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# INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



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*Home Economics.*

"The mother is the central influence of the home. Her work is often more difficult than that of the father. With what he provides, it is her responsibility to feed and clothe the family. She must bear the children, prepare their food and clothing, make the house comfortable and livable, and teach the children a sense of duty and responsibility. As a homemaker she must be a gardener, maid, cook, seamstress, teacher, and often doctor and nurse. The more limited the means the more difficult is her task." Thus observes the Mission.

The Mission felt that Home Economics work was much more important than its position in the Government indicated. It recommended that there should be created a Division of Home Economics and that it should be placed in a Government agency where it would receive sympathetic consideration and support.

Exchange of students and scientific materials and publications between two countries is recommended. The Mission has recommended appointment of Technical Planning Board to advise the Government on all phases of national planning.

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SUMMARY OF THE REPORT OF THE CONGRESS AGRARIAN REFORMS COMMITTEE.

The Committee's Report is divided into eleven chapters. The first four chapters deal with the main problems of rights in land, the future pattern of agrarian economy and the place of co-operative farming therein, and the question of machinery of land management. Other chapters deal with problems of agricultural indebtedness, rural finance and marketing, agricultural labour, stabilisation of agricultural prices, agricultural improvements, agro-industries, rural welfare and agricultural statistics.

*Recommendations :*

Land Reforms :—The Committee feels that there cannot be any lasting improvement in agricultural production and efficiency without comprehensive reforms in the country's land system. The Congress in its election manifesto and the Report of the Economic Programme Committee has declared itself in favour of the elimination of all intermediaries between the State and the tiller. The Zamindari Abolition Bills in the various provinces which are in different stages of implementation, are a first step towards that objective. But even after the abolition of the zamindari, there would remain a large element of non-cultivating interests in land. The Committee is strongly of the opinion that in the agrarian economy of India there is no place for intermediaries and land must belong to the tiller, subject to conditions mentioned hereafter. The Committee has, therefore, recommended that, in future, subletting of land will be prohibited except in the case of widows, minors and other disabled persons. To cover the period of transition, however,

the Committee has recommended a set of rights for the actual tillers who are themselves not owners of land. Those who have been cultivating land continuously for a period of six years should, in the opinion of the Committee, automatically get full occupancy rights. In case of others the Committee has recommended that the owner may have the option, up to a certain period, to resume the holdings for personal cultivation subject to certain well-defined conditions. Only those who put in a minimum amount of physical labour and participate in actual agricultural operations would be deemed to cultivate land personally. The owner will have the option to resume the holding to the extent to which it is necessary to make his self-cultivated holding economic. He can, however, resume more land, up to the maximum prescribed if thereby he does not reduce the tenant's holding below the economic. The Committee has also recommended that the tenant should have the right to purchase the holding at a reasonable price to be determined by regional Land Tribunal. The tenant should be assisted by a suitable financial agency in purchasing the holding. The Committee has laid special emphasis on immediate prevention of all evictions and the preparation of record of rights by local Land Tribunals with which non-official opinion will be associated. All tenants, to whichever class they may belong, must be protected from rack-renting and illegal exactions. There will be provision for determination by Land Tribunal of reasonable rent as well for the commutation of rents in kind into cash.

#### *Pattern of Agrarian Economy :*

The existing pattern of agrarian economy is so complex and the problems which it has to face are so variegated that no single uniform method of land utilisation can meet the requirements of the situation. The Committee has, however, kept before itself some of the main principles which should govern the agrarian policy of the country.

- (i) The agrarian economy should provide an opportunity for the development of the farmer's personality,
- (ii) There should be no scope for exploitation of one class by another,
- (iii) There should be maximum efficiency of production,
- (iv) The scheme of reforms should be within the realm of practicability.

Though the Committee has recommended more than one type of farming, it has adhered to the principles laid down above. Thus, though there is a variety in form, there is unity in idea.

#### *Size of Holdings :*

The basis of differentiation in the types of farming which guided the Committee is mainly the size of holdings. For the purpose of analysis the Committee has evolved three norms of sizes of holdings—Basic, Economic and Optimum.

*Economic Holdings :*

The central concept is that of an Economic holding which should be determined according to the agronomic conditions of different regions, on the following principles :

- (i) It must afford a reasonable standard of living to the cultivator,
- (ii) It must provide full employment to a family of normal size and at least to a pair of bullocks.

*Basic Holding :*

The logic behind such differentiation is that holdings below the economic size demand a different approach and treatment, say that of rehabilitation. But the number and percentage of such holdings in India is so large that the task of rehabilitation of such a vast sector of the agrarian economy would be beyond the organisational competence of the State. The Committee, therefore, has evolved the concept of a Basic Holding which will be smaller than the economic holding and to which the rehabilitation treatment may be given. A basic holding is a holding smaller than which would be palpably uneconomic from the point of view of efficiency of agricultural operations. Thus, there will be between the Basic and the Economic Holdings a category which though uneconomic in the sense of being unable to provide a reasonable standard of living to the cultivator may not be inefficient for purposes of agricultural operations.

*Optimum Holding :*

The Committee has also felt that there should be a ceiling to the size of holding which any one farmer should own and cultivate. In the first place, the supply of land, in relation to the number of people seeking it, is so limited that not to put a ceiling on individual holdings would be irrational and unjust. Secondly, under the present technique of cultivation, the managerial capacity and financial resources of an average cultivator in India, the optimum size of a holding has to be fairly low. The Committee has, therefore, recommended that the optimum size should be three times the size of the economic holding. Certain exceptions, however, have been allowed in the cases of joint families and charitable institutions.

It is argued that the imposition of such ceilings to ownership in one sector of economy will create anomalies. The Committee, however, is competent to make recommendations only with regard to the agrarian economy but has every hope that a similar principle of distributive justice would be applied to other sectors of our economy.

*Modes of Farming :*

*Family Farms.*—The Committee has recommended restricted form of family farming for holdings between the Basic and the Optimum sizes. It is decided to lower the limit of family farming below the Economic size in the hope that the

provision of multipurpose co-operative facilities would reduce to a great extent the inefficiency involved in farming on such units.

*Co-operative Joint Farming.*—There is, however, a limit below which family farming even with all the co-operative aids implied in better farming ceases to be economic. The Committee has, therefore, recommended co-operative Joint Farming for holdings below the basic size.

This, however, does not mean that all the below Basic Holdings in a village would be lumped into a single giant co-operative in which the cultivator may lose his individuality. A Co-operative Joint Farm can be formed, whenever the requisite number of below basic holders come together and constitute a holding of the optimum size.

The Committee is convinced that without these co-operative moulds—Better Farming for family farms and Joint Farming for holdings below basic, the efficiency of agriculture cannot be substantially increased. It has, therefore, recommended that the State should be empowered to enforce the application of varying degrees of co-operation for different types of farming. Thus, while the family farmer (holder of a farm between the Basic and the optimum) will have to make use of the multipurpose co-operative society for marketing, credit, etc., the below-basic holder will have to cultivate his farm jointly with such other holders. The organisational and other difficulties involved in the implementation of the proposal, however, would necessitate its spread over a period of time. A beginning may be made in selected areas and its extension may be entrusted to specially trained persons under the planned direction and control of a Provincial Co-operative Farming Board. The gradualness of the programme, intelligent propaganda, liberal state-aid and its judicious implementation by a specially trained cadre would to a very great extent reduce the psychological hesitation of the farmer to take to the co-operative patterns recommended by the Committee. The Committee firmly believes that the agrarian traditions of this country are in favour and not against the Committee's recommendations.

*Collective Farming.*—The Committee has recommended the Collective type of farming on a portion of reclaimed lands where landless agricultural labourers would be settled. This will to a certain extent help in satisfying the land hunger of the landless labourers and give an opportunity to the State to test the economies of mechanised farming. In the initial stages the State will have to provide the necessary resources. The Committee is of the opinion that individual settlements should on no account be allowed on newly-reclaimed lands.

With regard to the land above the ceiling to holdings, subject to the rights of the tenants, the same should be used for the purposes of co-operative joint farming whenever such land can be obtained in a big block. When such land is available in scattered bits, it may be used for making uneconomic holdings economic.

*State Farming.*—The Committee has also recommended the creation of state farms for the purpose of research and experimentation.

*Rights in Land :*

On the question of rights in land, the Committee is of the opinion that these should be shared between the community and the tiller. The idea of proprietorship in which the owner could use or misuse land as he likes is incongruous with the economic and social needs of our times. This, however, does not mean that the State should assume all the rights and authority leaving no scope for initiative on the part of the cultivator and for the development of his personality. The cultivator will have permanent, transferable and heritable right of cultivation subject to the following conditions :

- (1) That he does not sublet his holding ;
- (2) that he transfers his holding according to well-defined priorities laid down by the appropriate authority and at a price which is reasonable and not speculative ;
- (3) that he conforms to the test of good husbandry and the scheme of crop-planning proposed from time to time by the Land Commission.

The rights vested in the community are to be exercised by the Land Commission through agencies at different levels, the basic one being the Village Panchayat elected on adult franchise and proportional representation. The Panchayat will be in charge of all the common assets of the village, *e. g.*, the waste land, village sites tanks, forests, etc. It will also be responsible for the collection of land rates from the cultivators.

*Land Management :*

The Committee strongly believes that the present system of administration pertaining to the various aspects of land use and management is very faulty. Though of late there have been some efforts at co-ordinating the work of departments concerned with the problems of the agrarian economy, the integrated outlook which is so necessary for a comprehensive solution of the problem is conspicuous by its absence. Secondly, the approach is still bureaucratic with its characteristic weakness of red-tapism and lack of sympathy. The Committee has, therefore, recommended a single and integrated machinery with regional units composed of different elements—officials, experts and representatives of the agricultural population with all the powers and responsibilities at present vested in various departments dealing with the problems of agrarian economy. The idea is to import a functional rather than a political approach in land administration. Maximum effort will have also to be made at decentralising the functions of this administrative machinery by devolving as much power as possible on the regional units.

At the apex of this machinery will be a Statutory Central Land Commission whose primary duty would be to evolve an all-India scheme of crop-planning and

allocate scarce resources according to priorities. There will be Provincial Land Commissions with a wider range of function and responsibilities. The Provincial Land Commissions will be assisted by a number of specialised Boards such as those for Rural Finance, Co-operative Farming, Wages Determination, etc. The Committee has also recommended the creation of a Rural Economic Civil Service for the execution of the Commission's work. There will be similar regional authorities in charge of a group of villages, the basic unit being the Village Panchayat.

*Agricultural Indebtedness—Rural Finance and Marketing:*

On the question of agricultural indebtedness, the Committee is of the opinion that for a large sector of the agrarian population the burden of indebtedness has not diminished in spite of high prices. It has, therefore, recommended compulsory scaling down of the debts on the basis of the paying capacity and the equity of the loans in case of farmers. In case of agricultural labourers, however, the Committee has recommended complete wiping out of all indebtedness. The Committee has wholeheartedly endorsed the schemes for compulsory registration and control of moneylenders.

The important question, however, is the provision of alternative credit at reasonable rates. For this the Committee has suggested that there should be a single agency in charge of all credits. The credit should be as far as possible controlled, functional and in kind and the fullest use should be made of multipurpose co-operatives for the purpose.

The main feature of the Committee's recommendation, however, is that lack of credit-worthiness should not come in the way of the cultivator in securing the essential requirements of farming. This has been the biggest impediment in the progress of institutional credit. The percentage of uncredit-worthy cultivation will only touch the fringe of the problem leaving the vast number to the mercy of money-lenders. The Committee recognises that the extension scheme of credit to uncredit-worthy cultivators would ultimately amount to a scheme of subsidisation. But there seems to be no escape from such commitments. All such finance may be considered as a part of a scheme of rehabilitation.

According to the Committee, regulated market, multipurpose co-operative societies, and licensed warehouses would be the major planks in the scheme of reforms of marketing and rural finance.

*Agricultural Labour:*

The Committee has laid great stress on the immediate amelioration of the conditions of agricultural labourers. It has found sufficient evidence of agrestic serfdom in many parts of India especially in Gujerat and Madras. Employment of such labour in the opinion of the Committee should immediately be made a cognisable offence. The Committee has also recommended an early implementation of the provisions of the Minimum Wages Act for agricultural labourers through



Wage Boards. Provision of housing sites and prevention of ejection should be given top priority. The main problem of agricultural labourer is, however, unemployment and underemployment which can be tackled only by a planned development of suitable agro-industries. To stimulate mobility of the labourers it will be necessary to establish Employment Bureaus whose functions would be to explore the opportunities of alternative employment and offer special facilities to labourers for migration.

State legislation alone, however, on all these questions will not produce the desired result. And the effort will have to be backed up by a strong trade union movement. There should be a separate trade union of landless labourers. But in order to be successful they should be in intimate touch with the organisation of urban labour.

#### *Agricultural Price :*

The Committee believes that the assurance of a reasonable income to the agriculturists through stabilisation of prices or a scheme of Crop Insurance is necessary for the success of agrarian reforms. It has, therefore, recommended that a technique should be evolved for maintaining parity between prices of agricultural and industrial commodities.

#### *Agricultural Statistics :*

The Committee has emphasized the need for the proper maintenance of agricultural statistics without which no sound policies of agricultural planning and development can be formulated. The point that needs to be noted is that the task of organising the statistics should be a joint effort of statisticians and agricultural economists.

#### *Rural Welfare :*

No agrarian reform will be complete unless it embraces the aggregate life of villagers. In a final chapter the Committee has, therefore, given a comprehensive plan for the organisation of rural welfare, some of the main ingredients of which are the provision of basic education with agriculture as the main craft, rural health organisation and the development of the Village Panchayat.

#### *Agrarian Reforms Commissioner :*

The Committee has requested the Indian National Congress to look upon its set of recommendations not as isolated pieces but as a single integrated pattern. One can neither appreciate nor implement them in parts. Some of them are, no doubt, of a fundamental character. But fundamental problems can never be tackled by patch work reforms.

The implementation of the recommendations would require determination, drive and imagination. While the Committee is aware that the implementation of the reforms will naturally be gradual in character, Agrarian Reforms Commis-

sioners with necessary powers should, however, be immediately appointed both at the Central and Provincial levels. There should be Provincial Commissioners charged with the task of quickening up the pace of the agrarian reforms in the Provinces and also a Central Commissioner to co-ordinate the reforms in the Provinces and to bring to the notice of the Central authority the obstacles in the way of such co-ordination and uniform progress.

### SUMMARY OF THE REPORT OF THE RURAL BANKING ENQUIRY COMMITTEE

The following paragraphs contain a brief summary of the report of the "Rural Banking Enquiry Committee"\* which was recently published. The Committee were appointed by the Government of India in November 1949 to consider measures for the expansion of banking facilities in rural areas, with a view to mobilising rural savings and stimulating their investment. The Committee were required to consider (a) the measures which can be taken immediately for extending banking facilities to rural areas, (b) the existing arrangements for cash work at government treasuries and sub-treasuries, including those managed by the Imperial Bank of India, and (c) the future arrangements for such work in the Provinces as well as in the States whose financial integration took effect from 1st April 1950, with special reference to the possibility of entrusting the work to a bank or banks.

2. As a preliminary to a consideration of proposals for the extension of banking facilities, the report gives a brief account of the existing facilities offered by the Imperial Bank of India, other commercial banks, co-operative banks and societies, and post-office savings banks. On the basis of facts concerning the growth of these institutions in recent years, it is found that, of late, substantial expansion has taken place in the banking system. "In 1939, the number of Indian scheduled banks was 40, which rose to 84, in 1947, while the number of their offices increased from 1179 in 1939, to 3462, in 1947, the post-partition figure being about 2877. The offices of smaller (non-scheduled) banks, for which no comparative data are available, appear also to have substantially increased, their present number being about 2200. In addition, a large number of co-operative banks have come into existence. The provincial and central banks have about 698 offices, while there are in the two provinces of Bombay and Madras alone at least 352 well-organised co-operative urban banks. Savings bank facilities are provided by 9,465 post-offices, of which 6401 are in the rural areas. There are also 1,03,422 co-operative credit and multipurpose societies providing credit facilities in the villages (1947-48) and 272 primary land mortgage banks and 5 central land mortgage banks providing

\* The Committee consisted of Sri Purushotamdas Thakurdas (Chairman); Sri C. H. Bhabha (Vice-Chairman); Sri B. Venkatappaiah; Sri Ramgopal; Sri V. R. Sonalker; Sri J. C. Ryan and Sri N. D. Nangia (Member-Secretary).

long-term credit to agriculturists. As against 339 towns out of 2,300 served by banks in 1928, as reported by the Central Banking Enquiry Committee, 1506 towns out of a total of 2448 are now being served by banks."

But the present position cannot altogether be considered satisfactory. Not all the expansion in commercial banking has been of the healthy type; in relation to the area and the population of the country, the number of banking offices is still small as compared with the position in more advanced countries; most commercial banks, particularly the scheduled banks, are concentrated in the larger cities and towns while the smaller towns, which are more accessible to rural areas, are served largely by non-scheduled banks or co-operative banks, and as many as 869 towns, including 492 places which are either district or taluka headquarters, do not have any banking facilities. The position is more unsatisfactory in Part B States and centrally administered areas. While co-operative institutions are well-developed in Bombay and Madras, their achievement elsewhere is not so satisfactory. The Committee, therefore, consider that there is still much scope for extending the benefits of modern banking to the rural people, but that at present emphasis must be on consolidation and stabilisation, improvement in efficiency, and on orderly growth, particularly in regions where progress has not been adequate in the past.

Referring to the diversity of the institutional structure of the banking system, the Committee believe that this is a natural feature worth preserving. "These institutions", they observe, "have developed their own specialised functions and distinctive spheres of working and are able to offer certain services which others cannot provide with equal facility. It is, therefore, necessary to utilise all of them to the maximum possible extent, to integrate their working and to improve their efficiency; the overall requirements of the country demand that every healthy form of banking activity should be encouraged."

3. The most important banking services immediately needed by the rural people are the acceptance of deposits and the making of advances. Remittance facilities are required mainly by the banking and co-operative institutions functioning in rural areas. As regards the agency for extension of banking facilities, it is felt that the Imperial Bank of India and other commercial banks are not likely to find it worthwhile, under present conditions, to go beyond taluka (or tehsil) headquarters towns, mandis or market towns, or other towns of commercial or industrial importance. In view of their close contact with rural co-operative societies and relatively lower costs of operation, co-operative banks can go up to smaller towns and serve rural areas to a greater extent. Small villages could only be reached by co-operative societies and post-office savings banks.

4. Since the object of the proposed extension of banking facilities is primarily the mobilisation of rural savings, the question whether any opportunities exist for such mobilisation has been discussed in some detail. It is considered that, in normal

times, it would not be unreasonable to assume, at the existing standards of consumption, some net savings in the rural sector of the economy.

Referring to the position in recent years, the Committee observe that available evidence indicates a shift in incomes from the urban to the rural sector, the latter now obtaining a total money income about three times higher than in 1931-32 and enjoying a larger share of the total national income than before. As agricultural prices have risen, in recent years, to a larger extent than the general price level, the money incomes as well as the real purchasing power, and consequently the saving capacity of the rural people are presumed to have increased. Other factors such as a reduction in rural indebtedness, increase in the balances in rural post-office savings banks, and improvement in the financial position of agricultural co-operative societies, are believed to reinforce the above conclusion. Taking the country as a whole, the major part of rural surpluses or savings would be with the bigger land-holders, and non-agriculturists such as village money-lenders, traders, owners of mills, etc., while the savings, if any, with the rest of the population are likely to be scattered in dribbles. Territorially, larger concentrations of savings may be in the more fertile and irrigated tracts or regions growing commercial crops. The Committee are, however, unable to hazard any guess as to the magnitude of current annual savings or the size of accumulated cash savings of the rural people. They believe that "while it would be wrong to assume that large amounts of cash savings are available for collection through the extension of banking facilities to rural areas, it cannot also be categorically held that no possibilities of drawing rural savings into channels of investment useful to the public exist at all."

The Committee emphasize the need to develop banking and to establish a suitable machinery for the mobilisation of rural savings as a permanent part of the mechanism of capital formation, since the internal capital requirements of the country, particularly for the development of projects essential for agricultural purposes, are very large, and the rural people, who would be the principal beneficiaries from such developments, should make their full contribution to it.

5. The Committee are of the view that the problems of mobilising rural savings and of extending credit to the rural people cannot be treated separately; the two have to be tackled largely by the same machinery. The implications of a suitable machinery for rural credit are discussed in the light of the recommendations of other committees which had dealt with these problems, and the following are the main conclusions arrived at:—

(i) Compulsory scaling down and adjustment of rural debts need not be proceeded with under present conditions. Attention should more properly be concentrated on building up the institutional machinery for rural credit.

(ii) For the provision of short and medium term credit, no uniform pattern can be laid down for all regions. Each region should develop an adequate machinery to suit local circumstances, traditions and ideas; it should be able to raise adequate

finance from the public and not depend upon the State for funds. Emphasis should be laid on building a sound structure of primary co-operative societies, the super-structure being raised, as far as possible, on the basis of the existing institutions; new institutions such as Agricultural Credit Corporations should be established only to the extent this may be unavoidable.

Commercial banks should play a greater role than at present in agricultural finance, particularly in respect of marketing.

(iii) For long-term credit, separate land-mortgage banks, primary and central, should be established in each State; the establishment of a Central Agricultural Credit Corporation for the country as a whole is considered inopportune at present.

(iv) In implementing money-lending and other agrarian legislation, Government should take note of the pace at which satisfactory alternative machinery can be established, and the effects of such legislation on credit institutions.

6. Considering the attitude of the State to the question of the expansion of the banking system, the Committee express the view that Government should not assume an entirely passive attitude, but should take such steps as would create the necessary atmosphere for, and assist in, the promotion of orderly development of banking. Proposals for cash subsidies or interest-free deposits to banks to encourage their expansion are rejected both on grounds of principle and of administrative difficulties. The introduction of deposit insurance is not considered opportune at present; the use of mobile banks on an extensive scale is not considered feasible.

The Committee's proposals for assisting banking institutions consists of (a) the removal of existing impediments to expansion, (b) indirect stimuli, available to all sound banks, and (c) special measures of assistance to co-operative banks and co-operative societies.

Apart from suggestions made to overcome impediments such as illiteracy and conservatism, the Committee has proposed that the provision for road development should be increased so as to improve rural communications and that offices of banks situated in towns having a population of less than 50,000 should be exempted from the Shops and Establishments Acts and from the awards of Industrial Tribunals.

To provide indirect types of stimuli for the expansion of sound banks, the Committee propose (a) cheaper and freer remittance facilities from the Reserve Bank of India and its agents, (b) better facilities for the conversion and exchange of notes and coin, (c) facilities for banks to keep their iron safes and chests for safe custody in the strong rooms of treasuries and sub-treasuries, and (d) the establishment of a Warehousing Development Board with funds contributed by the Central and State Governments and the Reserve Bank of India, for developing warehousing through loans and subsidies to banks or co-operative institutions. It is suggested that banking companies should be permitted to form subsidiaries

for the purpose of constructing and running warehouses and that the certificates issued by them should be recognised, as an experimental measure, as valid warehouse receipts by the Reserve Bank of India for the purpose of Section 17(4) (d) of the Reserve Bank of India Act.

While approving and commending the efforts of various State Governments for assisting, reorganising and developing the co-operative movement, the Committee recommend additional facilities to co-operative institutions in the shape of (a) remittance of funds at concessional rates through post-offices, (b) relaxation, in the case of co-operative societies, of post-office savings bank rules regarding maximum deposits to be held and the number of withdrawals per week, and (c) the approval of co-operative banks and societies as authorised agents for the sale of National Savings Certificates. The Committee suggest that greater use should be made by co-operative banks of the provision for financial assistance at concessional rates from the Reserve Bank, and that there should be a closer liaison between them to facilitate this.

7. As post-office savings banks are considered specially suitable to collect savings from the less well-to-do people in rural areas, the Committee recommend that the number of post-offices doing savings bank work in the rural areas should be increased, that steps should be taken to improve their working, and that, to suggest ways and means of achieving this, an officer, with banking experience, should be entrusted with the task of investigating into the problem.

8. It is emphasized that the implementation of most of the above recommendations would largely depend upon the provision of certain basic facilities by the Reserve Bank of India and its agents, particularly the Imperial Bank of India. An increase in the number of offices of both institutions, recommended elsewhere in the report is, therefore, a vital prerequisite of the whole scheme envisaged by the Committee.

Referring to the future structure of banking, the Committee observe: "As a result of the steps now proposed and in the normal course of development, we thus envisage a system consisting of (a) the Reserve Bank of India with a branch or office in each major province or State, (b) the Imperial Bank of India and other commercial banks extending their activities upto taluka (or tehsil) headquarters and other semi-urban centres, (c) the Provincial and Central Co-operative Banks with their branches or affiliated primary co-operative banks and primary co-operative societies located in all towns or large villages or centrally situated villages, (d) State-owned or State-sponsored Agricultural Credit Corporations or Agricultural Banks or other suitable organisations, (e) a chain of Land-Mortgage Banks for each region".

9. In dealing with the question of treasury arrangements, the Committee have considered the position in the "provinces" (Part A, Part C and Part D States) separately from that in Part B States. Of a total of 1,304 treasuries and sub-treasuries in the country (excluding Part B States), 140 are being managed by the

Reserve Bank and the Imperial Bank, the rest being departmentally managed. It is considered desirable to transfer cash work at as many of these places as possible to a bank, as this may bring the people in taluka towns and in the surrounding villages in contact with banks, and reduce the handling of cash by spreading the cheque habit. It has, therefore, been suggested that the Reserve Bank and the Imperial Bank should jointly investigate the possibility of opening branches or treasury pay-offices at centres where, considering treasury turnover and other general banking business, it would be worthwhile to do so; the Committee suggest 274 such places for specific examination with a view to taking over treasury work within the next five years. To see that this would not be unremunerative to the Imperial Bank, it is recommended that at least for the first five years the rate of commission for turnover at its new branches and treasury pay-offices should be fixed on a separate basis.

Since there would still remain a large number of "non-bank" treasuries and sub-treasuries, it is recommended that steps should immediately be taken to strengthen them, train their staff, and improve their working.

The Committee consider it impracticable to entrust government cash work to other commercial banks mainly for the following reasons:

(a) Government cash work involves the handling of currency chest and small coin depots embodying large public funds. The banks to whom their custody may be entrusted must be necessarily limited.

(b) The selection of banks for this work may lead to charges of discrimination and favouritism.

(c) The settlement of accounts between Governments, Reserve Bank and the commercial banks concerned may lead to complications and difficulties.

The entrusting of co-operative banks with such work is believed to be impracticable and contrary to the main objectives of such banks.

10. The Committee have, therefore, come to the conclusion that the existing arrangement whereby Government cash work is done by the Imperial Bank of India as the sole agent of the Reserve Bank should be continued. They visualise the future role of the Imperial Bank as that of an auxiliary of the Reserve Bank, and regard it, to all intents and purposes, as a "State-sponsored" institution. Considerable importance, therefore, is attached to the recommendations concerning the expansion of the branches of the Imperial Bank, and to the control and regulation of that institution in the national interest. While it is believed that altered political conditions and rapid Indianization would remove the basis for some of the criticism now levelled against the Imperial Bank, it is considered necessary that the Reserve Bank should ensure the proper discharge of its functions in respect of the facilities to be offered to commercial banks as the Reserve Bank's agent.

To ensure that the monopoly enjoyed by the Imperial Bank is exercised in the national interest, it is recommended that provision should be made in the Imperial Bank Act for (i) the appointment of the Managing Director and Deputy Managing

Director being made subject to the approval of the Central Government who will also have the right to demand the removal from office of any such person who does not continue to enjoy their confidence, (ii) the Government Director on the Board being empowered to ask for the postponement of decisions on questions having a bearing on the policy of Government and for the review of similar decisions if already taken. It is also recommended that the representation of Government on the Central Board of the Bank should be made more effective. An alternative plan suggested by the Committee is that the constitution of the Bank should be altered, so that the overall policy and the general superintendence of the Bank is placed in charge of a Chairman whose appointment would be subject to the approval of the Central Government, and a Board of Directors, two of whom will be nominated by Government, while the day-to-day working of the bank would be entrusted to a General Manager, who will be an employee of the Bank and will not have a seat on the Board.

It is also suggested that the power which the Bank's executive possesses at present to execute proxies on behalf of shareholders under general powers of attorney should be removed, and that the provisions of clauses (iii) and (iv) of Section 12 of the Banking Companies, Act, which prescribe that shareholders should have only such voting rights as would be strictly proportionate to their paid-up capital in the company and that such rights should be limited, for any individual to a maximum of 5 per cent of the total, should be made applicable to the Bank.

11. The question of arrangements for cash work at Government treasuries and sub-treasuries in Part B States is more complicated due to the existence of a number of banks in these States with varying degrees of State control or interest some of them being entrusted with Government cash work. While federal financial integration would imply the application of a uniform system and set of principles for the whole country, this might lead to difficulties both for the banks and the State resulting in a contraction of banking facilities, owing to a sudden withdrawal of Government balances, or to the emergence of competition from an institution like the Imperial Bank. The Imperial Bank may not be in a position to establish offices in these States immediately. Although most of the banks now working in the States would not qualify for appointment as the Reserve Bank's agents, it is not considered desirable to prejudice their case by giving a monopoly of Government business to the Imperial Bank. These considerations have led the Committee to the conclusion that "it would not be advisable to take a final and irrevocable decision on this question at the present stage, but that arrangements should be made to carry on cash work for a period of five years largely with the machinery that is now being used; also, where consistently with the scheme of financial integration and the new set-up this is possible, the existing agreements with the various banks should be allowed to run their course." Meanwhile, steps should be taken to appoint the Reserve Bank as their banker, and transfer their balances to it, subject to transitional arrangements, and entrust it with the management of their public debt. Arrangements are also to be made to set up treasuries where



necessary and to establish currency chests on the lines of the rest of the country. Recommendations have been made for each individual State in the light of these principles. At the end of five years from 1st April 1950, the whole question of the management of government cash work in Part B States should be re-examined by another committee.

12. The Committee do not favour the establishment of a new State-sponsored bank, whether by the amalgamation of existing State-owned or State-controlled banks in Part B States or otherwise. Nor do they accept the proposal for such a large extension in the branches of the Reserve Bank as to take up cash work at all treasuries and sub-treasuries, since this would raise difficult problems of personnel, organisation and cost. But they emphasize that the existing number of offices of the Reserve Bank is too small and inadequate for the requirements of the country, and recommend that steps should be taken to establish an office of the Bank at the headquarters of each major State, special attention being paid to the requirements of Part B States where the Reserve Bank of India has no branches at present. A reason for not recommending the establishment of a new State-sponsored bank is that the Committee consider the Imperial Bank as a State-sponsored bank and believe that "the multiplication of institutions which will perform similar functions and compete with one another with the aid of the State will not be a desirable development."

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