

# RESERVE BANK OF INDIA

AGRICULTURAL CREDIT DEPARTMENT

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## BULLETIN No. 5

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The Sittang Colonies Banking Union and  
Co-operative Colonisation in Burma.

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BOMBAY,  
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## FOREWORD

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This interesting account of a banking union in Burma shows how the co-operative movement in that country is expanding its activities under the stress of economic conditions and the necessity of retrieving past failure. The experience of Burma shows conclusively that so long as the co-operative movement considers that its function is merely to supply cheap credit to the agriculturist without bothering much how the money is spent it is foredoomed to failure, and that if it is to succeed it must aim at improving his whole economic position and putting it on a sound basis. In the Union here described this includes dealing with the agriculturist's output up to the stage of co-operative milling and, on the other hand, of providing shops from which he can obtain his requirements at reasonable rates and without mortgaging his future. This extension of co-operative activities clearly necessitates energetic and close control under the supervision of some guiding personality, but the principles are not so abstruse or complicated as to be beyond the capacity of men endowed with energy, honesty and commonsense. In any case, the Land and Agriculture Committee which recently reported in Burma seems to consider that the policy is capable of extension in Burma, and if that is so in that country, there seems no reason to doubt that they could be successfully applied in India also.

Reserve Bank of India,  
Central Office,  
Bombay.

J. B. TAYLOR,  
Governor.

*30th June, 1939.*

## **The Sittang Colonies Banking Union and Co-operative Colonisation in Burma.**

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The ideal which we have tried to revive in our previous bulletins of a multi-purpose co-operative society not only dispensing credit but also helping in the economic regeneration of its agriculturist members from every point of view has been favourably received in several parts of India. The further suggestion that such societies should be federated into a banking union which will not only act as the financing agency but also guide, help and supervise their various activities has not however attracted sufficient attention nor found equal support. The two instances we have cited of banking unions at Kodinar and Panjavar working successfully on these lines do not seem to have aroused sufficient interest probably because these operate on a modest scale and are little known institutions. It is also likely that the results achieved by some of the banking unions, which exist in other parts of the country have not been such as to demonstrate the special advantages arising from central agencies organised on these lines. So far as this particular doubt is concerned it may be explained that a mere federation of societies into a union whose sole function is the supply of finance does not constitute a banking union in the sense in which we have used the term. The experience of such unions can be no guide to the possibilities of what may be termed a multi-

purpose banking union and it is hardly fair to conclude from their experience that banking unions will not be any improvement on the existing organisation of the central agencies. What perhaps stands more in the way of the adoption of the principle is the conviction of most people that the combination of banking and other functions as envisaged in a banking union is wrong in principle and likely to lead to adverse results in practice. There are objections to such combination but what we have advocated is something very different from a merchant-banker type of business. In view of the doubts and hesitations which have been expressed and the misunderstanding which has arisen about some of our suggestions regarding multi-purpose societies and banking unions it seems desirable that the exact nature of our recommendations should be again set out clearly. We shall however leave this for another occasion because it seems to us that practical illustrations are better than theoretical discussions and that the description of what another banking union, working under very different conditions and on a much larger scale than those we have dealt with so far, has been able to achieve, should be much more convincing and indicate more clearly what we have in view than any abstract treatise on the subject. We propose for this purpose to refer again to Burma, a country where agricultural conditions are not very dissimilar to those in India and may perhaps be considered to be worse in some respects,

and where co-operation received the earliest and the greatest set back and yet is being reconstructed with practical wisdom and faith.

2. The institution which we propose to describe in this bulletin is the Sittang Colonies Banking Union Ltd., in Burma. Though it is hardly known outside Burma and even in Burma the extent of the business it undertakes is scarcely realized, it is the largest and soundest co-operative central bank there and is bigger than most central banks in India. The writer came to know of it during his last visit to Burma when he had an opportunity of meeting Mr. Buchanan, the Administrator of the State Colonies Department in charge of the colonies in which the Banking Union works. The information which Mr. Buchanan then supplied was later supplemented by the report of a talk which he gave on the radio. For the most part however the description which follows of the history and working of the Union is taken, with the permission of the Government of Burma, from an interesting and valuable report by Mr. Harper, I.C.S. who had been appointed by the Government to make an investigation into the working of the Union. That report was kindly made available to us by the Government of Burma even though it has not been released for general publication. We have also made considerable use of the third volume of the Report of the Land and Agriculture Committee in Burma, 1938 in which the Committee have dealt with the question of Agricultural Credit with particular reference to

Co-operative Finance and Government's policy of colonising agricultural land. This bulletin is thus in the nature of a compilation of the contents of various publications and contains little original writing. We have however thought it best to follow this method in order to give as accurate a picture as possible of the Union in the words of those who have an intimate knowledge of its working. In view of the fact that the Union works in a colonised area and illustrates the possibilities of co-operative colonisation which would be of interest in India we have also considered it desirable to give some space at the end to what the Committee have to say on this subject.

3. In the Sittang Colonies Banking Union the membership is confined to co-operative societies in the area. These societies, as will be explained below, are of a peculiar type called Tenancy Co-partnership and Credit Societies and have been organised for colonizing cultivable waste land. There are at present 80 such societies with a membership of about 2,500 cultivators and a working capital amounting to over Rs. 30 lakhs. The balance sheet of the Union as on 31-6-37 shows that it has a paid up share capital of Rs. 7,61,900 subscribed by the societies from their reserve funds. Its own Reserve Fund amounts to Rs. 3,77,010 so that its owned capital exceeds Rs. 11 lakhs. The deposits from the public are Rs. 2,19,602, loans from other banks Rs. 75,000 and deposits from societies Rs. 8,85,611 so that

its borrowed capital is about the same as its owned funds. Even in regard to the borrowed funds, it is important to note that the outside liabilities form a negligible proportion. The Union is also able during the busy season to get cash credits from other banks upto about Rs. 4 lakhs every year and the amounts borrowed are usually repaid during the year. Its assets consist of :

	Rs.
Cash in hand and balances	
with banks      ....      ....	2,996
Investments      ....      ....	9,000
Loans due by Societies      ....	16,66,399
Value of stock      ....      ....	2,02,735
Other items      ....      ....	5,47,393
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	24,28,523
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The nature and distribution of the assets may not appear very satisfactory but the actual position is not so bad because the "other items" represent liquid advances for its marketing activities and the societies have been paying off their loans to a considerable extent during the last few years, thanks mainly to the organisation of marketing by the Union. The Union was originally organised to serve as the Central Bank for the societies receiving money from those with surplus funds and giving loans to those in need of finance. During the last few years however it has been functioning as a real central agency, helping the societies

in the collective marketing of members' produce and the purchase of supplies, and also undertaking various other activities for the amelioration of the economic condition of its members. To appreciate properly the extent to which the Union has been able, through these activities, to bring about a complete change in the conditions of the societies which were at one time looked upon to be almost hopeless, it is necessary to know the vicissitudes through which the Sittang Colonies have passed.

4. The Government of Burma have made attempts from time to time to colonise waste land. The areas available for colonisation are mostly parts of disforested areas, reclaimed lands and accretions on the seaboard. Colonization consists in settling poor agriculturists on these available cultivable waste lands in a systematic manner so that they are protected from losing the land which they have cleared. This work was at first entrusted to the colonization branch of the Co-operative Department. Later in 1925 the colonization branch was formed into a separate Government department called the State Colonies Department. The first efforts at colonization were made in the Kadonbaw Fuel Reserve in east Hanthawaddy in 1914-15. Work in this area was continued until 1923 and extended into Pegu along the west bank of the Estuary of the Sittang River. The whole area covering over 120,000 acres is now called the Sittang Colonies.



5. The colonization on the Sittang Colonies was carried out by means of Tenancy Co-partnership Co-operative Credit Societies. A number of such societies were formed with a membership of 25 to 40. The areas to be colonised were divided into blocks of 1,000 to 1,500 acres and leased out by Government to each society. Each society block was formed into a village tract for purposes of administration and a village site of about 100 acres was properly laid out and demarcated on the ground and tanks and similar amenities were provided. The remaining area was subdivided into holdings of about 30 to 40 acres and each of these plots was sublet by the society to one of its members. The members were financed by Government through the society under the Agriculturists' Loans Act. The main objects of attempting colonization under the co-operative system were to prevent the settlers becoming overloaded with debt, by the provision of co-operative finance on easy terms, and to make impossible the alienation of the land by a member by leasing it to the societies in their corporate capacity and thus avoiding the acquisition by members of transferable rights in it.

It was felt that the land would become valuable after it was cleared and that if the cultivator was left to himself he would borrow at high rates of interest from capitalists who would ultimately get the land. The cultivator was therefore provided with finance and at the same time the moneylender's risk in lending was increased by

making it impossible for him to get hold of the land. It was also felt that for the purpose of establishing settled conditions and a proper village administration from the start this method of allotment of land to co-operative societies or to reputable groups was better than making it available to a mixed crowd of squatters or the highest bidder who would exploit others rather than cultivate it himself.

6. Though the colonies were thus started on co-operative principles with finance from Government with the intention of protecting the peasant cultivator against absorption by the capitalist, there were several changes in Government policy and the co-operative ideal was not always kept in view with the result that the scheme did not develop in the manner intended and for a long time the societies were looked upon as failures. In the first place successful colonization required that the reclamation works should be carried out by a unifying authority according to a general plan. There was however no comprehensive scheme of protective and drainage works aiming at serving the interests of the area to be colonised as a whole, and small isolated efforts at land protection and drainage which were often in conflict with one another did little good. This landed the individual pioneers and even the societies in a tragic state of debt as their money was spent and the reclamation achieved amounted to little. The repayment of this heavy burden of unproductive debt involved

the colonies in a long and hard struggle. Secondly, finance by Government which was made piecemeal and to independent units was irregular and stopped altogether in 1924 and a somewhat rigorous policy of recovery of outstanding loans bearing interest at high rates was adopted. The withdrawal of financial aid by Government compelled the colonists to resort to moneylenders and capitalists. This resulted in the disappearance of the important principle of protecting the cultivator from the capitalist who came to be tolerated for his money which was needed to replace the discontinued Government aid. It also resulted in greater restriction of scope and increased independence of effort at reclaiming which was still more unsuccessful and led to greater losses. Thirdly, the colonies were taken over about this time by the newly formed State Colonies Department which allowed the co-operative aspect to fade into the background, and tended to look on them primarily as a means by which Government as a landlord could obtain, in addition to what would normally be payable as land revenue, some part of what a private landlord would have taken as rent. The colonies thus came to be regarded primarily as a source of income for Government and these demands, added to the recovery of the very large Government loans by which the original bringing of the land under cultivation had been financed, weighed heavily on the societies and, when to these was added the catastrophic fall in the price of paddy, they were reduced to a state verging on ruin.

7. It seemed at this stage well-nigh impossible to rescue the societies or recover any of the Government loans which at one time amounted to Rs. 23 lakhs. Fortunately however there was a change in the policy of the State Colonies Department and co-operative principles were revived. The Banking Union which had been registered to function as a Central Bank for the Colony Societies had been throughout helping the societies to keep going though it was itself keeping above water with great difficulty. In 1933 it launched into a new branch of work by purchasing a rice mill; the Sittang Colonies Co-operative Paddy Storage and Rice Milling Society Ltd. was registered as a branch of the Union, and a system of collection, milling and sale of the produce of the colonies was developed. The next year the Union started on a small scale a department for joint purchase of stores and started issuing part of the loans in kind to prevent misapplication of the loans. A year after it appointed a conciliation board to liquidate the outside debts of its members. As a result of this extension of the activities of the Union under the guidance of the Government Administrator and mainly on account of the increased repayments which became possible under the collective milling and marketing of rice the colonies acquired a new lease of life and the old Government loans which had come to be regarded as lost were repaid with interest. The Union was also in a position to pay off all its outside liabilities and to give fresh finance to societies.

8. The colonies may now be said to have attained a fair measure of success. It would be too much however to expect the effects of the previous policy to disappear all at once. Nor is it possible to bring about, even by the adoption of co-operative methods, an immediate all round improvement. It must be remembered that colonization is almost invariably limited to land which is on the 'margin of cultivation'. The factors which make for this are (1) unhealthy situation (2) lack of fertility due to salt impregnation (3) lack of sufficient protection for crops (4) lack of transport facilities (5) lack of marketing facilities and (6) lack of amenities, thus rendering labour less reliable, and the Sittang Colonies have suffered or are suffering in various degrees from one or more of these factors. An alleviation has been attempted by bunding, draining the land and working out the salt, by provision of village amenities and by the system of collection, milling and marketing of produce. Improved health conditions have followed but transport facilities are still deficient and there is not a single road in the whole of the 120,000 acres of the colonies, which produce annually not less than 80,000 tons of paddy of which almost the whole is transported to Rangoon. Conditions in the colonies vary from unhealthy unattractive areas of precarious fertility, due to insufficient protection of the land against natural forces, such as Lunbye and Kyibin in the North-East which are subject to severe fresh water floods; Kan-U, Seinnyun, Yawtha and Kobin on the South-East,

which are being rapidly flooded and eroded by the Sittang River ; and the areas Southwards, through the Alangon coastal belt, which are subject to salt water flooding by tidal creeks ; to well protected, established areas, such as Yitkangyi West, Kadonbaw and the Western fringe of the Alangon area. In other words the central areas are well established and protected, both by bunding and draining, and by the extension of other areas beyond them and this security diminishes more or less gradually (except for a few sudden jumps, due to the long periods which elapsed between the appearance of certain of the successive accretions), as one passes outwards, until the fringes of the area present land in a most precarious state of cultivation. The condition of the societies also therefore varies. There are a few societies which are still engaged in the struggle of winning safety for their crops against flooding by fresh or salt water or both and have to spend much on bunding and draining. The members are heavily indebted to their societies and some have piled up formidable sums of outside debts in efforts at land improvement which have proved of little if any permanent value. Conditions in the areas of these societies are so unattractive and unhealthy that the solid reliable cultivator is not interested and there is a continual change of membership due to tenants working for a season or two, meeting with disaster and abandoning their holdings. There are other societies in which the bunding and draining of land has been so far carried to success as to give the cultivator a sub-

stantial protection for his crops, but the societies are still heavy with debts from the difficulties and disasters of their early life and are still struggling though capable of development and success if helped to clear off their heavy outside debts. There are some societies which have good lands and are in sound condition having paid off nearly all their debts. Lastly there are some societies which possess secure land and owe very little to the Union but have, on account of their very prosperity, retrogressed and incurred heavy outside debts.

9. It can be imagined that the task of rescuing from financial difficulties societies working under such conditions is far from easy. The degree of success which the Banking Union has achieved is therefore all the more creditable. The turning point in the history of the colonies came with the purchase of the rice mill by the Union. It was realised that so long as repayments were collected in cash they would never amount to much. As Mr. Harper puts it, "A Burman cultivator transacting in cash is like a child carrying water in its cupped hands. . . There is only one way to handle co-operation in this Province and that is by a firm grip, mobile, but never relaxing, upon the produce of the Agricultural or Tenancy Society member. Cash must be kept out of the Scheme to the utmost possible, and cash upon which there is a lien actual or accruing should never reach the cultivator himself, for if it does it is lost. Only strictly net profit should reach him in cash.

There is no lien on it: it is his right and if he wastes it, as in nine cases out of ten he will, he causes loss to himself alone". It was with this idea of avoiding placing in the hands of the colonist any cash other than his balance of annual profit on which there is no lien that the Union undertook the collection, milling and sale of produce. As expected this checked leakages and extravagances, saved milling charges and sundry expenses connected therewith and brought higher prices so that the payments increased substantially. In view of the striking results which this part of the Union's activities has given it seems desirable to describe it in detail.

10. As must be clear from the previous discussions the loans outstanding against the members having been given mostly for colonisation purposes were for long term or have become so and have to be recovered in driblets. To ensure maximum possible recoveries the societies assess every year, just before the harvest, their members' crops and fix the amount each member has to pay in kind at one of the depots for the collection of paddy belonging to the Union. This amount is called Sattan. The societies inform the Union of the Sattan fixed and it in turn informs the Superintendent of the State Colonies Department, through the two Managers of the Union. The Superintendent, his Managers and the Committee of the Union act together in checking the fairness of the assessment of Sattan, having regard



to the society's various liabilities and its anticipated crop and for this purpose visit the threshing floors as the crops are being harvested. Usually the amount is one-third of the gross outturn and a member who defaults is liable to expulsion. A member is allowed in addition to send down as much paddy as he likes in excess of his Sattan and this is known as "Trust Paddy".

11. The Union owns two rice mills in Rangoon and has three large depots at Kayan, the main collecting centre, and six others situated in various parts of the colonies' seaboard. The Union owns outright a large area of Kayan and has a number of large and valuable godowns, a well built principal office and various other small hutments etc. for Depot officers and coolie barracks, purchased for the most part during the slump years at advantageous prices. These properties are worth over Rs. 2 lakhs. Each of the depots is managed by a Lugi elected from their members by the societies using the depot. Other members of the societies concerned are employed as clerks and coolies, thus helping to keep the wages of the organisation within the membership. The depot Lugiis are allowed Rs. 1-8-0 commission for every 100 baskets received in their depots and they are given a weight allowance for shortages.

12. Immediately after the Sattan is fixed, the collection of the produce by the depots commences and until it is completed, the committees of the

societies, and of the Union, aided by the Managers and the Superintendent are busily engaged in seeing that paddy comes in to the depots and is not diverted into many of the side tracks awaiting the cartman between the threshing floor and the depot. Inducements have been offered by the Union to encourage early collections in the form of remissions for early payments and prizes to those who complete their payments first, a silver cup being given to the first society in each tract to complete its repayments.

13. When a member's paddy arrives at the depot in a group of carts the member is asked if he wishes to exclude any carts from the consignment which may be short in weight from accident or other causes so that it may be weighed separately. The depot then examines the remaining carts and chooses one which appears to hold the least. The contents are then measured by weight. One basket is chosen from about the middle of the cart, and after preliminary weighment is put through the shaker and weighed again. All this is done openly in the presence of the member or his representatives. The selected basket is taken as the average weight of the consignment, and the selected cart as the average load. The weight of the whole consignment is thus calculated and the result goes to the member's credit. In the Kayan depots where hundreds of carts are massed together additional precautions are necessary, and it has been found useful to control the admission of carts

to depots. "Trust Paddy" is only received at one of the Kayan depots or at the mill and other outside depots are not allowed to receive it, as it has been found to present difficulties.

14. Receipts are prepared in triplicate for Sattan and in duplicate for "Trust Paddy". The member consigning Sattan is given the third portion of the receipt which is taken by him to the Chairman of his society as proof that he has delivered his Sattan. The second portion is given to the cartman acknowledging cart hire due to him, and may be presented by him to the Kayan Office for cash payment, or it may be used by him for the purchase of goods at any of the co-operative shops, which will in due course adjust the amount with the Kayan Office in settling their own shop accounts. The cart hire receipts, being negotiable within the Union, are serially numbered and signed both by the clerk and the Lugyi of the depot, and are sealed with a depot seal. They are changed slightly in colour and form annually to prevent fraud by the presentation of previous years' receipts. The third copy of the counterfoil is kept by the Depot Lugyi. In regard to the "Trust Paddy" the member has to settle his own cart hire and he receives one copy of the form of receipts for his paddy while the counterfoil is kept by the Depot Lugyi. If he desires the member can obtain a loan for his cart hire from the Union, by mortgaging his receipt with them.

15. Having delivered his receipt for Sattan to his Society Chairman, the member has to wait till the average price is declared by the Union which is invariably higher than the member could obtain elsewhere, and to satisfy himself that his account with his society is credited accordingly.

16. Except at Kayan and the mill there are no godowns, and where there are none, the paddy is sent by boat to the mill at the first opportunity. At the Kayan depots, the depot Lugi decides which paddy is to be sent at once by boat to the mill, which is to be dried out in the large depot talins and which is to be temporarily stored in the depot godowns.

17. Boats are invariably used to send paddy to Rangoon, as rail charges are prohibitive. The Union makes a contract at the beginning of the season for the water transport required to serve all the depots. The contractor is required to deposit security with the Union, and to insure against the loss of any of the Union's paddy carried by him. The sums paid for cart hire and boat hire are considerable having amounted to Rs. 86,659-14-0 and Rs. 56,809-10-0 respectively in 1936-37. The cart hire is mostly not lost to the colonies, as the members chiefly employ their families and fellow colonists and villagers to do the work and it has been suggested that the Union should keep its own boats. The Union also spends a great deal in coolie hire employing over 300 coolies in the

Kayan depots but as Kayan is too distant from the colonies colonists' labour is not available to any great extent. However the depots provide labour for a large number of the poor of Kayan who would otherwise find employment difficult. The coolies are housed in barracks provided by the Union and carry on their work day and night in shifts.

18. After arrival of the paddy at the depots the Union Committee of Management take up the responsibility, closely and constantly assisted by the Managers of the colonies. This Committee numbers four and they are selected by the societies from among their own members. Two are posted at Rangoon and two at Kayan. Of the former, one superintends the working of the mill and the other the Banking Office in Edward Street. The Kayan members work in monthly rotation, one working in conjunction with the Managers, supervises the outside depots and superintends the payment of cart hire and labour charges in connection with them, and the other does the same in the Kayan depot, and in addition supervises the working of the Co-operative shops. The latter member is constantly in touch with the Rangoon Banking Office and the mill.

19. The paddy is sent into Rangoon in such a way as to keep the mill constantly supplied with its particular paddy needs. The boatman is given a form of letter in which are stated the kind and quantity of paddy sent up and the particulars of

the cargo boat carrying it. On reaching Rangoon the cargo is weighed and checked by the mill after which a triplicate receipt is given. One copy is forwarded to the depot sending the cargo as a receipt for its safe arrival; it gives details as to the quantity received and the Depot Lugyi takes the credit for the amount in his books. The second copy is given to the boat contractor who converts it into money at the Union's Office in Edward Street, Ragoon. The counterfoil is kept by the mill.

20. "Trust Paddy" received in the Kayan Depot or at the mill can be converted into Sattan by a member at any time. Such paddy is transferred from the "Trust Paddy" depot to the Sattan depot by book transfer. The form used is in triplicate. One copy goes to the Chairman of the Members' society to inform the society of the payment, the second copy goes to the Kayan Office for transfer in the accounts and the third copy of the counterfoil remains with the "Trust" Depot Lugyi. If the member has mortgaged his original "Trust Paddy" receipt, it is retained by the Kayan Office as a receipt for cart hire, the amount having already been paid by them, on behalf of the member at the time of deposit of the paddy. If the member does not require to convert his "Trust Paddy" into Sattan, he can cut the price at any time he wishes, and receives the market price on the day of the cut. In other words he can sell his paddy any time he likes and

obtain the current market price. This is an advantage because the other big mills limit the periods and times when prices of "Consignment Rice" and "Trust Paddy" can be cut and generally see to it that the transaction is in favour of the firm, as is only natural when profit is the only object. This is a very popular side of the organization, as the cultivator can obtain a loan upto 75 per cent. of the value of the paddy at 10 per cent. per annum interest, and he can wait for a rise in the market. Many outside cultivators wish to deposit their paddy in this way, but the mill is not capable of handling much more at present than is provided by members. A few outsiders however who have business connections with the societies are allowed this privilege, provided that members' claims are first satisfied. The Sattan is not quite enough to keep the mill fully occupied and as the societies reduce their debts it will further decrease until in ideal conditions it would only be sufficient to cover the rent and repayment of seasonal loans etc. The "Trust Paddy" side should increase greatly as time goes on, until the bulk of the produce of the colonies' members is handled through the Rangoon mills as "Trust Paddy" with the considerable advantages which are derived thereby. The paddy is insured throughout, and once it is in the hands of the depots the cultivators' worries are at an end in regard to it. He has his receipt which he can convert into cash or exchange for goods and supplies at any time.

21. When the mill receives the paddy from the boatman it is measured by weight according to the system adopted at Kayan. During unloading a small percentage of the baskets taken out are weighed and they form an average on which the boat load is calculated. The net result is checked with the advisory notices from Kayan, and receipts issued as already described above. The paddy is then graded and placed in the godowns until it is required for milling.

22. The Union engages the services of a well-known rice broker of Rangoon, who acts as their house-broker and marketing advisor. He has been employed every year since the commencement of the scheme and has been of great help to the Union. He is a member of the Rangoon Rice Brokers' Association and has recently been appointed their Secretary. The broker gets no brokerage for sales from the Union but recovers it from the buyer, and if his quotations are equal to those of other brokers, preference is to be given to him; if however they are less (which has never yet occurred) the Union is at liberty to sell through others, but the Union would always take his advice as to the standing and reliability of the others. When a sale is made through an outside broker the house-broker claims half brokerage from him this being the custom in Mogul Street.

23. The house-broker, or his partner, is constantly present in the Rice Exchange in Mogul Street and watches every movement of the market,



and is in constant touch with the Union Office through the Administrator of the State Colonies Department. Advice is taken from the broker and the Union's Lugsyis act upon it subject to the approval of the Administrator. The factors regulating the sales are :

- (i) The state of the market,
- (ii) The nature of the paddy supply, and
- (iii) The regular working of the mill.

The balancing of these factors in such a way that they do not act antagonistically is a fine art, requiring expert advice and attention. When a decision to sell is arrived at and such decisions have to be taken promptly, the broker is instructed to make the sale. The Union's mill is a member of the Burma Rice Merchants' Association and the sale contract is drawn up according to its bye-laws on the form required and approved by them. The Rangoon office then sends a milling notice to the purchaser. When the milling of the order is completed the mill informs the Union's office in Rangoon and they make out a bill. On receipt of the payment (collected by Rangoon office), almost always by crossed cheque, the Union Office issues a delivery order to the purchaser. Only on the presentation of this delivery order is the purchaser permitted to remove his rice from the mill. Failure to remove the bags within the prescribed time entails extra charges for demurrage etc. In short the mill is run on the same lines,

using the same forms, as are customary with all the "Big Mills" which are members of the Burma Rice Merchants' Association, with whose byelaws (being a member), it complies. Within this Association there is an inner ring, and the Sittang Colonies Banking Union, Ltd's. mill has been admitted to it. This gives the mill the advantage of "selling forward" when prices are good, and opportunity for "hedging" when forward prices are low. This is a complicated business, but has been of great advantage to the Union, no firm of any size being able to achieve any large degree of success without it. The even working of the mill is essential if the milling is to be economical, and it stands to reason that a large mill capable of turning out 1,500 bags of rice per 24 hours cannot work economically unless forward sales can be made. Without such sales the mill would have to work by fits and starts or mill steadily and risk serious loss by deterioration from storage or large stocks of unsold rice. The stocking of rice is almost impossible as in Rangoon purchases are almost invariably "ex-hopper" and rice rapidly deteriorates, stocked rice fetching a low price. On this point the Land and Agriculture Committee have made the following remarks:

"In order to obtain finance for current expenses, the Union has been more or less compelled to enter into speculative transactions, such as "hedging" in the market. We believe that while there is no reason against the Union making

ordinary forward sales, considerable danger exists in "hedging" operations, unless the Union's affairs are specially and efficiently watched in this respect. The Banking Union at present has the constant and expert advice of Mr. Buchanan in these transactions, but we consider it imprudent that such an organisation should be left so entirely dependent on the individual qualities of a particular person. We consider that such a system must remain unsound so long as there is no adequate understudy for the essential control".

24. The Union provides marketing finance by getting cash credits from the joint stock banks of Rangoon. Money required for payment of advances on "Trust Paddy," cart and boat hire, mill expenses, wages etc. is obtained by mortgaging the Union's immovable property until the paddy begins to arrive and replaces it.

25. It will thus be seen that collection and assembly, grading, transportation, risk bearing and financing in all stages have been well organised and they are mainly carried out by the members of the societies and their children. The amount of paddy transactions carried on by the Banking Union in a year now amounts to about 17 lakhs of baskets or nearly 30,000 tons of rice and rice products. The Burma Land and Agriculture Committee have made the following observations on the Union's system of collection and marketing. "In brief the principle is that dues are paid in produce which is marketed by the Union, any

balance remaining after deduction of dues (there is normally a balance since the amount required to be deposited is so fixed as to ensure that on sale it will fully cover the dues) being returned to the member concerned. The object is to avoid placing in the hands of the colonist any cash other than his balance of annual profit on which there is no lien. In addition to the compulsory deposit of paddy in payment of dues, colonists are encouraged to hand over the rest of their crop to the Union to be marketed by it. Colonists realise that this is in their interests as the Union obtains a better price than they could themselves obtain, and make full use of the facilities offered. Their interests are fully safeguarded by a carefully thought-out system of documentary and weight checks while the produce itself is insured against loss from the time it reaches the Union depots until it passes into the hands of the buyer. The milling of the paddy in the Union mill is carried out in the same way as in privately owned mills and the selling is done in accordance with the rules of the Burma Rice Merchants' Association of which the Union is a member. The Union's system of collecting, milling and marketing produce is conducted on business principles. This is a matter of the very greatest importance since we hold that from the very commencement of colonising operations it is essential to provide an organised system of marketing. It is not enough to put colonists on the land and provide them with finance. Facilities must be provided for the marketing of their produce.

Experience in the Sittang Colonies has shown that the colonists get a better price for their produce by milling and selling through the Union than they get from millers and rice brokers. We hope that the co-operative marketing of agricultural produce will be one of the most important features of the reconstructed co-operative movement and that the day will come when a large part of the country's produce will be marketed by associations of cultivators. Meanwhile the success attending the efforts of the Banking Union of the Sittang Colonies in this direction has convinced us that every colonisation scheme should from the outset provide for the marketing of the colonists' produce. Marketing not only enables the cultivator to get a better price for his produce, it also provides the colonising authority with the essential grip over its finance. It was not until the Sittang Colonies realised this and set up a system for the collection, milling and sale of produce that they enjoyed any prospect of prosperity at all. Once their mill and collection system had been established, the Sittang colonists began to repay their old loans which had come to be regarded as irrecoverable. That they are now in the very creditable position of having paid back the whole of the money which Government had lent to them with the interest due upon it, is in large part due to the gains accruing from the Union's system of milling and marketing. In many countries, of which Burma is one, the natural improvidence of the small cultivator makes it necessary to keep out of

his hands money other than the net income from the cultivation after his dues have been paid. Even under the efficient marketing system of the Sittang Colonies, there is continual tendency on the part of the less prosperous colonists to dispose of their produce outside the movement in order to get unauthorised additional credit. It is therefore necessary in any system of colonisation to provide for the compulsory loyalty of the colonists to their collection and marketing system so long as they have financial liabilities to the colonising body".

26. The second important measure which the Sittang Colonies Banking Union has taken in order to improve the condition of the colonists is the joint purchase of their needs. The Union has realised that it is not enough to grant necessary loans to the cultivators at a reasonable interest when required and to sell their produce at a reasonable profit at regulated markets but that it is necessary also to provide them with the means of buying what they require at the real values of the commodities and thus secure for them some of the profits of the middlemen. It has thereupon started establishing Co-operative Stores in some centres and is developing this business cautiously. It has at present four Co-operative Shops; two in Kayan, one in Thongwa and one in Thayetkon in the colonies area. One of the shops in Kayan and the shop in Thongwa sell timber, bamboo, thatch and fuel. The other shop in Kayan and the shop

in Thayetkon sell food, clothing and necessaries. Since it has been urged in India that such a combination of banking and trading by co-operative institutions will lead to confusion and mismanagement it would be interesting to explain how these shops work.

27. The shop Lugijs are elected by the societies of the Union, and they are required to place cash or security to the value of Rs. 5,000 each with the Union, or in the absence of such security to obtain a guarantee from the societies electing them to make good any loss sustained by the Union by reason of their election to such post of responsibility. A suitable printed form of contract is executed, and after satisfaction of security the shop Lugijs is advanced a sum of money by the Union, at 10 per cent. per annum interest sufficient to stock his shop. He then carries on the business on a cash basis. He is only permitted by the Union to accept cash or the Union's coupons or cart hire receipts for payment. If he allows any purchase on credit he does so entirely at his own risk.

28. The Union when paying out loans or other monies to members of the societies uses coupons as far as possible. These coupons are for values of Rs. 5 and Rs. 10 and may be tendered at any Union shop, or may be converted into cash at the Union's office. The object is to pay the cultivator as far as possible in coupons for the amount

of his needs, and to minimise the use of cash as far as possible. The use of coupons also ensures that the co-operative shops will be used in preference to others. These coupons for a while were being accepted by almost all the shops in Kayan, and even in gambling *waings* which, apart from an infringement of the Currency Act, is some indication of the credit and reputation of the organisation. To stop this undesirable practice the coupons have been altered, and the name of the party receiving them is now entered. They are endorsed not transferable, and payment at any of the Union shops or offices is made to the member indicated on the coupon only. Outside traders can no longer convert their coupons into cash, and consequently they will no longer accept them. The design of the coupons, which are numbered serially, is altered every year. Lists are maintained of all the coupons issued giving their serial numbers, and as they are received for conversion they are cancelled and struck out of the lists.

29. The accounts are well kept and are run on a businesslike system, whereby adequate stock verification is assured and ledger accounts with individual suppliers are maintained. The shop-keepers are not permitted to keep more than Rs. 200 in their possession overnight. The sales are good and the shops are becoming popular, even with outsiders, who are also encouraged to use them, because of the good quality of the goods supplied and the reasonable prices demanded. There is an



annual settlement of the shop's accounts with the Union after Thadingyut (October). If a profit is made—and usually there is a profit—50 per cent. is claimed by the Union in addition to 10 per cent. on loans, and the shop Lugi receives the other 50 per cent. as remuneration. If there is a loss the Lugi has to make it good. All the stocks are insured by the Union and the premia are debited as loans at 10 per cent. to the shop Lugi.

30. It will thus be seen that the arrangements made with the shop Lugi, though to some extent one-sided, ensure the Union against incurring losses. The system of shop management by the election of Lugi also saves the Union the expense of staff to run them and Inspectors to supervise them and check their accounts. The annual turn-over of those shops is a little over one lakh of rupees. To serve the needs of the area properly a turn-over of at least five to six lakhs is considered necessary but the Union is not at present in a position to supply so much finance. Another factor which prevents the expansion of this business is the rule prohibiting credit sales. Though this rule is sound it prevents the man without ready cash from resorting to the co-operative shop and consequently whether he is a member of the union or not he is compelled to go to the Indian or Chinese village traders and shopkeepers, where credit is seldom, if ever, refused to any one who is expected to have a crop to reap at harvest. How such a course results in making his position even worse will be apparent when the

methods adopted by these shops are explained. The customer is given credit at *Saba-pe* rates, that is to say he has to agree to pay 100 baskets of rice at harvest for a few months' credit of about Rs. 40 and in addition is required to pay interest on what he is advanced at the rate of a basket per basket which means another hundred baskets. All this is exclusive of the profit which the shop-keeper usually makes on the goods sold. Thus supposing the local harvest prices to be Rs. 70, the customer pays Rs. 140, plus profit on goods, for his loan of Rs. 40. If repayment is not made in full, and such repayment is seldom possible, the unsatisfied balances are converted at the same credit rates for the following season. Thus a cultivator has only to obtain credit from a Chinese shop-keeper for Rs. 10 to land him in his debt at a rapidly increasing rate for the rest of his life. The Land and Agriculture Committee say in this connection: "The dire consequences to the peasant cultivator of buying on credit from small village shop-keepers are notorious. The only effective way to break the system is to open co-operative shops for the sale of goods in general demand. So far as possible, sales should be on a cash basis but where credit is genuinely required it should be given at reasonable rates. Consumers' Co-operative Societies should be a part of every colonization Scheme".

31. These long descriptions about the Union's activities in regard to marketing and supply of necessaries might give the impression that in regard

to agricultural finance proper it has, like the co-operative banks in several provinces in India, become only a debt collecting agency and ceased to give further credit. This is however far from the case. Fresh finance was undoubtedly reduced to almost nil during the years when the societies were looked upon as having completely failed. During the last few years when the Union has been straining every nerve to pay off the old Government loans, its efforts to help the societies with fresh finance were also severely restricted. But as its own finances have improved it has started assisting members with credit as much as it could and issues finance for cultivation to those societies whose internal financial position and financial standing with the Union itself permit it. Learning however from its previous experience, the Union now carefully scrutinizes loan applications and cash is given only when the requirement cannot be supplied in kind. Cash loans are in fact given only for transplanting and reaping expenses. Owing however to the peculiar conditions in the colonies, the Union advances money required for land improvement to insolvent societies also as this is the only way in which they can be made solvent. When the land is once well protected the Union is able slowly to recover the money thus advanced. The Union has also to face another problem namely the heavy debt at exorbitant rates incurred by the colonists during the period when the grant of Government loans was stopped. The rate of interest on these debts is

seldom less than 30 per cent. per annum. As these debts tax the resources of the colonists to the utmost and make it difficult for them to derive sufficient benefit from the working of the Union, it is doing its best in helping them to liquidate these debts. For this purpose the Committee of the Union function as a kind of conciliation board. After the debt is scaled down the creditor is not paid off immediately by the Union but by instalments extending over a number of years and the annual payments which the debtor member has to make to the society, are increased correspondingly. By adopting this device the Union has been able to get over the difficulty of finding long term funds for financing the settlement of these debts. At the same time it takes care to see that its commitments on this account do not exceed its Reserve Fund. In the past three years with a sum of about one and a half lakhs of rupees it has managed to settle about Rs. 4½ lakhs of principal of such loans without taking into account the accumulated interest. Its aim is to relieve the members of these burdens altogether in time to come and become their sole creditor. When conditions improve it hopes to make the savings branch an important item of its work.

32. It seems desirable to detail here the procedure followed for advancing loans to and making recoveries from societies. The circumstances, accounts and repayments of the societies are carefully examined, and the Managing Committee of the Union, advised by Mr. Buchanan, put up

proposals to the General Meeting of the Union for sanction. The sanctioned loans are then paid out to the societies' representatives in convenient instalments, by the Kayan office. The debtors sign a promissory note and these together with the disbursement accounts are returned to the Union's office in Rangoon where ledger accounts are kept for each society. The necessary entries are made in the ledger. The recoveries are made at the end of the season when the sales of the collected produce are completed.

For the annual settlement the societies' clerks assemble at Kayan. A form is made out for each member of each society, showing the financial result of the season's work of the member. These are consolidated and a balance sheet is struck for each society. If the balance is in favour of the society it is paid off in cash, if the society requires the money and members' circumstances justify such action; otherwise the balance is set off against the society's loans from the Union. If the society owes nothing to the Union the money is put into the Union's share capital. Now that the Government loans have been cleared off it is proposed to pay a bonus on the amount of produce sent in, in order to encourage greater repayments.

33. In addition to credit, marketing and purchase, the Union undertakes a fourth type of work for ensuring the economic uplift of its members. This consists of various activities.

With the co-ordination of the Agricultural Department improved seed grains are being introduced over a large part of the Sittang area. Experiments are also being carried out for a suitable pure seed for the low-lying area near the sea. The shortness of the working life of cattle in the colonies has always been a great problem and many of the failures among cultivators have been due to loss of cattle. A separate Veterinary Assistant has now been appointed to take charge of the Colony area and with the effective measures taken by him there has been no serious outbreak of disease among cattle and their working life has been prolonged. A start has already been made for the introduction of cottage industries and spare time occupations. A school for teaching improved methods of weaving already exists at the Banking Union headquarters at Kayan. The children from the colonies are taught and fed free at this school. When a student has completed the course he has to work at the school for two months without any wages. After this he may purchase and take to his village a loom on credit from the school and the price is paid in small monthly instalments. Other spare time occupations and recreations are being planned and will be introduced in the area as soon as possible. Government has agreed to open a village agricultural and industrial school in the area; and the question of having a travelling dispensary for the colonies is also under consideration.

34. It will be useful at this stage to describe the different parts of the organization and the system of accounting followed. The component parts consist of:

1. The Union Office in Rangoon,
2. Kayan Office,
3. The Collection Depots,
4. The Co-operative Shops,
5. The Mill and
6. The Societies.

The constitution of the societies has already been described. Extracts of important byelaws are appended. Their accounts are kept in the manner usual in Co-operative Societies.

The mill's working accounts are kept in the manner usual in the big mills of Rangoon; they are suitable and safe, and the system of checks is adequate. In addition the Superintendent of the State Colonies Department has evolved a system of advices whereby he is kept fully conversant with all that goes on at the mill. The expenses of the mill in regard to upkeep and wages are met by the Union Office in Rangoon, and the mill does not handle any cash except that received for disbursements as wages and contingencies.

When wages have to be paid the mill indents on the Union Office for the amount, supported by the muster rolls of the gangs. The disbursement

is substantiated by acquittance rolls which are kept for record and inspection at the mill. Bills for repairs are sent to the Union for payment.

Bills for contingencies are sent fortnightly to the Union Office supported by vouchers when they are paid and the imprest account at the mill is recouped thereby, the contingencies being paid as they arise out of the imprest money (Rs. 100). Appropriate ledger headings are kept in the General Ledger of the Union Office under which the necessary entries are made on behalf of the mill.

The co-operative shops and their system of accounts have already been described.

The Union has a banking office in Edward Street, Rangoon, through which its finances are adjusted. This office conducts the Union's business with the joint stock banks in Rangoon and with the Rice Exchange in Mogul Street. It arranges the sales of produce, collects the payments and makes the adjustment with the Kayan Collection Depots. It keeps a General Ledger, a journal and a cash book as well as numerous subsidiary ledgers, registers, forms etc.

The Kayan Office is run on credit from the Union Office and a General Ledger heading is kept for all money paid to or received by the Kayan Office. The latter is required to send a statement of accounts every month to the Union Office and a copy to the Superintendent of the



State Colonies Department. In this statement all disbursements and receipts of the Kayan Office are shown in totals under their respective heads. The balance of this statement must agree with the balance of the Union's General Ledger account of the Kayan Office kept in Rangoon, and any difference has to be explained and adjusted whenever it is discovered.

The Kayan Depot acts as the Union's main Agent for dealing with societies as they know the colonists and are near them. The money is sent to Kayan where it is distributed by the Committee who forward detailed statements of the distributions to the Union Office in Rangoon for entry in the individual societies' Ledger Accounts maintained there. The money remains a debit against Kayan until the societies' receipts are received, when Kayan is credited with the amount of the receipts. The Kayan Office manages the co-operative shops and any payments made in Rangoon in this behalf are debited to the Kayan account.

The Union also keeps cash credit accounts with the banks, which are checked with the pass books every month. It also keeps its own subsidiary accounts for rent, wages, contingencies etc. The position between the Union Office and the Kayan Office and the mill is clear at any time and there is no confusion in fixing the financial effect of each.

The Kayan Office also keeps a General Ledger Account in which appears a head for each type of expenditure or receipt. An extract of all the balances in this ledger makes up the monthly statement sent to the Union Office.

In addition the Kayan Office keeps a number of subsidiary ledgers for all the branches of the work which they carry out. All disbursements have to be substantiated by acquittances or receipts. The Depot coolies are paid on a contract basis between the Kayan Office and a Coolie Maistri.

Debt conciliation is done through Kayan. The Union advances the money to Kayan, where it is shown as a deposit. Kayan pays out the instalments which are shown as loans against the societies, and the Union then credits Kayan with every instalment. A separate account is kept at Kayan for each sub-depot and these accounts between Kayan and the sub-depots are kept in similar manner to the account between the Union and the Kayan Office. The Kayan accounts are kept on a commercial basis.

The co-operative shops are financed by the Kayan Office where a separate account is kept for each. This activity merely consists of advancing loans to the shop Lugiya, and recovering them along with the interest thereon, and carrying out periodical inspections of the shops' accounts and stock, apart from the adjustment of cart-hire receipts and coupons. These last transactions are

very simple as the shops treat the coupons and receipts as cash and the Kayan Office credits their accounts with whatever they send in this way.

35. It will thus be seen that the Sittang Colonies Banking Union is trying to live up to the ideal that a co-operative organisation should provide for as many of the needs of its members as conditions permit and that the fair amount of success which it has been able to achieve in improving the economic condition of the colonists has been due to the practical and businesslike manner in which it has followed this policy. It has undoubtedly still to make up considerable leeway so far as the debts outstanding against the societies are concerned. These loans in some cases will take several years to recover but over half of them are covered by the shares the societies hold in the Union and the balance may now be considered to be safe since the bulk of the debtor societies are paying their interest in full every year and many of them in addition are regularly reducing their loans. The Union has had to use its money carefully and sparingly but in spite of that has been able to pay off during the last few years about Rs. 5,00,000 of old loans formerly regarded as lost and whilst doing so has enabled the colonies to go on not only working but improving their security and finances without seriously impairing its own financial stability. Up to last year most of the surplus cash had been swallowed up in repaying the Government loans and interest to

which the societies committed themselves years ago and yet it was able to advance a little money for land improvement and seasonal loans. Now that the Government loan has been liquidated it will be in a position to finance the societies to a greater extent. The Union is also gradually freeing the members from the debts incurred by them from outside moneylenders and will be eventually the colonies' sole creditor. As the Report of the Land and Agriculture Committee says: "With the establishment of the mill and the system of collective sale, the colonies acquired a new lease of life which has resulted in the repayment to Government of all their old loans and a well founded anticipation of definitely better prospects ahead. There is every reason to believe that in a few years the colonists of the Sittang Colonies will achieve that state in which it was the original aim and object to establish them. The considerable effort required to produce this result will be appreciated when it is remembered that the colonies extend over an area of about 120,000 acres producing 80,000 tons of paddy annually."

36. It will be wrong to give the impression that the representatives of the societies in the Banking Union were responsible for formulating this progressive policy or mainly instrumental in bringing about the improvement. The fact that with the assumption of the management of the colonies by the State Colonies Department co-operative principles were discarded is likely to lead

one to think that the revival of those principles in a more dynamic form was due to the initiative and resourcefulness of the Banking Union inspite of the handicaps imposed upon it by the policy adopted by the Department. In reality it was the change in the out-look of the Department itself which was responsible for bringing about this revival. The initiative came from the Government Officer in charge of the State Colonies Department who realised the necessity of organising marketing as the only means of recovering the loans which appeared to have become bad. In a sense it was lucky that the colonies were being managed not by the Co-operative Department but by a separate Colonies Department. Though as we have seen in the third bulletin, the Co-operative Department also hit upon the same idea only a little later, it is doubtful if that Department, immersed as it was in the huge task of rehabilitating the movement in the whole Province could have brought as much energy and enterprize to bear upon the work of improving the conditions in one particular area as the State Colonies Department did. The administrator of the State Colonies Department having in the main only one objective of making a financial success of the colonies was able to concentrate all his attention on that problem and having hit upon the idea that he must get hold of the produce of the debtors he devoted all his energies to the task of working it out in all its details. The existence of the Banking Union enabled him to give a concrete shape to his ideas

without involving Government in any financial liabilities. This was fortunate as he could go ahead with the scheme without having to wait for Government sanction and it would appear that he quietly went about the work of developing and perfecting the various parts of the organisation. Under his guidance the States Colonies Department allied itself completely with the work of the Banking Union and the Co-operative Societies, and there is no doubt that the success which the Union has been able to achieve is due entirely to the close co-operation of the staff of the Department and the detailed supervision and control exercised by them. To say this is not however to belittle the Banking Union or the important functions it discharges in the scheme. It was obvious that in view of the class of agriculturists who were available for taking up the work of colonisation the members of the societies were not capable by themselves of finding a way out of the difficulties into which they had got or taking any concerted action to bring about an improvement. Even when the activities of the Banking Union were expanded they could not be expected to be enthusiastic about them until their practical results were demonstrated nor did they have the business knowledge necessary to make a success of these activities. But though the initiative came from the Government Department the members were associated with the work throughout and it was the insistence on co-operative principles that

made it possible to make a success of the scheme. Though the power was supplied by the Administrator of the State Colonies Department the machinery was entirely co-operative and its different parts have been gradually perfected so that in course of time the people themselves will be able to generate their own power and run the machinery by themselves. Even now it is the representatives of the societies who are entrusted with responsible work though they look to the Administrator for advice and guidance. The important thing is that the co-operative ideal has been constantly kept in mind and the members of the societies have been helped to learn the work and have not been made to feel helpless by all the work being done for them. The credit for this undoubtedly goes to the farsightedness of the Administrator, Mr. Buchanan, but he has also demonstrated how a co-operative organisation of the type of the Sittang Colonies Banking Union is best able to bring about the economic regeneration of an agricultural population.

37. The lessons to be learnt in India from the example of the Sittang Colonies Banking Union have already been set out at length in our first two bulletins and need not be elaborated here. It may however be stated in brief that the condition of co-operative societies in several parts of India is the same as that which the co-operative societies in the colonies had reached before the Banking Union extended its activities. They have

become clogged with overdues and the members have incurred heavy outside liabilities. Their rehabilitation must therefore proceed on the same lines. No real progress can be made in the liquidation of the overdues unless a similar system of collection in kind and joint sale is developed. Even in the case of good societies or those newly formed such a system will correlate the loan given to the members with their income and prevent over-financing. It will further put an increased income into the pockets of the members and give them a tangible proof of the advantages of co-operation. Above all it will on the one hand prevent the danger of fictitious repayments which have been the bane of the movement in the past and on the other hand stop unpunctuality in repayments under the pretext of an insufficient crop or unfavourable prices when in reality such causes did not exist or did not justify a complete withholding of the dues. 'An examination of the working of the movement in several provinces shows that the depression is not solely responsible for overdues and that their existence and extent had previously only been covered up by an elaborate system of fictitious recoveries and renewals. The depression besides supplying a plausible ground for withholding repayments has disclosed the real state of affairs because the restriction in the credit supplied by moneylenders made it difficult to continue fictitious payments with the help of temporary loans from outside. But ways are being found to surmount these difficulties and co-operation will not



succeed in ridding its members of their debts unless it undertakes the collective marketing of their produce. What has been said about the cash slipping through the fingers of the Burman cultivator is generally equally true of the Indian. It is only when recoveries are made in kind and the produce is marketed collectively that these leakages can be stopped. The Sittang Colonies Banking Union has shown how it is possible for a co-operative banking union to undertake this work of collection and marketing on a large scale provided that it is done under careful supervision and management and that all the practical details are carefully worked out. It has further shown that collective marketing is not enough but must be supplemented by collective purchase. The combination of banking and trading is always considered undesirable and to avoid the difficulties we had suggested that a banking union should make its purchases on an indent system. The Sittang Colonies Banking Union has however worked out a system under which it is possible for the Union to conduct a regular co-operative shop without incurring any risks. Whether it is possible to have co-operative shops in India on the same lines or not, it is obvious that the theoretical objection to the combination of banking and trading does not hold good in the case of a co-operative organisation which makes purchases for supplying the actual needs of its members and does not indulge in speculative buying for making profits. By

taking up credit, marketing and purchase at the same time a banking union is not only able to give an increased income to its members but is also in a position to minimize the use of cash and prevent unnecessary extravagant expenditure. The system of coupons in force under the Sittang Colonies Banking Union appears to be particularly worthy of being copied. The other activities of that Union have also helped to put the colonists on their feet and the necessity of banking unions in India taking them up in order to bring the co-operative societies out of their present difficulties is apparent. The success which the Sittang Colonies Banking Union has achieved should allay the fears which are entertained in India regarding the confusion likely to arise if co-operative banks undertake multifarious activities. It has been urged in India that such activities will lead to complications in accounts and mismanagement. The Union in Burma has shown that it is possible to devise a proper system of accounting and manage each activity of the Union separately and efficiently. It is obvious that it would be rash and risky for a co-operative union to undertake such work unless the management is in capable hands. At the same time it is equally clear that if the present condition of the agriculturists in India is to be improved help must be given to them from all sides and when it is possible to provide for efficient management it would not be right to refrain from undertaking such activities merely on theoretical grounds.

38. The Sittang Colonies apart from providing a good example of a model Co-operative Banking Union are an instance of successful Co-operative Colonisation and are likely to be of interest in India from this point of view also since such schemes are being contemplated in some areas. The past history and the present organisation of the colonies has already been indicated in the foregoing paragraphs. The Land and Agriculture Committee have dealt fully with the question of putting the colonies on a sound footing and the principles on which future colonies should be organised in order that they may not have to go through the hardships and difficulties which the Sittang Colonies suffered and their Report may be referred to by those who are interested in the subject. Here we may usefully give a summary of their recommendations. (1) It is pointed out that the policy hitherto followed by Government of giving leases to individual societies was not conducive to the best results and it has been recommended that a single lease for all the land occupied by the various societies should be issued by Government to the Banking Union whose responsibility it would be to sub-lease to each society, at the consolidated rent fixed by Government, the land pertaining to that society. The society would then as at present allocate the land between the individual members as sub-tenants. The work of Banking Unions in leasing land to Societies and of Societies in sub-letting land to their members should be supervised by the officers

of the State Colonies Department. (2) It is proposed that the rent fixed should be equal to the land revenue assessed on ordinary principles governing such revenue and that Government should not try to make any additional profit as land-lord. (3) The Committee also recommends that the colonists should not be required to clear new land at their own expense but that the cost of initial clearance should be borne by the Government and that the colonists should be paid for the labour expended in accomplishing the clearance. The reason for this recommendation is that the present system of clearance tends to bring in colonists of undesirable type who are not likely to be permanent or likely to prove valuable citizens and it is believed that if the cost of clearance is borne by Government and the colonists are paid for their labour a much sounder type of colonist will be forthcoming. The system followed in the Sittang Colonies not only brought in many undesirable elements but left those colonists who survived the rigours of the early days with an initial load of debt which it has taken years to alleviate, some parts of the Sittang Colonies not yet having recovered solvency. (4) In regard to the expenditure which will fall on Government on account of reclamation, initial clearance of forest growth and the provision of reasonable initial working capital to the colonists, the Committee recommend that this expenditure and the interest thereon should be recouped from the colonists, by means of annuities, small at the outset but increas-

ing as the land improves from its virgin state into fertile agricultural land. It suggests that the rate of interest on which the annuities should be computed should be low and should only be a little above the rate at which Government itself could have borrowed at the time of the outlay and further that no land revenue should be assessed on the land until the last annuity has been collected from the colonist. The Committee consider that by this means the danger of saddling the colonist with a crippling debt in the early and critical years of his tenancy will be avoided. (5) In regard to protective and drainage works, the Committee recommend that those of a considerable magnitude should ordinarily be provided at Government expense, the return to Government being in the increased rents which the land benefitted by the works will be able to bear and that those of lesser magnitude might be provided at the expense of the colonists, Government granting an initial loan repayable collectively by the colonists whose land is benefitted in easy long term instalments. In the former case the agency of the Public Works Department would be naturally utilised and in the latter the colonists might be given the option but they should be required to obtain the plans and estimates from that Department and to employ a competent engineer as advised. (6) Suitable cottage industries could be usefully encouraged to utilise the spare time of the colonists when they have no work to implement their income and to safeguard them against the undesirable results of

too meagre employment. Home weaving is not a very profitable undertaking if done with the object of commercial sale. It is however desirable that households should weave for their own requirements. This should be encouraged and facilities provided for instruction in weaving, and for the supply of looms and yarns. Road making and other essential works of improvement, such as protection and drainage works, under the guidance of engineers from the Public Works Department might be substantially utilised to occupy the colonists, as the season for carrying out such works coincides with the period of idleness which usually follows the harvesting, collecting and selling of the crop. (7) Every colonisation scheme should from the outset provide for the marketing of the colonists' produce. Marketing not only enables the cultivator to get a better price for his produce, it also provides the colonising authority with an essential grip over its finance. It is therefore necessary in any system of colonisation to provide for the compulsory fidelity of the colonists to their collection and marketing system so long as they have financial liabilities to the colonising body. (8) Consumers' Co-operative Societies should be a part of every colonisation scheme. The consequences to the peasant cultivator of buying on credit from small village shopkeepers are notorious. The only effective way to break the system is to open co-operative shops for the sale of goods in general demand.

39. Apart from the question of colonisation of cultivable wasteland, the Committee, in the last chapter of their report, have also dealt with the problem of the passing of land from the hands of agriculturists to non-agriculturists as a result of indebtedness. The problem has arisen in an acute form in Lower Burma where nearly half the land has gone to non-agriculturists, the great majority of whom are non-resident landlords. It has also assumed a political form in view of the fact that the moneylenders who have acquired a large part of this land are non-Burmans. Since similar conditions have arisen in many parts of India it would be interesting to mention here the recommendations made by the Committee in this respect. They are as follows:—

“Government should take legal powers to acquire agricultural land at current market rates from its present owners with a view to establishing on them small cultivators either as small landlords or state tenants. Acquisition should be made by Government of secure land in blocks sufficiently compact and sufficiently large for it to be possible to organise the life of the cultivators working upon any block with a view to providing for their credit requirements, marketing their produce in bulk, supplying their domestic need for food, clothing and other household necessaries, organising subsidiary occupations and generally improving the economic and social conditions of village life. The Government Estates Department should be

in charge. The land should be divided up into holdings of a size sufficient to maintain a normal family in reasonable comfort. It should be a condition to which no exceptions are made, that every cultivator become a member of a primary agricultural co-operative society and that the society members be jointly liable for the payment of the dues of every member. Dues should, as is the practice in the Sittang Colonies and in the reconstructed co-operative societies, be payable in kind and paddy so paid should be marketed in bulk by societies or, where and when a central organisation like the Sittang Colonies Banking Union exists, by a central body. Defaulting members of societies or societies which are badly conducted should be proceeded against with rigour; the former should be expelled and the latter wound up and the lands they cultivate handed over to more reliable cultivators. Although some readjustment of holdings may be found necessary to make them "economic" holdings, there should be in fact little disturbance of the cultivators already on the land, provided they become members of co-operative societies, are regular in the payment of their dues and conduct themselves as good citizens. Seasonal finance and cattle replacement loans should be made by societies to their members from funds provided for the time being by Government as in the case of the reconstructed co-operative societies. The aim and object of the estate organisation should be co-operative provision for the occupational and domestic needs



of all residing within the confines of the estate. This is an end which can only be attained by a gradual and continuous development."

40. As regards the question of the status which should be conferred on the estate residents of the estate, the Committee consider that both tenancy and ownership have merits as well as disadvantages. "Provided that the tenants have security of tenure if they meet their obligations regularly and promptly and cultivate their holdings with reasonable efficiency and provided that the tenancies are hereditary under clearly defined and acceptable conditions, the status of tenant would seem to be a satisfactory one. It has the advantage from the general as apart from the individual point of view, that it would prevent fragmentation of holdings and ensure the preservations of "economic holdings" to which, as we have said, we attach importance and which cannot be guaranteed under a system of ownership. It involves, of course, the State being in perpetuity a large landowner administering what might in time be vast estates, a role which many may think it is not suited to play and for which the machinery of Government is not well adapted. This contention has some validity. For the State to function efficiently as a large landlord dealing with a numerous tenantry, an intermediary in the form of a system of co-operative societies responsible to Government on behalf of their members, either directly or through a central body, for the payment of rents, is an indispensable requirement. But

this is also necessary to ensure the payment of annuities under a scheme having as its object the acquisition of landholders' rights though the intermediary is here required not in perpetuity but for a fixed period. Tenancy has one important advantage over ownership in that it eliminates the risk of a recurrence of the state of affairs for which Burma is now trying to find a remedy, namely, the expropriation of small landholders as a result of indebtedness, often due wholly or in large part not to need but to improvidence. When the present dispossessed have again acquired landholders' rights, they will then be free to tread once more the old paths of debt, default and dispossession, unless protected against themselves by legislation prohibiting the seizure in judicial proceedings of the holdings of cultivators owning not more than a certain acreage. So long as cultivators have the status of State tenants it should be relatively easy to organise their economic life in the directions of credit, milling, marketing and the like. On the other hand, once the status of landholder has been acquired, the Estate will cease to exist and the individualism, instinctive it would seem to the farmer in Burma as in so many other countries may tend to disrupt the organisation created for his benefit. The chief obstacle in the way of adopting a policy of State tenancy would appear to be the sentiment in favour of ownership. It may, however, be noted that the cultivators in the Sittang Colonies seem to live contentedly as tenants and do not aspire to the status of landholders.

41. "Whatever policy is adopted, the organisation of the Estates will be the same. Every cultivator must be a member of a primary co-operative society, must pay his dues in kind, must contribute to a cattle replacement fund, and generally accept conditions similar to those imposed on cultivators in the Sittang Colonies. Under a tenancy policy, rents should be fixed on the basis of allowing the tenant the full normal costs of cultivation including the value of his own labour and that of any members of his family who have worked on the land. These costs should, we think, be more generously calculated than is ordinarily the case by the private landlord or than could be imposed upon him by the law. Our desire is to see the State play the role of the model landlord, in the hope that its example will be followed and that the State's treatment of its tenants will come to be regarded by public opinion as the standard to which other landlords should conform. Since the usual practice in Burma is that rents are paid in kind on the basis of a certain number of baskets of paddy per acre or per holding and since this number tends to be fixed by custom and is largely independent of price movements, rents cannot be in any constant relation to the capital cost of the land. Nor indeed should they be. An investor in considering an investment makes an estimate of the return which he thinks he may expect to get on his money and decides for or against the investment accordingly. But once made the return is not determined by

the amount invested but by the net profits earned. As regards paddy cultivation these depend mostly on rice prices which in recent years have been subject to great oscillations. Should the State become a landlord with a numerous tenantry, it will, like any other landlord or indeed any investor in an industrial or trading concern, incur ordinary business risks and the return on its capital outlay will depend on and vary with the net profits earned, that is, depend on and vary with rice prices.

42. "If the policy adopted aims at the acquisition in time of landholders' rights, this means that the cultivators buy back the land by instalments over a period of years, the amount of instalments being calculated on the basis of repaying the purchase price of the land with interest at a reasonable rate. It is essential that the rate of interest should be as low as it fairly can be and should approximate to the Government's own borrowing rate. It is also important that the period of repayment should be as long as and no longer than the prospective owner requires to extinguish the debt. The period depends on repaying capacity, that is, the amount of the profits accruing from the land in normal years which can be set aside for the payment of instalments without unduly harassing the payer in his occupational or domestic life and without driving him to borrow. The rent purchase system which the Co-operative Societies Department has introduced in the reconstruction movement is the model to follow.

The interest rate used in calculating annuities is the low one of  $3\frac{3}{4}$  per cent. the maximum period of repayment is 15 years (this could be raised to 20 years if necessary) and no rights are acquired till the last instalment is paid when transfer takes place on nominal payment of one rupee. Annuities are paid in kind, an indispensable requirement, through the co-operative societies. As harvest will not always be normal, sometimes falling below and sometimes rising above the normal, some arrangement should be made to provide from the profits of the better years for the worse. This can best be done, as is the case in the reconstructed co-operative societies, by fixing the annuities at a figure above the amount due to Government, the difference being held in the reserves of the co-operative societies to the credit of the members concerned.

43. "We considered both the possibility and the expediency of entrusting the collection of annuities to the joint stock mortgage bank which we propose should supply long term credit to the larger landowners and finance the co-operative land mortgage banks. It is clear that on the co-operative societies will rest the real responsibility for seeing that the members pay the annuities regularly and promptly. It is with them that members will deposit their produce, by them that the produce will be sold and it is they who will be held corporately responsible for the payment of annuities. Unless the societies show themselves to be fully alive to their obligations and are

resolute in their determination to fulfil them, the land purchase scheme, like any other co-operative enterprise, must break down. Time will show whether societies and their members have an adequate sense of their duty as regards the discharge of their financial obligation.

“ We are anxious to make it quite clear that the societies can alone assure the regular and prompt payment of annuities and that any other body, whether Government or an institution like our proposed joint stock land mortgage bank, must largely rely upon them to do so. Enough has been said elsewhere in this report to show that central institutions are by their nature at a great disadvantage when it comes to collecting dues from a numerous clientele of small cultivators. The experience of the Burma Provincial Bank and of the Agricultural Bank of Egypt, to take two instances which we have already noted, sufficiently illustrate, the handicaps under which institutions of the kind in question have to operate. Nevertheless, we think that there are cogent reasons in favour of our proposed Central Land Mortgage Bank undertaking the collection of annuities from the societies on the estates which will come into being if state land purchase operations take place. In the first place, we believe that societies and their members will take their duties towards the mortgage bank more seriously than they would towards Government. Secondly, we think that Government may find it in its interest to be

relieved of direct responsibility for the collection of annuities in order to escape the pressure to which in certain circumstances and for diverse reasons it might be exposed and with which it might find it embarrassing to deal. And thirdly, an independent body like a bank will enjoy greater freedom of action than would perhaps be possible for Government, as regards the prompt institution of legal proceedings against societies in case of default. We are also given to understand that, if annuities are payable direct to Government, the cultivators residing on the estates may not clearly distinguish between payments on account of land revenue and those on account of annuities and may regard both payments as land revenue. If any such confusion of thought were to arise, the sense of grievance thus created might prove embarrassing since it would almost certainly lead to an agitation for the scaling down of the annuities. On the other hand, if instalments in respect of principal and interest are paid to the mortgage bank, there will be a clear distinction between annuities and land revenue and the risk in question will be eliminated. For reasons of the order stated above, we recommend that the collection of annuities be undertaken by the Central Land Mortgage Bank and that the proceeds of the collection be remitted by it to Government. The question of the bank's remuneration for its services will be a matter for agreement between the two parties and will probably take the form of a percentage commission on the amount collected.

44. "The rate at which estates can be formed and grow will be determined mainly by two considerations, namely, the area which the State Colonies Department can organise in any given time and the funds at the disposal of Government for the purchase of land. The beginning will be slow. The breaking up of blocks into economic holdings, the grouping of cultivators into co-operative societies, the setting of the societies in motion, the expansion and training of the staff of the State Colonies Department, the close and personal supervision of the organisation in all its details by the senior departmental officers, are things which do not admit of hurry. Nor should there be undue haste. The too rapid growth of co-operative societies in the past with the relaxation of control which it involved, was one of the causes of the failure of the co-operative movement. As experience is gained and if the early efforts prove successful it should be possible to accelerate the pace of development.

45. "Whatever the policy, be it tenancy or ownership, the organisation of the Colonies is the same. It is co-operative in type through and through and the principles and practices of co-operation apply. We hope that Government will fully realise the importance of seeing that the department which administers the Colonies is adequately staffed by trained officers of the right calibre. As in the co-operative movement in general, success or failure may largely depend on conscientious and intelligent supervision and on close control."