

REPORT

BEGARDING THE POSSIBILITY OF INTRODUCING

LAND AND AGRICULTURAL BANKS

INTO THE

MADRAS PRESIDENCY.

VOLUME I.

MADRAS :
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1895.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

PUBLIC DEPARTMENT.

ORDER—15th March 1892, No. 173, Public.

His Excellency the Governor in Council is pleased, under the provisions of section 98 (a) of the Civil Service Regulations, to place Mr. Frederick Augustus Nicholson on special duty for the purpose of enquiring into the possibility of introducing into this Presidency a system of Agricultural or other Land banks.

(True Extract.)

(Signed) J. F. PRICE,
Chief Secretary.

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ERRATA.

- Page 26, line 24, from bottom—
For "officers or banks", read "officers of banks".
- Page 38, line 12, from bottom—
For "peasants, own improvidence", read "peasants' own improvidence".
- Page 45, line 16, from top—
For "his report", read "this report".
- Page 67, line 8, from bottom—
For "foncurrent", read "concurrent".
- Page 110, last line—
For "2092 and 2113", read "2002 to 2113".
- Page 113, line 24, from bottom—
For "arranging from", read "averaging from".
- Page 118, line 12, from top—
Strike out the words "who all" at the end of the line.
- Page 121, line 37, from top—
For "amortixetted", read "amortized".
- Page 133, line 14, from bottom—
For "if it all", read "if at all".
- Page 260, line 2, from top—
For "liequidation", read "liquidation".
- Line 11, from top—
For "ocorce", read "coerce".
- Page 264, line 34, from bottom—
For "supply, though trained", read "supply, through trained".
- Page 280, line 26, from bottom—
For "a period not excoeding", read "a period exceeding".
- Page 288, line 25, from bottom—
For "leases", read "losses".
- Page 345, line 15, from top—
For "if frequently", read "It frequently".

PREFACE.

THE following report has been written to the order of the Madras Government as conveyed in G.O. dated 15th March 1892, His Excellency Lord Wenlock being desirous of assisting the organization of rural credit through Land and Agricultural banks in this Presidency, in view to the replacement of the individual money-lender and to the development of the economic condition of the country.

The delay in submitting the report is due to many causes, principally to the immensity and complexity of the subject, to the difficulty of ascertaining and then of obtaining sources of information, to the discontinuity thereby imposed when a half finished study had to be broken off till the receipt of further information, to the extreme difficulty arising from the incessant demands of a Collector's work, notwithstanding two periods of special duty. Until 1894 there was, practically, no English work even on the one subject of Popular banks, while the sources of detailed information are, even now, only in foreign languages; and it is believed that there is no existing work in English on the Land and Savings banks systems, or upon the credit systems and indebtedness of the landed proprietor, of the European continent. For the Madras Presidency statistics and information did not exist, and it is only through much enquiry and by the courtesy of numerous correspondents that information has been obtained. A list of the questions originally issued and of the correspondents to whom they were sent, will be found in the appendix.

Some explanation of the contents and method of this report is needed.

The report, with its appendices, is, of course, a compilation from numerous works and reports of Europe and America. A Madras civilian could hardly obtain a working knowledge of the variety of banks herein described, especially under the difficulties of distance, diversity of language, and the like. Hence it professes to be no more than a compilation so far as European matters are concerned. For this country, facts and opinions have been supplied by numerous correspondents and informants especially in the matter of the Nidhis, by the courtesy of the Courts and by the statistics of the Registration department which have been consulted through the aid of the present Inspector-General the Hon'ble Mr. S. Srinivasa Raghava Iyengar, C.I.E. But in so complicated a matter as the rural banking systems of Europe, a matter moreover on which no English treatises exist, save only a few blue books and Commercial reports and, in 1894, the work of Mr. Wolff on Popular banks, it would have been impossible for the writer to have obtained the necessary material, had not the first start been given him by the works and by the assistance of those already versed in the subject; they are too numerous to mention, but it is impossible for the writer to omit his thanks to M. Tisserand, Director of Agriculture for France, to Dr. Thiel in the same department in Berlin, to M. Louis Durand for the assistance afforded by his standard work on 'Le Crédit Agricole,' to M. Josseau, the learned author of the manual of the 'Crédit Foncier,' and to the numerous other gentlemen who have given their assistance both in this country and in Europe. Had the acknowledgments due to all authors

It was necessary to know what had been done in Europe, why it was done, and why any system had succeeded or failed. The result is the series of studies represented by the several chapters of Appendix I on European indebtedness and credit systems. Other appendices will follow; Appendix II will contain a translation of or excerpts from the banking and society legislation of Europe and America, and will, it is hoped, form a fairly complete English compendium of those laws; it will also embody translations of the model articles of the several classes of institutions and an index which the writer has not yet been able to prepare; a third appendix will, it is hoped, present manuals for the several classes of popular and savings banks, together with a much more detailed study of Madras systems of credit and indebtedness, though it would seem preferable that such manuals and enquiries should be undertaken by the Agricultural Department.

Appendix II will be issued very shortly, but it has been thought well not to delay further the main report merely in order to present the matter complete. It is, however, a matter of much regret to the writer that the model articles of the various European banks and the laws which govern them, could not be presented at the same time as the accompanying set of studies.

Those studies represent mainly the notes made during the progress of each study; they may contain much that may be thought unnecessary, but it has been judged advisable to print them as they stand, since the labour of compiling them was very considerable, and since it is possible that what now seems irrelevant may prove to be important. The chapters are consequently left as they are for the perusal of those who wish to know the general characteristics of the chief European systems, while the 'Bibliography' will assist those who desire further information. It is impossible to predict what systems and what forms of organized credit may obtain favour or take shape in Madras; hence the mass of material is left from which experts may select what seems likely to assist their endeavours. For instance, the suggestions of this report are chiefly concerned with the introduction of banking credit for the mass of small proprietors, since men of large or considerable properties can usually obtain credit on fair terms with existing banks, or should have sufficient business capacity to unite in capitalizing credit banks of their own without calling upon the State for aid. In fact at this moment (January 1895) a proposal has been made for the establishment of a Zemindars' Bank, and should this proposal be seriously taken up by the Landholders' Association, they will find in the chapters on Real Credit a fairly complete sketch of the methods of Europe, especially of the Mutual Land Banks of Prussia, and in Appendix II a translation of the laws affecting those and other banks. The proposals indeed of this report for banks in general will suit both large and small banks; see chapter on Joint Stock Banks in the draft bill.

The studies themselves are, of course, only sketches; they are in no sense manuals. The hand-book of the French 'Crédit Foncier,'—the institution which bears that name, not 'Crédit Foncier' or Real credit in the abstract—by M. Josseau, is a treatise in two thick volumes, and, even with the imperfect information at the writer's disposal, it is obvious that a treatise merely on Real Credit in Europe would be the work of years and require volumes; hence a study which is required to range over not merely Land banks, but over all those classes of rural thrift and credit included under the head of Agricultural banks, cannot but treat the subject less closely than is desirable. It is hoped to provide, gradually,

manuals with model forms and accounts for each class of banks; that is, to expand each study into a manual, and to provide with each, suggestions for this country; but that will be a work of years. The manual for the Italian Popular banks is a volume of above 550 closely printed octavo pages; a similar manual for this Presidency would be a work of great labour and should be of much value, but could, perhaps, only be written after some years of practical work.

The scheme of Appendix I—the real report—is as follows: a chapter on credit in general forms the first study, since a perusal of the Indian literature on the subject and the voluminous replies to questions framed for this report, show that the conditions and functions of rural credit have not been altogether appreciated. The postulates of credit, its applications and limitations are therefore briefly dealt with; the absolute necessity for ‘proximity’ is insisted on; only local banks can deal with small folk; the necessity that lenders shall be secure of the full and punctual return of their loans, and that the borrowers shall be safeguarded in their dealings with lenders, is equally maintained. But in this and in the following chapter on ‘indebtedness,’ it is especially sought to bring out the fact that the establishment of banks, great or small, is, *per se*, no remedy at all for rural indebtedness, and may indeed, seriously aggravate the difficulty; it is not mere facility or cheapness of credit that is desirable, but a safeguarded, educative credit; a credit, moreover, based not upon subventions from the State or upon any system not thoroughly businesslike in its principles, but based upon the thrift and prudence of associated members, whose savings and character attract, in the ordinary way of business, abundant deposits from the saving public; it is thrift and prudence, not charity or State aid, which must be the basis of all true credit, such as will benefit and develop, and not enervate and paralyze a nation. This credit is that which is being sought, and to a great extent successfully, in Europe.

The chapter on the indebtedness of the European peasant is introduced to show not merely that indebtedness is the common lot of agriculturists, especially of the smaller folk, but to prove that such indebtedness is not in itself the work of the usurer, though its mass may be increased, its miseries may be exacerbated, and its evil effect upon independence developed by his action, but of social conditions and characteristics, and even of the actual benefits and modes of progress which during the century have gradually developed in or been introduced into Europe; indebtedness cannot be got rid of—it may be increased—by substituting banks for money-lenders; no mere change in the machinery of credit can eliminate the difficulty. The countries where rural debt is most marked are those where cheap banking is almost universal, as in Switzerland and Norway, and this has been brought about not merely by seasonal stress, and by misfortune, but by the actual facility for credit, by the introduction of seemingly just laws as to inheritance, by the removal of feudal disabilities, by the wonderful development in communications of which this century has seen the introduction and of which it is justly proud.

Passing then to the methods and institutions by which Europe has endeavoured to solve the problem of indebtedness, credit has been displayed under the several heads of Real, Châtel and Personal. The first class of credit, viz., Land Banks, is dealt with in one chapter by countries, special prominence being given to the mutual system as exemplified in the German *Landschaften*, and to the *Crédit Foncier* of France as a Joint Stock Company of a quasi-public character. The next chapter deals with the same matter not by countries but by subjects. It will

be apparent from those chapters that the Land Banks of Europe are not organized for dealing or cannot succeed in dealing with the small folk; loans required by such people are too small, expenses are too great, and the profits too inconsiderable, to make the business possible. State Banks especially, are, except in the case of petty principalities or States, a failure as regards small land credit. Speaking generally, the only institutions which deal in very small mortgage credit are the Swiss Banks, all local, and the Building Societies of Great Britain and the United States of America. On this latter class of society, now beginning to be called Co-operative banks, a separate section is entered, not merely because of their ability to provide small mortgage credit upon the terms required by the postulates above mentioned, but because they are the prototypes of the Madras Nidhis or Loan Funds, which, in their way, have already achieved some success in this Presidency as Popular Banks.

The next chapter deals with what is called in Europe 'Le Crédit Agricole,' that is, all classes of credit for agriculturists other than real credit, including pawubroking and advances upon crops, bonds or bills on personal security, and the like. It will be seen that attempts have been made to supply this credit by special institutions and special laws, but that such have been a general failure; it does not seem possible to specialize agricultural credit and to treat it as a thing by itself; what is wanted is simply rural banking.

The subsequent chapter is one of the most important, as it deals with 'Popular Banks' under their several systems. These are generally co-operative, that is, the whole of the bank operations are conducted by the members and for the members; the society does not consist of a fixed number of transferable shares which may be transferred to and held by any one soever, but of a congeries of men all personally selected for admission to membership; the holding of a share does not make a man a member as in a joint stock society, but membership gives a right to and requires the holding of a share; the society is an aggregation of members not of shares. Moreover the borrowers are the members and the members only; the interests of the bank are bound up with its members, that is with its borrowers, and the result is not merely safety to the borrower, but great facility and cheapness of loans—since all profits return to members—coupled with a very distinct moral influence by the society over its individual components. These societies are described in some detail as they provide credit even for the smallest folk, but usually upon what in banking is technically termed 'character,' *i.e.*, on security based upon the general status, position and character of a borrower and his sureties; mortgages are little used by these societies which are specially adapted for what is known generally as 'agricultural credit,' that is the loans for the current needs of the agriculturist and for his working capital.

It is in this chapter that the Building Societies of England and the United States are noticed; the section on this subject should have been particularly full, since the Nidhis of this Presidency are obviously developments of the same system, while the methods of the Western Societies provide much useful matter for consideration in the East. Unfortunately the writer has not had time to re-write the first imperfect draft, especially as a brand-new law has just (1894) been passed on the subject in England. It has, however, been thought advisable not further to delay this first instalment of the report, but to present a revised chapter on the subject in the forthcoming Appendix II.

Following this chapter are studies on various special classes such as *Monts de Piété*, *Positos*, Agricultural Associations and the like. The *Positos* and *Monti Frumentarii* of Spain and Italy respectively, are especially worth study, as providing grain credit for the poorer cultivators. The Agricultural Associations are not only important in themselves, but are, in France, developing agricultural credit by means of special annexes; as at Poligny.

A further chapter deals with Savings Banks; this is entered not merely because a leading suggestion of this report is that personal thrift must be the basis of true credit, but because the Savings Banks of Europe and America are amongst the greatest Land Mortgage banks in the world. In England, France, and India the Savings Bank is one which accepts the petty deposits of the small folk, and, for the purpose of absolute safety, invests the whole of the deposits in the State Treasury. But in Germany, Austria, Italy and the United States, the Savings Banks have, within certain limits laid down by law, the free disposal of their funds; one of the permitted investments is first mortgages, and it is found by long experience that these are perfectly safe. In Prussia, for instance, above half of the deposits are invested in mortgages; this means above £90,000,000, and half of this immense sum is invested in rural mortgages. The study of these banks is most interesting, especially when, as in Italy, they are almost entirely worked gratuitously either through trustees (as in the English Trustee Savings Banks) or by public bodies, or by public or quasi-public institutions such as *Monti di Pietà*; the section on the great Milan Savings Bank is especially interesting.

It was intended to discuss somewhat fully the question of the registration of title, but it was found impossible, in a chapter of a report upon banks, to deal adequately with a subject of great intricacy and difficulty, which requires of itself years of study and research. Moreover, since it is believed that the desideratum for this Presidency is local village banks and not central banks, the importance of a complete system of registration is, in this connection, inconsiderable, since local banks are sufficiently acquainted with borrowers to dispense with searches in registration offices, and are usually able to prevent any fraud by local influence and knowledge. As regards encumbrances, a recent Government order has provided a system of indexes which will enable any bank to ascertain prior encumbrances with the minimum of difficulty and maximum of certainty. The question requires and deserves separate study.

From this sketch of European institutions and methods, the appendix proceeds to a review of Madras systems of credit and Madras indebtedness. The chief point for remark is that, with one exception, Madras rural credit is entirely provided by the individual money-lender; this money-lender, though essential in the absence of banks, as shown in the first chapter, is expensive and dangerous; not always dangerous, but always possibly dangerous. While fulfilling the condition of proximity he is not a safe source of credit, nor can he, dealing as he does with his own capital only with some borrowed additions, supply capital to any amount at any time for any period, nor can he usually receive it back by convenient instalments. Nor, since he is an individual, can he be trusted with personal powers of summary recovery, so that he does not enjoy the 'security,' which is a postulate of cheap and ready credit. Hence the money-lender régime must, as in all countries, be gradually replaced by that of the banks.

But indebtedness, while serious, must not be exaggerated. Observers, looking only at the worst cases, often in towns where the worst usury is practised, and perhaps knowing only local facts, are apt to take very gloomy views, whereas a larger induction from Presidency facts, and a comparative view of European facts, show that the Madras ryot is in no way in a hopeless condition. Many of the poorer or labourer-ryot class are in great and chronic embarrassment; so also the numerous class of labourers, servants, and the small-salaried classes generally; but the mass of ryots is not deeply indebted.* The mortgage debt especially is moderate, and does not, as it exists in any given year, *aggregate* one-half of the value of the annual crops. It is also certain that there is a considerable amount of actual coined wealth, in addition to the value of the soil, stock, crops and buildings, which a judicious banking system would bring into fruitful use, while it is equally certain that there is a great number of intelligent men, who habitually deal with communal and other matters involving many complications and requiring considerable ability, and with Government operations and calculations demanding considerable intelligence and knowledge; these with a large number of officials, retired and otherwise, are available for local banking operations.

That small banking associations are possible is shown by the one exception to the régime of the money-lender, viz., the 140 Loan Funds or Nidhis. Many of these are situated in the mofussil, and are entirely managed and financed by the people themselves, not merely in spite of the absence of State or other extraneous assistance, but notwithstanding positive legal difficulties, and notwithstanding the disability of officials, till of late, to take an active part in the administration of these societies. A chapter is entirely devoted to a description of these societies and their methods.

It follows, then, that if the principles of rural banking are made widely known, and are accepted by the more intelligent classes, and if the law and the executive will assist the development of societies by suggestion, by the removal of disabilities and obstacles, and by the grant of various privileges, there is every hope of a rapid and wide development of small local societies, chiefly co-operative, thoroughly in touch with their clientèle, independent of State aid, gathering in idle hoards and petty savings, providing facile, cheap, and above all safe and educative credit to their members, secure in the repayment of their loans, and exciting, in a high degree, those great national qualities of thrift, prudence, self and mutual help not merely in credit but in other directions, without which no nation can obtain a healthy and vigorous development.

The following chapter on 'Law,' therefore, deals largely with the necessary development of the law of societies or company law, in this country. Based upon a comparative study of those laws of Europe and America which deal with thrift, providence and credit especially as regards the poorer classes, it suggests various reforms in, and additions to, the laws of this country, showing that while the general company law of Europe is extremely thorough and complete, there is in every country a body of law outside the general company law, which deals solely with institutions of the above nature, such as Co-operative Societies and Banks, Building Societies or Co-operative Banks, Savings Banks, Benefit Societies, Loan Societies, Agricultural Associations and the like. This country alone is devoid of even the semblance of such a law, the only company law being that of 1882 and 1887, based upon the English law of trading companies, which, even in England, is not applicable

to institutions for thrift, providence and co-operation. Most of the suggestions of this chapter are compiled into a draft bill, not indeed intended as a bill for legal purposes, but to throw into crisp and definite shape the several suggestions and recommendations derived from, and made in, the course of the previous studies. The bill provides a separate chapter for ordinary Joint Stock Banks for rural credit; this contains certain general administrative provisions, suggests special methods of financing the banks, and grants various privileges, and, as a corollary and in imitation of the universal provisions of European and American systems, provides a certain amount of State and other supervision, chiefly by means of a Commissioner for rural credit who should combine the duties and powers of the English Registrar of Friendly, &c., Societies, of an American Commissioner of Savings and other banks, and of the Italian Director of Agriculture, Trade, and Industry, who, in Italy, is expressly charged with the supervision of thrift, credit, and popular beneficent and prudential association. It is believed that not a single provision is novel or wholly so; there is a parallel for every item throughout the bill. The next chapter of the bill deals especially with Co-operative societies and banks, and while applying most of the provisions of the previous chapter, grants additional and important privileges with the avowed object of promoting co-operative societies of the German and Italian type. The subsequent chapters of the bill deal with Savings Banks, Agricultural Associations, and Land Improvement Banks.

It is to be expressly noted that in all countries where matters of popular thrift, credit and self-help are in consideration, State supervision is invariable; nowhere more so than in England and America. In this latter country, indeed, the laws of every State provide extraordinary supervision over every class of bank, including all trading banks. It is not, then, a matter of surprise that some such provision should be entered as one of the main suggestions of this report.

Still less—the contents of the appendix being considered—is it a matter of surprise that Co-operative Banks should be especially suggested as the desideratum of this country; the studies of this report will have been written in vain if this idea does not obtain general acceptance; several years of study given to this subject, without previous predilections, have at least forced this idea upon the writer. Nevertheless it is not one system that is to be sought; there is room for all the various classes of bank; only it is believed that in no class save the co-operative, will be found united the several desiderata of a safe and sanative rural credit.

¶ The pith of the whole report is, in fact, contained in the following propositions.

All farmers, especially small proprietors, must of necessity and will borrow at one time or other; the mass borrow habitually.

Such borrowings are seldom for land improvements, but are the result of laws, customs, surroundings, social characteristics, seasonal difficulties, isolation from open markets, and the like.

Hence the radical remedy for indebtedness is not in the organization of credit, but in the removal from the farmer of all unnecessary disabilities, and in the promotion of all possible improvements whether in customs, in social characteristics, in executive demands and systems, in the opening of markets, in the spread of sound education, in the development of agricultural and industrial methods, and so forth.

Nevertheless the organization of credit, which is the subject of the present enquiry, is, in itself, an important palliative, since the cost of the necessary capital can thereby be largely reduced, so that the farmer may borrow without hopeless and life-long embarrassment. Particular modes of organization not only effect this object, but are introductory of other essential developments.

Generally speaking, banks are not available for small farmers, and the private money-lender is the only available source of credit. This source is rudimentary and defective in method and in its supply of credit, while it is open to many serious objections, amongst which is undue dearness of credit; in this Presidency from 9 to 18 per cent. are ordinary rates, 12 per cent. being 'dharma vatti' or equitable interest.

When interest on borrowed money is at 12 to 18 per cent., the profits, even of land improvements, must be swallowed up by the interest; *à fortiori*, credit at 12 to 18 per cent. for purposes other than improvements must reduce the farmer to poverty and keep him a dependent pauper.

If interest can be reduced to, say, 6 per cent., the burden of indebtedness would be halved, improvements would be profitable, and debt no longer mean pauperization.

But the mere reduction of interest to 6 per cent. would not mean necessarily or generally a reduction of indebtedness; rather, as rural economic history teaches, would it mean a greater mass of debt; borrowings would be larger because of the cheapness of money; the annual cost would remain the same, but the volume would be doubled.

It is, then, essential to discover methods of credit which, while supplying capital at half of present rates, will equally tend to keep the borrowing down; it is believed and urged that Co-operative Credit societies or Village banks will not only achieve or tend to achieve these objects, but will equally develop many desirable and even essential characteristics such as those of thrift, prudence, self and mutual help, will initiate those forms of co-operation which tend to assure to each man the full value of his labour, and those stimulating ideas of progress so greatly needed by a conservative and isolated peasantry; such societies will, as in Germany and Italy, "everywhere form centres of economic and moral progress (*De Lavelleye*)."

It may be asked why, since report was required regarding both land and agricultural banks, direct suggestion has only been made for village banks. It is replied, that land banks, *i.e.*, banks devoted solely or chiefly to land mortgage credit, do not appear to be either suited to or needed by the ryots of the Presidency. The clientèle of the banks will consist of very small folk requiring very small loans; no land bank can deal in such small business, for the cost of enquiries, the risk of bad business, the worthlessness of petty parcels of land to a central bank, prevent a land bank from dealing with such folk, as the experience of Europe amply shows. It is true that there are numerous mortgages in this country, but half of these average only Rs. 44 apiece, and most of these would be wholly unnecessary if ordinary credit were properly organized through village banks; a mortgage deed with its stamp duty, registration charges, witnesses batta, &c., for a loan of Rs. 25 to Rs. 50 for six months or a year, is an absurdity, yet is an absurd fact for more than 50,000 registered mortgages annually. The vast bulk of agricultural and rural credit can and should be granted by village banks.

[It may be argued that the land requires improvements, that the ryots want capital to sink in such improvements, and that land banks are necessary for that purpose. It is replied that though the land may need permanent improvements, that is not the primary aim or desire of the ryots; his first desire and his first need are to get rid of debt and to keep out of debt, to borrow cheaply for current needs and to repay conveniently. That is the work of village banks, and it is only when this vast business is fairly in hand and in a fair way of success, that the ryot will turn towards permanent improvements, which are but a burden to him if he cannot keep their proceeds for himself. Land improvement is slowest and last in development; the land improvement banks do scarcely any business in Germany where the mortgage and other debt is enormous. The improvements in agriculture at which the ryot first aims are those which he can effect by a better general condition of his finances, and this is the work of village banks as shown by the operations of the Raiffeisen and Wollemborg banks.]

The final chapter deals with such recommendations as the writer has been able to make in addition to or in explanation of the entries in the chapter on "Law" and in the draft bill. Certain special items in the development of banks having been dealt with, proposals are made regarding the management of village banks, their organization, functions and methods; this part of the chapter is, in fact, an explanation of the reasons for the various rules of the model articles which are contained in its final section. These articles are merely tentative; it is impossible to predict the exact form which they will take; they are mere suggestions based upon the experience of the European systems. No attempt has been made to propound articles for larger banks; the business men who may desire to start such banks, will do so with facility when it has been decided whether the privileges and methods proposed in the draft bill are or are not practicable. Model articles and recommendations for Savings banks proper, and for Agricultural Associations will follow in another appendix.

It is, indeed, difficult to work out in detail in advance any distinct scheme; it is impossible to say what methods will best suit the genius of the people. But if it is difficult to propose in advance the full working details of a single system, it is absolutely impossible to propose a complete scheme for the general establishment of banks throughout the Presidency. Correspondents and others appear to expect some all-embracing scheme by which banks would be made to spring up throughout the land.

That is precisely what seems impossible; no such thing has ever succeeded in Europe or elsewhere; hundreds of cut and dry schemes have been proposed, but not one has ever succeeded, except perhaps the Land bank system of Prussia, which with extraordinary prescience, Frederick the Great founded by simple fiat. Yet even these grew but slowly; they were not for the masses but only for a class, that of the nobles; they were very few in number and slow of growth, and they required a great deal of attention and modification in practical working. Every one of the systems which have dealt successfully with popular savings, help, and credit, has grown out of the smallest beginnings by a slow and painful development; the Schulze-Delitzsch, quickest of growth, took many years of solid, incessant work,—not merely writing or talking—before its principles were fully developed or finally accepted; the Raiffeisen system, dealing with the rustics, was of far slower growth; the Savings Banks system and the great Benefit, Friendly, Co-operative

and Building Societies systems of England and the United States of America, began in the smallest of ways and slowly worked out their problems in actual practice; the problem seemed insoluble, yet—*solvitur ambulando*. No man could, especially in a country where banking credit is a thing absolutely unknown, fashion out a general scheme; even if worked out, it could only be imposed and would not of itself grow into fact; a report can describe and suggest, but it is for the people themselves to work the suggestions into practical shape by experiment, since it is not expected that the State will interfere directly either in initiating or administering such institutions. Hence this report has described existing facts and methods both in Europe and in this Presidency, and in the chapter of recommendations, in that on "Law," and in the draft bill will be found the general proposals for a variety of banking systems. It is impossible to foresee the system or systems of the future, but the recommendations made provide everything which has suggested itself to the writer for the development of banks. There is no real obstacle even at this moment to such development; the law and the executive if not favouring, are not in any way hostile; quite otherwise; but if the suggestions of the draft bill are accepted and properly drafted, with all necessary amendments and modifications, into a working law, they will suggest and assist the development of banks in a very marked degree. This country is essentially imitative and adoptive; so far as has been possible, the facts of other countries have been given, and suggestions made; it remains for those who believe in banks, and in the reform of rural credit, who are seriously interested in the economic and moral advancement of the ryots, and who dwell amongst and are of the people, to obtain the passing of some such law as has been sketched, and to sit down and develop by actual practice the system or systems of the future. Possibly one of such systems will be found in a modification of the existing Nidhi, which at present is not quite suitable for agricultural needs, but can be easily adapted; indeed it cannot be doubted but that had a favourable law and due supervision been in existence during the last twenty years, these Nidhis would have already attained a tenfold development. The future of rural credit lies with those who being of the people, live among the people, and yet by their intelligence, prescience and energy, are above the people; such were the reformers of Germany and Italy who have introduced the great systems of popular credit in those countries, and, taking the word 'Raiffeisen' not as indicative of a particular person or system, but of the zeal, energy, patience and continuous devotion so thoroughly exemplified in that great reformer, and of the spirit of co-operation, thrift, self and mutual help so thoroughly developed in the above and similar systems, the whole of this report might be summed up in the two words 'Find Raiffeisen.'

ANANTAPUR,
1895.

F. A. NICHOLSON.

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