The necessity to organise land mortgage banks was felt during the great economic depression when the farmers were economically hard-hit due to falling agricultural prices and land values. The ever-increasing indebtedness of the agriculturists led the Government to provide an agency to finance the farmers' needs for land improvement, purchase of costly implements and stock, repair and construction of wells and farm-houses and also for the redemption of prior debts.

The expectation of the early sponsors of the movement that the primary credit societies besides financing the seasonal credit needs of the agriculturists will also provide the long-term finance to the farmers did not materialise. The primary credit societies which receive deposits for short-term period cannot lend for longer period and allow to freeze their own slender resources. The securities offered on loans taken for long-term are in the form of land or immovable property and not readily realisable assets, involving the lenders in legal proceedings attendant upon foreclosure. It is difficult for the primary societies to verify titles, value lands, execute mortgage deeds and cultivate or manage unwanted
lands given to them as collateral security. These societies are run on the principle of unlimited liability and cannot therefore advance large loans and risk their limited resources for a longer time to any borrower and make other members responsible for his debts. The administering of short-term and long-term lending by credit societies in the past has put into trouble many societies especially during the depression. It becomes difficult to separate the accounts and books of transactions for loans for different periods. All these factors necessitated the organisation of separate agencies with wider resources to finance the long-term needs of agriculture.

The patterns of land mortgage organisation differ in different countries. It may assume the capitalist form with profit as the chief motive and borrowers having no voice in the management as in many European countries. It may be of a co-operative character safeguarding the interests of the borrowers with Government help, concessions, social privileges as represented by the Landschaften of Germany and Land Credit Associations of Denmark, Norway and Sweden. It may be a semi-state organisation in the sense that the State controls the management for the assistance it gives in several ways as Agricultural Mortgage Corporation of England, Credit Foncier De France, The Hypothec Bank of Japan and the Mortgage Banks of Denmark, Norway and Sweden. It may also be entirely under State control as the Canadian Farm Loan Board, State Advances
Corporation of New Zealand and the Land and Agricultural Bank of South Africa.

Structurally the Land Mortgage Bank may have either of the two patterns, federal or unitary. The federal system originated in Germany is spread to Switzerland, Denmark, Norway, Sweden and India. The unitary system is accepted by the Credit Foncier De France, the Hypothec Bank of Japan, Agricultural Mortgage Corporation of England, Canadian Farm Loan Board and South African Land and Agricultural Bank.

The unitary banks raise capital by the issue of debentures or bonds and finance the borrowers directly through branches and agencies. The federal or the central land mortgage banks provide funds to their affiliates which are usually local associations; float bonds for the affiliates or support and regulate the bonds of the local associations. They also help and guide the locals in their work. With larger area of operation and greater credit in the money market they can raise large capital on favourable terms and assist the affiliates with these funds. The federal pattern is naturally more suited to India because in our country primary land mortgage banks may not be able to raise necessary capital by the issue of debentures and bonds due to their insufficient credit in the money market, limited area of operation and inability to create confidence among the public for security of the funds invested in such bonds both as regards principles and interest.
The land mortgage banks in India have been organised on the pattern of land credit institutions of Germany where the first land mortgage bank, the Silesian Landschaft was organised by Frederick the Great as early as in 1769. The first attempt in land mortgage banking in India was made in 1863 when the Land Mortgage Bank of India Ltd., was formed in London with a capital of £2 million to grant loans on the mortgage of lands in India. The bank failed after working for 20 years. Sir William Wedderburn's proposal in 1863 for the organisation of a State-aided land mortgage bank in Poona District forwarded by the Government of Bombay and recommended by the Government of India was rejected by the Secretary of State for India saying that that was outside the Government's function. No further attempts were made to organise land banks until in 1895 Nicholson proposed the starting of such banks. In 1919 the Finance Member of the Government of India favoured the establishment of a Land Bank if maintained by local enterprise and supervision. Land mortgage banking in our country may be said to have made a beginning in 1920 when the first Co-operative Land Mortgage Bank was organised at Jhang in the Punjab. Successful attempts in the Central Land Mortgage Bank was established in Madras "to centralise the issue of debentures and to co-ordinate the working of primary banks in the province." All this time, under the Land Improvement Loans' Act (XIX of 1883), the Government

advanced loans at low rates to agriculturists on the security of their lands for purposes of land improvement for a period of not more than twenty years to be repaid at annually equated instalments. But the system did not serve those who wanted to repay their old debts since loans were to be given only for land improvement and were unpopular due to delay in the disposal of funds and rigidity in the recovery of instalments.

A co-operative land mortgage bank is an association of borrowers. The members pay small entrance fee, initial cost of land valuations and other incidental expenses. It may have a small share bearing interest and made payable to the bearer. The bonds usually in India are guaranteed both for principal and interest by the Government to create confidence among the public to invest funds in them. The profit motive is absent since the banks try their level best to lend the members at the lowest possible interest rate consistent with sound management.

In 1949-50 for the country as a whole there were 283 primary land mortgage banks and 5 central land mortgage banks (since then a central land mortgage bank has been established in Hyderabad, and also one in Saurashtra) each in Madras, Bombay, Mysore, Orissa and Cochin. Out of a total of 283 primary land mortgage banks Madras and Mysore had 126 and 73 land mortgage banks respectively representing a percentage of 44.5 and 28 per cent for the whole of the country. The working of these banks at other places is not so encouraging.
and satisfactory. Orissa and Cochin had no primary banks. The Cochin Central Land Mortgage Bank deals directly with individuals while the Orissa Central Land Mortgage Bank works through branches.

The primary land mortgage banks registered under the Indian Co-operative Societies Act, 1912 are organised with the objects of advancing funds for the redemption of prior debts of agriculturists, purchase and improvement of lands for cultivation and more agricultural production (provision of irrigation facilities, fencing, consolidation of holdings, utilisation of culturable waste, forest, arable or fallow lands) for provision of funds for the construction and repair of farm house, to promote economic interests of members and to encourage in the members the spirit and practice of thrift, self-help and mutual aid in such ways as may be practicable from time to time. Actually however, so far the land mortgage banks have not advanced money for any other purposes save the redemption of prior debts of agriculturists.

It is necessary to make a preliminary survey of the economic conditions and feasibility of organising a land mortgage bank in a particular area. The area of operations should be such as to secure adequate business to make the bank an economic unit and capable of being easily handled. In Madras and Mysore, the area of such banks usually ranges over two to three talukas while in Bombay over a whole district. If there is insufficient business for the economic working of a bank in a small area or in a backward tract, the area of operation should be over a district but if intensive development of agriculture is the aim and sufficient
business can be expected from a smaller area the bank may work over a smaller area, say over two to three talukas as in Madras and Mysore.

The membership of a land mortgage bank usually consists of agriculturist borrowers and those public spirited and interested in the welfare of agriculturists, resident within its area of operations; the latter are admitted to supply share-capital, business talent and banking experience. The membership of the 283 primary land mortgage banks in India in 1949-50 was 1.88 lakhs. In Bombay membership is divided into A and B classes: A group consists of borrowing and non-borrowing members with a right to vote and in the management of the bank while B group membership is intended for co-parceiners and carries no right to vote or participation in the management.

The working capital of these banks consists of the paid-up share-capital, reserves, sinking funds, deposits for a fixed term borrowings from Government and other sources and capital raised from the issue of debentures. Capital is raised by the issue of debentures by the central land mortgage banks save in Bombay where the primary land mortgage banks also issue debentures to raise capital. The total working capital of these banks in 1949-50 for the country as a whole was Rs. 5.86 crores out of which Madras banks alone contributed Rs. 4.29 crores forming 73 per cent of the total capital of these banks.
The primary banks in Madras, Bombay, M.P. and Mysore combined contributed more than 97 per cent of the total working capital of these banks in the same year. The share capital and reserve form a very low percentage of the working capital and approximate to 0.8 and 0.2 per cent respectively of the total working capital in 1949-50. According to the Reserve Bank of India, the share capital and reserves of land mortgage banks should be at least 5 per cent of the bonds outstanding. The share capital and reserves of the bank form an additional guarantee for the debenture holder, make the shareholder take a sort of tangible interest in the affairs of the bank, raise the borrowing power and thereby the working capital of the bank. These banks issue shares from time to time to members as necessity arises to borrow more both for the members and for themselves since, the maximum borrowing power of these banks is fixed in proportion to their paid-up share capital and reserves which should normally not exceed 20 times that amount. The share capital and reserves should as a matter of safety be invested outside the business of the primary banks either in Government securities or in central financing agencies.

Save in Bombay, West Bengal and Mysore where primary land mortgage banks have constituted sinking funds, which are almost negligible amounting to Rs. 4,363 in 1949-50, these banks in other States have no provision for sinking funds.

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A very large proportion of the working capital of these banks consists of borrowings from central land mortgage banks—such borrowings amounting to Rs. 5 crores out of a total working capital of Rs. 5.86 crores of all the primary banks in the country and forming more than 98 per cent of their working capital. In 1949-50 loans from Government (Rs. 1.54 lakhs) and capital raised in the form of debentures (Rs. 8.76 lakhs) represented a good proportion of the total working capital (Rs. 56.3 lakhs) of these banks in Bombay.

The intervening period between the economic depression and the second World War was marked in India by loans to agriculturists only for the repatriation of their past debts, various legislative enactments leading to the establishment of conciliation boards to make debt adjustments at reduced amounts, compulsory liquidation of debts, limit to the interest charged by private agencies and forcing the private agencies to keep clear accounts etc. Added to the above measures the high prices of agricultural produce and land were responsible to enable the solvent debtors not only to alleviate prior debts but also in many cases to make them independent of outside financial help. The result was, during the war and immediately afterwards, the land mortgage banks were starved of business in most of the States. Since last five years, however, due to high costs of living, soaring prices of agricultural requirements such as implements, bullocks, fertilisers etc., the drying up of private sources of credit and the new avenues for investment of funds of these banks for the
intensification of land improvements for increased agricultural production, Grow More Food Campaign, Community Development Projects etc. - all these have created a need for long term institutional credit and there is now noticeable a reversal of the trend creating an outlet for the idle and surplus funds of these banks.

We have already noted above that loans are given primarily for the redemption of past debts and sometimes for land improvements and such other purposes that increase agricultural production. Land Mortgage banking has not so far spread all over the country and the progress at present is restricted to Madras, Mysore, Bombay, Cochin, M.P., and Orissa, while a mere beginning is made in West Bengal, U.P. Assam, Rajasthan, Madhya Bharat and Ajmer. In 1949-50 the total loans advanced by primary banks in India amounted to Rs. 101 lakhs of which Madras primary banks alone advanced 76 lakhs while Bombay M.P. and Mysore loaned Rs. 10,11 and Rs. 15 lakhs respectively. It may be noted that during the same year loans for improvement of lands to the total loans advanced formed 5.3, 15.8, 24, and 55 per cent respectively in Madras, M.P., Bombay and Ajmer. The primary land mortgage banks borrowed from central land mortgage banks in Madras, Bombay, M.P., and Mysore amounting to Rs. 5.06 crores out of the total borrowings of Rs. 5.01 crores for the country as a whole, the respective borrowings of these being approximated to Rs. 383 lakhs, 33, 21 and 57 lakhs. Except in Bombay, and to a lesser extent in West Bengal,
Government loans to primary land mortgage banks were practically absent. Out of a total loans of Rs. 11.52 lakhs advanced for the country as a whole in 1948-50 by the co-operative banks to the primary land mortgage banks, the primary land mortgage banks in West Bengal alone received Rs. 7.24 lakhs.

Bombay and Madras primary banks have lent funds for the purchase and improvement of lands, for consolidation of holdings etc. The Madras Government intends to amend the Land Mortgage Bank Act to enable these societies to lend for land improvement schemes, such as the erection of engines and pump sets and clearing and levelling of extensive contiguous area. Since more funds are required for purposes of these improvements and the land mortgage banks cannot lend beyond a certain limit, necessary amendment to that effect will be effected through the legislature to provide several persons joining together to take a joint loan on the mortgages of properties.

In Bombay, immediately after the cessation of the second World War these banks were in a precarious position due to lack of business, financing of land improvement schemes at a loss in the absence of Government subsidies and feared amalgamation with central banks. Since then, however, their position is improved due to liberal state assistance in various forms. They grant loans to adjusted debtors under section 55 of the Bombay Agricultural Debtors Relief Act and also, at their discretion to those who could punctually repay the instalments of the awards paid by these banks on behalf of these debtors. The trend in Bombay regarding the

distribution of loans for various purposes is undergoing a desirable change in the sense that loans for the redemption of past debts form only 55 per cent of the total loans advanced in 1948-50 as compared to other States where loans are overwhelmingly given for payment of past debts. The Government of Bombay have permitted the Provincial Land Mortgage Bank to grant loans for land improvements at rates at which the Government were financing the Land Improvement Schemes, namely at 3\(\frac{1}{2}\) per cent for sinking, construction and repair of wells and at 3\(\frac{1}{4}\) per cent for bunding, land improvement and purchase of other agricultural machinery, the Government subsidising the loss incurred by banks in financing at such rates. The Land Mortgage banks also finance co-operative housing societies in Bombay with such Government assistance as to cover the management expenses and declaring a reasonable dividend on the sharocapital. When funds for land improvement are badly needed to increase the income of the agriculturist and the food production of the country, loans advanced for housing purposes are highly objectionable and should be immediately stopped, since funds raised on debentures for capital are intended primarily to reduce prior debts and to affect land improvement.

Mysore has permitted land mortgage banks to grant one-third of the total loans advanced to farmers against mortgage security for land improvement. Save Ajmer and Madhya Pradesh land mortgage banks in other States have not advanced funds for land improvement till 1948-50.

A suggestion made by the Madras Committee on co-operation in 1939-40 that land mortgage banking should be linked with insurance scheme under which in the case of a premature death of the insured-borrower or emergency when payment of the instalment due is not made, the insurance concern may step into the shoes of the borrower, discharge his liabilities to the bank and relieve the family of the burden to the extent of the sum assured. Looking practically, few borrowers can afford to pay insurance premiums when they are not even able to their instalments due to the bank. It will, therefore, take a long time to make rural people insurance-minded. Another similar suggestion of taking by the land mortgage bank itself to insurance business put by the Central Banking Inquiry Committee was opposed by Lala Balkishen in his minute of dissent on the ground that land mortgage banks do not possess the necessary technical staff and business ability to conduct such affairs efficiently and that operations should be restricted to the provision of long-term credit only.

Loans are usually given against mortgage security up to 4/5 the value of the lands mortgaged and 2/5 against total mortgage security where the loans are granted on the second mortgage also which is exceptional in India. Maximum limit is fixed at Rs. 3,000 to Rs. 15,000 per borrower, varying from State to State.

1 Govt. of Madras: Report of the Committee on Co-operation in Madras, 1939-40, 1940, op cit, p.112.
the principle being to benefit as large a number of borrowers as possible and lowest limit is kept at Rs. 500 to cover sufficient management costs incurred in the form of land valuation, examination of titles, assessment of repaying capacity and maintenance of the mortgage, etc.

The period of loans in India for long-term credit is usually restricted to 15 to 20 years as contrasted with 40 years and above in the Western countries adjusting the period of loans to the period of maturity of debentures issued. The inordinate delay in the disposal of loans has been the most common complaint of borrowers in almost every state. Recently, Bombay and Madras have liberalised their rigid and close check-up involving long and tedious procedure to save time and to grant loans for small amounts. The intermediaries through whom loan applications were to be passed on to the central land mortgage banks such as the District Agricultural Officers in Bombay and the primary land mortgage banks in Madras for verification and valuation of lands and examination of titles, papers, etc., have been exempted for sanction of small loans. In Bombay the primary land mortgage banks are empowered to sanction directly Rs. 2000 subject to certain conditions and the President of the Bombay Provincial Co-operative Land Mortgage Bank has been authorised to sanction loans up to Rs. 4,000. Various State Governments should on the lines of the Madras Government print folders of instructions in regional languages for distribution through primary land mortgage banks,

educating the farmer in the procedure to be followed in applying for a loan. Minimum necessary time should be taken for a careful scrutiny of applications, examination of the history of the debts, valuation of land, examination of encumbrances and title, enquiries as to the yield from land and the repaying capacity of the applicants and the legal formalities connected with the preparation and execution of the mortgage.

As the land credit institutions advance funds for a fairly long term period ranging over 15 to 25 years, naturally they require stringent rules to be laid down for the recovery of the same. The loans advanced and the security taken against them should serve the double object of preventing the free mortgage and sales of agricultural land and the provision of credit for the economic benefit of the agriculturist. The prices of land and agricultural produce usually fluctuate and therefore it is advisable for the banks not to advance loans over 50 to 60 percent of the value of the lands offered for security and as far as possible loans on the second mortgage of land should be avoided in India, for it requires expert knowledge of land valuation, and may be granted only if land hypothecated is capable of bearing extra burden. During the depression the land mortgage banks suffered heavily in Assam, C.P. and Berar and at other places because the value of lands mortgaged depressed so low that the loans advanced on the mortgaged lands amounted higher than the depressed value of these security lands.

In deciding the value of land, the probable outturn of crop, average price of the crop and the cost of cultivation should be considered. "Valuation of lands are usually fixed on the rental value of the land, gross and net income from land, sale value of the land, normal and not the prevalent value of the land, etc." It should be seen that the annual income from land is sufficient to meet the annual instalment of the loan and that it does not impoverish the agriculturist by sending him elsewhere to pay the instalment. The examination of the title to the lands is a difficult process in India due to varying local conditions in various parts of the country, such as laws of inheritance, local land tenure systems and laws relating to the transfer of property. A proper survey of lands and an efficient system of land records as in Bombay and Madras are prerequisites for the development of land mortgage banking in India. To educate the applicants in filling up the forms in which they have to give details regarding title deeds and other necessary documents, the appointment of a special legally and technically qualified staff is necessary.

While advancing loans land mortgage banks should see that the loans granted are sufficient to enable the farmer to effect needed improvements in land and to repay in regular instalments the loan taken from the additional production and income on the borrowed funds. It should not happen that due to improper valuation of other causes the income from land proves

1 Reserve Bank of India: Land Mortgage Banks, 1951, op cit, pp. 70-71.
insufficient to repay the instalment and consequently the farmer is driven to sell the lands to the bank, for, this will be the greatest disservice to him and failing of the object for which he has been granted loans. The bank should not rest satisfied by covering of the loan by an adequate security and neglect the prospects of repayment, since that will mean the degeneration of the bank into a machine for dispossessing the ancestral owner. It should however see that the mortgage is sufficiently valuable to give that much income to repay the instalment from the produce of the mortgaged property if the bank is forced to manage the hypothecated land in case a borrower defaults.

The repayments of loans are usually arranged in the form of annual or half-yearly instalments spread over a number of years, consisting of interest and principal, the contribution to the former decreasing and to the latter increasing as the loan is repaid. Loans are recalled earlier only in cases of defaults, deterioration or fall in the value of the security and the borrower not making good the margin in the security. Higher interest rates in the money market should not be the grounds on which recalls can be made. Similarly, advance repayments of loans by borrowers to liquidate earlier their indebtedness may be accepted with a small penalty by the bank, but not if they are repaid in advance due to prevailing low interest rates in the money market. As the bonds are

irreducible for the first ten years in India, the land mortgage banks charge penalty for the advance repayments during that period to avoid losses attendant upon earlier repayment since such repaid funds cannot be invested in profitable outlet but mostly in low-yield Government securities or in sinking funds, though however, recently the Reserve Bank of India have advised the Madras Central Land Mortgage Bank to invest such advance repayments in their own business. Advance repayments may be considered as income adjustment funds to protect the borrowers against loan years when they may not be able to repay the instalments.

Extension in repayments should be only exceptional to be granted in cases when there recur famines, floods, damages to crops or natural calamities beyond the control of the borrower. In this connection, the Central Banking Enquiry Committee remarked that the bank should grant extension for payment of only one instalment at a time and not to more than two instalments consecutively, and three instalments when the borrower has already paid more than ten instalments. Leaving aside the circumstances beyond the control of the borrower-agriculturist, the repayments on the whole, have been regular and overdues negligible. Save in the case of Bombay and M.P. overdues have figured insignificantly in the loan operations of these banks in 1949-50.

As the Central Province report on Co-operative

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Societies for the year 1947 remarked, recoveries should be pursued vigorously and overdues should be wiped off immediately by passing distraint orders against defaulters for the recovery of sums due. Liberal attitude in the matter of recovery by directors for loans for themselves and for their relatives has been in the past a cause of many a land mortgage banks' financial wreckage especially during the depression in many States.

For recovery various measures have been adopted by different state governments. Some have granted summary powers to the banks which have indirectly led to lowering of lending interest rates for the borrowers. Some have given the rights of foreclosure and the sale of property without recourse to courts for recoveries. Others have provided for the enforcement of the Registrar's decision or the cultivator's award as a decree of civil courts. Yet others have gone to the length of considering overdues as sums recoverable as arrears of land revenue. Land mortgage banks in Madras, Madhya Pradesh, Orissa, Mysore, Bombay and West Bengal have powers to recover overdues from defaulters by distraint and sale of crops on the mortgaged land without the intervention of the courts. The working of the Debt Conciliation Boards and Compulsory Liquidation of debts Boards should be such as not to affect adversely the collections of funds advanced by land mortgage banks as happened in the past.

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1 J.N.Niyogi: The Co-operative Movement in Bengal, 1940, op cit, p. 156.
If prompt and stringent measures are not adopted against the defaulters, the system will be paralysed and ruined.

The rate of interest charged by land mortgage banks from borrowers varies from State to State depending upon what the banks have to pay for their borrowings, for their management expenses including reasonable rate of dividend to the shareholders on the share capital. The usual lending rate of interest to borrowers is lowest in Bombay 3/4 to 7 per cent, followed by Madras, 5/4 per cent, 5 to 9 per cent in M.P., Mysore, U.P., West Bengal, Ajmer, Rajasthan, and Madhya Bharat and is highest in Assam, 9 to 10½ per cent. The margin between the borrowing and the lending rates of interest of these banks was lowest in Madras, Mysore, Bombay, and Ajmer say, 1 per cent. In other States it is high perhaps due to high management costs incurred by the banks. Even in Madras the Central Land Mortgage Bank and the Registrar are requested by the primary land mortgage banks to enhance the margin between their lending and borrowing rates from 1 to 1½ per cent because it is not possible for many land mortgage banks to pull on with their work at low profits and the cost of management goes on increasing due to prevailing abnormal price level, establishment charges etc. The land mortgage banks in that State have requested the central land mortgage bank to bear the establishment charges of the primaries to the extent of 50 per cent if the margin between the lending and borrowing rates of these

1 The Indian Co-operative Review, Vol XVII No.1, Jan-March, Madras, 1951, p.82.
banks is not raised from 1 to 1½ per cent. The Gadgil Committee's recommendation to advance loans to the ultimate borrower for development finance at 4 per cent is very difficult to achieve under the present money market conditions and financial position of the land mortgage banks. Only if the Government subsidise these banks through the central land mortgage bank as in Madras to the extent of the losses they incur by financing at 4 per cent can the benefit of lower rate of interest be passed on to the ultimate borrower as per Gadgil Committee's recommendation. Only by securing sizeable business and efficiency in management these banks will fulfil their primary object of lending at a low rate of interest.

The management cost of the primary banks have been on the whole normal. For the country as a whole in 1949-50, the cost of management formed 0.36 per cent of their total working capital. The same year the cost of management formed .64, .8, .95 and 1.43 per cent of the total working capital of these banks in Mysore, Madhya Pradesh, Madras and Bombay respectively.

The board of directors of a primary bank consist of persons not exceeding 7 to 9 whose services are gratuitous and include representatives of borrowing and non-borrowing members, nominees of Government and sometimes of the central land mortgage bank. The constitution of the Board should be so designed as to prevent the representatives of the borrowing group from acquiring a predominant voice in the management of the bank and to safeguard against the danger of slackness in management. Local enthusiastic and experienced cooperators may also be coopted as nominal members.
With the approval of the Registrar, the managing committee or the board of directors periodically estimate the market value and the yielding capacity of the hypothecated land, examine the title deeds to the lands and recover valuation fees and other expenditure incurred for the conduct of the business of the bank. Since the land mortgaged to primary banks form ultimately the security for debentures, it becomes imperative for the directors of the banks to inspect and revalue land every year. In Bombay, with the approval of the Registrar and the State co-operative land mortgage bank, the managing committee may institute a board of Conciliation for the amicable settlement of debts for the redemption of loans advanced. The managing committee considers and recommends applications for loans and extensions, recovers loans, inquires into and takes action in cases of default and supervises the use of loans.

Usually the paid staff of a primary land mortgage bank consists of a manager or a secretary and a land valuation officer. The land valuation officer inspects the lands offered as security for loans, appraises the market value of such lands, assesses the repaying capacity of prospective borrowers, makes a prima facie examination of the legal title and assists the primary bank in regard to the recovery of loan instalments. The services of land valuation officers are sometimes provided free of charge by the Government or the central land mortgage bank.

In many cases the members on the managing committee

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1 "N. Trivedi: "Long-term Rural Credit" in Studies in Co-operation.
2 In Bombay State, 1951, loc cit, p. 54.
are not sufficiently trained in the efficient conduct of those banks. They are sometimes zamindars or landlords and lack in requisite ability, loyalty and enthusiasm. They grant loans to friends and relations without proper scrutiny of purposes, security offered etc., and grant extensions liberally. Frauds and manipulations are also not uncommon. Efficient and honest local leadership alone can strengthen the financial condition of these banks.

Some of the land mortgage banks in Bombay and M.P., have been forced to amalgamate themselves with the nearby district cooperative central banks due to lack of sufficient business to enable them to function as economic units. The reasons for this lack of business for these banks are mainly the high prices of agricultural produce and land and legislative measures to alleviate the indebtedness of the borrowers. A co-ordination between the land mortgage banks and the Debt Conciliation Board or the Compulsory Liquidation of Debts Boards is a prerequisite to the healthy development of land mortgage in India. In the past land mortgage banks have suffered due to the operation of the awards of these Debt Conciliation and Liquidation Boards. The Nanavati Committee recommended that in Bombay where land mortgage banks are working at a loss, they should transfer their work to the central financing agency operating in the area which may with a separate department take up this business obtaining required funds for the purpose from the provincial land mortgage bank, the debenture issuing body in the State.

1 Government of Bombay: Report of the Agricultural Credit Organisation Committee (otherwise known as the Nanavati Committee, Bombay, 1937, op cit, p.32.
The audit of a land mortgage bank should be carried out by qualified professional auditors of the rank of those who audit the central co-operative or big urban banks. The Madras Committee on Co-operation objected to the audit of these banks by those junior inspectors who audited the accounts of villages societies in that State. An efficient audit system is all the more necessary for these banks due to their complicated financial dealings and peculiar nature of business.

The land mortgage banks should have their own supervisor to look periodically into the economic position of the borrowers, revalue lands, assess their repaying capacity and to see that the value of the security offered is being maintained and loans are properly utilised. Supervisors should be paid from their own funds. Supervisors from the co-operative department and the central land mortgage bank may also look into the matters of these banks and correct their mistakes. The inspectors of the department and the central mortgage bank may see that the banks run on sound and proper lines.

The distribution of the profits of the primary land mortgage banks in the form of dividends to shareholders is limited in every State. In 1949-50 the dividends paid by these banks in India varied from 2 per cent in Assam to the maximum of 6½ per cent in Bombay and Mysore. The usual rate of dividend may be considered as 3½ per cent. It should be noted that by lowering dividends on the share capital the reserves can be

increased as a security for the creditors though it means higher cost of the loans to borrowers (who are mostly shareholders). But at the same time, ample reserve funds increase confidence among the public and debenture-holders. So it is advisable to take away to reserves as much profits as are possible after satisfying shareholders with a moderate dividend. The primary land mortgage banks should devote a certain proportion of their profits towards the provident funds, bonus, house allowances, education and medical assistance, and such other social amenities for their paid staff to induce them to work sincerely for the institution.

The Central Land Mortgage Banks:

The necessity of organising central land mortgage banks in every State is imperative since there always requires the supervising, guiding and controlling agency for the working of primary land mortgage banks and to raise necessary funds to finance the activities of affiliated primary banks. In 1949-50 there were only 5 central land mortgage banks (since then two, one each in Hyderabad and Saurashtra have been organised) in the country, each in Bombay, Madras, Orissa, Mysore, and Travancore-Cochin. In the absence of a central land mortgage bank the work is carried on by the State co-operative bank or the central co-operative bank in various parts of the country. The central land mortgage banks deal directly with individuals in some States where there are no primary land mortgage banks as in Travancore-Cochin, in some parts of Bombay where there are no primary land mortgage banks and in Orissa (and Baroda before its merger in Bombay).
Orissa Central Land Mortgage Bank advances directly to its members through its branches. Naturally therefore, individual membership is the greatest in Orissa Central Land Mortgage Bank. The same is the case in Travancore Cochin. These banks operate over the whole State and are the apex institutions to control and guide the long term finance in their area of operations. They maintain staff of inspectors and supervisors to visit primary banks periodically and regularly. They should hold occasional conferences between their representatives and those of their constituents to discuss problems of common interest, formulate policies and represent the members of the affiliates to bring grievances for redress and nominate their representatives on the managing committees of the primary banks to serve as a liaison between the two. The central land mortgage bank may also have nominees of Government on its management since the latter in every State helps it in various ways such as the guarantee of principal and interest on debentures floated, exemption from stamp duty, income-tax, registration fees etc. and assisting by valuation officers and other staff. Financiers and others who are interested and experienced in co-operation may also be invited to increase public confidence. In short, the managing committee of the central land mortgage bank will be a harmonious blending of Government, Co-operative Department, finance, veteran co-operators and the central or the provincial land mortgage bank.

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The main function of a central land mortgage bank is to raise capital to finance the long-term credit requirements of agriculturists. The central land mortgage bank or in its absence the State co-operative bank or the district central co-operative bank raises capital in almost every State by the issue of debentures or bonds at the lowest possible rate of interest for a period of about 20 years against mortgaged land or immovable property of primary banks and the State government mostly guarantees both the principal and interest on these debentures to create confidence among the people for a safe investment. Before a central land mortgage bank was established, the primary land mortgage banks in Madras issued debentures and the government not only guaranteed principal and interest but also subscribed to some of the debentures so issued. The centralising of the issue of debentures is necessitated to avoid a number of debenture-issuing agencies flooding the money market and also to eliminate the danger of keen competition to raise funds at competitive higher interest rates. Now, the central land mortgage bank or the apex bank is the only bond-issuing agency in every State and does so with the approval of the Registrar of co-operative societies and the State Government. The Royal Commission on Agriculture in this connection remarked that "the system of issue by separate land mortgage banks would inevitably result in a number of small institutions flooding the market with competing issues; control would become difficult, the security offered would be low; the interest rate would be forced up in consequence of this and of the competition from purchasers, and there would always be the danger that the whole
system of debentures would be brought into disrepute by the mismanagement of a single institution." These debentures are ranked as trustee securities. The Registrar acts as a trustee to these debentures. For the assistance given by Government towards cost of valuation and in other ways, it nominates its officer on the managing board of the central land mortgage bank.

In India the bonds issued should be of small denominations to mobilise the rural savings from agriculturists which not only will check inflationary tendency but inculcate the habit of thrift and investment among the rural people. In the absence of a well-developed bond and money market and as investors are averse to lock up their funds in long-dated bonds, the period of maturity of bonds is kept 20 years and loans are therefore made for the same period to affect the synchronisation between the two. Such synchronisation is absolutely necessary to maintain and enhance the prestige of the bond-issuing agency since, extension of repayments may be given by land mortgage banks to borrowers but the bond holders may not be willing to lend after the maturity of bonds and so they must be paid the principal. Usually, therefore, the loans are adjusted in annual instalments for repayment in such a way that the total loans repaid and the maturity of the bonds coincide. The instalments are credited to the sinking funds of the central land mortgage bank specially created to credit principal and interest paid by the borrowers in the form of annual instalments. With the permission of the Registrar, the central land mortgage bank may

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invest the share capital and reserves in government securities or in their own business or redeem bonds after a stipulated minimum period. Whatever funds the central land mortgage bank has borrowed from government or other banks before the floating of the debentures should be returned to the lending agencies as soon as capital is raised by the bank.

From the borrower's point of view land credit at low rate of interest without any risk of uncertainty of demand for repayment and spread over a large number of years in small fixed instalments is advantageous. The investor gets steady yield without large fluctuations in the price of debentures which are guaranteed by government, secured against mortgage of land and immovable property and are readily marketable.

It is necessary for the central land mortgage bank to create a sinking fund for the amortization of debentures by setting aside and investing every year out of its realizations a fixed sum which will yield at the end of the period for which debentures are issued, an amount equal to that which has to be repaid. The bank may utilize the sinking funds for buying up its debentures in the open money market after a certain minimum period to maintain a steady price of debentures and to increase the popularity among the investors. Under the registered bonds system prevailing in India the security has to be got registered in the name of a transferee by execution of a transfer deed and registration in the books of the issuing institution. Registered bond gives greater security, though less negotiability as compared to bearer bonds or promissory notes.

1. Government of Madras; Report of the Committee on Co-operation, Madras, 1930-40, 1941, op cit, p. 120.
The rate of interest at which land mortgage banks can float their bonds depend upon the conditions of the money market, the soundness of management of the issuing institutions, security behind the debentures, popularity of debentures among the investors and their general marketability. Because of government guarantee the bonds are immediately marketed among the public but since the government cannot go on guaranteeing for all time and for all the amounts save in the infant stage of these banks, they should float bonds on their own credit by winning the confidence of the investing public. Their success in floating the debentures on favourable terms would then depend on the security they are able to offer to the debenture-holders, soundness of their management, efficiency of their working and the steps they take in popularising and making the debentures marketable.

The central land mortgage bank may redeem the bonds issued after a certain minimum period to offset the loss they may incur if they keep them up to the maturity as sinking funds or in low-yielding securities. The Madras Central Land Mortgage Bank during the depression redeemed the bonds issued, taking the advantage of low interest rates without compensating the investors by bonus, premium or any compensatory benefit and annoyed investors who were put to losses and inconvenience because they had to go for reinvestment of their capital so repaid. In order to create confidence among the investors the bank assured that it will not in future redeem the bonds for

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1 Reserve Bank of India; Land Mortgage Banks, 1951, op cit., p. 64.
the first ten years of issue. Similarly, the bank will take
advance repayments only with a penalty so that the borrowers
cannot take the advantage of falling interest rates by
borrowing cheap from outside to pay the central land mortgage
bank its principal and interest.

Out of a total of Rs. 5.8 crores worth debentures
floated by the central land mortgage banks for the country
as a whole in 1949-50, Madras, Mysore and Bombay had in
circulation bonds worth Rs. 439.31, 36.44 and 71 lakhs
respectively; and Orissa, Travancore-Cochin and M.P. floated
bonds worth Rs. 5, 10, and 28 lakhs respectively. Madras,
Bombay and Orissa have created sinking funds and amounted
to Rs. 83.49, 19.81 and .42 lakhs respectively in 1949-50.
Mysore also has decided to create sinking funds to redeem
bonds on maturity. In Madras sinking funds are invested in
cancelling their debentures and in Government securities if
such funds are above the required sinking funds on maturity.
This was so because central land mortgage bank used to credit
all principal recoveries to the sinking funds and if such
excess funds are not permitted to be employed in redeeming
debentures but in securities or keeping as deposits with other
banks, they will earn less interest and suffer losses. So with
the consent of the Reserve Bank and The State Government the
Madras Central Land Mortgage Bank might invest the excess
amount in fresh loans provided the period of repayment of
these loans fell within the period of the maturity of the
debentures concerned. The Government also permitted the Madras
Central Land Mortgage Bank to use funds in government securities in the debentures of the bank or to cancel the debentures held in sinking funds, thus enabling it to reduce the amount of debentures outstanding.

The Central Land Mortgage Bank advances funds to affiliates for redemption of prior debts and land improvements, etc. of their members. Usual lending rates of interest of these banks are 4 to 6 per cent and borrowing rates, 3 to 3\(\frac{1}{2}\) per cent. The Madras Central Land Mortgage Bank lends at lowest interest rate, it being 4\(\frac{1}{2}\) per cent, while its borrowing rate is 3 per cent. In Bombay the Central Land Mortgage Bank advances loans for housing at 4\(\frac{1}{2}\) to 4\(\frac{3}{4}\) per cent and the Government for this purpose grants a subsidy up to a limit of Rs. 15,000 per annum to cover management expenses and to make a reasonable contribution towards payment of dividend on the share capital of the bank—an undesirable practice since banks are organized to finance long-term needs of agriculture only. In M.P., U.P., West Bengal and the Punjab where there are no Central Land Mortgage Banks, the apex co-operative banks finance the primary Land Mortgage Banks through district co-operative banks.

The Central Land Mortgage Bank in order to see that the funds advanced by it are properly utilized keeps a supervisory staff to hold preliminary inquiry into the applications received, check them and after thorough inquiry grants loans to be utilized by the ultimate borrowers according to directives and if misapplied, recalls. In 1949-50, total loans advanced by

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the central land mortgage banks and societies amounted to Rs. 101 lakhs out of which Madras Central Land Mortgage Bank advanced Rs. 73.24 lakhs and Bombay and Mysore Land Mortgage Banks Rs. 14.39 and Rs. 11.23 lakhs respectively. Recoveries of all the banks were quite satisfactory though overdues were high in the case of Madras amounting to Rs. 1.9 lakhs in 1949-50. Except the Madras Central Land Mortgage Bank no other central land mortgage bank has created bad debts reserve. The paid-up share capital for all these banks amounted to Rs. 26.67 lakhs of which Madras, Bombay and Mysore central land mortgage banks had a share capital of Rs. 14.32, 5.63, and 4.67 lakhs respectively. The reserve funds of these banks for the country as a whole in the same year were Rs. 21.61 lakhs, the contribution of Madras and Mysore being Rs. 19.49 and Rs. 1.04 lakhs, respectively. The working capital of these banks was Rs. 6.87 crores out of which the share of Madras, Bombay and Mysore central land mortgage banks was Rs. 5.11, 0.67 and 0.77 crores respectively. The total working capital of all the land mortgage banks, primary and central for the country as a whole in 1949-50 amounted to Rs. 12.72 crores.

State assistance to land mortgage banks has been considerable in every State. The State guarantees the issue of debentures both regarding the principal and interest thereon. It also grants help in the form of technical staff such as land valuation officers and officers of the Department of Agriculture for preliminary inquiries to fix the amount of loans to be advanced. The State contributed to the capital of the land mortgage banks by purchasing the debentures floated
In Madras. The development of co-operative land mortgage banking in India is a happy combination of State and voluntary effort. The Government in Madras have permitted the public bodies, municipalities, insurance companies etc. to invest funds in the purchase of debentures and also the district central banks and State co-operative bank to invest their reserves, general funds in such bonds, to be reckoned as fluid resources to be maintained by them. West Bengal Government will continue to subsidise the deficiency in establishment charges of such banks till they can maintain a standard of annual investment at Rs. 2 lakhs to stand on their own legs.

In Mysore the Government lent the services of two inspectors of co-operative societies to the bank free of cost to speed up investigation of loan applications and to develop backward societies over and above lending a secretary to the central land mortgage bank. In Bombay as we saw above, the State subsidised those land mortgage banks which run into losses by lending at reduced rates under Land Improvement Schemes. In Orissa the Government have placed the services of two sub-assistant Registrars for the scrutiny of loan applications and loans are sanctioned by the bank only on their recommendations.

In Cochin all the officers and the staff of the central land mortgage bank are government servants, their services being lent to the bank on a low pensionary contribution payable by it to the government every year. In M.P., and West Bengal the government advances funds to these banks through the apex co-operative banks. Against its usual limit of 10 per cent,

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the Reserve Bank have subscribed to 20 per cent of the debentures floated by the Central Land Mortgage Bank, Madras of its series of Rs. 40 lakhs at 3 per cent issued since the close of the year 1949-50. The Government have met the initial establishment and management expenses in the form of grants in Baroda, Bombay, West Bengal and Madras in some cases. The working of these banks is supervised and guided by the officers of the co-operative department. The Government have also exempted them from payment of stamp duty, registration fees etc. Special legislative enactments have been passed to facilitate the working of these banks including special privileges in the form of the powers to recover dues from defaulters by distraint and sale of produce on the hypothecated land and also by sale of hypothecated land without the intervention of the courts especially in Bombay, Madras, M.P., Orissa and West Bengal.

The management of a central land mortgage bank includes representatives of primaries, government nominees (since the government help these banks financially and otherwise), public spirited, enthusiastic veteran co-operators, nominal members and representatives of finance, agriculture etc. The management cost of these banks for the country as a whole in 1949-50 was Rs. 4.18 lakhs out of which Madras alone spent Rs. 3.48 lakhs due to its greater overall business. The Madras central land mortgage bank bears to the full extent the cost of staff appointed for the supervision of land mortgage banks and gives subsidies to weak primary land mortgage banks to meet losses in their working.

1 Reserve Bank of India; Review of the Co-operative Movement in India, 1948-50, 1952, op cit, p. 51.
Regarding the audit of these banks it would be well to quote the remark made by the Reserve Bank in this connection, "An efficient system of audit under government supervision will have to be devised in order to see that funds raised by the issue of bonds are properly invested, that sinking funds are constituted, that bonds are withdrawn from the market in the manner provided in the regulations, that proper margins in the security are maintained and that open market operations in bonds are undertaken in the best interests of the banks concerned."

The usual rate of dividend paid by these banks is 4 per cent in Madras, Mysore, Travancore-Cochin, while in Bombay and Orissa it is 3/8 per cent.

From the above it can be inferred that land mortgage banking has not made much headway in India save in Madras and Mysore, Bombay, M.P., Orissa and Travancore and Cochin and are other States where land mortgage banking has made some progress. The land credit movement is insignificant in the partitioned States, namely East Punjab and West Bengal due to their divided resources, inadequate personnel and reduced area of operations. Other States have yet to make a beginning in this field of co-operative activity. There is no central land mortgage bank in many States, the organisation of which is absolutely imperative to centralise the issue of debentures, to attract large resources from wider circle of investors, to supervise, inspect, guide, and control the operations of the primary banks and to promote the land credit movement in the State.

1 Reserve Bank of India: Land Mortgage Banks, 1951, op cit, p.57
The stunted growth of the land credit institutions in various States is due to the scarcity of efficient, enthusiastic local leaders, lack of proper facilities for the ascertainment of land values, examination of titles, periodical revaluations, proper survey of the area under operation, maintenance of proper land records etc. Low paid, inadequate and unqualified staff, high establishment charges due to increasing cost price level without adequate business are other factors that impede the progress of these banks.

The whole problem needs a dynamic approach. Now that the indebtedness of agriculturists have considerably scaled down and wiped off due to various legislative enactments, the working of Debt Conciliation Boards and rising agricultural and land prices, the trend of land mortgage credit should be on the lines of land improvements by agricultural education through improved methods of cultivation by demonstration, provision of credit to round off the holdings into economic units, irrigation facilities, bringing under cultivation culturable waste lands etc. The problem is not now so much of repatriation of past debts as of investing funds to procure more foodstuffs and raw materials for industry in a deficit country like India in these commodities.

The improvements in land to increase agricultural production necessitate an adequate supply of medium term and long-term finance at a reasonable cost. The Planning Commission
are of the opinion that at the end of the present Plan Rs. 25 crores per annum will be available as medium-term finance from the Reserve Bank of India under the proposed arrangement, Government and the cooperative movement. As for long-term loans, the Planning Commission have provided Rs. 5 crores spread over next three years to supplement the long-term resources of the cooperative movement. The Planning Commission hope that at the end of this Plan, Rs. 5 crores per annum should be available from the Government and the cooperative movement. The above financial provision for long-term needs of agriculture is certainly inadequate. It is high time that there should be a State Land Credit Corporation at the Centre to advance long term loans to agriculturists or a Mortgage Bank Department in the Reserve Bank of India as is one in the Commonwealth Bank of Australia.

The Indian farmer is usually living on a deficit economy and being unable to balance his budget runs into debts due to varied causes. Since loans are mostly given for payment of his past debts by land mortgage banks, it is difficult for him to increase his present income. Unless his present income, therefore, is increased he will remain where he is. To draw him out of this muddle it is necessary first to scale down his debts to his repaying capacity by the joint efforts of the land mortgage banks and debt conciliation boards. He should then be persuaded to be a member of a co-operative credit society, marketing society or the multipurpose society for his daily transactions regarding the purchase and sale of his domestic
and agricultural requirements. Such facilities will mean better prices for his produce, cheap purchases in general and the check of the co-operatives over his spendthriftiness. He may be persuaded to cultivate the habit of thrift and deposit even in the smallest denominations to the credit society, or, in the land mortgage banks with special small savings deposit account. If after having been supplied with general instruction in regard to agricultural methods, judicious use of funds and general economy he is found not to be an enthusiastic and willing co-operator, he should be dispensed with from enjoying the benefits and service of the co-operative movement. With the drying up of private sources of credit, he has to look to the institutional credit system which will supply him cheaper credit and also guide him in its proper utilisation to reap full benefits and raise his income and standard of life.

The land mortgage bank on its part should see that if the indebtedness of the borrowers is much more than he can repay after having met with his maintenance cost of household and agricultural needs, the debts are reduced to manageable limits spread over a number of years in annual instalments enabling him to repay his past debts, the debts due to the land mortgage bank and maintain himself. The land mortgage bank may obtain for him land at concession rates from government or on long term lease for joint cultivation and can float loans for the establishment of co-operative plants for processing of crops, cottage and small-scale rural industries and help local government in
village welfare work. Until such measures are adopted, he will never come out from his submerged position of perpetual indebtedness.

The successful implementation of the above measures for the benefit of agriculturist presupposes a large amount of funds. It is the duty of the land mortgage banks and other credit co-operatives to find out funds from their own area of operation by mobilising the surplus resources of rural people who otherwise use their surplus funds in bullion, lands, etc. Financial autonomy means less dependence on government for guarantee of principal and interest on the debentures floated and other governmental assistance. Some of the central land mortgage banks, especially those in Bombay, Madras guarantee and create an atmosphere of confidence and goodwill among the people for the movement and also in the money market for ready marketability of debentures. The government cannot go on guaranteeing the principal and interest on every series of debentures floated in every State to an unlimited amount of funds since the issue of debentures is likely to go on increasing with the assumption of land improvement schemes by land mortgage banks in various parts of the country. The central land mortgage banks may well build up large share capital and reserves, bad and doubtful debt funds and create sinking funds to meet any unexpected financial stringency and to place this aspect of the movement on a sound basis. The Government may, however, help these banks till they are firmly established in the ways they assist as
at present. Government loans under the Land Improvement Loans Act should be granted through the land mortgage banks so that the latter may not have to compete the low-interest rated government advances. The government may also direct public bodies such as municipalities, trusts, insurance companies etc. to invest their funds in the purchase of debentures of these banks. The Reserve Bank may assist these banks by contributing a certain proportion of its profits to the cause of land mortgage banking, by liberal advances to such banks at concessional rates of interest and by subscribing to the bonds. Self-sufficiency in finance through the increase of share capital will not only add to the loanable funds of these banks but also promote thrift in the countryside and bring more rural savings which are so necessary to curtail inflation.

A co-ordination between the various departments such as among the Agricultural, Co-operative, Public works, revenue and between the various types of co-operatives in rural areas regarding their activities will be the most essential thing for the success of these banks in increasing the agricultural production from land and its improvement. The co-operation and co-ordination between the land mortgage banks and the Debt Conciliation Boards and Compulsory Liquidation Boards wherever functioning would be necessary to obviate the losses which otherwise land mortgage banks might suffer due to the awards of these Boards. Linking of the transactions of a member of the

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land mortgage bank with a nearby credit, marketing or a multipurpose society will be in the interests of the member as well as of the land bank to ensure repayments and supervision over his activities.

The Agricultural Department can through its local officers help these banks in the propaganda and education of cultivators, in the facilities offered for the financing of land improvement, assistance to cultivators in the preparation of suitable schemes for financing, examination of the technical aspects of schemes submitted and inspection of subsequent progress after they had been put into effect. The Public Works Department will supervise works such as the digging of wells, raising of embankments, construction and repair of farm-houses etc. and help the farmers in carrying out schemes. The land mortgage banks will finance the schemes of land improvement.

In short, the land mortgage banks have to play a national role in the rehabilitation of agriculture by making the country self-sufficient in food-production and raw materials with the co-operation of Agricultural, Revenues, and Public Works Departments and other types of co-operatives.

The Reserve Bank of India suggested the organisation of an All-India Federation of Central Land Mortgage Banks "to co-ordinate the issue of bonds of various central land mortgage banks, to frame rules for the retirement of bonds as well as constitution of sinking funds and generally to promote the development of a healthy market for debentures of land mortgage loans."

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1 Reserve Bank of India: Statutory Report under section 55(1) of the Reserve Bank of India Act, 1937, op. cit., p. 28
banks in the country. Such a bank will also assist various central land mortgage banks in floating debentures at proper time and on favourable terms and may even float bonds itself for them in the same way as the Reserve Bank of India does for various State Governments. The Bank will be in close touch with the Reserve Bank, important money markets and institutional investors such as commercial banks, insurance companies etc. through its offices in various important centres in the country. It will utilise the services of various important cooperatives by appointing them agents for marketing bonds and receiving payments on its behalf. It may authorise approved cooperatives to enface debentures in the same manner as Government loans are enfaced at various treasuries. Government will give free remittance facilities to enable the organisation to fulfil the functions in a satisfactory manner. Such an organisation, however, has not yet been established and it is high time to set up one as early as possible in national interests.
Table V


<table>
<thead>
<tr>
<th>Central Land Mortgage Banks</th>
<th>Primary Land Mortgage Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Number</td>
<td>5</td>
</tr>
<tr>
<td>2. Membership</td>
<td>3,871</td>
</tr>
<tr>
<td></td>
<td>1,93,330 (Rs. in lakhs)</td>
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<tr>
<td>3. Owned Capital</td>
<td>5.63</td>
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<td></td>
<td>6.02</td>
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<tr>
<td>4. Borrowed Funds</td>
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</tr>
<tr>
<td>(a) Deposits and other</td>
<td>49.50</td>
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<tr>
<td>borrowings</td>
<td>517.33</td>
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<tr>
<td>(b) Debentures</td>
<td>581.75</td>
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<td></td>
<td>8.76</td>
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<td>5. Working Capital</td>
<td>693.94</td>
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<tr>
<td></td>
<td>593.99</td>
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<tr>
<td>6. Loans issued during the</td>
<td>101.08</td>
</tr>
<tr>
<td>year</td>
<td>101.11</td>
</tr>
<tr>
<td>7. Loans recovered during</td>
<td>38.63</td>
</tr>
<tr>
<td>the year</td>
<td>40.24</td>
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<tr>
<td>8. Loans outstanding at the</td>
<td>511.72</td>
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<td>close of the year</td>
<td>534.37</td>
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<tr>
<td>9. Overdues</td>
<td>1.66</td>
</tr>
<tr>
<td></td>
<td>5.11</td>
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