

A MANUAL
FOR
CO-OPERATIVE SOCIETIES
IN THE
BOMBAY PRESIDENCY

BY
R. B. EW BANK, I. C. S.,
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PREFACE.

This Manual is intended to serve a double purpose. In the first place it forms a handy book of reference for the official and un-official members of the staff of the Co-operative Department, and for the Managing Committees of all Co-operative Societies. All the standing orders of Government on co-operative subjects upto December 31st, 1918, have been embodied, and the special rules of other Departments in so far as they are likely to affect co-operative societies have been summarised in order that, as far as possible, the Manual may be complete in itself and may not puzzle the non-official.

Its second object is to place the accumulated experience of the Department in a simple form at the disposal of the public, and to furnish explanations, cautions, and model by-laws for the use of the promoters of new societies. These notes and by-laws are recommendatory only, but since they are generally based on principles that have been widely accepted among co-operators, organisers who wish to vary them on important points will usually be asked to explain their reasons in detail. Several other types of societies exist in the Presidency besides those dealt with in this Manual, such as implement-owning and cotton sale societies, but it has been thought well to omit them since they are still at an experimental stage and cannot be described with finality.

The first edition of this Manual was issued in 1914 but in the last 4 years great developments have taken place and important changes at nearly every stage of the system have resulted from the Report of Committee on Co-operation. It has been necessary therefore completely to re-write the whole book and to introduce several new chapters.

Whenever orders of Government have been quoted, the numbers and dates, under which they were issued, have been cited. Government has sanctioned the publication of this Manual, but it assumes no responsibility for any instructions, recommendations or expressions of opinion contained in it other than those authenticated with the number and date of its approval.

My thanks for valuable help and advice are due to the Honourable Mr. G. F. Keatinge, C.I.E., Mr. Vaikunthrai L. Mehta, Manager, Bombay Central Co-operative Bank, Lt.-Colonel G. K. Walker, C.I.E., O.B.E., Superintendent, Civil Veterinary Department, and Mr. V. H. Gonehalli, M.A., Assistant Registrar.

R. B. EW BANK.

POONA, *January 29, 1919.*

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APPENDIX I.

(Government of India, Department of Revenue and Agriculture, Resolution No. 1-63-3, dated the 29th April 1904.)

The Bill to provide for the constitution and control of Co-operative Credit Societies in India has now been passed into law as Act X of 1904; and the Government of India desire to explain, for the information of their officers and of the public at large, the considerations by which they have been influenced in framing its provisions, and to indicate the principles in accordance with which they desire that the Act should be worked.

2. One of the most difficult problems with which the small agriculturist is everywhere confronted is to obtain the money which is necessary for his operations at a reasonable rate of interest. This is a state of affairs by no means peculiar to India. The petty agriculturist of Europe is for the most part financed by borrowed capital, and there too the money-lender takes advantage of the exigencies of the cultivator to demand exorbitant terms. In India, however, the problem is aggravated by the fact that Indian rates of interest are to some extent survivals from times when the security which the agriculturist had to offer was of far smaller value than at present, and also by the fact that the money-lender has not been slow to take advantage of the unwillingness of the civil courts to go behind the terms of a written bond.

3. The desirability of providing the peasant with some means of obtaining the capital required for agricultural operations otherwise than at usurious rates of interest has at various times engaged the attention of the Government of India and of all who are interested in promoting the welfare of the agricultural classes. In 1882 and 1883 a scheme for an agricultural bank in the Poona District was propounded by Sir William Wedderburn, then a member of the Bombay Civil Service, and by several intelligent and public-spirited residents of that presidency; but the scheme, after careful examination, was, for various reasons, eventually abandoned.

4. In 1892 Mr. (now Sir Fredrick) Nicholson, a Madras Civilian, who had made a special study of the Raiffeisen and other systems of land banks on the continent of Europe, was placed on special duty by the Madras Government for the purpose of enquiring into the possibility of introducing into the Madras Presidency a system of agricultural or other land banks. His report was reviewed in 1899 by the Madras Government, who expressed the opinion that the question of rural credit in the Madras Presidency was not a matter of immediate necessity and urgency, and stated that if a few rural banks could be started on strictly Raiffeisen lines and their working watched for a few years, the Governor in Council might then be in a position to make recommendations.

5. On receipt of Mr. Nicholson's report by the Government of India, copies were forwarded to Local Governments and opinions were invited as to the possibility

and advisability of action by Government. A reference was at the same time suggested to a recent publication by Mr. H. Dupernex, a member of the Indian Civil Service in the United Provinces, on People's Banks in Northern India. It appeared from the replies received that the question had already been taken up independently in some province, more particularly in the United Provinces and in the Punjab. After some intermediate discussion, the opinions of Local Governments were considered in June 1901 by a strong committee under the presidency of the Hon'ble Sir Edward Law; and it was in the report of this committee, to which were attached a draft Bill, and draft model schemes of management for co-operative credit societies with limited and unlimited liability, respectively, that proposals for action first assumed a form sufficiently definite to allow of detailed discussion. These proposals were referred to Local Governments for criticism, and upon receipt and consideration of their replies, the Bill which has now been passed into law was framed.

6. Before proceeding to examine the detailed provisions of the Act, it will be convenient to indicate briefly the extent to which the co-operative principle has already been adopted with more or less success in different parts of India by the establishment of credit societies, to glance at the special difficulties that may retard its development in this country, and to give an indication of the general lines of the policy that must be followed, if a movement that may be of such enormous importance to the welfare of the rural population is to be pursued to a successful issue.

7. At the outset it is important to remember that the question of agricultural banks is quite a different matter from that of co-operative credit societies, and that it is the latter only which are now being dealt with. The object of agricultural banks is to provide capital to finance the general agriculture of the country; their operations are of the ordinary banking nature, and on a considerable scale; and whatever special privileges it might be found possible to extend to them, the ordinary Companies' law of India would still continue to apply to them. The object of the societies contemplated by this Act is far more special and limited. It is, in the words of Sir Fredrick Nicholson, to substitute for a number of individual credits, which are weak because they are isolated, a combined credit which is strong because it is united. Their operations are confined within the limit of the society, and they will be "small and simple credit societies for small and simple folk with simple needs and requiring small sums only".

8. The most striking development of the co-operative principle on indigenous lines has taken place in Madras, where the Nidhis, which are described as Mutual Loan Funds, have in spite of numerous failures attained on the whole a very considerable degree of success. They are reported, however, not to adhere strictly in practice to the co-operative principle, and it has been pointed out that they work on lines more closely approximating to those of English Building Societies or Provident Funds, than to those of purely co-operative credit societies, and that while

they encourage the development of thrift and business habits, their methods are not suitable to the agricultural classes, and afford many openings for abuse. The spread of these institutions may be taken as giving some indication of the possibility of the successful development of credit societies on better lines, but they find their clients among a more highly educated and advanced class than the mass of the agricultural population. In other parts of the country the societies that have been started have hardly passed the experimental stage. In the United Provinces Mr. Dupernex was placed on special duty by Sir A. P. MacDonnell for the purpose of discovering by local inquiries how best to establish agricultural banks in selected localities; and in accordance with his recommendations steps were taken, at the suggestion of Government, for the establishment of societies in many districts. In the Punjab action was taken by district officers on their own initiative, and societies were formed in the Mooltan and Dera Ismail Khan Districts by Mr. Maclagan and Captain Crosthwaite, which give distinct promise of success, and in Bengal several societies have been started, which under the fostering influence of sympathetic officials have made some progress. But it is difficult as yet to form any reliable opinion as to the extent to which any of these societies represent a genuine movement, or how far their existence is merely due to a desire to carry out what are believed to be the wishes of Government.

9. In considering the question it soon became apparent that no real advance was possible without legislation. The Companies' Act at present in force (Act VI of 1882) contains 256 sections, and its elaborate provisions, however necessary in the case of combinations of capital on a large scale, are wholly unsuited to societies of the kind it is now desired to encourage. The first thing to be done, therefore, was to take such societies out of the operation of the general law on the subject, and to substitute provisions specially adapted to their constitution and objects. In the second place it was desirable to confer upon them special privileges and facilities, in order to encourage their formation and assist their operations. And, thirdly, since they were to enjoy exemption from the general law and facilities of a special nature, it was necessary to take such precautions as might be needed in order to prevent speculators and capitalists from availing themselves, under colourable pretexts, of privileges which were not intended for them.

10. There were two cardinal objects which the Government of India kept in view in framing the present Act. The first is simplicity. Some of the schemes which were laid before them were far too elaborate for the comprehension of the classes for whom they were intended, but who certainly could never have complied with their provisions. The second is elasticity. The aim has been to lay down merely the general outlines, and to leave the details to be filled in gradually, on lines which the experience of failure or success and the natural development of the institutions may indicate as best suited to each part of the country. So far, therefore, as it deals with the constitution of the societies, the provisions of the Act have been confined to those general principles which all co-operative credit societies must accept as the condition of being permitted to enjoy the advantages afforded by

special legislation. There are other matters in respect of which some guidance and some restriction will be necessary ; and they have been left to be dealt with by Local Governments in accordance with local needs, in the exercise of the rule-making power which the Act confers upon them. But the Government of India desire to impress upon all Governments that simplicity and elasticity are as essential in the rules framed under the law as they are in the law itself, and that especially in the first instance, and until further experience has been gained, the regulative interference of Government should be limited strictly to essentials, so as to leave spontaneous growth unhampered. Experiment is as necessary within the Province as it is within the Empire.

11. The present legislation is specially designed to assist agricultural credit, which presents a far more important and more difficult problem than does industrial credit ; though it is recognised that societies may properly be started in towns also by non-agriculturists, and it is even possible that in some places the establishment of town banks may usefully precede and even assist the starting of purely agricultural societies. If in any town the people start a society on a co-operative basis of their own accord, it will be possible to encourage and help them, and to give them the benefit of official advice. But, in the opinion of the Government of India, it should be left to them to move in such cases ; and local officers should be instructed that rural societies are to be their first care. The agricultural problem is more serious and far more difficult to deal with than the industrial problem, and it is necessary that effort should be concentrated.

12. It is proposed to allow urban societies free choice in the matter of liability ; for rural societies unlimited liability has been prescribed as being most suitable as a general rule, seeing that the real co-operation which it is desired to encourage is the utilisation of the combined credit for the benefit of the individual members. But cases are conceivable in which it may be desirable to allow a limitation of liability to members of particular rural societies ; if, for instance, a local magnate whose sympathy and assistance it is important to secure, desires to become a member, but does not care to assume a liability which is wholly without limit. In such cases, the system of guarantees, the liability of each member being limited to the amount of his guarantee, may be usefully adopted. The Act therefore gives the Local Government power, by special order, to relax the rule of unlimited liability.

13. Under the Bill as originally framed, rural societies were to be limited to agriculturists—a term which it was explained was not meant to include the wealthy rent receiver—while urban societies were to consist of only men of small means. To these provisions it was objected that they excluded the very men whose aid was most important to the new societies. The provisions had been framed upon the supposition that the men of light and leading, and still more important perhaps, the men of substance, the necessity for whose aid and sympathy was fully recognised, would assist the societies from outside since they would have nothing to gain by membership as they would not desire to borrow. But the body of opinion

in favour of a wider basis of membership, not only in order to extend the scope of these societies as widely as possible, but also to secure that diversity of needs and interests which is desirable if their funds are to be utilised to the best advantage, was very weighty ; and all restrictions upon the class of persons who may be members have therefore been removed save in so far as is necessary to preserve the two distinct types of rural and urban societies, the former of which will consist in the main of agriculturists, and the latter in the main of non-agriculturists. Local Governments should remember, however, that the object of the Act is mainly to assist small people ; and should take precautions against its provisions being made use of by persons from whom they were not intended. The very wide discretion which the Act confers upon the Registrar is ample to secure this end.

14. Another condition which was imposed by the original Bill was that members must be residents of the same town or neighbourhood. All the officers consulted, who speak with any authority, have insisted upon the cardinal importance of this condition, as ensuring that mutual knowledge and confidence which must be the basis of all successful co-operation ; and it has been retained in a slightly generalised form. But it has been pointed out that there are communities among whose members a common organisation or common interests supply the place of propinquity of residence, and ensure the desired conditions. A compact and closely organised tribe or caste, a community such as is formed by the native christians, attached to a particular mission, or even the employés on a given line of railway are instances in point. The Act, therefore, empowers the Registrar to dispense with the residence test where he is satisfied that this may be safely done, if the society is to be confined to the members of a single tribe or class or caste.

15. As regards new members, the original Bill provided that members admitted to a society should be "elected by the members for the time being. It was pointed out that it would often be sufficient if they were elected by the Committee ; and it has accordingly been provided that they shall be "admitted by the society in accordance with the provisions of this Act and with the bye-laws of the society". But the selection must still be personal, and made by the society ; no person can claim admission under any automatic rule ; and the important principle that the new member must be accepted by the old ones or their representatives is still maintained.

16. The Government of India attach much importance to the appointment of a special officer in each province to guide and control the societies, especially in the early days of the movement ; and it has been provided that each Local Government may appoint a Registrar, who should be selected for his special qualifications, and should, for the first few years at least, be constantly visiting the societies and watching their progress, rather as a friendly adviser than as an inspecting officer. By studying developments under various conditions he will gain experience which will render him an invaluable adviser ; he will know what has succeeded here and what has failed there ; he will be in a position to avoid the repetition of

mistakes, to point out defects and their remedies, and to extend to one part of the country methods which have proved successful in another. Upon the selection of this officer the success of the experiment will very largely depend. Gradually, as experience is gained and the societies are able to stand alone, the fostering care of the Registrar will be less required, until his duties will become purely official.

17. The Bill as introduced forbade a rural society to borrow save with the approval of the Registrar and Collector. This provision was much criticised as having the appearance of discouraging borrowing, whereas the very essence of these societies is to utilize their combined credit for the purpose of borrowing. The Government of India recognise the justice of the criticism; but they still think that an unfettered power to borrow might prove dangerous to a society. The prohibition has now been removed, but power has been given to the Local Government to regulate borrowing in such manner as experience may show to be desirable.

18. Section 10 of the Act provides that loans should be admissible to members only and the Government of India consider that this is a most essential restriction. The only exception allowed is in the case of societies lending with the approval of the Registrar to rural societies. It is desired to encourage thrift, and the most efficacious encouragement to the accumulation of savings is to insist that no advances shall be made except to those who have become members and have made a payment to the funds of the society.

19. The original Bill included certain provisions regarding loans on the security of agricultural produce which were very generally misunderstood. It was never intended to allow of advances against standing crops, than which no form of security would be more unsuitable for these societies. But there are some of the existing societies, and there doubtless will be many more in the future, which never handle money, their whole transactions being conducted in grain. An object of the provisions in question was to secure that agricultural produce should stand precisely on the same footing as money for all purposes of subscriptions, deposits, advances, payments and recoveries. Upon further consideration of the question, it was decided that such transactions were within the ordinary powers of the societies, and that no special reference to the subject was needed in the Act.

20. No provisions of the original Bill were more severely criticised by some or more stoutly supported by others, than those which related to loans upon the security of jewellery and upon the mortgage of land. It had been proposed to prohibit rural societies from advancing money against jewels, on the ground that the basis upon which these societies should work was not material security, but the credit which arose from the individual character and substance of their members. It was pointed out in reply, that, while personal credit was undoubtedly the basis of their transactions, such things as jewels might properly be received as collateral security, that the custom of the country is to regard jewellery as available for this purpose, and that if a member is debarred from utilising his material credit to the full in borrowing from his society, there will be a danger of his using it to

borrow from the money-lender. After full consideration of the question it was decided that while there are practical difficulties in connection with the custody and valuation of jewellery which might be formidable in the case of some village societies, it would be well to make distinctions. When a rural society is located in a town or large village, with silversmiths available, with a ready market at hand, and with members and officers of intelligence, it may safely be trusted to conduct transactions which might be dangerous in the case of a more strictly rustic association. Power has therefore been given to the Registrar to allow any society which he thinks can safely be trusted, to advance money upon jewellery; and he will be able to feel his way in the matter.

21. The question of mortgage was still more difficult. Almost all the considerations upon either side which have been referred to in the preceding paragraph apply here also, with the addition of others of still greater importance. On the one hand, one of the methods in which an involved cultivator can most effectively be assisted is by enabling him to substitute a mortgage upon reasonable for one upon exorbitant terms; and a member who is refused the credit to which his property in land fairly entitles him, merely because he is not allowed to hypothecate it to the society, may be driven to the money-lender for a loan which, had it not been for the prohibition, he might have taken from the society with advantage to both parties. On the other hand, it is exceedingly inadvisable that these societies should be allowed to lock up their limited capital in a form in which it is not readily available; their most useful form of business will probably be small loans for short periods with prompt recoveries; and it is above all things desirable that they should keep out of the law courts. The final conclusion was that loans upon mortgage should be allowed in the first instance, but that the Local Government should have power to prohibit or restrict them either generally or in any particular case, if it is found that interference is necessary. The matter is one which should be very carefully watched.

22. The provisions of sections 12 and 13 of the Act, to the effect that the number and value of shares to be held in a co-operative society by a single individual shall be strictly limited, and that shares shall not be transferable until they have been in the possession of the holder for a fixed period, are of great importance. Their object is to render impossible the acquisition by individuals of a predominant interest in such societies, to prevent speculation in connection with them, and to discourage those who might desire for reasons of personal profit to avail themselves of the facilities given by the Act to start banks for other ends than those for which these societies are intended.

23. It has been considered advisable that an official audit should be compulsory in all cases, and this is provided for in section 21. There is no doubt that such an audit will give the outside public and the members more confidence in the management; and even where no financial assistance may be received from Government, the societies will obtain valuable privileges under the Act and it is reasonable

that they should at the same time be obliged to submit their accounts to some check, which must in this country take the form of an official audit.

24. In section 25 power has been taken to grant certain exemptions by executive order. The Government of India are of opinion that co-operative credit societies should be exempted from stamp duty, and also (for the present at any rate) from income-tax. They propose also to exempt them from the payment of all registration fees; and specially of fees for searching the registers which, in provinces where there is no record-of-rights, is the only means of ascertaining the existence of encumbrances upon land. As, however, this last is an exemption which might be greatly abused, the society thereby obtaining information free of fees which is really required for private purposes, the Act provides for the withdrawal of the exemption from any particular society; and a careful watch should be kept upon the exercise of this privilege, which should be promptly withdrawn in case of abuse. Separate notifications will shortly be issued under section 25.

25. Such are the principal provisions of the Act. But in the course of discussion it became evident that it was impossible to frame any set of general provisions which should cover all conceivable forms in which the principle of co-operation might usefully be applied for the benefit of small folk in India. For instance, among the papers submitted to the Legislative Council during the passing of the Bill, was a letter describing an institution called a *Dharm gola* that has been started in several villages of the Dinajpur district. The institution is one which is entirely deserving of encouragement, its objects being precisely the object which it is desired to promote, and yet it would be difficult or impossible to bring it under the provisions of the Act. Another consideration presented itself. It was recognised that, in dealing with many disputed points of great difficulty, and regarding which there was little or no experience to guide the Legislature, it was impossible to provide for all eventualities; and that, however generally suitable the specific provisions of the Act might be, there might be well special circumstances and conditions to which they were unsuited. A general section has therefore been added which provides that the Local Government may, by special order in each case, permit any association whatever to be registered as a society under the Act, and may exempt any society thus specially registered from any of its provisions, or may modify any of those provisions in their application to any such society. The position, therefore, stands as follows. In the body of the Act have been included those provisions which it is believed will be suitable to the type of co-operative societies that is most likely to come into existence in this country, and these provisions will constitute the normal law, which will apply of its own force to the societies in general. But a Local Government will have an absolutely free hand to depart from or vary them, on condition only that it does so by special order in each case, and after full consideration of circumstances which justify the departure. Of course it is intended that this power should be exercised only in behalf of societies, the aims of which are consonant with the objects which the Act is intended to promote. But subject

to this restriction, that freedom of experiment to which the Government of India attach so much importance, is secured in the fullest possible measure.

26. Of the matters that are left to be dealt with by executive order, the most important has reference to the grant of financial assistance by Government to the societies. The Government of India recognise that there is a danger of obscuring the co-operative principle by lending them State funds, and that no societies wholly or mainly financed by Government can ever attain the objects in view. But such advances will have a value beyond their mere use as capital, since they will be an earnest of the reality of the interest taken by Government in the movement and will, under the conditions to which it is intended to subject them, stimulate thrift and self-help which should be a condition precedent to their grant; and they doubt whether any substantial progress will be made by rural societies in many parts of the country unless such assistance is given. They therefore sanction advances to such societies to be made in even fifties of rupees, which will be free of interest during the first three years after the registration of any society. But no advance should be made to any society so as to cause the total amounts advanced to and due by it to exceed the total amount of money subscribed and deposited or of share capital paid up by the members, or to exceed Rs. 2,000. With reference to the first condition, it may be explained that it relates only to deposits made by members, for which the society would be liable only to its own members, and that in fixing the amount of State assistance in the case of such societies, deposits made with the society by outsiders, which in reality are loans to the society, should not be taken into account. The object of the limitation is to encourage the provision of funds by the members themselves, by regulating the amount of State aid according to the amount contributed by them to the working capital of the society; in other words, to secure that the extent of such assistance given by the Government shall be made to depend upon the amount of thrift and effort which the members have shown, as evidenced by their own subscriptions and deposits. It is of course possible that the restriction might be evaded, since the members of a society might, for the purpose of securing a larger measure of State aid, deposit sums which would be withdrawn as soon as the loan was secured. But the Government of India consider that the matter may safely be left to the Local Government. It may perhaps be advisable to take into account only those deposits which have been made for a fixed term; and in any case, it will be necessary for the Registrar to satisfy himself, before recommending an advance in any case, that the deposits are *bona fide*. No portion of the advances should bear interest or be recoverable during the first three years after the registration of a society, except in the event of its being wound up; and thereafter they will be recoverable by annual instalments not exceeding one-tenth of the advance and will bear interest at four per cent. The Registrar should be empowered to suspend the payment of any instalment of capital on payment of the interest due and upon sufficient cause shown; and such suspension should operate simply to postpone the payment of the suspended instalment and of all subsequent instalments by one instalment period. It has been thought

advisable to reserve the power to recover these advances summarily if necessary, and provision has been made for this purpose in section 26 of the Act.

27. Such is the general character of the action which commends itself to the Government of India. They recognize that it is essential to start cautiously and to progress gradually. The whole matter is one in which we have to feel our way and to purchase our experience; and if action on a large scale were attempted in the first instance, it is possible that many failures might result which would fatally discredit the principle; while, on the other hand, a very few really successful instances will encourage imitation, and set an example which will quickly spread. While State help and support will be needed to begin with, the object to be kept in view is to teach the people to help themselves, and we shall not have succeeded unless we are eventually able to withdraw that support. The Government of India have already insisted upon the absolute necessity for simplicity, if the system is to take root among the peasantry; they desire further to lay stress on the necessity of reducing restrictions to a minimum, so that the people may be encouraged (subject to certain necessary safeguards) to work out the problem on their own lines, with such guidance and advice as can be given them. Local Governments have been addressed on the subject: and in the course of the instructions which they have received as to the steps to be taken to bring the Act into practical operation, they have been invited to select a few districts of each province in which they think the experiment may be most hopefully tried. These should present some variety of conditions so as to give variety of experience. An important factor in the choice will be the personal character and influence of the District Officer, and the probability of his remaining in charge of the district for some time to come. The immediate charge of the infant societies, when once started, should, in the opinion of the Government of India, devolve upon the Registrar rather than upon the District Officer. But it is the latter who must give the first impulse; and he must select the places in which the experiment is most likely to succeed; and he must suggest to the people that they should try it; putting it to them as action to be taken, not by Government, but by themselves, and explaining how far and in what way Government is ready to help them. Even after the society is launched, his active sympathy and support will always be essential, and the Registrar will work in constant consultation with him.

28. In this manner the Government of India trust that with the co-operation of Local Governments, the scheme may be given a fair trial, and neither suffer from the absence of that official guidance without which a successful start cannot be hoped for in this country, nor be prevented by too much supervision and too many restrictions from attaining its full development. They also trust to the intelligent co-operation of the more enlightened sections of the community in promoting an experiment which promises so much benefit to the poorer and more ignorant classes. The time for practical measures has now arrived: and it is the hope of the Governor-General in Council that there may be no delay in getting to work.

APPENDIX II.

Circular No. 13-C.

From

THE HONOURABLE MR. E. D. MACLAGAN, C.S.I., I. C. S.,
Secretary to the Government of India ;

To

THE CHIEF SECRETARY TO THE GOVERNMENT OF BOMBAY.

Dept. of Rev. and Agri.
Land Revenue.

Calcutta, the 9th March 1912.

Sir,

I am directed to invite attention to the new Co-operative Societies Act (No. II of 1912), which has been published in to-day's *Gazette of India*. The Act follows the general lines of its predecessor—Act X of 1904—but there are, in addition to alterations of form, certain changes of substance which have been introduced in the new law, and as the subject is of a somewhat technical character it will probably be a convenience for Local Governments and Registrars under the Act to have before them a brief note of the chief alterations effected. The following observations are therefore circulated, but though they are offered for the assistance of Local Governments they are not intended to take the place in any sense of the ordinary interpretation of statutes or to encroach in any way on the discretionary powers given by the Act to the Local Governments and other authorities.

2. It will, in the first place, be observed that the Act now applies not only to Credit Societies but also to Co-operative Associations organized for purposes of distribution, production, cattle insurance and the like, and this constitutes the chief change introduced by the new law. As certain privileges are accorded by the Act to Co-operative Societies which are not enjoyed by ordinary associations and Joint Stock Companies, it might in some respects, have been convenient to define explicitly the class of society to which the Act was intended to apply ; but it was decided that in view of the present state of experience regarding such societies in India, it would be advisable to follow the principle adopted in the Act of 1904 by which the provisions of the law were for the present left as elastic and as simple as possible. While avoiding, however, any precise definition of a Co-operative Society, the Act is not without indication of the class of society for which its provisions are primarily intended. The preamble, for instance, and the restrictions imposed by section 5 on the extent of shareholding permissible to an individual member will show the class of persons whom it is intended to benefit, and Registrars (whose first duty it is to make themselves acquainted with the principles of

co-operation) will also receive some guidance from the wording of section 4 which requires societies to be based on co-operative principles. When it is desired to ensure absolute adherence to such principles in their purest form, it will be open to Local Governments under section 43 (r) to prescribe a maximum rate of dividend and thus prevent profits which should be employed in cheapening the services performed by the society from being diverted to the benefit of shareholders; and it will also be possible for rules to be laid down under section 43 (g) for preventing such societies from becoming close corporations for the benefit of a few individuals. It will be observed that the requirements regarding proximity of residence or community of race or occupation which apply under section 6 to credit societies are not prescribed as an essential for societies other than those for credit, but there is nothing to prevent Registrars from insisting on similar qualifications in the case of all societies, and until further experience has been gained it will probably be well to adhere, as far as possible, to these requirements. So too, as regards transactions with members outside the society, the Act lays down no prohibition, but under section 31 it will be open to Local Governments to impose restrictions, and in most cases it will probably, for the present at any rate, be wise for them to do so. Many of the non-credit societies will be with limited liability, and the Act has given considerable latitude in the management of such limited societies. The restriction placed by the old law on the transfer of shares, for instance, has, in the case of limited societies, been removed by section 14 of the new Act, and under section 22 a duly qualified successor of a deceased member may, in the case of a limited society, claim the transfer to himself of the share of the deceased. In these and in other respects the bulk of the non-credit co-operative societies recognized by the new law are placed on a footing similar to that of joint stock companies, and it will be necessary in practice to see that the Act is not utilised for the benefit of societies which are not really of a co-operative character. Precautions in this direction can be taken in dealing with proposed bye-laws, and it will, for example, be possible to require a society with share capital to provide in its bye-laws that shares shall not be transferable or shall be transferable to such persons only as fulfil certain requirements, such, *e. g.*, as that the persons shall be duly elected as members.

3. The distinction previously prescribed between rural and urban societies has now been abolished, but the new law makes provision for three kinds of society not specifically mentioned in the old Act :—

- (a) In the first place it recognizes the societies known as unions or central banking unions which are entirely composed of other societies. Joint societies of this character must under the first proviso to section 4 be ordinarily of limited liability, but they are not subject to the restrictions laid down in section 5 as regards the limit of shares to be held by each member nor to the requirements in the way of numbers or residence, etc., which are prescribed in section 6.

- b) The Act further recognizes the existence of such central societies as are composed partly of other societies and partly of individuals, and although the shares of individual members are in such societies restricted by section 5, they stand in respect of sections 4 and 6 on the same footing as the unions described under (a) above. (As the requirements of section 6 regarding the minimum number of members do not apply in either case, there is nothing in the wording of the Act to prevent two societies or one society and one individual from applying for registration, but although no definite number of applicants has been prescribed in such cases it may be presumed that Registrars will exercise their discretion by refusing to register applications which do not represent a reasonable degree of real co-operation).
- (c) A further class of society now definitely recognized is a "Central Bank" or other central society the members of which are individuals but the main object of which is to benefit not its own members but other societies of co-operative character (section 4), and it is considered reasonable that such a society though formed mainly on joint stock lines should obtain, as far as possible, the privileges conferred by the Act on co-operative concerns.

4. The new law maintains the general principle that a society with unlimited liability should not distribute profits among its members, but since in several Provinces considerable success has been attained by a type of society with unlimited liability in which shares are paid up by instalments spread over a term of years and the shareholders are entitled to profits after the expiration of that term, it allows distribution of profits under the general or special orders of the Local Government (section 33) independently of the particular considerations regarding the size of the reserve fund and the rates of interest on loans which were prescribed by the old Act. It is not contemplated at present that any such permission will ordinarily be granted to societies other than those of the abovementioned type.

5. It will further be seen that while provision is made in section 40 for maintaining after registration the minimum number of members required for a society which applies for registration, there is no similar provision for maintaining the other qualifications as regards residence, caste, etc., which are prescribed for credit societies in section 6 (a) and (b). It is intended that the Registrar should, in sanctioning the proposed bye-laws of a credit society, satisfy himself that proper residential and class qualifications are rendered obligatory for future members; but it is contemplated that the qualifications laid down should, where necessary, be subject to alteration by a simple amendment of bye-laws sanctioned by the Registrar; whereas if the law had prescribed the rigid application of the qualifications originally prescribed to future members, no alteration could have been made in these qualifications without the dissolution and reconstitution of the society.

6. Of the further changes made in the Act the more important are the following :—

- (i) The necessity for submitting proposed bye-laws before registration and for obtaining registration of amendments in bye-laws (section 8 and 11).
- (ii) The permission allowed to the Local Government to confer the powers of a Registrar on persons other than the Registrars (section 3) and to the Registrar to depute persons to conduct the work of audit, enquiry and inspection (sections 17, 35 and 36); the power granted to a Collector to depute persons to inspect records (section 21 of the old Act) being at the same time withdrawn.
- (iii) The special evidential value attached to a certificate of registration (section 10) and registers or lists of members or shares (section 25).
- (iv) The extension of the period of the prior claims of a society on agricultural produce from one year to eighteen months [section 19 (a)] and the inclusion of such claims on fodder and machinery supplied and on articles manufactured from material supplied [section 19 (b)].
- (v) The omission of the provision in section 21 of the old Act which prohibited the making of any charge for audit. (It may be noted that although the prohibition has been withdrawn the Government of India do not at present desire that any charges should be made except in the case of societies where professional audit of a fairly elaborate character is found necessary.)
- (vi) The exemption under section 27 of share transfers and similar documents from compulsory registration.
- (vii) The expansion of the field for the investment or deposit of funds (section 32).
- (viii) The permission given by section 34 to devote a part of the profits of a society to charitable (including educational) purposes.
- (ix) The power given to a creditor to move the Registrar to inspect the books of a society (section 36).
- (x) The power given to the Local Government to prescribe returns [section 43 (2) (i)] and the omission of the provision [section 27 (2) (o) of the old Act] expressly empowering Local Governments to prescribe the rate of interest on deposits.
- (xi) The permission given to Local Governments to delegate the power of hearing appeals against orders of dissolution (section 39) and of making rules [section 43 (3)].
- (xii) The prohibition of the use of the word "Co-operative" in the title of future associations not registered under the Act (section 47).

7. In conclusion, I am to notice that though applicants for registration must be over the age of 18 years, the maintenance of this qualification among members after registration is not expressly provided for, and the question of the relations of a society to the minor heirs of deceased members is, subject to the provisions of section 22, left to the operation of the ordinary law. At the same time, no general alteration has been made in the previous provisions regarding the recovery of sums due to societies, and this will remain as before subject to the instructions laid down by this department on the 29th May 1906. And except in section 47 no penal sanction is provided for carrying out the provisions of the Act, such sanction being considered at the present stage unnecessary.

I have the honour to be,

Sir,

Your most obedient servant,

E. D. MACLAGAN,

Secretary to the Government of India.

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APPENDIX V.

ADDENDA.

The following important standing orders were issued too late for incorporation in the body of the Manual. They are therefore published as an appendix for convenience of reference :—

(1)

CIRCULAR No. 108.

Registration of Documents.

1. When a Co-operative Society as such executes any bond or deed, it should always name one of its members in the deed to represent it for the purpose of Section 33 of the Registration Act (*e. g.*, "Signed and executed by Mr. A on behalf of the X Co-operative Credit Society). Otherwise the society will have to execute a power of attorney.

2. Bonds should ordinarily be presented to the Sub-Registrar for registration by the borrower who has executed them. He should be instructed to write an endorsement on the back of the receipt granted by the Sub-Registrar to return the document to any officer of the society named by him in the receipt. It is not safe for the society to allow these bonds to be returned to the presenter.

(2)

CIRCULAR No. 109.

Receipt of Deposits.

Co-operative Societies accepting deposits from members or non-members are advised to observe the following principles :—

1. *Banks and Societies with limited Liability.*—Societies of this type may accept current, savings, or fixed deposits from any quarter without restriction, provided that they are efficiently managed and have made adequate provision for maintaining fluid resource. Efficient management means (a) that they are classed A or B at the annual audit, (b) that a fall-due register is maintained and that notices are sent to all fixed depositors one month before maturity enquiring whether their deposits will be renewed or withdrawn, (c) strict observance of the by-laws and of No. 10 of the Bombay Co-operative Societies Rules. No fixed standard of fluid resource can be laid down. In the case of Central Banks and societies with a working capital exceeding Rs. 50,000 this point is watched by means of the Quarterly Finance Statements submitted to Government under No. 17 of the Co-operative Societies Rules. In the case of limited societies with a capital of less than Rs. 50,000, Auditors should always add to their audit memorandum a paragraph stating the exact amount of fluid resource and their opinion as to whether it is adequate.

2. *Village Societies with Unlimited Liability.*—It would be dangerous to encourage this class of society to accept deposits from all sources without restriction because :—

- (1) They are not in a position to maintain their own separate fluid resources. By accepting large outside deposits they would be throwing the liability of meeting them on maturity on the Central Bank to which they are affiliated.
- (2) They are often tempted to swell their capital by offering exorbitant rates of interest to outside depositors. In this way they may themselves ultimately burst like bubbles. They also damage their neighbours by raising the general rate of interest payable on deposits by all of them. The aim of the Co-operative movement is gradually to reduce the lending rate to borrowers. This cannot be achieved if the rate payable on deposits tends to rise. It is un-co-operative for societies to force up rates by competing against each other.
- (3) The Committee can to a great extent control the members and local non-members by their personal influence. But they have little influence over distant outside depositors, who know nothing personally of a society and invest their money in it simply for the sake of interest. Such depositors are very liable to withdraw their money in a panic or famine year when the society is not in a position to repay it.

On the other hand, subject to due provision being made for safety these societies should be encouraged in all possible ways to secure their own local deposit capital, and not to rely on Central Banks, more than they can help.

The following general principles should be observed :—

- (a) *Period.*—Current deposits may not be accepted at all (Bombay Co-operative Societies Rules No. 12). Savings deposits may be accepted if the by-laws are amended as prescribed in Circular No. 100 but fluid resource equivalent to at least half of the savings deposits must always be maintained. As far as possible deposits should usually be fixed for one year or longer.
- (b) The rates offered by this class of societies should not exceed the following scale as a maximum :—

(1) Savings deposits	..	..	..	4	per cent.
(2) Deposits fixed for 1 year and upwards	..	..	..	6½	do.
(3) Do. 3 years	do.	..	..	6½	do.
(4) Do. 5 do.	do.	..	..	7	do.
(5) Do. 10 do.	do.	..	..	7½	do.

- (c) Deposits should be local, *i. e.*, derived from persons whether members or not resident or owning property in a village or having some definite connection with it. If a society belongs to a Union, local deposits would be those derived from any part of the Union area and not merely from the village. Non-local depositors should be advised to deposit in a Central Bank and not in a village society.
- (d) *Amount.*—Societies should not try to accumulate more deposits than they can use. They will not be allowed under Section 29 (1) of the Act to lend their surplus funds to other primary societies direct; but will be required to deposit them in the nearest Central Bank.

Auditors should note at the time of audit whether these general principles are observed; and should tender advice on these lines. If a society definitely rejects the advice, the special circumstances of the case should be reported for consideration. In the event of the policy of the society appearing unsafe, action should be recommended under Bombay Co-operative Societies Rules No. 9.

3. *Urban Societies with unlimited Liability.*—Restrictions (a), (b) and (c) in paragraph 2 will not apply to these societies. To make up for this, they will have to maintain their own fluid resource in the form of an assured cash Credit or funds separately invested. Since the members' liability is unlimited, deposit by members can be controlled and need not be fully covered by fluid resource. But all other deposits current or fixed must be covered and the Auditor should note this in his report. Unless the society maintains a sufficient resource the Auditor should recommend action under Rule 9.

(3)

CIRCULAR No. 110.

Preparation of Assets Statements.

Societies applying for loans from a Central Bank are required to prepare and attach a statement showing the assets of their members in the form prescribed in leaflet Y. Complaints often reach the Registrar that village accountants are obstructive or dilatory in dealing with applications from societies for information about their members.

2. The most convenient course for the society to follow is to apply to the village accountant for copies of the holding sheet (V. F. VIII-A), of each of its members. Under paragraph 15 of page 113 of the Manual of Revenue Accounts this request must be complied with by the Village Accountant at a fee of one anna per holding sheet. Under the Settlement Commissioner's Circular No. R. A. M. 106-113 of November 14th, 1918, Village Accountants have been warned to deal with such applications from societies very promptly and Collectors have been requested to take serious notice of any complaints that may be received.

3. The Secretary of the Co-operative Credit Society should then ask the Village Accountant to let him see the Record of Rights (V. F. No. VI) and Mutation Register (V. F. No. VII). He is entitled under L. R. C. 213 to inspect these records under the supervision of the Village Accountant at reasonable hours and under rule 3 of the Rules under that section may take a copy of any entry without charge. He should compare them with the holding sheet, observe what survey numbers are incumbered, and to what extent, and should keep notes for entry in leaflet Y. This comparison can best be done by personal investigation and societies are not advised to apply for copies of all the entries in the Record of Rights and Mutation Register, as the work would be considerable and delays very likely to arise.

(4) PERIODICAL RETURN FOR URBAN SOCIETIES PRESCRIBED UNDER RULE 17.

QUARTERLY FINANCE STATEMENT.
Liabilities and Quasi-Liabilities.

1	Name of Bank.
2	On current account.
3	On Savings Bank account.
4	Withdrawable within 6 months (other than cols. 2 and 3).
5	Withdrawable within one year, but after 6 months.
6	Balance not withdrawable within one year.
7	Paid up share capital.
8	Debentures.
9	Reserve Fund.
10	Drawn portion of cash credit with any central or joint-stock or Presidency Bank.
11	Repayable on demand or in less than 6 months.
12	Repayable after 6 months but within one year.
13	Balance repayable after one year.
14	Loan from Government
15	Other items.
16	Undrawn Liabilities, i. e., cash credits guaranteed to members and undrawn.
17	Remarks.

Deposits from members and non-members.

Loans and Deposits from other Co-operative Societies or Banks and from outside institutions.

Assets and Quasi-Assets.

18	Cash in hand.	
19	Deposits in the Postal Savings Bank or on current account with other Banks.	
20	Fixed deposits in other Banks or Societies.	
21	Investments in Government paper or other negotiable securities (current market price).	
22	Undrawn balance of assured cash credit with any co-operative or outside Bank.	
23	Uncalled share-capital.	
24	Within 6 months.	Loans to members outstanding repayable.
25	After 6 months but within one year.	
26	After one year.	
27	Within one year.	Loans to other societies or Banks outstanding repayable.
28	After one year.	
29	Estimated value of stock and property.	
30	Other items.	
31	Net profit of past year.	
32	Average rate of interest at which deposits were received.	General.
33	Average rate of interest at which loans were advanced.	
34	Rate of last dividend declared	
35	Remarks.	

(5) *Takavi.**Co-operative Societies.*

Draft rules for the grant of takavi loans to —.

GOVERNMENT OF BOMBAY.

REVENUE DEPARTMENT.

Order No. 3552.

Bombay Castle, 4th April 1919.

Letter from the Registrar of Co-operative Societies No. 2373 dated 3rd March 1919 :—

“ I have the honour to report that the orders of Government issued under Government Resolution No. 1158 dated the 3rd February 1909, Revenue Department, regarding advances of takavi to members of co-operative credit societies under the Agriculturists' Loans Act (XII of 1884) have, until the present year, remained practically inoperative, partly because co-operative societies have, until recently, been few in number and small in size and were therefore generally overlooked by District Officers in the distribution of takavi, and partly because this Department has aimed at training societies to finance their members as far as possible independently and has not ordinarily advised them to claim the privilege accorded by Government. Circumstances have now changed. The number of societies has risen to about 2,000 and the working capital to about 2 crores, and future progress will be more rapid. Societies are becoming important factors in the rural economy of most districts and can no longer be safely disregarded by officers concerned in the distribution of takavi. It is clearly absurd to have two parallel authorities—the Co-operative Society and the taluka officer—financing the same classes of people for similar objects without effective co-ordination. The famine during the present year has created a keen demand for takavi among society members as well as other agriculturists, and has therefore made it necessary for the Registrar for the first time to press District Officers to observe the orders passed in 1909. The effect has not been satisfactory in all districts. In some cases societies seem to have been overloading their credit, by incurring takavi liabilities to a possibly dangerous extent ; in others their members have been practically denied takavi altogether and told to apply to their societies—a course which causes great hardship where the takavi is desired in the form of grass otherwise unobtainable ; and in others their members have been granted takavi independently of the societies in spite of the orders of Government. The reason of this confusion is that the present orders regarding the grant of takavi are somewhat vague, and no definite rules of procedure have been laid down. In consultation with the Assistant Registrars and leading non-official co-operators I have therefore drafted the accompanying rules, and venture to submit them for approval.

" 2. At the outset there are a few broad questions on which it appears desirable that Government should come to a definite decision. In resolution 9 of the Eighth Conference of Registrars at Simla, 1918, it was laid down that ' Local Governments should place at the disposal of Provincial or Central Banks or primary societies such proportion of the budget allotment available for takavi as they think fit. The funds so made available should take the form of loans to Provincial or Central Banks or primary societies on the recommendation of the Registrar.' The question whether takavi loans should be made to Co-operative Banks and societies, or to individual members on the guarantee of their societies, is one on which co-operative opinion in this presidency is divided ; but for my own part, I would recommend no change in the general policy laid down by Government under Government Resolution No. 1158 dated the 3rd February 1909 for the following reasons :-

(1) the power of summary recovery against the individual borrower under the Takavi Acts would be lost, if loans were granted to societies as such. Government would have its remedy against societies under section 44 of Act II of 1912 ; but societies would have no power of summary recovery against the individual debtors.

(2) Co-operative Banks and societies could not in practice keep the takavi loan received from Government quite separate from the rest of their working capital which is used for precisely similar objects. They would either distribute the takavi loan to a few of their borrowers at a special rate by favouritism or would charge their ordinary current rates on such loans. In the latter case many borrowers would feel a keen sense of grievance that they were precluded from direct access to takavi loans from the Kacheri at $6\frac{1}{2}$ per cent. and were compelled to borrow the same money from their societies at $9\frac{3}{4}$ per cent.

(3) Takavi loans under Act XII of 1884 to Banks and societies would be illegal under section 4 of the Act.

(4) The Government of India have been very careful to impose close restrictions on State aid to co-operative societies for very good reasons. To give takavi loans to such societies would be to resort again to the practice of State subventions under another name.

" The question is fully discussed in paragraphs 206-208 of the Report of the Committee on Co-operation ; but in spite of their recommendation, I am respectfully of opinion that the wider interests of the movement will be best served if this Government maintains its present policy and refuses to grant takavi loans to co-operative Banks and societies as such.

" 3. The Conference of Registrars proposed that societies should be eligible for takavi loans ' whether scarcity is prevalent or not.' It is clear that the time has come when takavi loans and co-operative societies' loans must be co-ordinated, and that these two financing systems cannot be suffered to work side by side without any regard for each other's interests. If a society advances a member all the finance that he can reasonably require or that his credit can fairly command, it is unsound

to allow him to go to the Taluka Officer behind its back and to obtain takavi which, unless his property has been actually mortgaged to a society, will, although granted later, take priority over the society's claim when it comes to recovery. The rules which I have drafted will effectively co-ordinate the two agencies, and should in my opinion be observed in good years as well as bad years.

" 4. The fundamental principle of the draft rules is in accordance with resolution 10 of the last Registrars' conference, which advises that no takavi loans should be made to members of societies 'except with the consent of their societies.' This requirement is fully satisfied by draft rules 1 and 2. Provided that they secure this consent, members are left to choose whether they prefer to obtain their takavi direct and individually from the taluka office or through the society and on its guarantee. The former method gives the society a veto and imposes no further liability on it. The latter involves it in a liability, which evidently needs careful restrictions.

" 5. The restrictions which I would propose are detailed in draft rule 3. The rule provides that the application should be submitted through the Auditor in charge. He will be in a position to judge whether the facts stated in the application are true, and whether the loan demanded is really needed and is reasonably well secured. Promptness is essential to agricultural finance. Reference to the Registrar or Assistant Registrar, though it would be an additional safeguard, is not recommended, mainly because it would often involve a considerable delay, but also because he would not have any local information about the need for takavi which was not already known to the Taluka Officer nor would he know the amount of takavi allotment available nor the needs of other non-society villages. The local Auditor is in touch with the taluka officers and could adapt his recommendation to local needs and resources. Clauses (1), (2) and (3) are merely rough mechanical standards for preventing societies from deserting their Central Banks and resorting wholesale to takavi advances. They are intended also to prevent societies from undertaking excessive contingent liabilities for their members. A member whose needs could not be adequately met under these restrictions would be able to follow the alternative course permitted in rule 2 (a). Clause (4) enables the society to charge a small commission as insurance against the risk which it undertakes on behalf of its members. Clauses (5), (6) and (7) are self-explanatory. Clause (8) refers to the practice followed in this Department of classifying societies at audit as A first rate, B good, C poor and D bad. It is believed that C and D societies could not be trusted to exercise the power conceded under Rule 2 (b) prudently, and that their guarantee would often be scarcely worth having. For this reason the members of societies classed as C and D should be required to proceed under Rule 2 (a) in all cases.

" 6. The object of Rule 4 is to secure that when the society has completed its enquiries, prepared its list of borrowers, and accepted liability on their behalf, the Taluka Mamlatdar shall not be required to interpose further delay by making local enquiries on his own account, but shall dispose of the application at once in accordance with the resources available for distribution.

"7. Rule 5 has been introduced because it is believed that the Revenue officers will desire that the societies concerned should relieve them of the labour of distributing the funds and taking the bonds. Rule 6 explains the procedure of recovery and in the event of default protects societies from any summary coercive action on the part of recovering officers, which might force them into liquidation unless applied with due consideration to their circumstances. It is hoped that Government will kindly make it clear that when suspensions or remissions of the takavi demand would ordinarily be granted, they should not be withheld merely because a solvent society happens to stand as surety instead of some individual agriculturist.

"8. The form of application gives all the details necessary to form an opinion on the general position of the society and on its power to finance its own members. The Inquiry Form on page 10 of the Takavi Manual would undoubtedly be too difficult for societies to fill up; and I have therefore substituted a much simpler form in Schedules I and II, which seems to contain all the really important points. In Schedule I, column 6, personal sureties are provided for, because it would certainly be risky for a society to stand as sole surety for a landless man cultivating as a tenant. It is intended that the society should stand merely as a collateral surety and that in all cases either a mortgage or a personal surety should be taken in addition.

"9. Government will no doubt wish to consult all Collectors before approving these draft rules and giving them their final shape. But in view of the fact that an urgent demand for takavi has already arisen owing to the famine, and that the orders passed under Government Resolution No. 1158 dated the 3rd February 1909 do allow an opening for excessive borrowings of takavi on the part of societies, I venture respectfully to request that, if there is no objection, Collectors may kindly be asked temporarily to accept these draft rules as a working system pending the issue of final orders by Government."

ORDER.—Copies of the letter from the Registrar of Co-operative Societies and of the accompaniments should be forwarded to the Commissioner in Sind and the Commissioners of Divisions for favour of remarks on the draft rules submitted by the Registrar.

2. Pending the final consideration of the draft rules the procedure prescribed therein should be provisionally adopted.

A. F. L. BRAYNE,
Under Secretary to Government.

**Accompaniments to Government Order, Revenue Department, No. 3552,
dated 4th April 1919.**

Draft Rules for the grant of takavi loans to Co-operative Societies.

Members of agricultural co-operative credit societies, unlimited, shall not be granted takavi loans under Act XIX of 1883 or Act XII of 1884 without the consent of the Managing Committee of the Society to which they belong.

2. After receiving the consent of their society they may at their option follow either of the following courses :—

(a) Apply to the Taluka Officer in the usual form, attaching to the petition the written consent of their society, which shall specify the maximum sum to which the Society gives its consent and the amount already borrowed from the Society, but otherwise offering independent security and having nothing further to do with their society, or

(b) Request their society to obtain the takavi on their behalf and to stand as surety for them.

3. The Society shall from time to time prepare a list of members wishing to obtain takavi under rule 2 (b), for whom it is willing to stand as surety, and shall submit such lists to the Taluka Officer for disposal through the Auditor or Assistant Auditor in charge; provided that—

(1) the Society shall not stand as surety for any amount exceeding Rs. 500 under Act XIX of 1883 or Rs. 200 under Act XII of 1884;

(2) the Society shall not stand as surety for any loan available in more than five years under Act XIX of 1883 or two years under Act XII of 1884;

(3) the total amount of takavi loan so borrowed shall not exceed Rs. 2,500 per every 50 members;

(4) the Society may charge the borrower such commission for its services over and above the usual interest payable to Government on the loan as may be determined by its general meeting and approved by the Registrar;

(5) the Society shall submit its consolidated applications in the attached form;

(6) in the case of loans under Act XIX of 1883, immoveable property of the member concerned, estimated by the Managing Committee to be worth at least double the amount of takavi recommended, shall be mortgaged to Government as first security for the loan. Loans under Act XII of 1884 may be advanced either on mortgage or personal surety. In the latter case the Managing Committee shall insist on the borrower producing one personal surety in addition to the Society;

(7) the Society shall undertake no duties or liabilities whatever in connection with takavi loans to non-members;

(8) the Society shall have been placed in the A or B class at the last preceding audit.

4. The Taluka Officer on receipt of such application from a society, shall, if it is certified by the Auditor or Assistant Auditor of Co-operative Societies in charge to be in order and correct to the best of his knowledge, and if it complies with the conditions prescribed in rule 3, sanction the loan forthwith, provided that the takavi allotment at his disposal is sufficient.

5. When the loan has been sanctioned, the whole amount shall be paid to a duly authorised representative of the Society, who may also be supplied with the forms of bonds. The Society will be responsible for the distribution of the money among its members for the execution of the bonds and their return within 10 days to the Taluka Office. A copy of the resolution of the Managing Committee authorising a member of the society by name to sign the bond as surety on behalf of the Society shall be attached by the Society to every bond executed by its representative.

6. The Mamlatdar shall send each year to the Society a list showing the names of the debtors, the amount of the instalments due (principal and interest separately) and due dates for repayment. The Society shall be responsible for collecting these instalments and remitting them to the Treasury within one month of the due dates. In cases where the Society reports that it has been unable to recover the money, the Mamlatdar shall recover the amount by the usual coercive processes from the principal borrower. In the event of a deficit remaining after the application of coercive processes, the Taluka Officer shall report the facts of the case through the Sub-divisional Officer to the Registrar, who shall take such further steps under section 44 of Act II of 1912 to require the Society to make good the deficit as may seem to him necessary unless the Sub-divisional Officer agrees that a case has been made out for suspending or remitting the demand.

FORM OF APPLICATION FOR TAKAVI.

1. Name of Society _____ Unlimited.
2. Village _____
3. Taluka _____
4. Number of members _____
 - (a) agriculturists _____
 - (b) others _____
5. Date of last audit _____
Audit Classification _____
6. Working capital of Society—
 - (a) deposits by members _____
 - (b) deposits and loans by non-members _____
 - (c) loans from Central Banks _____
 - (d) share capital _____
 - (e) reserve fund _____
 - (f) other capital _____

7. Certified that the total takavi loan required by members of this Society is Rs. _____ as shown in the attached Schedules, and that the Society considers the valuations of securities in column 12 of Schedule I and 17 of Schedule II to be correct, and is willing to stand as surety for the above-mentioned members,

Date _____

Secretary _____

_____ Chairman.
 _____ Committee Member.
 _____ Committee Member.

SCHEDULE I.

List of applicants for takavi under the Agriculturists' Loans Act.

Serial number.	Name of member.	Amount required	Object of loan.	Amount and dates of repayment of instalments.
1	2	3	4	5

Security offered.

Personal.	Mortgage.						
	Survey number.	Area.	Tenure.	Incumbrances.	Assessment.	Net valuation after deducting column 10.	Signature of applicant in verification of these details.
6	7	8	9	10	11	12	13

Certified that the above entries in columns 7 to 11 are correct.

Talati.

SCHEDULE II.

List of applicants for takavi under Land Improvement Loans Act.

Serial No.	Name of member.	Amount required.	Survey No. in which work is to be done.	Nature of proposed improvement.	Period for completion of work.	Instalments by which money is to be paid.		
						Amount.	Date of payment.	Work to be done for each instalment.
1	2	3	4	5	6	7	8	9

Amounts and dates of repayment of instalments.	Member's property offered as security.				Estimated value of security.	Previous incumbrances and arrears due to Government and to societies.	Net value.	Signature of applicant in verification of these details.
	Survey No.	Tenure	Area.	Assessment.				
10	11	12	13	14	15	16	17	18

Certified that the above entries in columns 11 to 14 and 16 are correct according to the Record of Rights.

Talati.

(v)
Revised rules under the Act.

The rules published in Chapter III have been slightly altered in Government notification No. 4358 dated April 30th, 1919, published on page 1134 of the *Bombay Government Gazette* dated May 8th, 1919.

The following changes have been sanctioned :—

1. (1) Read " 1919 " instead of " 1918 ".

9. Omit second sentence and read instead :—

" The maximum so fixed shall be subject to the sanction of the Registrar, who may at any time reduce it for reasons to be communicated by him to the society in writing, and may prescribe any period, not being less than four months, within which the society shall comply with his orders."

25. Substitute the following :—

" The reserve fund in any registered society may be utilised in the business of the society or be invested or deposited in any of the ways mentioned in section 32 (1) (a), (b), (c) and (d) of the Act. The Registrar may for reasons to be communicated in writing by him to the society, by a special order direct that the latter course be adopted.

26. Omit and renumber all succeeding rules.

CHECKED
2003-04

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