smallholders, for all purposes, but is also required to arrange for the supervision of settlers, to appoint an agricultural organizer, and to debit the cost to local funds ; in the Punjab the District Boards Act does not even permit an eager Board to pay or contribute towards the cost of a co-operative organizer.

The last subject which I have to mention in connection with small farms is that of subdivision ^{and the} economic limit. The European custom is, generally speaking, to leave the land to one son, who gradually pays off the charge laid by his father on the property for the benefit of the other heirs ; if he is unable to do so, he sells the entire property rather than a fraction, after the loss of which he would be unable to make a profit, and starts life again elsewhere.

In Norway and Sweden therefore, where vacant land is abundant, and in Great Britain where owing to the size of farms there is no danger of excessive partition, the only restriction imposed on Crown settlers is that they may not

•subdivide their holdings before the purchase money is repaid to Government. In Swedei: the proposal to forbid or limit partition of consolidated holdings has been discussed but not yet accepted. The Crown settler's right is restricted as above stated, but after he has been granted proprietorship (and before he has paid the full purchase price) there appears to be no legal power to take action against him if he privately subdivides, though the entry in the land records will remain unaltered. The object of the rule is clearly to safeguard the debt which he owes to Government, and if that were not endangered, probably no action would be taken. A British settler may be sold up if he lets or subdivides without permission in the first twenty years after settlement, or subsequently while any part of the price remains unpaid. The second condition clearly has in view, as in Sweden, the security of the debt, while the first in my opinion aims at protecting the smallholding from the speculator. In none of these countries is there any attempt to prescribe the exact size or a holding. In Norway and Sweden is laid down only a maximum value of the land, for the acquisition or cultivation of which a settler may expect help from the State ; the Swedish holdings under the new forest scheme are 15 and 40 acres, one of which is too large and the other too small to support a single family, but the Swedish Government is deliberately creating these "uneconomic" holdings of 15 acres, and gives excellent reasons for it. There is no ground for condemning the life of a man who lives partly by agriculture and partly by labour. In Great Britain too a small holding is from five to fifty acres (or less than five when a house is on the land), and it is assumed that a holding of five acres or even less will be economic *in certain places* or under certain conditions of cultivation. Similarly the Swedish holding of 15 acres, which is uneconomic on the edge of the forest, will be excessive a few miles away, where a man can live on 10 acres, or beside a large town, where a kitchen gardener can live on 5 acres, and a nursery gardener on one. It would seem that the economic holding is a myth, a will-o'-the-wisp.

• Denmark, a closely occupied country of peasant-farmers in Denmark, ^{anc} smallholders, has for 20 years been engaged in a struggle against the extinction as well as the sub-division of small landed properties. The Crown settler is limited in his rights, as elsewhere, until he is free from debt to the State, and after that falls under the ordinary law. The law recognizes two classes

of farm : the Bondegaard or peasant's farm of 25 to 125 acres, and the Husmandsbrug or smallholding of 2½ to 35 acres. The classification of a farm or smallholding depends not on its area but on its taxable value in Hartkorn; whereas 10 acres of good land will be a Peasant Farm, *i.e.*, a property of higher status, 80 acres of bad land will fall into the lower category of a smallholding. The law of 1906 forbade the reduction of the area of a Peasant Farm below a certain taxable value, which I have roughly interpreted as from 25 to 125 acres, but allowed these farms to be of 4 grades, a separate minimum being fixed for each grade. The inflated price both of land and of agricultural requirements during the war induced many small-holders to sell out, and a temporary law of 1919 forbade the sale of a small-holding in such a way as to reduce the total number of agricultural holdings, *i.e.*, it forbade the merging and extinction of holdings. This is obviously a different problem from that of the Peasant Farm, is in fact the reverse of it. A new law has now been drafted to meet both cases, and will be before the Danish Parliament in the session of 1924-25. In the first place no Peasant Farm, as existing at the moment of the passing of the law, may be extinguished or diminished in area without the sanction of the Ministry of Agriculture, and the period for which a farm or part of a farm may be leased without sanction is reduced from 50 to 10 years. A small-holding may not be extinguished or diminished in area below the minimum fixed for its grade, except with the sanction of the Ministry and in the public interest; evidently sanction will be less easily obtained in the case of a small-holding. The four classes remain based on taxation, and equal to areas from about 12½ to 35 acres; the smallest holdings of rich land, down to 2½ acres, will be reckoned in the 12-acre class. No holding may be less than 2½ acres. Three smallholdings up to about 80 acres in all of fairly good land may be held by one person, but the buildings must be maintained and no holding may be merged² in another. The land is graded by official valuers, and official Inspectors watch over the observance of the law. Fines up to 2,000 kr. may be imposed for its breach. Now the points to which I wish to draw attention are these:— (1) the evil against which the Danes are contending is as

¹ I can only apologise for the discrepancies shown by my figures. They are due to the Danish system of taxation-areas. A description of Tonder Hartkorn would be unintelligible in India.

² If my information is correct, the law is evaded. The maintenance of buildings, on holdings which have in reality been amalgamated is nominal.

much the excessive size of holdings as their inadequate size; they wish to prevent the peasant or the smallholder from being swallowed up by the wealthy man from whom they have been carefully acquiring the land for settlement. (2) "With this object they seek to fix the minimum size of a holding, but when they proceed to do so, they find it necessary to allow peasant farms of all sizes from 25 to 125 acres, and smallholdings from 2¹/₂ to 35 acres; and amongst these there are grades ! and below them are the Smaabrukere or allotment-holders, who are not expected to live solely by agriculture and are not prohibited from sub-division or alienation. But the Smaabrukere are welcomed and encouraged by the Danish Government, which evidently does not disapprove of the existence of a partly agricultural and partly industrial citizen. My conclusion again is that there is no such thing as an economic holding ; 2¹/₂ acres of good land is economic, and 25 acres of bad land is not. But if a Peasant Farm of 25 good acres is the minimum, and may not be brought down to 20 acres, because that would be uneconomic, then how can a smallholding of 2¹/₂ acres be economic ? I lay stress on the unreality of the economic holding because in India many friends of the agriculturist are pursuing this dream, and are confusing the issues of consolidation and of co-operative mortgage with it. An uneconomic holding will become economic if it is consolidated and intensively cultivated ; or if even then a family cannot subsist on it, let one or more members of the family take up other work and add to the joint income. This is the practice in industrial Belgium, where many peasant families depute one of their adults in an annual rotation to undertake either industrial labour, or agricultural labour on another man's land. Strenuous efforts are made in all urban centres of western Europe to give every industrial worker a patch of land as an allotment; in India where the patch of land is already his, we have no occasion to lament if he turns to another occupation, for some hours in each day, for several months in each year, or for one year out of several. But his patch should be in one place, and mortgage and other credit under co-operative control should be available to him.

CHAPTER VI.

Adult Education.

Reference has been made in preceding chapters to the handicap imposed on Indian progress, especially among the rural population, by the general illiteracy.¹ The extension of literacy, a policy receiving wide-spread support from the educated classes, is delayed firstly by the great cost involved and secondly by the importance of training the multitude of teachers who will staff the schools. There is no law of general compulsory education

Adult Schools in the Punjab.

in the Punjab, but local authorities have power to apply compulsion to stated areas; this has to a limited extent been done, while in other villages co-operative Compulsory Education Societies have been registered, the members being parents who pledge themselves under their by-laws to send their children regularly to school. Meanwhile an attempt has been made in various provinces of India to impart adult education, which in the Punjab has taken the form of Adult² Primary Schools. The first Adult Schools in the Punjab were co-operative, and their example has been followed by the educational authorities; the two departments of Government now work in friendly emulation, and grants are given to both types of school by the local authorities or The provincial government. The adult pupils in nearly 2,000 schools number approximately 50,000 out of a total population of 20 millions; all are males, and predominantly rural. Their course is of six months, and covers the three "Es" with simple mensuration. The idea originated with the supervising staff and the members of co-operative societies in the villages, who realized the disadvantage of being unable to keep their own accounts and also believed that a literate peasant would be less conservative in his farming and more intelligent in his business. In other words the need for better farming and better business led them to demand better living.

A similar movement took place in Scandinavia in the middle of the 19th century, and has

Bishop Grundtvig and the Folk High Schools

Germany and other parts of Europe.

* JUfcraft* iij India are 82 per 1,000 (males 139, females 21); in the Punjab 46 per 1,000 (male. 76* females ft. The percentage in the towns is much higher than the general percentage here given, and that in the villages is lower.

¹ Frequently but incorrectly called night schools: some read by day, and this is to be preferred, since the pupils are fresher.

The Napoleonic wars reduced Denmark to a condition of extreme distress, and the transfer of Norway from the authority of Denmark to that of Sweden in 1814 dealt a violent shock to Danish pride. After a period of depression a certain improvement in agricultural methods, accompanied by a revival of prosperity, was visible from 1825 or 1830, and at this moment Grundtvig, the saviour of the Danish national spirit, embarked on his campaign for a popular awakening. The schools were in the hands of the classicists, who believed in the traditional literary education of the upper classes, and of the pietists, who set the maintenance of existing beliefs before enlightenment and free criticism. Grundtvig was a priest and an opponent of Rationalism, but a firm believer in freedom both political and intellectual. If the people were to take part in the government of their country, as the revolutionary movements of 1789 and 1830 persuaded him that they should, they must be not only literate but men and women of understanding. General education had been introduced only with effect from 1814, and the outlook of the people, above all of the peasants who had only recently been released from serfdom, was still narrow and myopic. Grundtvig formed the opinion that their minds could only be broadened and their national sense stirred by a new type of school, in which teaching should be given not so much through books as through speech, discussion, and song. Adult pupils only were to be admitted, and he stoutly opposed those of his disciples who imagined nothing better than a secondary or continuation school. National understanding must be acquired by men and women, not by children, and he was content that on leaving the primary school at 14 years the child should return to work on his father's farm, and come to the new school when his mind was ripe for the knowledge of citizenship. Grundtvig was addressing the Norwegian and Swedish peoples as well as the Danish, since all Scandinavians were heirs to one tradition and civilisation; he at first therefore conceived the idea of one great central school for Scandinavia. When this plan proved impracticable, local experiments were tried on a smaller scale.

The first Folk High School was opened in 1844, not in Denmark proper but at Rodding in North Slesvig which from 1866 passed under German rule, though inhabited chiefly by Danes, and has only recently been restored. Aalborg

others now surviving, Uldum dates from 1849 and Lyngby from 1856. The earliest in Norway was founded in 1864, and in Sweden in 1868. In 1924 there were 57 in Denmark, 56 in Norway and 50 in Sweden, with over 6,000, 3,000 and 8,000 pupils respectively. The number both of schools and of pupils was higher on the outbreak of the war, but the financial stringencies of the war-years led to the closure of the less popular institutions. It is estimated that 25,000 rural youths and girls in Denmark reach the age of 17 in each year; one fourth of the rural population therefore is passing through the Folk High Schools. In Norway, which has a smaller population, one in seven undergoes the same experience, and in Sweden about one in fifteen. The influence on national thought in Denmark is definite and increasing.

Although Grundtvig was a bishop and an active opponent of Rationalism, his doctrine of freedom and his schools excited keen hostility. He was accused of political radicalism and religious indifference, and when it became evident that his followers were acquiring popularity among the countrymen, and new schools were springing up from year to year, his opponents were moved to give concrete form to their disapproval. Religious or "private" Folk High Schools on the one side were founded by the "Inner Mission" on behalf of the orthodox Lutheran Church, in which specifically religious teaching was included in the curriculum; the Grundtvigian schools allow no separate teaching of religion, though their method and spirit are permeated with ethical as well as national feeling, and religion (rather than theology) is treated and discussed sympathetically as an element in human nature and human development. They inculcate no dogmas, but the Grundtvigians deny that their pupils are in practice more worldly than those of the Inner Mission schools. On the other side the Conservative party while in power determined to resist the Grundtvigian liberalism by means of Farmers' (Sweden) or County (Norway) or Agricultural (Denmark) schools under the control of local authorities, and established these from about 1875. Antagonism was less active in Denmark than elsewhere; in Norway it was carried to the point of refusing all State grants to the Folk High Schools, which were thereby brought down to the number of six in 1898. With the spreading of tolerance and

the growth of Kberalism¹ in politics this partiality came to an end, and all three types of High School are now, if efficient, supported equally by the State. The Danish agricultural schools are now entirely technical, and both these and the State secondary (continuation) schools accept pupils at an age so much lower than the Folk High Schools, that competition no longer exist?.

The principal object of the Folk, the Mission, and the Country or Farmers' High Schools is not to impart information but to awaken the young adult mind ; to teach the young man (or woman) to use his eyes and ears, to understand what he sees and hears, to *icish* to understand and know. National history and universal history, the national literature and language and the national constitution are the leading subjects in the curriculum ; foreign languages are often taught, especially English and German; attention is given also to agriculture. There is no uniformity, and a headmaster may vary and add to the subjects as he will, running the risk of losing his State grant if he exceeds reasonable limits. (The Swedish schools are more practical than the Danish and Norwegian, and allot more time to the study of accountancy, house-building, etc.). Apart from such instruction, the pupils discuss questions on which a teacher or one of their own number has read a thesis, or hold debates, sometimes in the form of a mimic Parliament. The function of the teacher is to evoke, stimulate and guide their thought, not to instil his knowledge into his pupils. Little concrete information can be crammed into a short course, and he aims rather at equipping them as men and citizens to play an intelligent and patriotic part in their daily life. Hence they examine the administration of their village or county, the constitution of the provincial and national government, and the laws which affect themselves in their normal occupations. Their education has that rural bias and rural atmosphere which so many nations desire, and so few are able, to create. The finished pupil neither leaves his country nor his village; he returns to his farm and cultivates the land. In addition to these two forms of education, by instruction and discussion, they learn also by song. This will appear less strange and embarrassing to Indian than to English readers, and among Englishmen also singing will be a more effective instrument

¹ In the progressive or English sense of the word, corresponding to Continental
fitdh*flilf**v *~***

for moving frank and simple natures than the highly conventionalized and self-conscious. Certainly in the Polk High Schools it is so regularly and heartily used as soon to overcome the artificiality of a newcomer, and assistance upon it as a means of arousing generous emotion and brotherhood was always one of the Grundtvigian principles. The main course is of six months only, from October to March, and if an adolescent mind is in that short time to receive a lasting impression the emotions must be trained no less than the intellect. In some of the larger schools women are admitted, though they are housed and for the most part educated in a separate wing; a few schools are for women only. Their curriculum includes domestic training, hygiene, and farmyard subjects. The majority of schools conduct also short courses, from one to three months, in the summer time when men cannot be spared for long from their farms. The ordinary age of admission is seventeen, and efforts are made both by governments and by the wisest teachers to admit none before this stage; there is in fact a strong preference for a minimum of eighteen years or even more. It is not desirable to embarrass matrons with the company of frivolous associates. Persons of middle age occasionally join; in one Swedish school 1 was the mother of a railway servant aged 42, and in a Danish school came a farmer and his wife, each of about 40 years, who intended to visit a son in America and wished first to broaden themselves in preparation for the great experience. In fact there have been created advanced Folk High Schools, the oldest and most famous being that of Askov in Denmark, dating from 1875, where various branches of natural science, with a more extended study of languages, mathematics and sociology, are pursued through three annual courses of six months.

The passion of enthusiasm and self-sacrifice which animates the teachers in such schools of national citizenship is more easily imagined than reproduced. The sentiment of the pupils is earnest and devoted, of the teachers generous and fraternal: in particular the influence of the headmaster is potent, and the relation between him and his student is that of the Indian guru and his chelas. Men and women are attracted from all districts and provinces, occasionally also from other countries, by the personality of the headmaster; they come

¹ If accommodation is available, all Folk High Schools are residential

to "sit at his feet." Consequently there is no thought of confining admission to residents of a local area; an adult will work and learn best in the school in which he already has friends, and in the exalting spirit of which he is predisposed to believe. The Folk High Schools, as distinguished from the religious or official types, are often founded and owned by an individual who feels a "vocation" to the duty of national uplift, and though others are from the first in the hands of local committees, and a few schools, on the death or retirement of the founder, are similarly administered, the headmaster is always left as free a control as possible in order that his spiritual influence may not be cramped but may permeate every person and every place. The junior teachers are recruited, as far as possible, from the universities or from normal, agricultural or military colleges of equal status; they receive a salary (roughly 4,000 to 8,000 kr. per annum) which is far from abundant by European standards, and live a simple life in keeping with the tradition of the schools. Their moving force is patriotism, and the feeling of brotherhood guides their work. There are no marks or examinations, though a certificate of attendance is usually given to a pupil at the end of his course. The schools are subject to a periodical State inspection, since they receive a State grant, but it is for the most part left to the nation to estimate their value, and a school which does not inspire will lapse for lack of pupils. In this respect I gathered that the Folk High Schools stand on a somewhat higher level than those of the Inner Mission or of the Farmers or Counties, though the latter institutions would no doubt reject the suggestion. The Folk High School chooses its teachers in a wider field than the Mission, which is limited to persons of a certain religious attitude, while the official schools are less responsive to public opinion, perhaps less keen. But it would be unjust to make too sweeping a statement; there are Mission schools and official schools animated by a fervour and conducted with an ability equal to that of any Folk High School.

Before explaining the financial position, let me mention two Danish institutions. (1) The Union

**The Danish Union of Folk
High School*.**

Schools is formed by the teachers of these schools and of the Agricultural Schools. Its object is to arrange discussions on questions of common interest, to maintain a Provident Fund (in which the State subscribes an amount equal

to the teachers' contributions), to fix scales of pay, and hold courses for young teachers. The State makes a grant of 6,000 kroner annually. Its membership is about 500, and includes the majority of the teachers.

(2) The sentiment which created and upholds the national Folk High Schools took in 1921 international form in the establishment of the International College at Elsinore in Denmark. The spirit is ethical, and the education aims, as in the High Schools, at arousing the individual by personal influence and association. The winter course, conducted in Danish, is similar to that of a High School; the three-months summer course is in English, and deals with international and sociological subjects from an advanced¹ point of view. In 1924 there were 52 students, of whom 15 were from the British Isles, 2 Americans, 8 Germans, 1 Swede, 1 Norwegian, and 25 Danes. Two of its former students are now trying to found a Folk High School in Ireland.

The fees of a High School for a winter course will be from 10 kroner to 100 kroner; 80 Norwegian kroner are prescribed by the new Norwegian rules of 1924, but 100 Swedish kroner are paid at a semi-urban Swedish school. The fees are received by the schools, not by the Governments. On the other hand, I know a large Danish School which charges only 10 to 15 kroner. The charge for board and lodging may be 40 or 50 kroner monthly. Roughly speaking a pupil may pay 70 or 80 kroner in all per mensem. The three Governments also give liberal scholarships, amounting in some cases to nearly the whole cost; agricultural labourers in particular are favoured. The expenses of the schools consist of rent and maintenance of buildings, the pay of teachers, school apparatus, and light and fuel. The Danish Government gives a lump grant (1,000—1,500 kroner) annually to each school, and pays 50 per cent, of the salary of teachers (but only 20 per cent, of the headmaster), 35 per cent, of the cost of apparatus, and 10 per cent, of rent and maintenance. The Norwegian system was similar until 1919, but from that year the State gives a multiple (at present four times) of the grant made by the local authorities, thereby rendering the schools dependent on local approval. The number of pupils above the age of 17 must be not less than 25. The budget of the schools

ig submitted to the Department of Education, which also controls the appointment and removal of teachers. In Sweden also large grants are made by the State and the provinces, for which I have no detailed figures. Including scholarships the Danish and Norwegian Governments contribute to the schools from 2 to 2 million kroner annually, and meet from one-third to two-thirds of their total cost. [Representatives of the provincial governments are placed on the managing board of each school in Sweden which receives a grant, and those Norwegian and Danish Schools (about one-third of the number) which are managed by self-renewing committees usually include delegates of the local authority ; the privately owned schools are only inspected by the Education Department.

I have travelled far from the primary adult schools of the Punjab ; yet in reality the problem is the same. We have to find men of public spirit who will appreciate the value of educated rural citizens and will give up their lives, or "some years of their lives, to a national service which is laborious and in no way spectacular. They must hold themselves clear both of political agitations and of religious quarrels. A true patriotism is introspective, self-critical and largely silent; its most noble flower is neither the vilification of authority nor the broaking of any man's head. The patriot will never find a more worthy activity than the making of citizens, and since every body cannot be a leader and most citizens must carry on their quiet daily business, the patriot has unlimited scope for his energy and his purest ambition in converting the humble rural classes, the men who stand apart from the clamour of cities and are moved only by great issues, into intelligent judges and sincere lovers of what is good ; good for their village and good for their country. Their work can neither be done by misrepresentation nor by froth ; the teacher must live among his pupils, show them the sincerity of his own life, and guide them by example rather than by oratory. Teachers of this type are needed by rural India, first for primary adult schools and later for National High Schools ; for adults, not for children. Possibly such teachers will be forthcoming, but their spirit is rare.

APPENDIX A.

Rough translation of the 5 Feddan law.

LAW 81 OF 1912.

Clause 2.—The agricultural property of cultivators who own five feddans or less shall be exempt from attachment.

This exemption extends to the dwelling house and outhouses of such cultivators, also to two draught animals and to the agricultural implements necessary to the working of their land.

It may be set up against creditors whose claim is based on a mortgage or a pledge, and to those who hold a lien, but not against privileged creditors.

Clause 4.—The provisions of clause 2 shall not affect the rights of creditors duly registered at the time at which the present comes into effect, or creditors whose deeds have been presented in court for enforcement before such date.

EXTRACTS FROM Acr No. XIII OF 1900.

An Act to amend the law relating in agricultural land in {he Punjab.

Whereas it is expedient to amend the law relating to agricultural land in the Punjab ; it is hereby enacted as follows :—

I.—PRELIMINARY.

1. (1) This Act may be called the Punjab Alienation of **Land** Act, 1900.

2. In this Act, unless there is anything repugnant in the subject or context, ...

(4) the expression " permanent alienation " includes sales, exchanges, gifts, wills and grants of occupancy rights ;

(5) the expression " usufructuary mortgage " means a mortgage by which the mortgagor delivers possession of the mortgaged land to the mortgagee and authorises him to retain such possession until payment of the mortgage money, and to receive the rents and profits of the land and to appropriate them in lieu of interest or in payment of the mortgage money or partly in lieu of interest and partly in payment of the mortgage money.

8. (1) A person who desires to make a. permanent alienation of his land shall be at liberty to make such alienation where—

(a) the alienor is not a member of an agricultural tribe ; or

(b) the alienor is a member of an agricultural tribe and the alienee is a member of the same tribe or of a tribe in the same group ;

(2) Except in the oases provided for in sub-section (1), a permanent alienation of land shall not take effect as such unless and until sanction is given thereto by a Deputy Commissioner.

(8) The Deputy Commissioner shall enquire into the circumstances of the alienation and shall have discretion to grant or refuse the sanction required by sub-section (2).

4. The Local Government shall by notification in the local official Gazette, determine what bodies of persons in any district or group of districts are to be deemed to be agricultural tribes or groups of agricultural tribes for the purposes of this Act.

6. (1) If a member of an agricultural tribe mortgages his land and the mortgagee is not a member of the same tribe, or of a tribe in the same group, the mortgage shall be made in one of the following forms:—

(a) In the form of a usufructuary mortgage, by which the mortgagor delivers possession of the land to the mortgagee and authorizes him to retain such possession and to receive the rents and profits of the land in lieu of interest and towards payment of the principal, on condition that after the expiry of the term agreed on, or (if no term is agreed on, or if the term agreed on exceeds twenty years) after the expiry of twenty years, the land shall be re-delivered to the mortgagor; or

(b) in the form of a mortgage without possession, subject to the condition that, if the mortgagor fails to pay principal and interest according to his contract, the mortgagee may apply to the Deputy Commissioner to place him in possession for such term, not exceeding twenty years, as the Deputy Commissioner may consider to be equitable, the mortgage to be treated as a usufructuary mortgage for the term of the mortgagee's possession and for such sum as may be due to the mortgagee on account of the balance of principal due and of interest due not exceeding the amount claimable as simple interest at such rate and for such period as the Deputy Commissioner thinks reasonable.

(8) The Deputy Commissioner, if he accepts the application of a mortgagee under sub-section (i) (b) shall have power to eject the mortgagor, and as against the mortgagor, to place the mortgagee in possession.

7. In the case of mortgages made under section 6—

(1) no interest shall accrue during the period for which the mortgagee is in possession of the land or in receipt of rent.

- (2) if the mortgage is in form (a) or form (&) then at the end of such period of possession the mortgage debt shall be extinguished ;
- (8) the mortgagor may redeem his land at any time during the currency of the mortgage, on payment of the mortgage-debt or, in the case of a mortgage in form (a) or form (6) of such proportion of the mortgage-debt as the Deputy Commissioner determines to be equitable ; and
- (5) if a mortgagor who has applied to the Deputy Commissioner under sub-section (3) proves to the satisfaction of the Deputy Commissioner that he has paid the mortgage-debt or such proportion of the mortgage-debt as the Deputy Commissioner has determined to be equitable, or deposits with the Deputy Commissioner the amount of such mortgage-debt or of such proportion thereof the redemption of the land shall be deemed to have taken place, and the Deputy Commissioner shall have power to eject the mortgagee, if in possession, and as against the mortgagee to place the mortgagor in possession.

8. (2) In mortgages made under section 6 any condition not permitted by or under this Act shall be null and void.

9. (1) If a member of an agricultural tribe makes a mortgage of his land in any manner or form not permitted by or under this Act, the Deputy Commissioner shall have authority to revise and alter the terms of the mortgage so as to bring it into accordance with such form of mortgage permitted by or under this Act as the mortgagee appears to him to be equitably entitled to claim.

11. Any member of an agricultural tribe may make a lease or farm of his land for any term not exceeding twenty years, and any lease or farm made by a member of an agricultural tribe for a longer term than twenty years shall, if the lessee or farmer is not a member of the same tribe or of a tribe in the same group, be deemed to be a lease or farm for the term permitted by this section.

12. (1) During the currency of a mortgage made under section 6 in form (a) or form (b) or of a lease or farm under this Act, the owner shall be at liberty to make a further temporary alienation of the same land for such term as together with the term of the current mortgage, lease or farm will make up a term not exceeding the full term of twenty years.

(2) Any such further temporary alienation, if made for a longer term than is permitted by this section/shall be deemed to be a temporary alienation for the term permitted by this section.

14. Any permanent alienation which under section 8 is not to take effect as such until the sanction of a Deputy Commissioner is given thereto shall, until such sanction is given or if "such sanction has been refused, take effect as a usufructuary mortgage in form (a) permitted

by section 6 for such term not exceeding twenty years and on such conditions as the Deputy Commissioner considers to be reasonable.

15. Every agreement whereby a member of an agricultural tribe purports to alienate or charge the produce of his land or any part of or share in such produce for more than one year shall not take effect for more than one year from the date of the agreement unless the sanction of a Deputy Commissioner is given thereto, and shall until such sanction is given or if such sanction is refused, take effect as if it had been made for one year.

16., (1) No land belonging to a member of an agricultural tribe shall be sold in execution of any decree or order of any Civil or Revenue Court, whether made before or after the commencement of this Act.

17. Notwithstanding anything in the Indian Registration Act, 1877, or in any rules made under section 69 of the Act—

(1) an instrument which contravenes any provision of this Act shall not be admitted to registration;

21-A, (1) Notwithstanding anything contained in the Code of Civil Procedure or in any other Act for the time being in force, every Civil Court which passes a decree or order involving (1) the permanent alienation of his land by a member of an agricultural tribe, or (2) the mortgage by a member of an agricultural tribe of his land when the mortgagee is not a member of the same tribe or of a tribe in the same group, shall send to the Deputy Commissioner a copy of such decree or order.

(2) When it appears to the Deputy Commissioner that any Civil Court has, either before or after the date when this section comes into operation, passed a decree or order contrary to any of the provisions of this Act, the Deputy Commissioner may apply for the revision of such decree or order to the Court, if any, to which an appeal would lie from such decree or order or in which an appeal could have been instituted at the time when the decree or order was passed, or in any other case to the Chief Court. And when the Court finds that such decree or order is contrary to any of the provisions of this Act it shall alter it so as to make it consistent with this Act. Such application shall be made within two months of the date upon which the Deputy Commissioner is informed of such decree or order.

APPENDIX B.

LAW OF 20TH JUNE 1850.

A Law concerning the creation of credit associations and loan banks for the owners of property.

1. We Frederick the VII, etc., etc., do make known: the parliament has approved and we with our consent have sanctioned the following law:—

(i) The ministry of the interior is authorised to grant to credit associations of owners of property in Denmark the privileges described in clauses 2 and 8 hereafter, provided that the bylaws accepted by such associations are in accordance with the provisions stated in clause 4 hereafter ;

2. The privileges, which can be granted to such credit associations are as follows :—

- (i) That the bonds issued by the directors of the association may be issued on unstamped paper and may be issued by name or to bearer, and further such documents may be transferred without the use of stamped paper ;
- (ii) the directors may with legal effect agree with the members or debtors of the association that the latter do in the mortgage deed given by them to the association grant the directors the right that if they do not fulfil their contractual obligations, the directors may in execution make distraint upon the property given in pledge and its appurtenances and may thereafter cause the same to be sold in public auction, and in case of necessity may take it over as property of the association without previous arbitration recourse to court or judgment, in which case the distraint made by the directors of the association or the auction subsequently ordered shall not be stayed or called in question in any appeal to higher authority, such auction being held in accordance with the notifications of 22nd April 1817 and 11th September 1883, whereby the member or debtor concerned is empowered to institute a suit for restitution in order to obtain full compensation from the association;
- (iii) that there be granted to the directors of such associations, in payment for the despatch of valuables or money by the public post, the same reductions which are granted to the National Bank in respect of despatch of money between its head office and its branch in Aarhus ;
- (iv) that the association may take up loans at a higher rate of interest than 4 per cent, and similarly may stipulate with its members or debtors for higher rates than 4 per cent.

8. The administrators of property of minors and public foundations are permitted to invest their funds in bonds issued by the credit associations.

4. In order that a credit association may expect to secure the sanction of its bylaws and be enabled to enjoy the benefits of the privileges above stated, it is required :—

- (i) That members have joined such an association up to a value of at least two million crowns, the properties of such members lying within such a circle that the directors can exercise the necessary control over the trustworthiness of the valuers and a suitable supervision over the properties pledged ;
- (ii) that a mortgage upon any property be only accepted up to such sum that the total encumbrances thereupon do not in any case exceed gth of the value of the pledged property as fixed in valuation according to such rules as may yield no less security for correct valuation than the provisions contained in the notification of 7th June 1827, which rules must also be stated in detail in the bylaws ;
- (Hi) that there may at no time be in circulation as against the association a larger total of bonds than the total of the mortgages of members in its possession ;
- (iv) that all the members admitted to such an association shall be jointly (solidarity) liable for the bonds issued by the association up to the full value of their property as assessed, if they have taken a loan up to 1/10th of such value and in the same proportion to the total of the loan if it represents a lesser portion of the value assessed;
- (v) that the bonds issued by the association whether by name or to bearer shall bear interest and may not be for a less sum than a hundred crowns;
- (vi) that it be provided in the bylaws that the members of the association are in addition to the agreed interest responsible to pay a suitable fixed percentage per annum of their loan towards its amortization;
- (tni) that it be provided in the bylaws that the directors are bound annually to publish a full statement of accounts for the association and in each quarter to send to the ministry of the interior an extract of accounts ;
- (t)iii) that no change be approved in the bylaws without the sanction of the ministry of the interior.

5. When the ministry of the interior has sanctioned the bylaws of such a credit association, a public notice shall be given if

on the other hand the desired sanction cannot be given the minister will inform the persons concerned of the reasons.

6. (Concerning Loan Banks.)

7. If a credit association should desire any different or greater privilege than the present law empowers the ministry of the interior to grant, such privilege must be obtained by a special law.

LAW OF 21ST NOVEMBER 1851.

A Law concerning amendments in the law of 20th June 1850, etc.

We Frederick the VII, etc.

The provisions in clause 4 (i) of the law of 20th June 1850 are so far altered, that the ministry of the interior is empowered to sanction the bylaws of a credit association although the members may have joined the association only up to a total value of one million of crowns.

LAW OF 19TH FEBRUARY 1861.

An amendment of the law of 20th of June 1850, etc.

1. The ministry of the interior is authorised to permit a credit association to which it has granted the privileges specified in the law of 20th of June 1850 to enjoy such privileges none the less although it may be provided in their bylaws that the admission of members and the corresponding issue of the bond of the association is divided in series or sub-series in such a way that there is no solidary liability between the different sub-series, provided always that—

- (i) no sub-series may be closed until it contains members to a value of at least six million crowns ;
- (it) the members in the last closed sub-series and in the new sub-series next following be solidarily liable for one another until the new sub-series has members for at least 2 million crowns;
- (in) from the time at which the series to which they belong is closed the right of members subsequently admitted to the association to reduce their original debt in consequence of the annual amortization required by the bylaws be brought to an end ;
- (it>) no member who leaves the association or a certain series be granted a certificate for the cessation of the solidary liability" resting upon him until the accounts for the year concerned have been passed by the ministry of the interior together with a verification of the fact that no ground for objection in the public interest is found, or that there is such security for the fulfilment of the solidary liability as the ministry finds adequate.

9. The ministry may further permit credit associations created in accordance with the law of 20th June 1850 to accept members from other parts of the country.

8. The privileges with which the law of 20th June 1850 is concerned for credit associations and loan banks for property owners may in future only be granted by a special law.

LAW OF OTH FEBRUARY 1866.

A law whereby the ministry of the interior is authorised to grant to a credit association for landed properties in the Islands the privileges set forth in clauses 2 and 8 of the law of 20th June 1850.

Whereas a credit association for landed properties in the Islands has been founded and has passed bylaws in accordance with the requirements stated in clause 4 of the law of 20th June 1850 and clause 1 of the law of 19th February 1861 : the ministry of the interior is authorised to sanction the bylaws of such an association and to grant the association the privileges set forth in the law of 20th June 1850 with the following further conditions :—

- (i) The ministry of the interior is entitled at any time to cause the operations of the association to be examined in all particulars, the costs arising from this examination to be borne by the association ;
- (ii) there shall be appointed two auditors for the association whose nomination shall be confirmed by the ministry of the interior: the ministry shall further lay down rules for the audit;
- (Hi) with a view to build up a reserve and administration fund a member on admission into the association shall pay in cash at least 2 per cent, and thereafter at least $\frac{1}{2}$ per cent, half-yearly of his outstanding loan. When, however, the fund by means of these contributions and such others as may be made has risen to 5 per cent, of the debt, the half-yearly payment may with the sanction of the ministry of the interior be reduced to not less than $\frac{1}{4}$ per cent, and shall again be raised to the original amount if the fund for any reason whatever falls below 5 per cent. Should the fund at any time fall below 1 per cent, an extraordinary contribution shall also without fail be levied. If the association is divided into series there can be a separate reserve and administration fund for each series, which fund shall be dependent upon the series and shall be liquidated upon its conclusion. The regulations above stated shall be applied to the reserve and administration fund of every series.
- (it?) if a property has to be taken over by the association there shall be withdrawn and cancelled in the first half-yearly period, beginning after an interval of 12 weeks from the time of taking over, an amount of the bonds issued by the association which is equivalent to $\frac{1}{4}$ of the debt to the association which rests upon that property, and

similar amount in each of the two half-yearly periods thereupon following. The property shall be put up to public auction within the period of one year after being taken over. If it is not sold it may thereafter only be shown in the books of the association at a value not exceeding the highest bid made at the auction.

- (v) if in the opinion of the ministry of the interior the directors of the association should materially diminish the security available to the creditors and should they within a period granted to them fail to take the necessary steps to make good the defect the ministry of the interior is entitled to stay the operations of the association or if circumstances require may take the institution under its administration.

LAW OF 24TH APRIL 1896.

A. law whereby the ministry of the interior is authorised to sanction changes in the bylaws of existing mortgage associations.

We Christian the Dth by God's grace King of Denmark, the Wends and the Goths, etc., etc., do make known ; the parliament has approved and we with our consent have sanctioned the following law :—

1. The ministry of the interior is authorised to sanction the following changes in the bylaws of existing credit associations : -
 - (?) That an association may hereafter give loans which shall wholly or partially remain unamortized, provided that the non-amortizable part of the loan may not exceed Jrd of the valuation ; the remainder of the loan shall be amortized by half-yearly instalments, whether increasing or equalized, in not more than 60 years. The half-yearly contribution to the reserve and administration fund and also the contribution for which every member has to accept responsibility on admission to the association may be fixed at a suitable sum differing for each of the above-mentioned parts of the loan ;
 - (ii) that the contribution to the reserve and administration fund may be paid with the instalments of the first half-yearly periods provided that the whole contribution is paid in the fourth period ;
 - (Hi) that the solidary liability for a loan from one series or sub-series, when a loan is granted from another series or sub-series of the same association with priority subsequent to the first, shall be reckoned as 10 per cent, of the debt outstanding, provided that no account be taken of that portion of the loan

which does not exceed Jrd of the valuation upon which the new loan is based;

- (iv) that the association when taking over a mortgaged property shall in the first half-yearly period which begins after the interval of 12 weeks from the time of taking over withdraw and annul such a sum of the bonds issued by the association as corresponds to half of that portion of the debt resting upon the mortgaged property, which exceeds Jrd of the value, and again a similar sum in the following half-yearly period ; that portion of the debt which does not exceed Jrd of the value can remain resting upon the property until it is sold, so long as the reserve fund is not below the minimum fixed in the bylaws; if the property is sold the debt above mentioned may be taken over by the vendee but if this does not take place the association shall in the first half-yearly period beginning after an interval of 12 weeks after the sale, withdraw and annul an amount of the bonds issued by the association corresponding to the debt. The association may not without the sanction of the ministry of the interior retain a property taken over for more than 8 years.

2. The sanction of any of the amendments of the bylaws specified in clause 1 may be made by the ministry of the interior conditional upon the association agreeing in its bylaws :—

- (i) That the ministry of the interior shall name one of the auditors of the association ;
- (ii) that the valuers if elected by the members shall not be elected in smaller circles than those used for the election of representatives ; and in those associations in which the valuers are not elected by the members it shall not be provided that the election be made by members;
- (Hi) that the right of each member to vote be made proportional to the size of his loan provided that no member be given more than 5 votes ;
- (iv) that the reserve fund may be invested in accordance with rules laid down in the bylaws on condition that no part of the reserve fund may without the approval of the ministry of the interior be employed in loans to members of the association.

Given at Amalienborg, 24th of April 1896, under our royal hand and seal.

CHBISTJAN,

King.

APPENDIX C.-1.

Bylaws of the Jhang Co-operative Mortgage Bank.

NAMH.

1 This bank shall be called the Jhang Co-operative Mortgage Bank and its registered address shall be at Jhang Post Office, Jhang Tahsil, Jhang District.

OBJECTS.

2. Its objects are to promote the economic interests of its members and more particularly to arrange for the creation of funds to be lent to its members on subsequent mortgaged security for :—

- (1) The redemption of mortgages.
 - (2) The improvement of land and of methods of cultivation,
 - (3) The liquidation of old debts.
 - (4) The purchase of land.
 - (5) Any other measure designed to encourage in the members the spirit and practice of thrift, mutual help and self-help.
8. The area of operation will be the whole of the Jhang District.

MEMBERSHIP.

4. Every member of the bank must be :—

- (1) A person owning agricultural or forest land in the Jhang District.
- (2) Of good moral character.
- (3) Of not less than 18 years of age except in the case of a minor heir of a deceased member, or
- (4) An official nominated by Government Of the Registrar as an office holder in the bank.

5. Members shall be admitted after election by the managing committee, subject to the confirmation of a general meeting.

6. Every member except an official member referred to in by-law 4 (4) shall, on admission, sign his name or make his thumb mark in the register of members.

7. The membership shall be terminated by :—

- (1) Death.
- (2) Ceasing to hold one full share.
- (8) Ceasing to own land in the area of the bank.
- (4) Withdrawal after notice to the secretary : provided that the member withdrawing is not indebted to the bank and is not surety for an unpaid debt.

(6) Permanent insanity.

(6) Expulsion by a two-thirds majority of a meeting at which not less than half the members are present and vote.

8. All claims against the assets of the bank cease on retirement or expulsion therefrom.

9. Every member shall nominate a person to whom on his death his shares or interest shall be transferred and attest the nomination by making his signature or thumb mark in the register of members. The nominee if not admitted to membership shall within 6 months, be paid the value of the shares or interest less any sum due from the deceased member to the bank.

10. A member shall not transfer any share held by him except to an existing share-holder or to any other person qualified under by-law 4 and approved by the managing committee for this purpose. Such transfer shall be subject to the confirmation of a general meeting.

11. A person whose membership is terminated under by-law (8), shall be paid the value of his shares within 6 months.

12. A person whose membership is terminated under by-law 7 (2), (4), (5) and (6), shall be entitled to receive the value of his shares (less any sum due from him) on the expiry of two years from the termination of membership.

18. The value of a share shall in no case be more than the sum received by the bank in payment thereof.

14. A member may be expelled for:—

(1) Failure to pay the share-money or debts due from him to the bank.

(2) Conviction of a criminal offence involving dishonesty or resulting in his imprisonment for three months.

(3) Bankruptcy or application for bankruptcy.

(4) Any action which may be held by the managing committee or a general meeting to be dishonest or contrary to the stated objects of the bank or to the interests of co-operation, such as misapplying a loan, incurring serious outside liability without the bank's knowledge or permission or refusing to give information as to his debts.

15. Any money due on any account from the bank to a member or past member or person claiming through him may be set off in payment of any sum which he owes or for which he stands surety.

LIABILITY.

16. Members (except official members) are liable without limit to contribute to any deficiency in the assets of the bank on liquidation.

CAPITAL.

17. The capital shall be composed of:—

- (1) Shares of the value of Rs. 10 each.
- (2) Debentures issued by the bank.
- (8) Deposits from members.
- (4) Deposits and loans from non-members.
- (5) Realized profits.

The acceptance of deposits and loans from non-members shall be subject to any restrictions which the Registrar may impose.

SHARES.

IS. With the exception of the members nominated under by-law 4 (4), every member must hold one share for every five hundred rupees or fraction of five hundred rupees which he borrows or applies to borrow from the society, subject to by-law 20. Non-borrowing members must hold at least one share.

19. Persons applying to become members must tender the value of their shares with the application.

20. No member shall hold shares whose nominated value exceeds rupees one thousand or one-fifth of the total share capital actually subscribed. If any member by inheritance or otherwise becomes possessed of more than the maximum holding of shares permitted by this rule, the managing committee shall have power to sell the excess number or to buy them on behalf of the bank and to hold the proceeds at his disposal.

21. Shares shall not be returned otherwise than as provided in bylaws 9, 10, 11 and 12.

GENERAL MEETINGS.

22. The supreme authority shall be vested in the general meeting which shall be held at the time of annual audit or as soon after as may be found practicable and at other times when summoned by the Registrar or the president or by the committee of their own motion or at the written request of not less than 10 members.

The presence of at least one-fifth of the members shall be necessary for the disposal of any business at such meetings: provided that where the total number of members exceeds 100, 83 members shall suffice. Fifteen days' notice shall be given to every member, giving the place, date and time for the general meeting.

28. In a general meeting the following business shall be transacted;—

- (1) The election, suspension and removal of members of the managing committee including a president and one or more vice-presidents (unless the president or any member of the committee is nominated by Government, in which case no election by a general meeting shall be necessary.)

- (2) The election of a treasurer to keep the money of the bank.
- (8) The consideration of the annual statement of accounts and balance sheet and of the auditors' report and the inspection notes of the Registrar and the inspector.
- (4) The disposal of the profits in accordance with the act, the notified rules and the by-laws.
- (5) The confirmation of the admission and expulsion of members and of the transfer of shares.
- (6) The fixing, subject to the approval of the Registrar, of the maximum liability to be incurred during the following year in debentures, loans or deposits.
- (7) The fixing of a maximum credit for each member which shall not be exceeded without the sanction of the Registrar.
- (8) The amendment of the by-laws, subject to the sanction Of the Registrar.
- (9) The fixing of the maximum loan to any member in one year.

24. Amendment of the by-laws shall only be carried out by a majority of a meeting at which not less than two-thirds of the members are present. All other questions before the general meeting shall be decided by a majority of votes ; when the votes are equal the chairman shall have a casting vote.

25. Each member and *ex-officio* member shall have one vote irrespective of the number of shares held by him. No proxies shall be allowed except to women.

26. All business discussed or decided at a general meeting shall be recorded in a proceedings book which shall be signed by the chairman of the meeting.

MANAGING COMMITTEE.

27. The managing committee shall consist of at least 12 members of the bank over the age of 21, including a president and one or more vice-presidents. The members shall be elected for one year and shall be eligible for re-election. If the president or any member of the committee is nominated by the Government, no election shall be necessary and no limit to the period of office shall be fixed.

28. A member of the committee shall cease to hold office if he—

- (1) ceases to be a member of the bank,
- (2) applies for insolvency or is declared insolvent,
- (8) becomes of unsound mind,
- (4) is convicted of any offence involving dishonesty or is imprisoned for three months,

- (5) holds any office or place of profit under the bank or receives any honorarium,
- (6) lends money on his own account.

29. Meetings of the committee shall be held when necessary. The attendance of at least four members shall be required for the disposal of any business. The president or vice-president or in their absence one of the other members shall preside. Each member shall have one vote. The chairman shall have a casting vote.

80. The committee shall exercise all the powers of the bank except those reserved for the general meeting, subject to any regulations or restrictions duly laid down by the bank in a general meeting or in the by-laws and in particular shall have the following powers and duties :—

- (I) To delegate from time to time to executive committees or to an officer of the bank such powers as they deem necessary and as the general meeting may prescribe and to withdraw such powers.
- (2) To administer and conduct the affairs of the bank and to nominate a person who will represent the bank in those cases in which the law requires special authority to represent.
- (3) To make rules as to the main principles on which the annual net profits of the land or buildings mortgaged as security are to be calculated.
- (4) To issue and cancel debentures, to call them in where necessary and to arrange for their sale and liquidation.
- (5) To appoint a person or persons to estimate the value of the land belonging to a member who applies for a loan and estimate the net annual income of such land.
- (6) To dispose of any appeals against the orders of the executive committee.
- (7) To appoint councillors of the bank from amongst the members for such areas as may be considered necessary to advise it in the exercise of its powers.
- (8) To contract loans, subject to any restrictions imposed by the general meeting or by the Registrar.
- (9) To decide the terms and the period for which loans are to be given, to approve or reject the security, to arrange for the recovery of loans and interest and to sanction renewal, when necessary.
- (10) To decide the terms, the period and the rate of interest at which deposits and loans are to be received and to arrange for the payment or return of deposits and loans.
- (II) To watch that loans are applied to the approved purpose for which they are made.

- (12) To observe in all their transactions the Co-operative Societies Act, the rules thereunder, the by-laws and the Punjab Alienation of Land Act.
- (13) To maintain true and accurate accounts of all money received and expended and all stock bought and sold.
- (14) To keep a true account of the assets and liabilities of the bank.
- (15) To keep a register of members correct and up to-date.
- (16) To prepare and lay before the annual general meeting a profit and loss account and a balance sheet.
- (17) To examine the accounts, sanction contingent expenditure and supervise the maintenance of the prescribed registers.
- (18) To consider the inspection notes of the Registrar and the inspector and take necessary action.
- (19) To elect new members, to issue new and transfer old shares, subject to the confirmation of a general meeting.
- (20) To summon general meetings in accordance with by-law 21.
- (21) To assist in the inspection of the books by any person authorised to see them.
- (22) To appoint, suspend or dismiss employees.
- (23) Through any member or officer or employee of the bank or any other person specially authorised to institute, conduct, defend, compromise, refer to arbitration or abandon legal proceedings by or against the bank or committee or the officers or employees concerning the affairs of the bank.
- (24) To acquire on behalf of the bank shares in such Central Co-operative Bank or the Punjab Provincial Bank registered under the Co-operative Societies Act as may be considered necessary for the proper conduct of business.
- (25) Generally to carry on the business of the bank. In their conduct of the affairs of the bank, the committee shall exercise the prudence and diligence of ordinary men of business and shall be responsible for any loss sustained through acts contrary to the law, the notified rules and the by-laws.

31. All business discussed or decided at a meeting of the committee shall be recorded in a proceedings book which shall be signed by the chairman of the meeting and all the members of the committee present.

EXECUTIVE COMMITTEE.

82. An executive committee shall be formed by the managing committee from itself:—
 - (1) It shall consist of at least 8 members and the majority shall prevail.
 - (2) The election shall be made for one year.

88. Committee members and the members of the executive committee shall receive no remuneration but they may be allowed such travelling expenses as may be fixed by the general meeting.

SECRETARY.

84. The committee shall appoint a secretary, who if he is not a member of the committee, may receive pay or an honorarium with the sanction of the general meeting.

85. The powers and duties of the secretary shall be as follows:—

- (1) To maintain correctly and up-to-date the prescribed papers and registers.
- (2) To procure from borrowers the due execution of security bonds, mortgages, etc.
- (3) To prepare all receipts, vouchers and documents required by the notified rules or the by-laws or called for by the committee.
- (4) To sign on behalf of the bank and conduct its correspondence.
- (6) To summon and attend general meetings and meetings of the committee.
- (6) To record the proceedings of such meetings and have them duly signed.
- (7) To prepare the annual statements.
- (8) To certify copies of entries in books under section 26 of the Act,
- (9) To maintain and prepare a correct record of applications for loans in the order in which they are received.

86. The following registers and papers shall be maintained:—

- (1) A register of members, showing the name, address and occupation of every member, the number of shares held by him, the date of his admission to membership, and (if a minor) his age at that date, the date of termination of membership and the nominee appointed under by-law 9.
- (2) A cash book showing the receipts, expenditure and balance on each day on which business is done.
- (3) A ledger account for each member, depositor, and creditor and for miscellaneous and contingent income and expenditure.
- (4) A register (kistbandi) showing instalments for repayment of loans on each harvest or at shorter intervals.
- (5) A minute book showing the proceedings of general meetings and committee meetings and the notes of inspecting officers.
- (6) A register of the value and income of the land belonging to borrowers.

- (7) A register of the issue of debentures.
- (8) A share register.
- (9) A book of bonds showing all loans issued.
- (10) A pass book for each member or depositor.
- (11) A register showing all applications for loans in the order in which they are received.

87. The registers and papers of the bank shall be open to the inspection of any one interested in the funds, except that no one shall be allowed to see the deposit account of any person without that persons' consent in writing. Copies of the by-laws and of the balance-sheet shall be supplied free on demand to any member.

TEBASURBK.

88. The treasurer shall take charge of all money received by the bank from the Central Bank, from members and from others, and shall make disbursements in accordance with the directions of the committee. He shall sign the cash book in token of its correctness and produce the cash balance whenever called upon to do so by the committee or auditor.

LOANS AND REPAYMENT.

89. Any member desiring to borrow from the bank must give notice to the secretary and at the same time pay up in full the number of shares prescribed by by-law 18. The application shall then be entered in the register of applications in the order of receipt.

40. The maximum loans granted shall in no case exceed fifteen times the estimated annual net profits (after deducting land revenue) of the land or buildings mortgaged as security.

41. Every loan shall be secured by a mortgage in the form prescribed in clause 1 (fe), of section 6 of the Alienation of Land Act, that is to say, a mortgage without possession subject to the condition that if the mortgagor fails to pay principal and interest according to his contract the bank may apply to the Deputy Commissioner to place it in possession for such term not exceeding twenty years, as the Deputy Commissioner may consider to be equitable. All bonds shall be duly registered under the Registration Act.

42. The committee shall require an applicant for a loan to mortgage all his immoveable property as additional security and in addition to give two personal reliable sureties.

48. No loan shall be granted for a period exceeding twenty years.

44. Applications for loans for different objects shall ordinarily be given preference in the order given in by-law 2.

45. Applications for loans shall ordinarily be dealt with in the order in which they are entered in the register of applications (prescribed in by-law 86 (li) : provided that in any special case be

given to loans for redemption of land where such redemption promises to be unusually profitable.

46. The loans to be made for the improvement of land will be made by instalments, which will be fixed by the committee for every such loan.

47. The bank has a right to call in loans at six months' notice :—

(n) If the mortgaged estate becomes subject to forced administration or forced sale.

(b) If the estate is in danger of being swept away by river or flood.

(c) If the borrower acts as described in rule 14 (4). The bank may require a suitable partial repayment of the debt if the mortgaged estate becomes depreciated in value.

48. The borrower shall always be at liberty to repay to the bank the whole or part of the capital sum borrowed in advance of the instalments fixed provided he pays interest for six months on all bonds for which in consequence of his action notice of redemption has to be given.

49. Loans shall be given for a specific purpose and shall be applied solely to that purpose. If a loan is not so applied it shall be immediately recalled in its entirety by the committee.

50. The rate of interest on loans shall be 8 per cent, per annum.

ISSUE OF BONDS AND THEIR REDEMPTION.

51. The bank may issue debentures for sums of Rs. 1,000, 500, 250, 100 and 50 and if necessary for varying periods. The bank shall reserve the right to call in any debenture at any time by repaying the value of the debenture for which it was issued together with all interest due thereon to the date of redemption. Such debentures shall bear interest not exceeding 6 per cent, per annum.

52. The total amount of debentures actually in circulation must at no time exceed the total amount of assets secured by mortgage belonging to the bank.

53. Debentures which by reason of marks, damage or stain have become unfit for circulation, provided however that the essential marks of genuineness and identity are still recognisable, especially the number, the amount, the rate of interest, the date and the signature of the authorised executing officer of the committee, will be replaced at the request of the holder on giving up the damaged or defaced debenture.

Other debentures shall also be issued to replace completely destroyed debentures when in the opinion of the committee the fact of destruction is proved without any doubt or uncertainty.

When such proof is not produced or where in case of damage the essential marks on the debentures are no longer recognisable, as well as in all cases in which the debenture has been stolen from the owner or has been in other ways mislaid a new debenture will only be issued at the cost of the owner when the missing debenture has been previously advertised for by the latter and its nullity legally declared.

The reissue shall always be made for the same amount under the same number with the addition of the word " renewed " against the reimbursement of the cost of the stamp and the other cash expenses.

54. Debentures shall be signed and executed by the president and two committee members who will be nominated in the general meeting.

The bank shall have a special seal to be used for debentures and it shall remain in safe custody with the president of the committee.

55. Notice of redemption of debentures may on no account be given on the part of the holder thereof, but may be given by the bank when required as provided in the by-laws. The period of such notice shall not be less than three months.

56. The debentures of which notice of redemption has been given to the holder by the bank must be given up on the expiry of the term and if the debentures are not handed in within one month after they fall due the holder shall have no claims upon the bank for interest accruing after the expiry of the term.

BUSINESS.

57. The bank is authorised to make good its claims against its members at its option by attachment either of their real estate or their moveable property.

58. In case the committee and the general meeting decide upon the conversion of one or more classes of debentures to another rate of interest the committee has the right to give 6 months' notice to the holders of the debentures affected by such conversion.

59. In case a borrower has buildings mortgaged to the bank he shall insure them for the full value against fire and keep them insured until the complete repayment of the loan.

60. The borrower shall pay :—

- (1) The expenses incurred for the valuation of the land which the bank shall undertake on his behalf.
- (2) The expenses incurred in getting the land redeemed from the mortgage in case this is undertaken by the bank.
- (8) All other expenses specially incurred by the bank in dealing with the borrower or with claimants contesting his right to deal with the bank.

61. The committee may make it a condition of any loan for the purpose of redeeming a mortgage or old debt that the borrower shall use such seeds, implements and methods of cultivation as the committee, on the advice of the agricultural department, shall prescribe.

62. The acquirer of a mortgaged estate is bound in order to avoid penalties under section 46 to enter at once into an agreement duly registered that he takes over the present responsibility of the debt.

EMPLOYMENT OF FUNDS.

68. The funds of the bank may be devoted to the promotion of the stated objects of the bank and to the purposes set forth in by-laws 64 and 66.

64. Loans shall not be made to any person other than a member of full age. They may be granted generally for the following purposes :—

- (1) [Redemption of mortgages.
- (2) Liquidation of old heavy debts.
- (3) Purchase of agricultural implements or machinery.
- (4) Improvement of land and sinking and repair of wells.
- (5) Purchase of land.

In no case shall a member have a right to a loan if the agricultural department refuses to recommend the object; no loan shall be obtained for litigation of any kind.

65. Such contribution shall be made to the audit fund as may be fixed by the Punjab Co-operative Union.

PROFITS.

66. No profits shall ever be distributed.

67. All profits shall be credited to an indivisible reserve fund which shall be invested outside the bank and maintained as security for the debenture holders.

DISPUTES.

68. Any disputes concerning these by-laws or the business of the bank between members or past members of the bank or persons claiming through them or between a member or past member or person so claiming and the committee or any officer shall be referred to the Registrar as provided in the rules notified by the Local Government.

LIQUIDATION.

69. The bank shall be liquidated only by order of the Registrar under section 89 of the Act.

After discharging the liabilities of the bank and repaying the share capital, the reserve fund may be applied to such object of local and public utility as may be selected by the Committee and approved by the Registrar. If within three months of the dissolution of the bank the committee fails to select an object that is approved by the Registrar, the latter shall credit the balance of the reserve fund to the co-operative society to which the bank was affiliated or shall deposit the amount in some co-operative or other bank until a new co-operative bank with a similar area of operations is registered, in which case it shall be credited to the reserve fund of the new bank.

APPENDIX C-2.

Bylaws of a Co-operative Land Mortgage Credit Society in Burma-

NAME, REGISTERED ADDRESS, AND ABBA OF MEMBERSHIP.

1. The society shall be called Co-operative Land Mortgage Credit Society. It is registered under the Co-operative Societies Act 1912. Its registered address is at village, Post Office, Township, District, Burma. The area of membership is

OBJECTS.

2. The objects of the society and the purpose to which its funds may be applied are :—

- (a) To borrow funds on the security of the whole of the land mortgages held by the society and the other assets of the society, together with the joint and several liability of all the members.
- (b) To grant loans for productive purposes to members, repay-able by annual payments to sinking fund on first mortgages of agricultural land together with personal security of members.
- (c) To conduct its business in accordance with the principles of co-operation and to encourage thrift and self-help.

MEMBERSHIP.

3. The society shall consist of not fewer than ten cultivators residing within above the age of 18, of respectable character and sound mind.

4. Candidates for admission after registration of the society must be proposed by one member and seconded by another, and the proposal must be laid before a meeting of the committee. The committee shall keep his name under consideration till the next meeting when, if they consider him fit, they may admit him. If admitted, he shall sign the register of members.

Provided that by a unanimous vote of the whole committee any eligible person may be admitted as a member at once.

5. No person shall be admitted as a member unless he has an adequate understanding of the principles of co-operation and of the method of working of the society.

6. Members removing from the area, prescribed in by-law 8, may continue to be members until their liabilities to the society are discharged, but shall not be eligible for fresh loans'

CESSATION OF MEMBERSHIP,

7. A member may resign membership when he has discharged fully all obligations undertaken toward' the society.

EXPULSION.

8. If a member has not fulfilled the conditions binding upon him under the by-laws, or deceives the society in any way, or by his conduct causes the society to go to court or causes any wrongful loss to the society, the chairman (or in his default the committee of supervision or the committee of management) shall summon a general meeting after 15 days' notice.

The general meeting so convened may pass a resolution expelling such a member, which resolution shall only be operative if voted for by at least half the total members of the society. The liability of an expelled member for the debts of the society as they existed at the time of his expulsion shall continue for a period of two years after such expulsion.

A member who drives the society to court to recover a loan granted to him shall ordinarily be expelled.

SHARKS.

9. The shares shall be Es. 10 each and shall be fully paid up. Each member shall hold at least one share. Each member shall pay in full to the society before or at the time of taking a loan shares amounting to not less than 20 per cent., of the loan granted to him.

10. Shares may be repaid only on complete settlement of the loans in respect of which they were paid, and may at the discretion of the committee in order to settle any debt due from a member or past member to the society be set off in or towards the payment of any such debt. (See section 20 of the Co-operative Societies Act, 1912.)

11. In the case of transfer of land mortgaged to the society the shares paid by the transferor in respect of the mortgage loan on the land may, with the consent of the committee of supervision, be transferred to the new possessor of the land.

LIABILITIES OF MEMBERS.

12. The liability is unlimited, and each member shall equally with every other member be jointly and severally liable for all debts contracted by the society.

13. The liability of a past member for the debts of the society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.

14. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the society as they existed at the time of his decease.

WORKING CAPITAL.

15. The working capital of the society shall consist of —
- (a) the shares;
 - (b) the funds obtained by the issue of bonds as hereinafter described;
 - (c) the reserve fund and other funds set aside out of profits;
 - (d) the sinking fund.

16. Annually in December the general meeting shall for the 12 months following fix a maximum limit beyond which the committee shall not incur indebtedness. The limit so fixed may, if necessary, be altered by a subsequent general meeting within the year.

17. If the society is affiliated to a Union of Land Mortgage Credit Societies or to a Central Land Mortgage Bank or other central institution the society may borrow funds only in accordance with the conditions prescribed in the by-laws of such union, bank or institution.

18. Notwithstanding anything contained in the preceding by-laws the maximum borrowing powers of the society and the maximum rate of interest paid on the society's borrowings shall be subject to such limit as the Registrar may impose under his legal powers.

SOCIETY'S BONDS.

19. The society may issue bonds secured upon all the undischarged mortgages held by the society and the other assets of the society, together with the joint and several liability of all the members.

20. The bonds shall be for such amounts as the committee of supervision may decide.

Note.—The bonds should be for amounts which are multiples of Rs. 10, and should of low values for convenience of redemption with funds available.

21. The bonds shall be transferable by endorsement with the consent in writing of the committee of management.

22. The bonds shall be redeemable at par at the choice of the society on one month's notice to the holders in any year between the 1st January and the 31st May.

23. The bonds shall not be repayable at the choice of the holder except at the date fixed by the terms of the bonds.

24. The society may at its convenience at any time purchase its bonds from holders who offer them for sale at discount. Any profits obtained by purchase of bonds at discount shall be credited to the reserve fund and shall not to be reckoned as part of the annual profits.

25. The bonds shall bear interest, which shall be at least 8 per cent, lower than the lowest rate of interest charged on the society's loans to members.

26. Interest on the society's bonds shall be payable yearly.

27. The bonds shall cease to bear interest on the expiry of a month's notice of repayment under by-law 22 or on expiry of the full period of the bond.

28. The total amount of the society's bonds shall not exceed the total amount of mortgage loans granted.

29. All payments on account of sinking fund received from borrowers shall be used only for the redemption of the society's bonds.

80. The society's bonds shall be in forms printed in counterfoil books with printed serial numbers.

81. If the society is affiliated to a Union of Co-operative Land Mortgage Credit Societies or other Central Land Mortgage Institution the society may sell its bonds only to such Union or other Central Land Mortgage Institution.

LOANS.

32. Applications for loans shall be disposed of by the committee of management which shall consider the applicant's earning capacity, character and knowledge of the principles of co-operation.

83. The applicant for a loan shall supply a certified extract from the register of holdings showings particulars of the land offered as mortgage security.

84. Loans shall be made only to persons qualified to become members and any person receiving a loan shall thereupon become a member.

35. No person shall be granted loans (a) exceeding Rs. 5,000 and (b) no member shall be granted a fresh loan until qualified applicants who have no loans have been granted loans.

86. No loan shall exceed the permanent value of the land mortgaged to the society as security. The permanent value shall be estimated in the manner hereinafter prescribed.

87. One-fifth of every loan shall be supplied by the borrower's share contribution; and not more than four-fifths shall be granted from the other funds of the society.

88. In the case of loans for purchase of land or for the redemption of a previous mortgage the loan shall be paid to the vendor or the previous mortgagee in the presence of the borrowing member and of not fewer than two members of the committee of supervision or of the committee of management who shall make in writing dated and signed a report (a) of the payment, (b) of the execution, (which must be done in their presence) of the deed mortgaging the land to the society, and (c) of the arrangements made for registering the deed.

CONDITIONS OF LOANS.

89. In case of default in payment of an annuity by a borrower the committee of management may at once demand repayment of the whole loan with interest,

40. The whole loan and interest shall become due *on* failure of the borrower to pay land revenue assessed on the mortgaged land or on any other land in his possession.

SECURITY FOR LOANS.

41. Loans shall be granted only on first mortgages of agricultural land, together with the personal security of two members in addition to the borrower : provided that the liability of the two securities shall not be enforced unless proceedings taken against the land and the borrower fail within six months of the institution of proceedings to recover the loan and interest due.

42. Loans shall not be granted on mortgage of land distant more than five miles from a village in which a co-operative credit society exists within the area of membership.

48. The land offered as security for loans shall be mortgaged to the society by registered deed.

44. If the committee of management decides that the land mortgaged in respect of any loan has been or is likely to be impaired from any cause, the committee may demand additional mortgage security ; and in default may demand immediate repayment of the whole loan.

PRECAUTIONS AGAINST SALE OF LAND BY GOVERNMENT FOR ARREARS OF REVENUE.

45. The society shall report to the township officer annually not later than the 1st December particulars of all holdings mortgaged to the society in order that notice may be sent to the society in case of default in payment of land revenue before the land is sold by Government for recovery of revenue. On receipt of such notice from the township officer the committee of management shall arrange to pay in the revenue to the township officer at any time before the time fixed for the sale of the land. The committee of management shall then proceed to recover the revenue so paid with interest at 15 per cent. per annum from the mortgagor or his sureties in addition to the balance of the loan and interest.

VALUATION OF LAND.

46. Land offered as mortgaged security for loans shall be valued by two persons, one of whom shall be a member of the committee of supervision and one a borrowing member of the society.

47. The valuers shall not both be residents of the village tract in which the land is situated.

48. Neither of the valuers shall be a person related to the applicant for the loan.

49. The report of valuation shall be in writing, **signed and** dated by both valuers and shall state the owner's name and the **amount**.

and! year olHhe holdings, the area, the kind of land and the class and the amount of land revenue assessment.

50. The report shall state also whether the valuers have enquired •fcd are satisfied that the ownership as shown in the report is clear and free from dispute and shall give particulars of any encumbrances.

51. The valuation shall bo made with regard to the permanent yield of the land.

52. The report shall state whether the valuers have visited the land, and the permanent yield of crops and the value of the land according to their estimate, i.e., the price which the land is likely to fetch at forced sale at any time within the period of mortgage, and the names of persons whom they have consulted concerning the value of the land.

58. If there is a co-operative credit society in the village-tract in which the land is situated the chairman and two committee members of the co-operative credit society shall bo requested to sign the report if they consider it correct.

54. All members shall be bound to serve as valuers if required to do so by the committee of management.

55. No fees or expenses shall be paid to the valuers : provided that when the reserve fund amounts to one-fifth of the amount of the society's bonds unredeemed, fees may be granted at a rate to be fixed by the general meeting subject to the consent of the Registrar.

REPAYMENT OF LOANS AND JNTBKEST.

56. Loans shall be repaid by equated annual payments including interest and sinking fund.

57. The annual payments shall bo fixed in each case at the time of granting loans.

58. The interest on loans shall be 15 per cent, per annum.

59. Interest at the rate charged for the loan (15 per cent.), shall be allowed to the borrower on the portion of his annual payment which is credited to the sinking fund. When the amount at the borrower's credit in the sinking fund, together with accumulated interest, equals the amount of the loan the loan may be set off against the sinking fund and cancelled.

60. A borrower may repay in advance the whole or part of his debt; and the advance repayment shall be credited to his sinking fund account : provided that advance repayments shall be allowed only during the season when the society's bonds are repayable and after sufficient notice to enable the society to arrange to use the money for repayment of the society's bonds : provided also that no interest shaH be allowed to the borrower on advance repayments of part of the ~~loan until the next~~ redemption of bonds by the society.

61. If a borrower has made advance repayment and is unable owing to damage of crops or other reason considered sufficient by the committee of management to pay the annuity in full an amount not exceeding the advance repayment may be taken from his sinking fund, account to meet the annuity.

62. Annuities shall continue as originally fixed until the amount at credit of the borrower in the sinking fund, including advance repayments, equals the loan.

63. The whole loan shall become due and may be recovered at once by the committee of management if—

- (a) the borrower defaults in payments due to the society;
- (b) the borrower fails to pay the land revenue;
- (c) the land is attached by a court of law;
- (d) the borrower dies or becomes insolvent or becomes insane or is expelled from the society ;
and WITH THE CONSENT OF THE COMMITTEE OF SUPERVISION if;
- (e) the borrower refuses without reasonable excuse to perform the duties of a valuer when required or otherwise transgresses the by-laws or deceives the society or by his conduct causes the society to go to court or causes any wrongful loss to the society.

64. The whole loan shall become due on cancellation of registration of the society and may be recovered at once by the liquidator with interest at 15 per cent, per annum to the date of recovery.

LAND.

65. If land is surrendered to the society by a defaulting borrower, or is bought in by the bank at auction to prevent sale at an inadequate price, the land shall be sold by the society within two years.

66. Except as provided in the preceding by-law the society shall not acquire or own land.

RESERVE FUND AND DISPOSAL OF PROFITS.

67. The whole of the annual net profits shall be credited to the reserve fund until the reserve fund amounts to one-tenth of the total liabilities of the society on account of borrowed capital.

68. When the reserve fund is not less than one-tenth of the society's liabilities for borrowed capital, not less than one-half of the annual net profits shall be credited to the reserve fund. The remaining annual net profits may then be divided among members not in default to the society in proportion to the amount standing to their credit in the sinking fund. The amounts so divided shall be be credited as savings deposits of the members bearing interest not exceeding 5 per cent., and withdrawable at the final settlement of each

member's loan. In case of default the society shall be entitled to set off any profits due to the defaulter against the amount due from him.

69. The reserve fund is formed primarily to provide a margin beyond the liabilities of the society to ensure its ability to pay such liabilities in full in case of dissolution.

70. The reserve fund shall be one and indivisible. It belongs to the society as a whole. No member can claim a specified share in it. It shall not be written down without the Registrar's sanction.

71. In case the society be dissolved' the balance of the reserve fund available after all liabilities have been discharged shall be deposited in a co-operative central bank, and (1) if a society with similar objects is founded in the same area or extends its operations to this area within three years the money shall be given to such society as an addition to its reserve fund, (2) if no society with similar objects is founded in or extends its operations to the area within three years the money shall be distributed in proportion to their membership among the agricultural credit societies having their area of operation within the area of operation of this society to be added to the reserve fund of such societies.

INVESTMENT AND CUSTODY OF FUNDS NOT USED IN LOANS.

72. The reserve fund of the society shall be placed on fixed deposit in the Burma Provincial Co-operative Bank, Limited, or in investment in Government securities.

78. The PROFITS CREDITED TO MEMBERS shall be deposited in a Co-operative Central Bank at short notice.

74. THE SINKING FUND shall be deposited in the Burma Provincial Co-operative Bank, Limited, at short notice until required for redemption of the society's bond. The sinking fund shall be used only for the redemption of the society's bonds, and shall not be used for the issue of loans.

75. ALL OTHER MONIES of the society not invested in mortgage loans shall be deposited in a co-operative central bank.

BUSINESS.

76. The ultimate authority in all matters concerning the administration of the society shall be the general meeting of all the members which shall be held at least thrice a year, in April, July and December and at such other times as the committee of management or the committee of supervision may think fit.

77. The business of the society shall be conducted in accordance with the rules of business which shall be prescribed by the committee of supervision subject to the approval of the Registrar.

78. All resolutions of the general meeting and of the committee of supervision and committee of the management shall be recorded in minute books.

79. The members of both the committees shall work gratuitously.
80. The secretary may, if necessary, be paid a small sum.
81. Expenses actually incurred for stationery, postage and other contingencies may be debited to the society.
82. The books of the society and copies of the Act, rules made by the Local Government thereunder, the by-laws of the society and the last audit report and balance sheet shall be kept open to inspection by members free of charge at all reasonable hours at the registered address of the society.
88. Each member shall have a pass book which shall be written up from time to time by the secretary.
84. All receipts and documents must be signed by three members of the committee of management on behalf of the society and such signatures in respect of all matters duly reserved by the general meeting or within their powers by the committee of supervision or the committee of management shall bind the society.
85. A balance sheet must be made out every year in July, and presented to the members at the July general meeting and a copy sent to the Registrar.
86. When the society desires to join a Union of Co-operative Land and Mortgage Credit Societies a general meeting shall be held and a resolution shall be passed and recorded in the minute book to the effect that the society will join the union, if admitted. The signatures of the chairman and two committee members in the Union Register of Members shall then bind the society to fulfil the obligations undertaken under the Union By-laws.

GENERAL MEETING.

87. The general meeting shall ordinarily be summoned by the chairman. The committee of supervision or the committee of management may summon a general meeting if they think it expedient.
88. An extraordinary general meeting shall be summoned by the chairman on the written requisition of ten members, which written requisition shall also contain the resolutions to be placed before such extraordinary general meeting and shall be presented to the chairman at least twenty days before the date on which the meeting is to be called.
89. Fifteen days' notice shall be given of all general meetings.
90. Each member shall be entitled to one vote at general meetings.
91. The general meeting shall, among other matters, deal with—
 - (a) the election of the committee of supervision, of the committee of management and of the chairman of the society ;
 - (b) the enactment, amendment and repeal of by-laws ;

- (c) the expulsion of members ;
- (d) complaints of individual members against either committee;
- (e) the fixing of the maximum limit of indebtedness ;
- (f) the yearly audit report;
- (g) the balance sheet ;
- (h) the application of the society to a union, bank or other central institution.

92. At least half the members shall be necessary for a quorum at a general meeting: provided that if at the time fixed for the meeting a quorum is not forthcoming for the meeting the chairman shall, if the meeting was summoned on the requisition of the members, dissolve it. If the meeting was convened by one or other of the committees, the chairman shall postpone the meeting to a date not less than 7 and not more than 15 days ahead, and the business to be transacted at such postponed meeting shall be the same as and no other than the business proposed for the original meeting. At such postponed meeting resolutions, EXCEPT RESOLUTIONS TO AMEND THE BY-LAWS, shall be deemed to be duly passed if voted for by two-thirds of the members present without regard to the number required to form a quorum.

98. As regards any question the opinion of the majority shall prevail. In case of equality of votes the chairman shall have a casting vote. No addition to or modification of the by-laws shall have effect till it has been sanctioned and registered by the Registrar.

94. The chairman and members of the committee shall be removable during their year of office only by a two-thirds majority of the members present at a general meeting: provided that the committee of supervision may suspend any member of either committee until the next general meeting.

COMMITTEE OF SUPERVISION.

95. (a) The committee of supervision shall consist of not fewer than six or more than twelve members to be elected annually by the general meeting.

(b) A member shall be deemed to have vacated his post if without good reason he absents himself from the meetings of the committee for three meetings consecutively.

(c) Three members shall form a quorum

(d) Pending an election to fill vacancies to the next general meeting vacancies on the committee shall be filled by co-option.

(e) The chairman of the society shall be the chairman of the committee.

96. The committee of supervision shall—

(i) hold a meeting in the first ten days of each quarter and oftener if summoned by the chairman;

(ii) at each meeting examine the cash-book and such other registers of the society as it may think fit and satisfy itself

that business is being conducted with efficiency and in accordance with the by-laws and rules of business and with the Co-operative Societies Act, 1912, and the rules under the Act;

- (in) generally supervise and give directions subject to the control of the general meeting regarding the work of the society;
 - (it?) prescribe rules of business subject to the approval of the Registrar and the committees and officers of the society shall be bound to obey such rules'
97. The committee of supervision shall have authority—
- (1) to choose and engage a paid manager if the general meeting resolves that a manager shall be engaged and to make contracts in that connection on behalf of the society;
 - (2) to appoint members of the society to fill vacancies in the committee of management until the next general meeting;
 - (8) to appoint a secretary and fix his remuneration.

COMMITTEE OF MANAGEMENT.

98. A committee of management shall be appointed to conduct the society's business. This committee shall consist of five members elected by the general meeting : provided that if the general meeting resolves to employ a paid manager, the committee of management shall consist of the manager and four elected members. No elected member except the chairman may be at one and same time a member of the committee of supervision and of the committee of management.

99. The elected members of the committee of management shall retire in turn one at the end of the each year.

100. Three members shall form a quorum of the committee of management.

101. The Committee of management shall conduct the business of the society, subject to the control of the general meeting, and they shall obey the rules of business prescribed by the committee of supervision under by-law 96 (if), and such other directions as may be given by the committee of supervision.

102. The committee of management shall be responsible in all their acts to the general meeting and shall keep all necessary books and accounts at the registered office of the society,

GENERAL.

108. The society shall subscribe by way of fee or rate or otherwise such sum as may be fixed by the Registrar, in consultation with the union, if there be a union, towards (1) its audit and (2) supervision.

104. These by-laws are supplementary to the provisions of the Act and rules thereunder, and the society will be guided by the Act, rules and by-laws read together.

APPENDIX C-3.

Madras draft by-laws of a Co-operative Land Mortgage Bank, Limited,

THE Co-operative Land Mortgage Bank, Ltd., No. is registered as a Co-operative Society under Act II of 1912 (India). Its address shall be village post Taluk district. Its operations shall be confined to—

OBJECTS.

2. Its objects are to promote the economic interest of its members and more particularly to arrange for the creation of funds to be lent to its members on mortgage security for—

- (i) the redemption of mortgages on agricultural land;
- (ii) the improvement of agricultural land and of methods of cultivation ; and
- (Hi) any other measure designed to encourage in the member' the spirit and practice of thrift, mutual help and self-help.

MEMBERSHIP.

8. The liability of the members of the bank shall be limited to the share capital subscribed by them.

4. Only persons over 18 years of age who are competent to contract and who own agricultural land situated in the area of operations of the bank shall be eligible for admission as members. The heirs of deceased members against whom loans are outstanding may be admitted as members although such heirs are minors.

5. Applications for admission as members and for allotment of shares shall be made to the Secretary in the form, if any, prescribed by the bank for the purpose. Every such application shall be disposed of by the Board of Directors who shall have power to grant admission or to refuse it without assigning reasons.

6. Every member shall take at least one share and no member shall take more than shares. Every member shall pay an entrance fee of annas for each share taken by him at the time of takfidg the share, provided that the total payment of entrance fees by any ono member for all the shares held by him shall not exceed Bs. .

7. No member shall be permitted to withdraw any of the shares held by him in the bank within 10 years after the date when such shares were taken by him. But a member may withdraw shares with the consent of the Board of Directors after such period—provided firstly that he has. given at toast six months' notice of withdrawal; secondly,

that the total amount of share capital that is permitted to be withdrawn in any one year does not exceed 10 per cent, of the aggregate paid-up share capital of the bank as it was on June 30th preceding ; thirdly, that there are no debts due from him to the bank ; and fourthly, that there are no debts due to the bank in regard to which he has stood surety. When a member withdraws shares under this bylaw, he shall be paid back the share capital actually paid by him with the dividend declared, if any. For the purpose of calculating the maximum amount of share capital withdrawable in any one year in accordance with this bylaw, all repayments of share capital whether by way of adjustment or otherwise, are to be included except such as are made under bylaws 8, 9 (c) and 18.

8. Should a member cease to hold the qualifications necessary for admission to membership of the bank, the Board of Directors shall remove his name from the list of members and shall pay back within reasonable period to such member the share capital actually paid by him with the dividend declared, if any, after deducting therefrom the money, if any, due from him to the bank either as principal debtor or as surety.

9. (1) If a member dies, his membership shall *if so facto* cease.

(2) (a) Every member of the bank may nominate any person to succeed, in the event of his death, to his share or interest in the bank. Such nomination shall, in the event of his death, be given effect to by the bank provided—

- (i) the nomination was signed by the deceased in the presence of at least two witnesses attesting the same;
- (ii) the nomination has been registered in the books of the bank kept for the purpose ; and
- (iii) the person nominated shall have been admitted by the Board of Directors as a member of the bank under by-law 5.

(b) In the event of there being no person nominated by the deceased and entitled to succeed to his share or interest in the bank, the heir or legal representative of the deceased, or any person nominated by such heir or legal representative within one month of the deceased member, shall be entitled to succeed thereto provided such heir or legal representative or his nominee shall have been admitted by the Board of Directors as a member under bylaw 5.

(c) In the event of there being no person entitled to succeed under clause (a) or (b) of this bylaw to the share or interest of a deceased member of the bank, the bank shall pay to the nominee of the deceased or to his heir or legal representative, as the case may be, a sum representing the deceased member's share or interest at the time of his death ascertained in accordance with the bylaws of the bank,

10. (1) A past member shall be liable as provided in bylaw 8 for the debts due by the bank as they existed on the date when he ceased to be a member, for a period of 2 years from such date.

(2) The estate of a deceased member shall be liable as provided in bylaw 8 for the debts due by the bank as they existed on the date of his decease for a period of one year after his decease.

11. No member shall be permitted to transfer his share or shares or create a charge in respect of the same in favour of another member or person except with the previous sanction of the Board of Directors.

12. With the sanction of the Board of Directors a member may at any time increase the number of shares held by him so as not to exceed the limit of shares laid down in bylaw 6.

18. If a member deceives the bank in any way or if his general conduct is such as to render his removal necessary in the interest of the bank, it shall be open to the general body to expel him. An expelled member shall be paid all moneys due to him from the bank after deducting therefrom any money due from him to the bank. A member who drives the bank to court to recover the money due from him shall, for that reason, be expelled from membership. An expelled member shall be liable as provided in bylaw 3 for the debts due by the bank as they stood on the date of his expulsion, for a period of 2 years after such expulsion.

14. The bank will ordinarily obtain funds from the following sources:—

- (i) share capital;
- (ii) deposits;
- (Hi) debentures ; and
- (it) entrance and other fees.

SHAKES.

"16. The share capital of the bank shall for the present be Rs made up of shares of Rs. 10 each. The value of each share shall be paid in full on allotment.

DEPOSITS.

16. The Board of Directors may receive deposits at their discretion either from members or others and it shall be open to them to settle the terms on which deposits shall be taken provided that the interest on such deposits shall not in any case exceed 6\$ per cent. per annum and provided also that no deposit shall be received for a period less than 8 years.

DEBENTURES,

17; The Board of Directors may issue debentures for Rs. 1,000, Bi^SQO' Ra. 250, Rs. 100 or Rs. 60 each and if necessary for varying periods. BuA,d0beBtu'es' shall bear interest not exceeding 7 per cent'

per annum. Debentures taken up by Government shall, however, bear interest at 6½ per cent, per annum or such lower rate as may be fixed by Government. The Board of Directors shall reserve the right to call in any debenture at any time, by giving not less than 5 months' notice to the debenture holder. Every debenture holder whose debenture is so redeemed shall be paid the sum for which the debenture was issued together with all interest due thereon to the date of redemption.

18. The Board of Directors shall appoint a Trustee who shall for the present be the Registrar of Co-operative Societies or some one selected by him, whose duty shall be to see that the bank fulfils its obligations to the debenture holders. For this purpose the bank shall transfer to the Trustee its rights in the mortgages, on the security of which debentures are issued. The Trustee shall have power to require the bank to credit to an account opened in his name, in the Imperial Bank or such other bank as may be approved for the purpose by the Registrar of Co-operative Societies all recoveries made from members of the bank under any of the mortgages, whether on redemption or upon sale under any power of sale applicable thereto. He shall also have the following powers :—

- (f) to invest or to require the bank to invest the money at the credit of his account in his own name in any investment or deposit authorised by clauses (a) (V) and (d) of sub-section 1 of section 32 of the Co-operative Societies Acts or in other securities approved by the Registrar of Co-operative Societies and to vary such investments at his discretion.
- (ii) to require the bank to redeem any or all of the debentures ;
- (Hi) to determine the method of redeeming any debentures before the expiry of the term for which they were issued ; and
- (iv) to proceed against the bank or the mortgagors whose mortgage deeds have been transferred to him or against both, in case of default of payment of moneys due to the debenture holders.

The Trustee can at any time, subject to the approval of the Registrar of Co-operative Societies, be replaced by another Trustee. A Trustee so appointed shall, as the successor in interest of the Trustee whom he replaces inherit all his powers and rights.

The word " Registrar " as used in this bylaw and other bylaws of the bank means the principal Registrar of Co-operative Societies for the Madras Presidency and does not include an Assistant Registrar of Co-operative Societies.

19. The total value of debentures actually in circulation at any time must not exceed the total value of the mortgage bonds and other assets assigned by the bank to the Trustee and held by him.

20. (i) Debentures which by reason of damage sustained have become unfit for circulation, provided, however, that the essential marks for genuineness and identity are still recognisable especially the number, the amount, the rate of interest, the date and signatures of the authorised executing officers of the Board of Directors, will be replaced at the request of the holder on giving up the damaged or defaced debenture. Fresh debentures shall also be issued to replace completely destroyed debentures when in the opinion of the Board of Directors the fact of destruction is proved without any doubt or uncertainty.

(0) When such proof is not produced or when in case of damage the essential marks on the debenture are no longer recognisable as well as in all cases in which the debenture has been stolen from the owner or has been in other ways mislaid a new debenture will only be issued when the debenture which is alleged to be missing or unrecognizable has been previously advertised for by the claimant in the manner prescribed by the Board of Directors and its nullity legally declared.

(Hi) The new issue shall always be made for the same amount under the same number with the addition of the word "renewed" and at the cost of the debenture holder concerned.

21. The debentures shall be signed and executed by at least three members of the Board of whom the President shall be one. The bank shall have a special seal to be used for debentures and the seal shall remain in the safe custody of the President.

22. No debenture holder can claim the repayment of the value of his debenture before the expiry of the period for which the debenture was issued.

28. Debentures in respect of which notice of redemption has been given to the holders by the Board of Directors must be given up on the expiry of the term mentioned in the notice and if the debentures are not handed in until after the expiry of the term the holder shall have no claim upon the bank for interest accruing after the expiry of that term.

24. Notwithstanding anything contained in bylaw 17 the previous sanction of the Registrar of Co-operative Societies shall be necessary for—

- (i) the issue of debentures;
- (ii) the conversion of one class of debentures into another class bearing a different rate of interest; or
- (w) the investment of collections made out of loans given to members in fresh loans to members. For such investments the sanction of the Trustee shall also be necessary.

MAXIMUM BORROWING POWER.

26. The total borrowings of the bank, both by way of deposits, issue of debentures or otherwise and whether from members or others

shall not at any time exceed 8 times the paid-up share capital plus reserve fund.

MANAGEMENT.

26. Subject to such resolutions as the general body may from time to time pass, the executive management of the affairs of the bank shall vest in a Board of Directors. The Board of Directors shall consist of not more than _____ members.

27. The members of the Board of Directors shall be elected by the general body for a period of 8 years from among the members. Members of the Board of Directors shall continue in office after the expiry of their term of office until by election another Board is constituted. A retiring member of the Board of Directors shall be eligible for re-election. After the Board of Directors is elected by the General Body, they shall elect from among themselves a President, a Secretary and a Treasurer. *Interim* vacancies on the Board of Directors shall be filled up by the remaining members of the Board by co-option for the unexpired portion of the period except in cases contemplated in bylaw 31. Any member or members of the Board of Directors may at any time be removed by a resolution of the general body.

28. The Board of Directors shall meet once a fortnight or oftener, if necessary, to conduct the affairs of the bank. No decision of the Directors shall be valid unless it is assented to by at least _____ members. All questions before the Board of Directors shall be decided by a majority of votes. Should there be any equality of votes, the President or other presiding member shall have a casting or second vote. No member of the Board of Directors shall be present at a meeting of the Board when any matter in which he is personally interested is being discussed.

29. Should a member of the Board of Directors absent himself from four consecutive meetings of the Board he shall cease to be a member of the Board of Directors but may be reinstated by the Board of Directors.

30. Subject to such resolutions as the Board of Directors may from time to time pass the several officers of the bank shall have powers mentioned below :—

- (a) The President shall have a general control over all the affairs of the bank. He shall also have power to appoint the members of the establishment as well as to hire, suspend or dismiss them subject in the last two cases to the approval of the Board of Directors,
- (b) The Secretary shall be responsible for the executive administration of the bank subject to the control of the President.

- (c) The Secretary shall be the officer to sue or be sued on behalf of the President.

behalf of the bank and all bonds in favour of the bank shall be in the name of the President. All bonds by the bank except those for moneys borrowed shall be executed by the President Secretary.

- (d) The Treasurer shall have custody of all properties of the bank. He shall take charge of all money received by the bank from the members and from others and shall make disbursements in accordance with directions of the Board. He shall sign the cash book in token of its correctness and produce the cash balance whenever called upon to do so by the Board or auditor.

31. Any member of the Board of Directors who commits default in respect of a loan taken by him from the bank shall *ipso facto* be considered disqualified to continue as a member of the Board. But if the default has been for a period of 3 months or less, the defaulter may be reinstated by the general body on his showing good cause for the default. In no circumstances shall a defaulter continue to hold office as a member of the Board of Directors if his default has continued for more than three months.

32. Receipts shall be issued for all moneys paid into the bank. For moneys paid by members or others, other than debentures, receipts or bonds shall be signed by the President or Secretary or Treasurer whoever is elected by the Board of Directors to discharge this function.

33. It shall be the duty of the Board of Directors to maintain such accounts and registers as are prescribed by rule VII of the rules under the Act and by the Registrar from time to time, to place before a general body meeting of the members the Registrar's notes of audit or inspection within one month from the date of receipt, to correspond with the Registrar and to do all other business relating to the bank.

34. The Board of Directors shall have power to prescribe from time to time the scale of office establishment and to incur such expenditure as may be necessary for the management of the bank with reference to the scale and within the budget allotment sanctioned by the general body for each year. It shall be competent to the Secretary to incur petty contingent expenditure subject to a maximum of Rs. for any item.

35. The Board of Directors shall be competent to fix the amount and nature of the security, if any, to be given by the members of the office establishment.

36. It shall be competent to the Board of Directors to frame subsidiary bylaws for the conduct of the business of the bank consistent with the Act, the rules under the Act and these bylaws. Such subsidiary bylaws shall be entered in the minute book of the bank and they shall be reported to the Registrar of Co-operative Societies for approval.

87. The services of the members of the Board of Directors shall be gratuitous except as provided in bylaw No. 58.

GENERAL BODY.

88. The ultimate authority in all matters relating to the administration of the bank shall be the general body of the members who shall meet from time to time and at least once a year to conduct the work of the bank. The following among other matters shall be dealt with by the general body :—

- (i) the election and removal of the Board of Directors ;
- (ii) the annual report due to the Registrar of Co-operative Societies ;
- (iii) the Registrar's annual audit order ;
- (iv) the amendment or repeal of any existing bylaw or the enactment of a new bylaw ;
- (v) the expulsion of a member ;
- (vi) the consideration of any complaint which any individual member may prefer against the Board of Directors ; and
- (vii) the returns that may be prescribed by the local Government,

30. A meeting of the general body of the members may be convened whenever necessary for the conduct of the business by the Board of Directors and shall be so convened by the Board of Directors at the request of 15 or more members or at the instance of the Registrar.

40. It shall be the duty of every member to attend the meetings of the general body. The quorum for general body shall be or one-fourth of the total number of members on the list at the time whichever is less.

41. The President, when present, shall preside at the meetings of the general body. In his absence the members present may choose a chairman from their number to preside at the meeting. Every member present shall have one and only one vote. All questions shall be decided by a majority of votes of the members present and voting. When votes are equal the chairman of the meeting shall have a casting or second vote.

42. clear days' notice shall be given to members for a meeting of the general body.

48. No amendment to, alteration in, or cancellation of a bylaw and no enactment of a new bylaw shall be made except at a general meeting of the members or shall take effect until it shall have been approved by the Registrar.

LOANS.

44. Loans shall be given only to members, but no member can claim a loan as a matter of right. Applications for loans shall be disposed of by the Board of Directors.

46. Loans may be given only for the following purposes:—

(ii) Improvements of land or of methods of cultivation.

48. Interest on loans granted by the bank shall for the present be charged at 9 per cent, per annum, the first year being reckoned from the date on which the loan is paid to the corresponding date of the following year.

50. The Board of Directors may require an applicant for loan to mortgage all or part of his other immoveable property as security in addition to the mortgage of land prescribed in bylaw 48 or may require him to give two reliable personal sureties who must be members of the bank.

52. When a mortgage deed is executed by a member, the Board of Directors shall insist on all persons interested in the property joining in the execution whether such persons are themselves members or not.

58. Every application for a loan shall be accompanied by the title deeds and other documents relating to the land proposed to be mortgaged. All land proposed to be mortgaged shall be inspected by two members of the Board of Directors deputed for the purpose by

the Board. The members so deputed shall submit an accurate estimate of the market value of the land and a list of all persons having any interest therein specifying the interest of each. Every applicant for a loan shall pay the travelling expenses of the members deputed to inspect his land. These expenses will be calculated according to a scale prescribed by the Board of Directors with the approval of the general body.

Members of the Board of Directors deputed to inspect land proposed to be mortgaged shall in all cases be held strictly responsible for the correctness of their reports, estimates and valuations.

It shall be competent to the Board of Directors to reject any such report, estimate or valuation.

54. No loan shall be granted for a period exceeding 20 years.

55. Should the Board of Directors be of opinion that a loan granted, by the bank has been applied for a purpose other than that for which it was granted it shall at once take steps to recover the loan with interest without waiting for the expiry of the period for which it was granted.

56. The Board of Directors shall have power to call in a loan without reference to the term for which the loan has been granted —

- (i) if the land mortgaged as security for the loan is in danger of being swept away by river or flood or silted up with sand;
- (ii) if the borrower acts as described in bylaw 13 or acts in such a way as to cause loss to the bank ;
- (iii) if the value of the land mortgaged to the bank becomes depreciated and if the borrower fails to give additional security to the satisfaction of the Board of Directors or if the borrower fails to repay a suitable portion of the loan as determined by the Board of Directors ; and
- (w) if for any reason the Board of Directors consider that in the interests of the bank the loan should be called in.

Whenever the Board of Directors require a borrower to repay a portion of his loan as contemplated in clause (iii) above, abatement of interest shall be allowed on the portion of principal so paid notwithstanding anything contained in bylaw 57.

67. The borrower may repay to the bank at any time before the due date the whole or any portion of the loan outstanding against him. In addition to the interest which has accrued on the whole sum outstanding up to the date of actual repayment, he shall pay interest for a further period of three months on all sums so repaid in advance of the due date except where the period between the date of actual repayment and the due date is less than 3 months in which case he shall pay interest up to the due date on the sum so repaid in advance.

58. The period for the repayment of each loan shall be fixed by the Board of Directors within the maximum laid down in bylaw 54. Every member who has taken a loan from the bank shall repay the amount in equal annual instalments interest being calculated on the amount outstanding from time to time or by equated annual instalments including both interest and principal. If a borrower is in arrears in respect of any instalment the whole outstanding loan becomes recoverable and the Board of Directors may and if the default continue' for a period of more than three months, shall at once close the account' On overdue instalments of principal, interest at the rate of 12½ per cent, per annum shall be levied in lieu of the rate of 9 per cent, per annum laid down in bylaw 48.

59. The amount of paid-up share capital, deposit and any other money to the credit of a member or a past member shall be subject to a first charge in favour of the bank in respect of any moneys due to the bank from such member or past member. The bank shall be at liberty to appropriate the whole or any portion of such paid-up' share capital or deposit or any other money or moneys due to the member by the bank.

60. When a member from whom money is due pays any sum it shall be appropriated in the following order:—

Firstly, to fees, fines, postal registration and other miscellaneous' charges due by him ;

Secondly, to interest; and

Thirdly, to principal.

61. When a loan is cancelled by the Board of Directors under bylaw 55 on account of its misapplication, the loan account shall at once be closed without reference to the term for which the loan has been granted. When an account is so closed under bylaw 56 or 58, the Board of Directors shall inform the borrower of the fact and of the amount outstanding against him including interest up to date of closing the loan account. On the total amount so found due, the borrower shall be charged interest at 12½ per cent, per annum from the date of closing the loan account to the date of recovery and steps shall be taken without delay to recover the amount.

62. When a surety dies or ceases to be a member under bylaw 8 or 13 and his name on that account has been removed from the list of members, the Board of Directors shall require the borrower to produce a fresh surety. If a fresh surety is not produced or arrangements are not made to repay the loan within a time to be fixed by the Board of Directors, the loan account shall at once be closed and action taken as laid down in bylaw No. 61. In respect of such accounts also interest shall be charged at 12½ per cent, per annum from the date of closing the loan account to the date of recovery.

68. If a member becomes ineligible for membership at any time and his name has on that account to be removed from the list of

members under bylaw 8 or if a member is expelled under bylaw 18 or if a member dies or his heir or legal representative does not become a member of the bank and undertake to repay the loan according to the terms of the contract, the loan account, if any, of the member concerned shall at once be closed without reference to the term for which the loan has been granted, and action shall be taken to recover from the borrower the amount outstanding against him including interest up to the date of closing the loan account.

Interest shall be charged at 12J per cent, per annum on the amount so found outstanding from the date of closing the loan account to the date of recovery.

PROFITS.

64. The net profits of the bank as declared by the Eegistrar every year shall be disposed of as shown below :— A

- (i) Not less than 25 per cent, shall be carried to the credit of the reserve fund;
- (ii) Out of the remainder, a dividend subject to a maximum of 8 per cent, per annum on the paid-up value of each share may be paid to members proportionately to the amount of paid-up share capital held by each and also to the period during which the paid-up share capital was so held during the year.

(Hi) The balance shall be added to the Eeserve Fund.

Noli. — All undisbutable and indivisible profits shall be added to the reserve fund.

65. (1) The reserve fund shall belong to the bank as a whole and is intended to meet unforeseen losses. No member can claim a share in it. It shall not be drawn upon except with the sanction of the Eegistrar.

(2) On the dissolution of the bank, the reserve fund and other funds contributed by it under provisions of its bylaws shall be applied :—

- (i) to discharge such liabilities of the bank as may remain undischarged after the enforcement in full of the liability of the members of the bank ;
- (ii) to the repayment of share capital paid up ; and
- (iii) to the payment of dividend upon such share capital at a rate not exceeding 8 per cent, per annum for any period or periods for which no dividend has been paid.

(3) Such portions of these funds as shall remain after payments mentioned in sub-clause (2) shall be applied to such local objects of public utility as may be selected by the general body and approved of by the Kegistrar, If within three months of the final closing up of the bank the general body fails to make any selection that is approved of by the Eegistrar the latter may use the above-mentioned portion of the funds in supporting other co-operative societies in the neighbourhood or shall place the same on interest or otherwise with some co-operative bank

until a new co-operative bank with a similar area of operations is registered in which event the funds shall be carried to the reserve fund of such bank.

MISCELLANEOUS,

66. The Board shall prepare annually in such form as may be prescribed by the Registrar:—

- (a) a statement showing the receipts and disbursements for the year;
- (b) a profit and loss account;
- (c) a balance sheet; and
- (d) such other statements as may be prescribed by the Registrar.

These statements shall be made up to 30th June and a copy of each shall be sent to the Registrar within such time as he may direct. After the Registrar has verified the statements and granted his audit certificate the bank shall publish such of the prescribed statements as he may direct in the manner proscribed by him.

67. In the case of a dispute touching the business of the bank, between members or past members of the bank, or persons claiming through a member or past member of the bank, or persons claiming through a member or past member or between a member or past member or persons so claiming and the Board of Directors, a reference in writing may be made by any party to the Registrar. Similarly, in the case of a dispute relating to a debt due to the bank by a member or past member or persons claiming through a member or past member a reference in writing may be made by either party to the Registrar. The Registrar shall have power on receipt of such reference, either to decide the dispute himself or refer it to an arbitrator appointed by him or to several arbitrators of whom one shall be appointed by him and one other by each of the parties to the dispute. The decision or award of the Registrar or of the arbitrator or arbitrators as the case may be shall be final and it may be enforced in either of these ways:—

- (a) by an application made to the Collector of the district through the Registrar of Co-operative Societies requesting that the amount due under the decision or award may be recovered in the same manner as arrears of land revenue ;
- (b) by an application to the Civil Court having jurisdiction over the subject matter of the decision or award as if it were a decree of the court,

68. Should any doubt arise as to the construction or meaning of the provisions of the Co-operative Societies Act, II of 1912, or of any bylaw of the bank or as to the validity or effect of the proceedings of a meeting of the Board of Directors or of the general body, the Board of Directors shall refer the same to the Registrar of Co-operative Societies for advice and act according to his advice which shall be final

APPENDIX C.-4,

Draft by-laws of a Co-operative Land Mortgage Bank, Limited' in Bombay Presidency.

I.—PRELIMINARY.

1. The name of the society is The Land Mortgage Co-operative Bank, Limited, and its registered address is . Any change of address shall be notified to the Registrar within 14 days and published in a local paper.

2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.

II.—FUNDS.

8. The objects of the society are to promote the economic interest of its members and more particularly to arrange for the creation of funds to be lent to its members on the security of mortgage of agricultural lands for—

(1) The improvement of land and methods of cultivation.

(2) The installation or purchase of agricultural plant and machinery.

(8) The redemption of mortgaged lands and the liquidation of old debts.

(4) The purchase of land leading to land improvements or making better cultivation possible in the general interests of the community and bringing under cultivation of cultivable-waste, forest or fallow lands.

4. Funds may be raised —

(a) by the issue of shares,

(fc) by receiving deposits,

(c) by raising loans,

(d) by long-term debentures,

(e) by entrance fees.

5. The amount of capital to be raised by the sale of shares shall not exceed Es. . The value of each share shall be Bs. 50, the whole of which shall be payable with the application for membership.

6. The total of debentures, loans and deposits shall never exceed twenty times the paid-up share capital plus the reserve fund.

7. The funds of the society, when not utilised, shall be invested or deposited as required by section 82 (1) of the Act.

III.—MEMBERSHIP.

8. No person shall be a member unless—

(1) he is a holder of agricultural land in ,

(2) his written application for membership has been approved? by an absolute majority of the Board of Directors,

(8) he has paid an entrance fee of Rs. 5, and

(4) he has subscribed to at least one share and paid the full amount thereof with his application.

Members who signed the original application are exempt from addition 8 (2).

9. Any member may withdraw from the society at any time with the sanction of the Board of Directors, but this will not be given while he is in debt to the society or is surety for another member who is in debt.

10. (1) A member of the society may be expelled by a vote of General Meeting—

(1) if he is a persistent defaulter;

(2) if he wilfully deceives the society by false statements ;

(3) if he is bankrupt or legally disabled ;

(4) if he is criminally convicted ; or

(5) if he intentionally does any act likely to injure the credit of the society.

(2) Expulsion may involve the forfeiture of all shares held by him.

11. A person ceases to be a member—

(1) on death;

(2) when his resignation is accepted by the Board of Directors;

(3) on expulsion; or

(4) on the transfer or forfeiture of all the shares held by him.

IV.—SHARES.

12. Every member shall hold one share for every Es. 1,000 or fraction of Es. 1,000 which he draws from the bank.

13. Application for shares shall be made in writing and shall be disposed of by the Board of Directors.

14. The liability of a member shall not exceed the amount (if any) unpaid on the shares, in respect of which he or his estate is liable.

15. A member may transfer his share or shares, after holding them for one year, to another member with the approval of the Directors. The transfer is not complete until the name of the transferee has been entered in the share transfer Register, and such fee as the Board of Directors may prescribe has been paid.

16. A share certificate bearing a distinctive number shall be issued for every share subscribed.

17. Any member of the society may, by a writing under his hand deposited with the society nominate any person (other than a servant or officer of the society) to whom the whole or any part of his interest

in the society should be transferred in the event of his death. A fee of four annas will be charged for recording such nominations and any subsequent revocation or variation.

18. On the death of a member the amount standing to his credit by way of shares or dividends shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him or in the absence of such nominee to such person as may appear to the Committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society' The deposits of the deceased may be withdrawn by such heir only if the period of deposit has expired.

V. — GENERAL MEETINGS.

19. The annual General Meeting shall be held during the month of April.

20. The functions of the Annual General Meeting are —

- (1) to elect a President for the ensuing year, whose duty shall be to preside at General Meetings and at Meetings of the Board of Directors ; to supervise the administration of the society generally and to summon through the Secretary general and committee meetings whenever necessary ;
- (2) to appoint persons to audit the accounts of the society during the ensuing year and to fix their remuneration ;
- (3) to elect a Board of Directors for the ensuing year of whom the President of the society shall be one and to appoint a Secretary and any other officers that may be required and to fix their remunerations ;
- (4) to receive from the Board of Directors the balance sheets of the preceding year and to sanction the distribution of the profits ;
- (5) to fix the maximum up to which the Board of Directors may raise funds under by-law 6 ;
- (6) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward.

21. A special General Meeting can be summoned by the President or by a majority of the Board of Directors or on a requisition from the Registrar or from 15 ordinary members. It shall be the duty of the President to call such a meeting within one month of the receipt of the requisition.

22. In the case of the annual General Meeting 14 days' notice and in the case of a special General Meeting 7 days' notice shall be given. The notice shall specify the date, hour and place of the meeting and the business to be transacted'

28. With the permission of two-thirds of the members present at ' General Meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting \ provided that such proposal does not relate to the expulsion of a member or the alteration of a bylaw.

24. The President shall have a casting vote, in addition to his ordinary vote.

25. Each member shall have one vote only. Any member may appoint another in writing to vote for him as his proxy.

26. Two-fifths of the total number of members or 15 (whichever is less) shall form a quorum at a General Meeting. If there be no quorum' the meeting shall be adjourned for at least 7 days and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VI.—THE BOARD OF DIRECTORS.

27. The Board of Directors shall consist of not less than sever' members or more than 9. Three members shall form a quorum. It shall be presided over by the President of the society elected under bylaw 20 (1), who shall have a casting vote. The remuneration to be given to the Directors present at the Board Meetings shall be fixed by General Meeting from time to time.

28. Subject to the bylaws and the resolutions passed at a General Meeting the Board of Directors shall have full authority to carry on the business of the society. It shall meet for the transaction of business not less than once a month.

29. Vacancies on the Board from death or any other cause shall be filled up by it, subject to confirmation at the next General Meeting.

30. A Committee minute book shall be maintained by th& Secretary in which the names of the members present and the proceedings at each meeting shall be recorded. It shall be open to the inspection of all members.

81. No member shall vote on any matter in which he has a personal interest.

82. The powers of the Board of Directors shall be—

- (1) to appoint, suspend, punish or dismiss, all salaried servants- of the society subject to bylaw 20 (2) and (3);
- (2) to hear and deal with complaints;
- (8) to deal with applications for loans ;
- (4) to supervise the use to which the loans are put;
- (5) to examine and check the accounts :
- (6) to prepare annual Balance Sheets ;
- (7) to enquire into and take action in cases of arrears and) where necessary to grant extensions;

- (8) to raise loans and secure deposits.
- (9) to institute, defend or compromise legal proceedings;
- (10) to make rules as to the main principles on which valuation of estates shall be made;
- (11) to appoint a person or persons to estimate the value of the land belonging to a member who applies for a loan and to estimate the net income of such land ;
- (12) to appoint counsellors of the society from amongst the members for such areas as may be considered necessary to advise it in the exercise of its powers ;
- (18) to issue debentures from time to time as provided for under the bylaws and approved at the General Meetings, to cancel debentures or to call them in where necessary and to arrange for their sale and liquidation;
- (14) to appoint, if necessary, an executive committee and to delegate powers to that committee ;

88. No appeal shall lie from the decisions of the Board of Directors to the General Meeting, unless authority to accept appeals on any particular branch of its work has been reserved by the General Meeting by special resolution.

34. It shall be the duty of the auditors appointed under bylaw 20 (2) to audit the accounts and documents of the society quarterly and of the Board of Directors to produce all the requisite books for their inspection.

.VII.—SECRETARY.

35. The Board of Directors shall control the Secretary, whose duties shall be—

- (1) to carry on the correspondence of the society and to maintain all its books, accounts and registers ;
- (2) to receive applications for loans, withdrawals of deposits, &c., and to lay them before the Board of Directors ; and to prepare receipts and vouchers;
- (3) to receive and disburse money on behalf of the society under the orders of the Board of Directors ;
- (4) to attend to all other business entrusted to him by the Board of Directors.

VIII.—LOANS AND REPAYMENTS.

36. Any member desiring to borrow from the society must give notice to the Secretary and at the same time pay in full such number of shares as may be fixed by the General Meeting from time to time. The application shall then be entered in the register of application in the order of receipt, provided that—

- (a) applications for loans from members, who are also members of Agricultural Credit Societies shall generally be forwarded

to such society and to their Central Banks for recommendation.

- (b) inquiries into applications shall embrace not merely a valuation of the property offered as security, but shall extend to the propriety or otherwise of the object of the loan and the repaying capacity of the applicant.

37. The maximum loan granted shall in no case exceed one-third of the estimated value of the land mortgaged as security.

88. Not more than one-tenth of the total capital of the society may be on loan at any time with the members of the Board of Directors.

39. (a) The Board of Directors shall prescribe the instalments by which loans are to be recovered and may grant extensions not exceeding one year when necessary. Requests for extensions for more than one year beyond the date fixed shall be laid before the General Meeting for disposal. Penal interest at the rate of 9 per cent, shall be levied on instalments not repaid within 14 days of the due date. Loans and repayments shall be entered in a pass book which shall be supplied to every borrower.

(b) When members who are granted loans are also members of agricultural credit societies intimation of advances made shall be sent both to the societies concerned and to the Central Banks to which they are affiliated.

40. Every loan shall be secured by a possessory mortgage deed in the form prescribed and the mortgaged property shall be let to the borrower during the term of the mortgage in consideration of his paying the land revenue and local funds cess charged thereupon and an annual rent equal to the annual instalments due to the society. In the event of default the borrower shall be ejected from the property which shall be let to others or otherwise dealt with on such terms as the Board thinks proper for the remainder of the term of the mortgage.

41. In exercising its discretion the Board may require an applicant for a loan to mortgage all his immovable property as additional security or to give two personal reliable sureties.

42. No loans shall be granted for a period exceeding 30 years.

43. Applications for loans shall ordinarily be dealt with in the order in which they are entered in the register of applications prescribed in bylaw 70 (4) provided that priority shall in all cases be given to loans for improvement of land, where such improvement promises to be more profitable.

44. The loans to be made for the improvement of land will be made by instalments which will be fixed by the Committee for every such loan.

45. The society has authority to call in loans at six months' notice;—

- (a) if the mortgaged estate becomes subject to forced administration or forced sale;
- (b) if the estate is in danger of being swept away by river or flood.
- (c) if the borrower acts as described in bylaw 10;
- (d) the society may require an entire or partial repayment of the debt if the mortgaged estate becomes depreciated in value.

46. The borrower shall always be at liberty to repay to the society the whole or part of the capital sum borrowed in advance of the instalments fixed, provided he pays interest for six months on all bonds for which in consequence of his action notice of redemption has to be given.

47. Loans shall be given for a specific purpose and shall be applied solely to that purpose. If a loan is not so applied, it shall be immediately recalled in its entirety by the Board.

48. The rate of interest on loans shall allow a margin of 1 or li per cent, over the borrowing rate.

IX.—ISSUE OF BONDS AND THEIR REDEMPTION.

49. (1) The society may issue debentures for sums of Bs. 1,000, Es. 500, Bs. 250, Bs. 100 and 50.

(2) The society shall reserve the right to call in any debenture at any time on six months' notice by repaying the value for which it was issued together with all interest due thereon to the date of redemption.

(8) Debentures may be issued in series; but debentures of each series will bear the same rate of interest and the same terms of repayment.

50. The debentures issued and the interest payable thereon shall form a first charge on the undertakings and general assets of the society.

51. The total amount of debentures actually in circulation must, at no time, exceed 83½ per cent of the total value of lands mortgaged in favour of the society.

52. (1) Debentures, which by reason of damage sustained, have become unfit for circulation, provided, however, that the essential marks of the genuineness and identity are still recognisable, especially the number, the amount, the rate of interest, the date and the signature of the authorised executing officer of the Board, will be replaced at the request of the holder on giving up the damaged or defaced debenture. Other debentures shall also be issued to replace completely destroyed debentures when, in the opinion of the Board, the fact of destruction is proved without any doubt or uncertainty.

(2) When such proof is not produced or when in case of damage the essential marks on the debenture are no longer recognisable as well as in all cases in which the debenture has been stolen from the owner or has been in other ways mislaid a new debenture will only be issued¹ at the cost of the owner when the missing debenture has been previously advertised for by the latter and its nullity legally declared in accordance with the rules framed by Government in case of loss of their securities.

(3) The re-issue shall always be made for the same amount under the same number with the addition of the word (renewed) against the reimbursement of the cost of the stamp and other cash expenses.

58. The debenture shall be signed and executed by the President and two members of the Board of Directors who will be nominated in the General Meeting.

The society shall have a special seal to be used for these debentures and it shall remain in safe custody with the President of the Board.

54. Notice of redemption of debentures may on no account be given on the part of the holder thereof but may be given by the society when required as provided in the bylaws.

55. The debentures of which notice of redemption has been given to the holders by the society must be given up on the expiry of the term and if the debentures are not handed in within one month after they fall due, the holder shall have no claim upon the bank for the interest accruing after the expiry of the term.

56. The surrender and delivery to the society of the debentures and the presentation and delivery of interest coupons and the receipt of the person surrendering, presenting and delivering the same respectively, shall be an effectual discharge of the principal money and the interest thereon respectively and the society shall not be bound to enquire into the title of the bearer or of any persons presenting, surrendering, or delivering the same or to take any notice of any trust affecting any money secured by this debenture or affected by any notice express or implied of the right, title or claim of any person to such moneys or the debenture or to any interest coupon.

67. The debentures are to be treated as negotiable and as having all the incidents of negotiability.

X.—SINKING FUND.

58. The society from the date of the first issue of the debentures shall establish a Sinking Fund in order to provide for the repayment and redemption of debentures and to the credit of such fund there shall be paid at the close of each financial year of the society a sum which shall be calculated at the rate of one per cent, of the amount for the time being remaining due on such debentures then outstanding.

59. The amount which from time to time shall represent the Sinking Fund of the society and the interest accruing on the investments thereof, shall without delay, as funds permit, be invested in any of the securities specified in section 20 of the Indian Trusts Act of 1882 and such securities shall stand in the joint names of two or more persons, one of whom will be nominated by the Registrar.

XI.— BUSINESS.

60. The society is authorised to make good its claims against its members at its option by attachment either of their real estate or their movable property.

61. In case the Board and the General Meeting decide upon the conversion of one or more classes of debentures to another rate of interest the Board has the right to give 6 months' notice to the holders of the debentures affected by such conversion.

62. The borrower shall pay —

- (1) the expenses incurred for the valuation of the land which the society shall undertake on his behalf ;
- (2) the expenses incurred in getting the land redeemed from mortgage in case this is undertaken by the society.
- (3) all other expenses incurred by the society in dealing with the borrower or with claimants contesting his right to deal with the society.

68. Deposits may be received at any time within the limits fixed by bylaw 6 for a fixed period.

64. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rates until its withdrawal unless the deposit has been accepted by the Board for a further fixed period at the request of the depositor.

XII. — PROFITS.

65. The distribution of profits shall be decided on at the annual General Meeting after the annual contributions have been made to the sinking fund as provided in bylaw 58. The balance remaining after paying this contribution and carrying 10 per cent, to reserve and paying a bonus, if any, to office holders shall be available for paying a dividend on shares.

66. The dividend shall not exceed the maximum rate of interest on loans to members.

XIII. — KBSEUVE FUND.

67. In addition to the sum prescribed under section 33 of the Act' receipts on account of forfeited shares, fines and donations shall be carried to reserve.

68. The Reserve Fund and its accretions shall be invested in any of the securities specified in section 20 of the Indian Trusts Act'

69. Any loss occurring as the net result of the year's working may, with the previous sanction of the Registrar, be made good from the Reserve Fund, but this amount must be restored to the Reserve Fund from the profit of the succeeding year or years.

XIV.—ACCOUNTS AND RECORDS.

70. In addition to the accounts and records prescribed by the Registrar under rule 18 of the Bombay Co-operative Societies Rules, 1918, the following registers shall be maintained :—

- (1) A register showing instalments of repayment of loans on each harvest or at shorter intervals ;
- (2) A register of the value and income of the land belonging to members;
- (8) A register of the issue of debentures;
- (4) A register showing all applications for loans in the order in which they are received.

71. Any member of the society may inspect any of the registers or records during office hours so far they relate to his own business transactions.

72. Before April 30th annually the Board of Directors shall draw up a statement showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government Auditor.

XV.—MISCELLANEOUS.

73. Subject to the rules framed by the Local Government, the bylaws can be amended, provided that notice of the amendment has been given to the Registrar and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

74. All documents creating a charge or obligation on the society shall be signed by the President and the Secretary or two members of the Board and shall bear the common seal of the society.

Receipts for payment or cheques may be signed by any office bearer duly authorised by the Board of Directors in that behalf.

75. This society shall be affiliated to the Bombay Central Co-operative Institute as its member.

APPENDIX C 5.

The Mysore Land Mortgage Association Bylaws.

1. This Association shall be called the Mysore Land Mortgage Association.
2. The office of the Association shall be situated at Bangalore.
8. The object of the Association is to grant loans to members.
4. The liability of the members of this Association shall be limited to the value of the shares held by them in the Association.
5. There shall be 20,000 shares in the Association of the value of Us. 50 each.
6. Membership of the Association is open to every subject of His Highness the Maharaja of Mysore who is legally capable of entering into contract and to every registered co-operative institution.
7. Every member of the Association must take at least one share and no member can own more than 100 shares in the Association.
8. Shares are not withdrawable nor transferable except with the sanction of the Association.
9. The funds of the Association shall include share capital, loans, deposits, grants and other miscellaneous items, but at no time shall the liabilities of the Association exceed the sum of Us. 50,00,000.
10. The Association shall not grant loans below Rs. 1,000 nor above Rs. 5,000 ordinarily, provided that where a loan is granted to a Co-operative Society for the use of its members, the amount of the loan shall not exceed Rs. 20,000.
11. Loans granted by the Association shall bear interest not exceeding 7 per cent, per annum except for short-term loans under by-law 15.
12. Loans granted by the Association shall be repayable in equal yearly instalments not exceeding 80. Nothing in this bylaw shall be considered to preclude the borrower from repaying his loan wholly or in part, in cash or in mortgage.
18. The loan and the interest shall be discharged by a system of equated payments.
14. The working expenses of the Association may be recovered by the levy of a charge not exceeding half per cent, per annum on the loans granted by the Association.
15. Loans shall be granted by the Association only on the mortgage of immovable property except in the case of short-term loans which may, on suitable security, be granted for working expenses.
16. Loans granted by the Association shall not exceed 60 per cent of the value of the property which is mortgaged to the Association on account of those loans.

17. The valuation of the properties offered as security for loans shall be made by the Association in accordance with subsidiary rule' to be framed in that behalf.

18. Loans granted by the Association shall not be liable to be recalled so long as the annual instalments and other charges due thereon are duly paid', provided that if a loan is utilized for a purpose different from that for which it was granted or if the property on which it is secured is, in the opinion of the Association, allowed to diminish in value, the loan shall be recalled without reference to the terms on which it is granted.

19. Loans are also liable to be recalled :—

(i) If, after the grant of a loan, the information obtained regarding the property, the charges thereon and the rights of disposal thereof is found to be incorrect.

(ii) On the retirement of the borrower from the Association.

(Hi) If the debtor remains more than one year in arrear with a payment due.

(iv) If for any reason the debtor ceases to be a member.

20. If, in any case, not expressly provided for above, the Board of Management consider that a debt is in danger, they shall recall the loan with the approval of the Registrar of Co-operative Societies.

21. When a loan recalled by the Board of Management is not repaid within 6 months from the date of recall, the Directors shall, in the exercise of the authority vested in them under bylaws 18 and 19, order a foreclosure of the mortgage and shall also have the power of distraint in the case of Short Loans. These orders shall have the same effect and shall be executed in the same manner as if passed by a competent Civil Court.

22. The Association may raise loans by the issue of mortgage bonds bearing interest not exceeding 6 per cent, per annum and liable to be redeemed at such period not exceeding 80 years as may be prescribed by the Association.

28. Mortgage Bonds shall not be issued except with the previous sanction of Government and they shall be in such form and contain such covenants and provisions as the Association may, with the previous sanction of Government, prescribe in this behalf.

24. The Association shall draw for redemption by lot as many mortgage bonds as its financial condition permits, or if the Association deems it preferable, it may repurchase its bonds instead of drawing them by lot.

25. The Association shall be at liberty to effect a reduction in the rate of interest payable on any series of mortgage bonds provided that option is given to the holders of such bonds to accept payment in cash at par value.

26. The Administration of the Association shall be vested in the following :—

- (1) Board of Management,
- (2) Board of Supervision, and
- (8) The General Meeting of the members of the Association.

27. Members of the Board of Management and of the Board of Supervision must be members of the Association provided that the Government of His Highness the Maharaja of Mysore shall have the right to nominate two persons to the Board of Supervision, and one to the Board of Management, whether members of the Association or not.

28. The Board of Management shall consist of seven members, six of whom are elected by the members and one is nominated by the Government of Mysore.

29. The Board of Supervision shall consist of seven members, five of whom are elected by the general meeting and two are nominated by the Government of Mysore.

30. The Board of Management shall administer and conduct the affairs of the Association, prepare and issue agreements, declarations, etc., and represent the Association by one of its members selected for that purpose at all legal proceedings. It shall also appoint, control and dismiss officials like book-keepers, cashiers, clerks, local agents, etc.

81. The Board of Supervision shall control and supervise the conduct of business by the Board of Management. In particular, it will —

- (1) cause the accounts of the Association to be audited at least twice a year by two of its members, who receive and pass the accounts of the Board of Management ;
- (2) present to the General Meeting a statement of accounts ;
- (3) prepare all instructions necessary for the carrying out of these by-laws ;
- (4) settle the principles of land valuation ;
- (5) authorize the issue by the Board of Management of mortgage-bonds ; and
- (6) decide appeals against the decision of the Board of Management.

32. The business transactions of the Association shall be supervised by the Registrar of Co-operative Societies.

33. The Registrar has the right —

- (i) to require the summoning of a General Meeting ;
- (ii) to be present at the proceedings of the General Meeting as well as at the meetings of the Board of Management and the Board of Supervision ; and
- (Hi) to inspect the books and the cash balance of the bank at any time.

34. The accounts of the Association shall be audited at least twice a year by a duly certified auditor or by an officer deputed by the Mysore Government.

85. All other matters concerning the organization and the working of the Association, as well as the remuneration, if any, which the Board of Management, the Board of Supervision, the local agents and the auditors are to receive shall be fixed by Regulations to be framed by the Association.

The Regulations shall require the approval of the Government of Mysore.

86. A reserve fund shall be formed by the Association. To this shall be carried—

- (1) a sum not less than 10 per cent, of the net profits of every year ;
- (2) the interest on the capital of this fund ;
- (8) amounts not claimed ; and
- (4) produce of drawn and expired mortgage bonds.

87. Except so far as is expressly provided for in these bylaws the Association shall be bound by the provisions of the Law on Co-operative Societies in Mysore.

APPENDIX D 1.

[18 & 14 GBO. 5] AGRICULTURAL CREDITS ACT, 1928.

In Act to facilitate the advanc' of money and for grant of credit for certain agricultural pur'p-ses, and to amend the of Land Act, 1864, and for purposes connected therewith.

[81st July 1928.]

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1. (1) At any time within five years after the passing of this Act, and subject to such conditions as the Treasury may prescribe, and up to an aggregate amount approved by the Treasury, the Public Works Loan Commissioners may, in manner provided by the Public Works Loans Act, 1875, as amended by this section, lend to any approved association such money as the association may require for the purpose of making advances on mortgages to which this section applies (which mortgages are hereinafter referred to as recognised mortgages), and for recouping to such an association any moneys raised by the association before the passing of this Act for the purpose of making advances on the security of mortgages which were at the date of the advance or have since been varied so as to become recognised mortgages, and may make advances direct to borrowers on recognised mortgages, or at any time make a transfer of any recognised mortgage.

(2) A mortgage shall be deemed to be a recognised mortgage if it complies with the following conditions:—

- (a) the borrower must be a person who has agreed to purchase the land comprised in the mortgage not earlier than the fifth day of April, nineteen hundred and seventeen, nor later than the twenty-seventh day of June, nineteen hundred and twenty-one, or the heir, devisee, or personal representative of such a person;
- (b) the land comprised in the mortgage must be wholly or mainly agricultural land;
- (c) the amount secured by the mortgage must not exceed seventy-five per cent, of the value, as ascertained to the satisfaction of the Commissioners, of the land mortgaged at the date when the advance or transfer is made by or to the Commissioners or exceed an amount equal to thirty times the annual value of the land as ascertained at that date for the purposes of Schedule A of the Income Tax Act;
- d) the rate of interest payable on the mortgage must not exceed such rate as the Treasury may prescribe;

- (e) the amount secured by the mortgage, with interest thereon, must be repayable within a period of sixty years by equal yearly or half-yearly instalments of the principal sum advanced, together with interest on the amount outstanding, or by equal yearly or half-yearly payments of principal and interest combined;
- (j) the land comprised in the mortgage must be freehold or copyhold land free from any incumbrance affecting it in priority to the mortgage other than a land improvement charge or other charge to which priority is given by Act of Parliament.

(8) An advance by the Commissioners to an approved association may be made upon the security of recognised mortgages effected by the association with or without other security and for an amount equal to the amount secured for the time being by such mortgages, and may be repayable within such period not exceeding sixty years from the date of the advance as may be agreed between the Commissioners and the association.

(4) Any moneys advanced by an approved association upon a recognised mortgage may be advanced at interest payable at such rate per centum per annum as will, after deduction from such interest of the income-tax thereon, yield to the association a net rate of interest.

(5) For the purposes of this section, the expression "approved association" means an association which is approved by the Treasury for the purposes of this Act, and which does not trade for profit or by its constitution or otherwise is restricted in relation to the rate of interest on loan capital and the distribution of profits amongst its members so as to comply with regulations made in that behalf by the Treasury, and the expression "person" in the definition of borrower shall, without prejudice to the effect of section nineteen of the Interpretation Act, 1889, include an association registered under the Industrial and Provident Societies Acts, 1898 to 1918, and having for its object, or one of its objects, the provision of small holdings or allotments.

2. (1) The Minister of Agriculture and Fisheries hereinafter referred to as the Minister) shall take such steps as are practicable to promote the formation or extension of agricultural credit societies, that is to say, societies approved by the Minister and registered under the Industrial and Provident Societies Act, 1893, having for their object, or one of their Objects, the making of advances to members of the society repayable within a period not exceeding five years for such agricultural purposes as may be approved by the Minister.

(2) The Minister at any time within three years after the passing of this Act or during such further period as the Treasury may prescribe may, subject to the provisions of any regulations made by the Treasury, make advances to any such society, but so that the total

sum advanced to a society shall not exceed an amount equal to one pound for every one pound share held by members of the society on which a sum of five shillings has been paid.

(8) For the purpose of this section, there shall be opened in such manner as the Treasury may direct an account called " the Agricultural Credits Account," and there shall be paid to that account —

(a) such money as may from time to time be provided by Parliament towards defraying the advances and expenses of the Minister directed by this section to be paid out of the Agricultural Credits Account ; and

(b) all sums received by the Minister in respect of advances made by the Minister under this section.

(4) The advances and expenses of the Minister under this section shall be paid out of the money standing to the credit of the Agricultural Credits Account.

(5) The Minister shall cause an account to be prepared and transmitted to the Comptroller and Auditor-General for examination on or before the thirtieth day of September in every year, showing the sums paid into and the sums issued out of the Agricultural Credits Account in the financial year ending on the thirty-first day of March preceding, and the Comptroller and Auditor-General shall certify and report on the same, and such account and report shall be laid before Parliament on or before the thirty-first day of January in the following year if Parliament be then sitting, and, if Parliament be then not sitting, within one week after Parliament is next assembled.

The Minister shall also cause to be laid before both Houses of Parliament an annual report of his proceedings under this section.

(6) Payments out of and into the Agricultural Credits Account and all other matters relating to the Account, and to the money standing to the credit of the Account, shall be paid and regulated in such manner as the Treasury direct.

(7) The provisions set forth in Part I of the Schedule to this Act shall apply to every agricultural credit society to which this section applies as if they formed part of the Industrial and Provident Societies Act, 1893, and, if an advance is made to such a society under this section! the provisions set forth in Part II of that schedule shall also apply to the society so long as any part of the advance remains outstanding.

8. (1) Notwithstanding any provision in the Improvement of Land Act, 1864, which limits the rate of interest payable under a charge created under such Act, the rate of interest under such a charge may be such as the Minister may from time to time authorise.

(2) The foregoing provisions of this section shall apply also to any •existing Act of Parliament which authorises a company to execute or advance money for the execution of improvements of agricultural land'

(8) Where an application is made under any such Act for sanction of a charge on any lands in respect of the erection or improvement of a farmhouse or of a cottage for occupation by a person engaged in cultivation of the said lands or any of them, the Minister may, if satisfied that the erection or improvement is required for the proper cultivation of the land, sanction the charge although it may not be shown that the work will effect a direct yearly increase in the value of the lands exceeding the yearly amount proposed to be charged thereon.

(4) The enumeration of improvements contained in section nine of the Improvement of Land Act, 1864, is hereby extended so as to comprise, in relation to any land subject and according to the provisions of that Act, the improvements of land authorised in relation to settled land by the Settled Land Acts, 1882 to 1922, but as respects such of those improvements as are improvements specified in sub-section (1) of section sixty-five of the Law of Property Act, 1922, only when the application to the Minister is made after the passing of this Act.

(5) Section eighteen of the Improvement of Land Act, 1864, in so far as it prohibits without an order of the Court of Session the making of any provisional or other order sanctioning the improvement of land where the landowner is an heir of entail in possession or a life-renter, and where such landowner or the husband of such landowner is the father of the next heir, or heirs, or of a succeeding liferenter or life-renters or of the fiar or fiars, and such heir succeeding liferenter or fiar, or one or more of such heirs succeeding liferenters or fiars, is in minority shall cease to have effect.

4. All regulations or orders made by the Minister or by the Treasury for the purpose of carrying out this Act shall be laid before the Commons House of Parliament as soon as may be after they are made.

5. This Act shall apply to Scotland, subject to the following modifications:—

(a) The Board of Agriculture for Scotland shall be substituted for the Minister of Agriculture and Fisheries; the Agricultural Credits (Scotland) Account shall be substituted for the Agricultural Credits Account; "freehold or copyhold land" shall mean "land held in fee simple"; "mortgage" shall mean "heritable security"; "devise" shall include "legatee"; "incumbrance" shall not include a burden or charge incident to tenure;

(b) The provisions of the Settled Lands Acts, 1882 to 1922, relating to improvements shall, subject to the restrictions therein contained, have effect in Scotland in so far as necessary to give effect to sub-section (4) of section three of this Act.

6. This Act may be cited as the Agricultural Credits Act, 1928.

SCHEDULE.

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PROVISIONS APPLICABLE TO AK AGRICULTURAL CREDIT SOCIETY TO WEIGH
THIS ACT APPLIES,

1. A society shall not be deemed, for the purposes of the Industrial and Provident Societies Act, 1893 (hereinafter referred to as the Act of 1893), to carry on the business of banking.
2. Section four of the Act of 1893, so far as it provides that no member other than a registered society shall have or claim any interest in the shares of a society exceeding two hundred pounds shall not apply to a society, and the Second Schedule to the Act of 1893 shall apply as if it were modified accordingly.
3. A society shall be exempt from registration under the Moneylenders Act, 1900.

PART II.

ADDITIONAL PROVISIONS APPLICABLE TO SUCH SOCIETY ty IN RBCWPT OF
FINANCIAL ASSISTANCE.

1. The Registrar may under the Act of 1893 cancel the registry of a society on the application of the Minister.
2. The rules of a society shall comprise such rules as the Minister may require for the purposes of this Act and shall not be altered without the consent of the Minister.
3. The books of a society shall be open to inspection by an officer of the Minister.
4. The Registrar on the application of the Minister may, under section eighteen of the Act of 1893, appoint an accountant or actuary to inspect the books of the society and to report thereon, and may, under section fifty of that Act, appoint an inspector to examine into and report on the affairs of a society.
6. Advances to members may be made without any security on real or personal property, and may be of such amount as the society thinks fit, but so that an advance to any member shall not exceed one-tenth part of the share capital of the society for the time being issued, or more than an amount equal to five pounds for every one pound share held by the member on which a sum of five shillings has been paid.
6. A society shall not accept deposits and shall not borrow money without the consent of the Minister.
7. Not more than five shillings shall, without the consent of the Minister, be called up in respect of each pound of the share capital except for the purposes of winding up or dissolving the society.
8. The rules of the society shall provide for the limitation or restriction of the division of the profits of the society by way of dividends or bonus on the share capital of the society in such manner as the Minister may approve.

APPENDIX D 2.

LAW No. 27 OF 1923 FOR THE REGULATION OF AGRICULTURAL CO-OPERATIVE SOCIETIES IN EGYPT.

Having considered the Civil and Commercial Codes and the Codes of Civil Procedure and Penal Code, in view of the desirability of encouraging and regulating the formation and working of Agricultural Co-operative Societies in Egypt, on the proposal of our Ministers of Finance, Justice and Agriculture and in conformity with the advice of our Council of Ministers, we King of Egypt do decree as follows:—

CHAPTER I.—GENERAL PROVISIONS.

1. For the purpose of the previous and the present law Agricultural Co-operative Societies in Egypt are defined as societies composed of Egyptian cultivators, constituted with the aim of securing the agricultural interests of their members by co-operative methods.

2. Such societies may have among their objects all operations of purchase or sale, production or manufacture, insurance or credit so far as relates to agriculture and may in particular—

- (i) purchase for the common account of the society, live-stock and agricultural produce, purchase or take on hire agricultural machines and implements with a view to re-selling or subletting them to members.
- (ii) organize in common the preparation of the produce of the soil or of any other agricultural industry.
- (iii) undertake the wholesale or retail sale of the produce of the farming or other industry of the members.
- (iv) undertake the construction or working of irrigation and drainage schemes, of cleaning of canals and the improvement of lands for the benefit of the members.
- (v) receive the savings of the members in deposit and grant advances for exclusively agricultural purposes.

3. Such societies may also assist in the defence and advancement of the general interests of agriculture. They may not on the other hand under pain of dissolution concern themselves with political or other matters or give any manner of direct or indirect assistance or support to political parties.

4. Such societies may not extend their dealings to the advantage of non-members save in such accessory manner as may lie within limitations fixed by these bylaws and may better assure the interests of members.

5. The term cultivator employed in clause 1 includes all persons who farm agricultural land as proprietors, tenants or otherwise, and also those engaged by profession or occupation in the cultivation of land or any other work or industry related to agriculture.

6. x Agricultural Co-operative Societies created in accordance with the present law are bodies corporate. They may accept gifts, legacies and trusts intended for their advantage. They are subject to the jurisdiction of the native courts.

7. The name of Agricultural Co-operative Society is reserved to societies recognized under the present law.

8. Every Agricultural Co-operative Society shall have a separate name expressing its character as such and showing —

(t) the principal object of its activity ;

(if) the name of the town or village in which its head-quarters is situated.

The name of a person may not be included in the title of the society.

9. The title of the society as defined by the preceding clause shall be shown on its registers, contracts and correspondence together with the number under which it is entered in the register of co-operative societies.

10. The head-quarters of the society is fixed in the town or village where it carries on its work. It may not have branches except for the collection and distribution of its products or those of its members ; except with the sanction of the Minister of Agriculture, there shall not be created in a single village containing a population of less than 5 thousand persons more than one society with the same object.

11. A society is composed of an undetermined number of members, which may in no case be less than 10. Its capital is variable. The fixed capital may be formed either by subscriptions or by shares.

12. Except as otherwise provided in the memorandum of association or the by-laws, the liability of the members is limited to the amount of their subscriptions or shares. In societies, however, which have agricultural credit as their principal object it is unlimited. Societies with unlimited liability may be formed without capital ; they shall in all case? add to their title the words " with unlimited liability."

CHAPTER II.—THE FORMATION AND REGISTRATION OF SOCIETIES.

18. Those persons who join together for the formation of the society are the committee of founders ; this committee may not consist of less than 10 members.

14. The members of the committee of founders are jointly responsible for all costs and other liabilities concerned with the formation of the society. If the society for any reason cannot be formed they have no right of redress against the subscribers or share-holders ; if the society is formed, they are repaid by the society the sum advanced for the cost of formation which shall be debited to the profit and loss-account of the first year.

15. The members of the committee of founders are jointly responsible for the existence and the correctness of the signatures ap-

APPENDICES.

pearing in the first deed of foundation, also for the contributions or donations mentioned in this deed and for the value attributed to these contributions or donations.

16. It is the duty of the committee of founders to prepare the first deed of foundation, also a draft of bylaws and to take all steps necessary to secure the registration.

17. The first deed of foundation shall show—

- (i) the date and the place of its preparation ;
- (ii) the name and residence of the members of the committee of founders and those of the other signatories, if any ;
- (in) the title of the society;
- (iv) its head-quarters ;
- (v) the object of its activities ;
- (vi) its duration;
- (vii) the total of subscriptions the nominal value of the shares subscribed or paid up and of the contributions or donations, if any.

The deed of formation and the draft of by-laws shall be prepared in duplicate and shall bear the duly attested signature or seal of the members of the committee of founders.

18. For the formation of the society it is required that a first sum of at least £ 50 be paid up. In societies with capital this sum shall not be less than 20 per cent, of the total or subscribed capital. This sum shall be deposited in the local treasury or in a bank approved by the Minister of Agriculture, which is authorised to receive it. It shall remain so deposited until the registration of the society.

19. The Minister of Agriculture shall establish in accordance with the rules to be laid down by him in agreement with the Minister of Finance:—

- (i) A service for the registration and inspection of societies ;
- (ii) an advisory committee to advise the Minister and the servants of the department in all matters concerning the formation and working of societies and of the co-operative movement in general.

When the development of the co-operative movement renders it desirable the registering staff may be decentralized in the provinces. There shall be established in the head-quarters of every Governorship, in accordance with the rules to be laid down by order of the Minister, a council of representatives of the societies in that Governorship with the duty of protecting their common interests and of advising the affiliated societies. The Governor will be President of this council and will be assisted by an inspector of the co-operative service.

20. One copy of the first deed of foundation and of the bylaws shall be sent by the committee of founders to the office of the department. The duty of the department will be limited to examining whether these documents are in accordance with the provisions of the law. If they are in accordance and if it does not appear from the deed of foundation that there are signatures of other persons than of the founders, the society shall be registered and notice thereof shall be published as provided in clause 23. A certificate proving the registration and the publication shall be sent by the department to the committee of founders.

21. The registration of the society consists in the entry in the register under a separate number of an extract from the bylaws showing—

- (i) the title and the head-quarters of the society ;
- (ii) its object ;
- (iii) its duration ;
- (iv) the subscribed and paid-up capital or a note of the fact that the society is one of unlimited liability ;
- (v) the nominal value of the shares and the value of the contributions and donations, if any ;
- (vi) the names and residence of the foundation members ;
- (vii) the conditions fixed by the bylaws for the admission, expulsion and resignation of members ;
- (viii) the number and the powers of the Managing Committee, and the names of the first members of committee if such have been named in the act of formation and in the bylaws ;
- (ix) such other information as the department may think desirable. The copy of the deed of foundation and of the bylaws will remain in the records of the department.

22. If the department is of opinion that the deed of foundation or the bylaws are not in accordance with the law, it will return them to the committee of founders for amendment. If the documents are considered to be in accordance with the law or have been amended but it appears from the deeds of foundation that there are other signatories, the department will call upon the committee of founders to summon a meeting of all the signatories to approve the bylaws. The society shall not be registered except with such approval, a copy of which shall be sent to the department and a mention of this fact shall be made in the publication prescribed in the following clause.

23. The publication prescribed in clause 20 shall be made in the journal of co-operative societies to be edited by the Minister of Agriculture or, until such journal be issued, in the official gazette.

This publication is substituted for all such acts required under the ordinary law for the formation of companies. The publication consists of the insertion of the details entered in the register of societies, with a note of the registered number under which the entry is made. The society is considered as formed from the date of its publication.

24. Amendments in the bylaws of the society shall be registered and published in accordance with the provisions hereby laid down. Such amendments shall have effect from the date of the publication only.

26. Agricultural Co-operative Societies are exempted from all fees, whether proportional to capital or otherwise, in respect of every document relating to their formation or to the amendment of their bylaws. All legal acts and publications relating to these documents shall be done without charge.

CHAPTER III.—THE RIGHTS AND DUTIES OF MEMBERS.

26. Those persons may be members who—

- (i) have completed the age of 18 years according to the Gregorian calendar; minors of less than 18 years may be represented by their guardians ;
- (ii) are agriculturists as defined in clause 5 ;
- (iii) are of Egyptian nationality ;
- (iv) reside in one of the towns or villages in which the society carries on its work, or occupy land there as proprietor, tenant or otherwise ;
- (v) have complied with the provisions of these bylaws as regards the payments of or signature for subscriptions entrance fees and shares. The subscription of more than one share may not be required as a condition of admission.

27. Those persons may not become members who—

- (i) have been declared bankrupt;
- (ii) have been deprived of their civil rights, unless they are represented by their guardians.

28. Membership is terminated by—

- (i) resignation or death of a member;
- (ii) by expulsion.

A member may be expelled by the society if—

- (1) he ceases to fulfil any of the conditions laid down in clause 26 or falls under any disqualification laid down in clause 27;
- (2) he fails to pay his debts to the society ;
- {3} he commits any act likely to cause serious moral and material loss to the society.

29. Save as provided in clause 22 the expulsion of a member shall -/be confirmed by the general meeting in the mannef provided in clause 45. A member who has resigned or been expelled and his creditors and also the heirs of a creditor of a deceased member shall be entitled only to repayment of the value of the member's shares in proportion to the paid-up capital and to the assets of the society as existing at the end of the financial year in accordance with the balance sheet passed by the general meeting, after deduction of every debt due from him to the society. In the valuation of the assets of the society no account shall be taken of reserve funds, unsecured debts or overdue debts. No repayments shall be made if the assets of the society valued in accordance with the preceding rules aie less than the share capital.

80. A member who resigns or is expelled and the heirs of a deceased member shall remain liable to the creditors of the society for two years from the date of leaving the society or of decease, as regards the agreements into which the society has entered before that date and within the limits of the liability laid down by these bylaws.

81. No member may possess shares of a greater amount than one-tenth of the total capital; such amount may in no case exceed the sum of £ 200. The value of a share shall not be less than £ 1 or greater than £4. The shares are in all case? personal and indivisible, they may not be attached by order of a court except for debts due to the society. They may not be transferred without the approval of the Managing Committee.

82. A member who fails punctually to pay his shares may be expelled from the society by the Managing Committee after one month's notice sent to him by registered letter at the address shown in his application for membership. An expelled member may appeal against his expulsion to the general meeting.

88. If the bylaws provide that shares shall be subscribed on the admission of new members, the number of shares which may be issued shall be unlimited. The society may not issue shares above or below the nominal value of the original shares.

CHAPTER IV.—MANAGEMENT OF THE SOCIETY.

84. The society is managed by a committee elected by the general' meeting from amongst the members in accordance with the provisions of these bylaws. The committee elects from its own members a President, who is the representative of the society. The services of the members of committee are unpaid.

86. The members of the committee are not personally liable for the obligations of the society which they accept on its behalf within the limit of their authority. They are, however, responsible for the execution of their duties and generally for all obligations imposed upon'

them by the law and these bylaws. They are in particular responsible for—

- (i) the actual existence of the payments made by the members;
- (ii) the actual existence of the profits shown in the balance sheet as available for distribution to members;
- (iii) the existence and regular maintenance of the registers prescribed by the law;
- (iv) the execution of the decisions of the general meeting.

If they undertake any action not included among those which are contemplated in the bylaws as forming the object of the society's activity, they are personally responsible, both towards the society and towards other persons.

86. In all questions concerning the management of the society, the Managing Committee is subject to the control of the general meeting.

87. Every society shall have at least one auditor, who shall supervise the observance of the bylaws and the regular management of business. These auditors are elected by the general meeting from members or non-members but shall be subject to the approval of the Minister of Finance.

38. The bylaws may provide for the nomination by the general meeting of a committee of supervision elected from the members. The duty of this committee is to watch that the working of the society is regularly carried on and to protect the interests of the members.

89. All judicial proceedings which may be brought in the interests of the society against the Managing Committee or one of its members shall be authorised by the general meeting and shall be conducted by the auditors or the committee of supervision on behalf of the society. Any member may report to an auditor or to the committee of supervision any action of the Managing Committee or one of its members which appears to him to be contrary to the law or the bylaws or otherwise detrimental to the interests of the society. The auditors or the committee of supervision may summon an extraordinary general meeting to consider this complaint provided it appears serious and arguable. They shall summon the meeting if the complaints are made by one-third of the total number of members. If they refuse to do so this group of members may proceed directly to a court of justice on their own behalf and in the interests of the society.

40. In addition to the ledgers mentioned in clause 11 and following of the Native Code of Commerce every society shall maintain the following registers:—

- (i) A register of members showing the name, profession, residence, date of admission, resignation, death or expulsion

of each member and also the sums paid or withdrawn by him.

- (ii) A register of shares showing their total number and serial number, their distribution amongst the members and their cancellation or transfer as occasion may arise.
- (in) A minute book of the meetings of the Managing Committee ;
- (iv) A minute book of the meetings of the general meeting.

41. The day book and stock book and the other registers mentioned in the preceding clause shall before they are used be numbered and stamped on each page by the co-operative department or by an official of the Governorship specially authorised by the department. No fee shall be taken for the performance of this duty. At the end of each working year the books and registers shall again be stamped by the department or the authorised official immediately after the last completed page. Any person may examine the register of members and the register of shares without charge, and may on the payment of fees have copies and extracts made of them.

42. The society shall send to the Co-operative Department annually at the end of each working year —

- (i) a copy of the balance sheet and profit and loss account together with the reports of the Managing Committee and the auditors and the minutes of the general meeting which has passed the balance sheet and accounts ;
- (it) a statement of the changes in membership in the course of the year showing all new admissions and terminations of membership by resignation, expulsion or death. The society shall also send to the department a copy of the minutes of other extraordinary general meetings within 15 days and shall at any time supply such information as the department may demand with regard to the conduct of the society. An inspector of the department is authorised at any time to examine the registers of the society and all papers concerning the accounts and also to inspect the office, stores, workshops or factories. Societies of unlimited liability shall further send to the department at the end of each year a list of members showing their names and addresses and the dates of their admission or termination of membership. The copies, lists and statements mentioned in this clause shall be duly certified by the President and auditor'

CHAPTER V. — GENERAL MEETINGS AND THE ACCOUNTS.

43. The ordinary general meeting of the society shall be held at least once a year within three months from the closure of the year's

working, in order to approve the annual reports of the Managing Committee and auditors and also, if necessary, for the election of members of the Managing Committee or of the auditors, as required by the bylaws.

44. Except as hereafter provided by clause 45 a general meeting is regularly formed if half of the members are present in person or by proxy. If this number is not reached on the first summons a second meeting called within 80 days will be regularly constituted whatever be the number of members present in person or by proxy. All decisions are taken by a majority of vote? ; in case of equality of votes, the vote of the chairman of the meeting shall prevail. Each member has one vote whatever be the number of shares owned by him ; absent members may be represented by other members; no person may represent more than one member. The members of the Managing Committee may not vote in proceedings concerning the approval of the accounts or any matters which relate to their own responsibility.

45. For the decision of the following matters it is necessary that on the first summons 1/2 of the members be present and that half of the members present in person or by proxy shall vote—

- (i) the dissolution of the society before the date fixed in the bylaws, or the extension of that date ;
- (n) the amalgamation of the society with another;
- (Hi) the expulsion of a member;
- (w) amendments concerning the object of the society or any other amendments of the bylaws.

If, however, the meeting does not include the necessary number of members or if the voting does not include the necessary number of votes, the meeting may pass a provisional resolution by a simple majority of the members present in person or by proxy. In Such a case a new meeting must be summoned. The summons shall show the provisional resolution adopted at the first meeting and any such resolution shall become final and decisive if it is confirmed by the new meeting containing not less than 1/3 of the members. ,

46. The Managing Committee shall at the end of the working year prepare the accounts of the society consisting of a balance sheet of the past year and the profit and loss accounts. The balance sheet and profit and loss accounts shall be presented to the auditors for examination together with all supporting documents, at least 15 days before the date fixed for the general meeting which is to approve them. The balance sheet and profit and loss accounts and the auditors' report when prepared shall be deposited at the head-quarters of the society for at least one week prior to the general assembly and to their approval. They may be examined by any member.

47. After the payment of all expenses and meeting all charges the surplus balance, if any, represents the net profit of the society and shall be distributed as follows ; there shall be first taken for the reserve fund a sum not less than 25 per cent, of the net profits, or in a society without capital and of unlimited liability not less than 75 per cent, of the net profits. This allotment may be reduced by half, if the reserve fund has reached a figure equal to one-half of the paid-up share capital. There shall then be taken the amount required to pay to the shareholding members the interest prescribed in the bylaws, which shall not exceed 6 per cent. This interest shall be reckoned in accordance with the nominal value of the shares after deduction of payments not yet made. After these allotments the balance shall be divided among the members as a bonus in proportion to the business done by each of them with the society.

48. In addition to the allotments prescribed in the previous clause the following shall be credited to the reserve fund :—

- (i) any entrance fees which may be imposed ;
- (ii) donations not specially allocated ;
- (Hi) interest dividends or bonus not claimed within the period of limitation.

49. If the reserve falls below 25 per cent, of the share capital the deficit shall be made good in the balance sheet of the following years before any allocation or distribution of interest or bonus. If the reserve amounts to double the paid-up share capital there may be formed from the items which would be credited to it an extraordinary reserve fund which shall be invested in the stock of the public debt.

50. The Minister of Agriculture with the agreement of the Minister of Finance shall lay down rules to govern the credit or deposit operations of the members and the borrowing of loans by the society.

CHAPTER VI.—THE DISSOLUTION AND LIQUIDATION OF A SOCIETY.

51. The society is terminated —

- (i) by the expiration of the term for which it was constituted if such term has not been extended ;
- (ii) by the final completion of the definite operation with a view to which it was formed or by subsequent circumstances rendering this completion impossible ;
- (wt) by the total or partial loss of the society's funds in such manner as to render the conduct of its affairs impossible or subject to loss, unless the general meeting decides to make good the amount lost by subscription of new shares ;
- (iv) if the number of the members falls below 10 ;
- (c) by amalgamation with another co-operative society ;

(vi) by resolution of a general meeting taken in the manner prescribed in clause 45.

52. The society may be dissolved by order of a court of justice—

(i) in case of contravention of the provision of clause 37 paragraph (ii) ;

(ii) if it is established that whether on account of the permanent disorganization of its business or through repeated violation of the essential principles of co-operation or the transgression of the rules fixed by the law or bylaws or in consequence of litigation between the members Or for any other serious cause it is impossible for the society to operate regularly ;

(Hi) if it is established by repeated failure to meet its obligations that it is in a state of insolvency.

58. The dissolution of a society in the circumstances laid down in clause 51 shall be resolved by the general meeting and the members may have recourse to a court of law if the assembly fails to pass the resolution required by the law. The dissolution in the circumstances mentioned in clause 52 is ordered directly by the court of law.

54. The right of action to secure an order for the dissolution of the society belongs in all cases to the Minister of Agriculture to be exercised through the director of the registering and supervising department. It belongs also to the members under the conditions mentioned in clause 39, paragraph (ii) ; it belongs also to the Ministry of Public Order in the case mentioned in clause 52 (i) ; it belongs to the creditors of the society in the case mentioned in clause 52 (in).

55. The court of first instance at the head-quarters of the society shall have jurisdiction in all matters relating to its dissolution unless the total of the balance sheet of the society is less than £150 in which case the dissolution may be ordered by the court of summary jurisdiction at the same place.

56. In the event of the voluntary dissolution of the society the general meeting may name one or more liquidators and may fix their powers and emoluments, if required. These decisions shall be taken in the manner laid down in clause 45 and intimated to the Co-operative Department for publication in the newspaper selected for the publication of bylaws. Whenever it be necessary to replace one or more of the liquidators the same procedure shall be followed.

57. It is the duty of the liquidators to realise without delay the assets and liabilities of the society ; upon the publication of their appointment the authority of the Managing Committee is ended. The Committee shall, however, assist the liquidators if called upon to do so. The liquidators shall confine themselves to the conclusion of the society's activities without undertaking new enterprises. They shall enter the accounts of the liquidation duly in the registers of the society.

58. When the liquidation is completed the liquidators shall prepare the final accounts and submit them to the approval of the auditors. The accounts together with the report of the auditors shall be communicated to the Co-operative Department for publication in the newspaper selected for publication of bylaws.

59. Within 80 days from the publication of the liquidators' accounts the members may submit complaints against the accounts in the court specified in clause 55. All such complaints shall be jointly heard and shall be subject to a single judgment with effect against all the members ; this judgment when delivered shall be communicated by the liquidators to the Co-operative Department for the publication of an extract.

60. If there are no complaints or when a final judgment has been passed upon them the liquidators shall proceed to the distribution of the assets resulting from liquidation. There shall not be distributed to the members an amount greater than the nominal value of their shares or subscriptions ; the remainder shall be paid to the Ministry of Agriculture for distribution to those Agricultural Co-operative Societies in the same province which may have been designated by the bylaws or by the general meeting which resolves upon the dissolution of the society, or in default to such works of agricultural utility as shall be decided by the Ministry. When the distribution has been completed the accounts of the distribution together with the registers of the society shall be despatched by the liquidators to the Co-operative Department for record.

61. All legal proceedings against the Managing Committee of the society with respect to their proceedings shall be brought within the period of three years from the publication of the appointment of the liquidators. All legal proceedings against the liquidators on account of liquidation and all proceedings against the members shall be taken within three years from the publication of the accounts of the liquidation or the publication of the final judgment passed with respect to the accounts.

62. In case of compulsory dissolution as provided in clause 52 the appointment of the liquidators is made by the court of justice which ordered the dissolution and the court may at any moment revoke the appointment. The court will prescribe the powers of the liquidators. The liquidators are subject to the supervision and control of the court or the judicial authority authorised by it.

CHAPTER VII.—PENALTIES.

68. Without prejudice to the greater penalties prescribed by the Penal Code the following persons shall be liable to a fine not exceeding £100 :—

- (f) Any promoter, managing member, director, auditor, member of the committee of supervision or liquidator, **who**

in any statement of accounts or report communicated to the Co-operative Department or to a general meeting or to a court of justice has knowingly entered false facts or figures with regard to the position of the society or has knowingly concealed or omitted to mention in whole or in part any facts relevant to the situation ;

- (ii) any managing member or director, who without a balance sheet or contrary to the data of a balance sheet or upon a balance sheet fraudulently prepared has intentionally distributed to the members any bonus not drawn from the real profits of the society ;
- (Hi) any member of a Managing Committee who has issued shares at a price above or below their nominal value ;
- (iv) any member of a Managing Committee or Director who has granted advances or loans or performed any act with regard to deposits, insurances or discounts in contravention of the orders of the Ministry mentioned in clause 50 (o) ; any liquidator who has distributed to the members the entire assets of the society in contravention of the provision of clause GO.

64. In case of compulsory dissolution of a society on the ground of insolvency the members of the Managing Committee and directors shall be subject to the penalties laid down in clause 28G of the Native Penal Code, if they are found guilty of any of the acts mentioned in clause 285 and 289 of the Code.

65. A fine not exceeding £10 may be imposed upon any member of a Managing Committee or Director of a society or other undertaking which in the course of commercial correspondence or in its trade-mark or other information, publication or communication to the public shall have claimed for the society or other undertaking which he directs or conducts, the title of Agricultural Co-operative Society.

CHAPTER VIII. -MISCELLANEOUS.

66. Agricultural Co-operative Societies now existing which may wish to place themselves under this law shall within six months from its promulgation so revise their bylaws as to bring them into accordance with its provisions and shall comply with the formalities herein prescribed for registration.

67. Our Ministers of Finance, Justice and Agriculture are entrusted each within their sphere with the execution of this law which shall come into effect from the time of its publication in the official gazette. Our Minister of Agriculture is in particular required to issue the necessary orders and regulations for its execution.

Given at the palace of Muntaza the 5th of July 1928.

FUAD.

Notes on the Egyptian Law.

Clause 1.—Here and in clause 2 it seems needless to restrict the operations strictly to agricultural objects. Indian experience indicates that village artisans may with advantage be admitted, and that both they and the cultivators may require legitimate advances for domestic and social purposes. It is inadvisable to drive them back to the money-lender in such cases.

Clause 2 (5).—Deposits from non-members are accepted in India, and could safely be accepted from approved societies in Egypt.

Clause 7.—*CJ.* also clause 5. A society is thus permitted to use the nan10 "co-operative" provided it does not add "agricultural." Boom is still left for an unreal co-operation which may compete with agricultural co-operation.

Clause 8.—The last sentence is excellent; personal names in the title of a society are not desirable, and are seldom desired by the person whose name is used.

Clause 10.—The last sentence seems to me also sound, though the weight of co-operative opinion in the Punjab is against it. Competing societies increase overhead charges and encourage faction.

Clause 12.—Why should a trading society be bound to adopt limited liability? Villagers may prefer to increase their credit by means of unlimited liability. Similarly a credit society including persons who practise a trade in addition to agriculture may reasonably prefer limited liability. Nor can a society be sure what its "principal object" in a given year is to be; in one year trading, and in another year credit operations may predominate.

Clause 1B.—A splendid idea, which the Punjab would do well to accept. It can be done by requiring every applicant for registration to deposit beforehand in the Central Bank the price of a share.

Clause 19.—Everything depends on the quality of the inspecting and auditing service. But in India the active help of local authorities has been found unprofitable so far as concerns primary societies and unions. A co-operative officer would do better than the local Governor as President of the Council.

Clause 20.—The registration of an applicant society which is formally in correct order appears to be compulsory. This is a French notion, and in accordance with it certain French and Belgian societies enjoy the benefits of registration in their own countries without being

truly co-operative. I would give the Registrar the right to reject an application on general grounds, stating his reasons.

Clause 25.—Critics in India should observe that all governments favour the practice of co-operation and thrift by cultivators. Such exemptions are neither exceptional nor exceptionable.

Clause 88.—The second sentence is interesting and the policy is sound. If the old members are not selfish, they will admit new members at par.

Clauses 87-88.—The Censor (Censeur) is intermediate between an auditor and a supervising committee. The French text makes the appointment of Censors compulsory, and that of a supervising committee optional. I am informed that in the Arabic both appointments are optional. Only a very large society will require both.

Clauses 41-42.—Control is in some respects to be tighter than in India. It may be doubted whether secretaries equal to all this work will be forthcoming; in that case the time of the inspectors may be unduly occupied by these formal returns.

Clause 44.—I feel sure that in India we do rightly to reject this policy, which, however, is very general in Europe. The question is whether the personal attendance of members in reasonable numbers should not be absolutely required, especially when they are largely illiterate and cannot read the papers which may have been sent to them. If they will not attend, the society is not co-operative and should be closed.

Clause 45.—On the other hand a quorum of three-quarters of the members for every small modification of the bylaws sounds very strict. It will seldom be obtained in reality, and since a seal may be used in place of a member's signature or thumbmark, there is a danger of falsification.

Clause 47.—The Egyptian societies have in the past been, and are hereafter likely to be, largely of the trading type. If the acceptance of unlimited liability by a trading society be allowed (see note on clause 12^x, the allocation of 75 per cent, to reserve will be too high. The limitation of the dividend on shares to 6 per cent, is to be commended.

Clause 51.—If the number of members falls to 9 dissolution is compulsory, in fact automatic. In India the Registrar has a discretion in the matter.

Clause 52.—A French policy which has left many societies nominally alive on the French and Belgian registers; the co-operative officers will be very busy in the law courts. In India the Registrar orders the dissolution, and the society may appeal if it wishes. This is much simpler, and secures justice equally well.

Clause 60.—A good co-operative clause.

Clause 62.—This will involve delay and complication.

Clause 68.—A very welcome clause, which India would be wise to adopt.

Clause 65.—Instead of calling itself an agricultural co-operative, fraudulent persons can call themselves something very similar, *e.g.* a farmers' co-operative, and evade this provision. What is wanted is to restrict the use of the name " co-operative."

Clause 66.—None of the old societies have yet done so.

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