

A MANUAL
FOR
CO-OPERATIVE SOCIETIES
IN THE
BOMBAY PRESIDENCY

BY
R. B. EW BANK, I. C. S.,
Registrar of Co-operative Societies, Bombay Presidency



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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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PART I.—INTRODUCTORY.

CHAPTER I.

THE CO-OPERATIVE MOVEMENT IN INDIA.

The problem of diminishing rural indebtedness and of bringing credit facilities within the reach of agriculturists on reasonable terms has for the last fifty years very frequently engaged the attention of Government. While the commerce and total wealth of India have expanded with remarkable rapidity, the peasant class has scarcely enjoyed its fair share of this general prosperity. Indeed, in many parts of the country, it is probably as deeply in debt as it has ever been. The first cause of this state of things is believed to be the Hindu law of inheritance, under which on the death of a land-holder his property is divided up equally between his heirs. Since the conditions which prevented any great increase in the rural population have been removed during the last century, the sub-division and fragmentation of holdings has gone on continuously, until now a large section of the peasantry cultivate plots of land on which it is impossible for them to support themselves and their families. (Special legislation, intensive agriculture and the industrial development of the country are the only obvious remedies for a difficulty of this kind.) But there are other scarcely less important causes of indebtedness which also demand attention and can be more easily dealt with. The situation has unquestionably been aggravated by bad seasons, lack of education, the fatalistic tenour of the peasant mind, and the absence of organization and business capacity among the cultivating classes. The great mass of them still turn to the village money-lender for the capital necessary for carrying on their industry; and in a transaction in which their needs and ignorance are pitted against the greed and shrewdness of a hereditary class of financiers, they are usually overreached and have to pay far higher rates of interest than the security which they have to offer justifies. Agriculture can never be a lucrative occupation so long as the capital with which it is carried on is considered cheaply obtained at 20 or 30 per cent. This persistent indebtedness and stagnation amongst vast masses of the agricultural population is, perhaps, the greatest barrier in the way of progress that the Indian Government has to encounter. From time to time various remedies have been tried. The legislature has placed numerous restrictions on the alienation of land by agriculturists; in certain tracts a legal

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maximum has been set on the rates of interest chargeable by money-lenders; a system of State loans has been introduced; Post Office Savings Banks have been opened; and the principles governing the assessment of land revenue have been revised in the direction of lenience. But no mere legislative fiat can control the working of economic law. The weaker class has continued to go to the wall, and their general condition to stagnate. It was seen that in order to restore the equipoise between lender and borrower, which under more primitive conditions was assured by the public opinion of the country side and the difficulty of recovering dues from an unwilling debtor, the first step was not only to redeem the debtor and supply him with working capital at cheap rates, but at the same time to set before him an ideal of self-help and independence and to inspire him with a sense of responsibility which would prevent him from borrowing rashly or misusing the money placed within his reach.

2. The Bombay Government was among the first to recognize the nature of the problem with which it was confronted, and to attempt to meet it by the organization of an Agricultural Bank. In 1883, under the inspiration of Sir William Wedderburn, I. C. S., a Committee of Capitalists in the Poona District was formed with the object of founding a bank to finance the agriculturists of the Purandhar taluka. Relying on the grant of powers of recovery through the Revenue Officers, and on a few smaller concessions, they were in a position to raise a capital of 10 lakhs, and intended to begin operations by redeeming all the outstanding debts of the ryots. However, Lord Kimberley, who was Secretary of State at the time, was obliged to take objection to the scheme on the ground that the bank would virtually be a Government Institution and that its constitution was faulty on the financial side. In the meantime the Land Improvement Loans Act (XIX of 1883) and the Agriculturists' Loans Act (XII of 1884) were passed, and hopes were entertained that operating in conjunction with the Deccan Agriculturists' Relief Act (Bombay Act XVII of 1879) they would go far to meet the needs of the situation. The scheme was therefore allowed to come to nothing.

3. The idea of using co-operation as a means of combating the Indian rural problem was first conceived by the Government of Madras, which sent Sir Frederick Nicholson to Europe to study the theory and practice of agricultural banking and to suggest means by which a similar

The introduction of the co-operative system.

movement might be started in their Presidency. Between 1895 and 1897 he issued an exhaustive report, which is even yet a mine of information on the subject; and he summarised his conclusions in the words "Find Raiffeisen". By this he meant not only that the system of rural credit societies first invented by Raiffeisen should be given a trial, but that genuine enthusiasts were needed to launch the movement. To the honour of the Civil Service, such men were speedily forthcoming. Scattered Societies on the lines indicated by Nicholson were started by Mr. Dupernex in the United Provinces, Mr. MacLagan in the Punjab, and by a few other keen and far-sighted officers. Lord Curzon, the Viceroy at the time, was quick to realise that no great results could be expected from uncoordinated individual effort, and accordingly appointed a Committee under Sir Edward Law to examine the existing pioneer societies and to suggest lines on which legislation might be undertaken.

4. The Co-operative Credit Societies Act of 1904 was passed into law as a result of this enquiry, and at the time of its publication, its aims and underlying principles were explained to Local Governments and the public in an admirable memorandum by Sir Denzil Ibbetson, which is published as an appendix to this Manual and will still repay careful study. Societies were classed as rural and urban; and while the latter were left a free choice, the former were bound to accept unlimited liability. Their area was closely restricted. Loans might be made only to members and on personal or real, but not ordinarily on chattel, security. An annual official audit was made compulsory. The interest of any member in the share capital of the Society was strictly limited; and special exemption from fees payable under the Stamp, Registration, and Income Tax Acts was conceded. Societies were placed in charge of Official Registrars with very wide powers of control and supervision.

5. These Officers lost no time in setting to work, and it was not long before the results of their activities began to appear. The ideas implicit in co-operation proved themselves wonderfully acceptable to the Indian public. The peasantry were not slow to grasp the new system and to attempt to put it in practice in their own villages, while many of the upper classes came forward to champion the movement and to recommend it to their poorer neighbours. The general progress of the movement can be gauged from the consolidated returns for co-operative

Progress of co-operation
in India.

Societies including the Native States of Mysore and Baroda published annually by the Government of India :—

Year.	Number of Societies.	Number of members.	Working capital. Rs.
1906-07	843	90,844	23,71,683
1907-08	1,357	149,160	44,14,086
1908-09	2,008	184,889	80,65,111
1909-10	3,498	230,698	1,23,97,682
1910-11	5,432	314,101	2,03,66,584
1911-12	8,177	403,318	3,35,74,162
1912-13	12,324	573,536	5,34,34,261
1913-14	15,673	744,226	7,71,70,584
1914-15	17,327	824,469	8,96,61,722
1915-16	19,675	918,436	10,32,67,149
1916-17	23,036	1,045,425	12,22,92,180

6. In the Bombay Presidency the first Registrar was Mr. J.

Progress of Co-operation
in the Bombay Presi-
dency:

McNeill, I. C. S., and the first co-operative credit society organised by him was at Kanginhal in the Dharwar District, and was registered on May 8th, 1905. He was succeeded by Mr. C. S. Campbell, I. C. S., in 1906, who continued to hold the post of Registrar until 1911. Progress has continued steadily, and though more than 200 societies have already been wound up, no loss has ever been caused to the public up to date, and in only a few cases has the mismanagement been so bad as to occasion loss even to the members themselves. The following figures exhibit the progress achieved year by year :—

Year.	Number of Societies.	Number of members.	Working capital. Rs.
1904-05	12	219	Not known.
1905-06	31	1,429	42,191
1906-07	70	5,405	1,68,023
1907-08	146	8,487	3,71,958
1908-09	170	11,399	5,88,932
1909-10	209	15,663	8,34,290
1910-11	256	20,195	13,56,492
1911-12	375	29,419	32,27,407
1912-13	526	46,537	49,65,200
1913-14	715	66,704	65,79,944
1914-15	836	84,600	81,12,319
1915-16	992	106,817	97,66,759
1916-17	1,307	131,018	1,23,22,178
1917-18	1,650	156,805	1,62,89,832

7. The movement so far outran the dreams of its authors, and ramified in so many new directions that in 1912 it became necessary to undertake fresh legislation. The Legislation of 1912 and its effects.

The new act swept away the old distinction between rural and urban societies, and substituted a more scientific distinction based on the character of the members' liability. (The registration of new types of association for the supervision or finance of primary co-operative societies was for the first time legalised.) Co-operative organisations with other objects besides that of furnishing credit were allowed. The exact form which these should take was not definitely laid down; and, pending fuller experience, Registrars were left a wide discretion in building up the higher storeys of their provincial co-operative structures. In 1914 a Committee, presided over by Sir Edward Maclagan, was appointed to review the whole position and to advise the Government of India more particularly on the higher organisation of the co-operative movement and the financial connexion of the various parts of the systems. Their report, known as "The Report of the Committee on Co-operation in India, 1915," may be obtained for Rs. 2-8-0 from any bookseller and is strongly recommended to all practical co-operative workers. It gives full information regarding the systems followed in the various provinces and contains useful criticisms and suggestions on nearly every detail of co-operative organisation.

8. The original promoters of co-operative credit societies had their eyes fixed mainly on the rural problem and aimed Various fields of co-operative activity. primarily at mitigating the stringency and costliness of agricultural credit. But the movement has not confined itself to these narrow limits. There is a growing industrial population in India, of which a large portion is continually in debt and needs help in the redemption of old debts and the provision of loans for necessary trade or domestic purposes at moderate rates. Clerks, craftsmen, and the professional classes have generally in many places been embarrassed by the failure of the Swadeshi banks and have established amongst themselves Co-operative Credit Societies to take their places. The movement has therefore its urban as well as its rural side. Nor has it confined itself merely to the manufacture of cheap credit. Rural co-operation has lately extended in a variety of directions and societies have been registered for cotton sale, cattle breeding, manure supply, the purchase of implements, cattle-insurance, dairies, and cane-crushing. Among the industrial population several co-operative shops and stores

have been opened, societies for the purchase of yarn or sale of cloth have been formed among the hand-weavers, and a few other types have made small beginnings. The methods and difficulties of co-operation in these various fields of activity differ of course widely and demand separate treatment. It will perhaps be most convenient to take first the question of agricultural credit and to discuss what are the methods by which co-operative societies seek to organise and cheapen it.

9. What is the gap in the economic system of the country which Co-operative Societies are intended to fill? Already there are in existence numerous joint stock banks with branches in every important centre. Their primary object is to organise credit and make it immediately available for industrial and commercial enterprise in any quarter where it may be required. In this object although their numbers are still too few to meet the needs of the trade of the country, they have achieved great success, but with one important limitation. It is invariably found in practice that they confine themselves to the more safe and lucrative business of granting short-term loans to established firms and well-known individuals, and do not trouble to furnish similar credit facilities to the small cultivator or artisan.

10. The small cultivator needs capital for buying manure, seed, or stock, improving his land or farm-buildings, dealing with his crop or marketing his produce. The artisan wants it for buying machinery or raw material. Both have often to meet social and domestic calls, *e.g.*, education, marriages, the equipment of younger sons, obsequies, etc., which are nonetheless inevitable because unproductive and unconnected with their trade. This class of loans the joint stock bank avoids. Owing to its distance from the village it cannot know whom to trust nor can it make inquiries about security and title without difficulty and expense disproportionate to the expected profit. The actual profit in each case is probably trifling, while the trouble of bringing to account and making recovery is no less than in the case of big loans. The borrower on his side objects to the rigid rules of such a bank and usually wants loans for a longer period than the bank is prepared to allow. This branch of business has accordingly remained in the hands of the private money-lender, the village sowkar.

11. In this Presidency the normal rate of interest levied by sowkars varies according to the district and the character of the borrower from 5 to 25 per cent. Reasons of high rates of interest on agricultural loans.

Of course greed and monopoly often exact far higher rates. But the fact that apart from such special profits ordinary village credit is exceedingly costly must handicap rural enterprise and act as a drain on the profits of agriculture. The attempt to cheapen rural credit must therefore begin with an inquiry into the causes of its present dearness. Summarily they may be stated as follows. (A great part of the existing capital is hoarded and cannot be tempted from the places where the conservatism of ages has put it. Centuries of misrule and political disturbance have taught the small man to keep it under his own eye and to mistrust investment. The quantity of existing capital is probably inadequate to meet all the demands on it. Legislation which has aimed at preserving the land in the hands of the agriculturist has at the same time unavoidably curtailed agricultural credit. The borrower and the lender usually belong to different classes with adverse interests and of the two the latter is much superior in education and business ability. In some places the delay and expense of recovery through the Civil Courts has made lenders shy of granting loans except on a substantial margin of tangible security. The borrower too must bear his own share of the responsibility. Many classes of peasantry are so thriftless and lazy that loans to them can only be reckoned as speculations. They have no capital either of honesty or of tangible property which would justify a lighter rate of interest than they are usually charged.)

12. It is evident that these factors cannot all be removed or eliminated. But it is claimed for co-operative credit banks that they are the most effective known way of meeting the difficulties. Sir F. A. Nicholson has admirably defined the conditions which any method of cheapening rural credit must conform to:—"absolute proximity of lender and borrower; complete security to the lender as regards the title of the property offered, its freedom from prior encumbrances, the recovery of his capital and interest at due date; thorough safety and facility to the borrower in his ability to obtain cheap loans at any time to an amount proportionate to the security he can offer, and upon terms which will be so equitable that he can calculate on reaping the full fruits of his produce and find in credit a powerful auxiliary to his productive powers and stability." An analysis of the main features of the ordinary

The Raiffeisen method.

rural co-operative credit society of this Presidency, which follows a pattern invented in 1850 by a German named Raiffeisen, will show how far it answers to these conditions. The distinctive points in the scheme may be summarised as follows :—

- (1) The society is absolutely local, the limits of a village being the limits of membership and operation. Members must know each other personally and admit no one whom they do not trust.
- (2) The administration also is local, members only being eligible for appointment and service gratuitous.
- (3) Capital is raised by small entrance fees and by loans and deposits at interest, secured on the unlimited liability of all the members and on the reserve fund.
- (4) All profits are carried to reserve, which is indivisible.
- (5) Loans are made only to members who must be resident in the village and are always given for some definite object.
- (6) Loans are granted for definite periods which are determined by the objects for which they are advanced.

13. The restricted area of operations secured the proximity postulated by Sir F. Nicholson. Complete security

Advantages of the Raiffeisen method.

is of course a counsel of perfection, but that too is ensured as far as is humanly possible by the joint-unlimited liability of members, and by the condition that the needs and character of every borrower must be known to the Managing Committee. The system engages every form of security which an agriculturist can possibly offer—his real or immovable property, his chattels or movable property, and his personal credit or general reputation for thrift and honesty, and allows him to take full advantage of them all. The rates charged are equitable and in this Presidency very rarely exceed 9^s per cent. As a society improves its credit, its lending rate can gradually be reduced. Borrowers have the benefit of clear and open accounts, annually audited by Government, in addition to cheap credit. A profitable and safe investment is provided for the hoarded wealth of the village. The conflicting interests of lender and borrower are reconciled. Borrowers are encouraged to become more thrifty and respectable, since otherwise they will not be received as members of the society. This reformation, if it occurs, also ensures that resort need less often be had to the Civil Courts.

14. This type of society is well suited to a village community which in India is accustomed to undertake many responsibilities in common; but it is not equally adapted to the needs of an urban population. In a town it is impossible for all the members of a society to know one another personally. The circumstances make it more difficult to form a correct estimate of character or security. Members naturally therefore recoil from a mutual and unlimited liability. They prefer a type of a society which follows roughly the main principles which were first laid down by Shulze Delitzsch, but throws overboard the combination of shares with unlimited liability which he originally favoured. It must be remembered that this form is very elastic and does not always in particular instances answer very closely to the model of its inventor. Subject however to variations, the following features generally appear :

- (1) Credit must be based on self-help. Every member therefore in addition to paying an entrance fee must take up at least one share in the society.
- (2) Liability is limited to the nominal amount of the share, of which part only is usually paid up.
- (3) At least one-fourth of the net annual profits must be carried to reserve.
- (4) The balance of the net annual profits may be distributed as bonus or dividend on the paid up portion of the shares.
- (5) Shares are transferable with the sanction of the society.
- (6) The area of operation is limited so that the society may have local knowledge of its members.
- (7) Fixed and current loans and deposits are received at interest; but the total of these should not exceed eight times the paid up capital plus the reserve fund.
- (8) Loans are granted only to members. These are for short periods with the option of renewal, because the capital must be liquid lest deposits be suddenly withdrawn. No credit is given without security real or personal.
- (9) All service is paid for in order that its efficiency may be secured.

15. It is claimed for this type of bank that it encourages thrift by insisting on members taking up and gradually subscribing at least one share, and by paying dividends on such savings. The member has a more direct interest in his own share with its dividend and transfer value than in the indivisible capital of a Raiffeisen bank. In place of an unlimited liability the exact value of which is difficult to estimate, depositors have as a guarantee a definite share capital. The society is run on strictly business lines and does not directly aim at the moral results which were the constant object of Raiffeisen. However it is found in practice that besides enforcing thrift, these societies tend to stimulate associated action, to give members some business education, to banish debt and usury, and to instil punctuality and mutual confidence.

16. The types of co-operative society which deal direct with individual members are known as primary societies. It will be evident however that these societies cannot stand alone. If they are to finance the needs of their members regularly and promptly, they require some institutions to which they can turn with confidence for loans proportionate to the credit which they offer. Such institutions are known as Central Banks, of which there are now 10 in this Presidency. Various types of organisation have been tried in different parts of the country, but the most successful have been those which include both affiliated societies and individual shareholders in their membership. When composed entirely of societies, the management is generally unbusiness-like and commands little local credit. If, on the other hand, Central Banks admit only individuals as shareholders, the identity of interest between the lending and the borrowing parties, postulated by the idea of co-operation, is lost. It is almost impossible to reconcile the interests of the lenders, who look mainly for safety and good dividends, with those of borrowers, who demand cheap loans and convenient terms for repayments. For this reason the mixed type of Central Bank, seems to promise the best results. These are based on share capital and limited liability, and in constitution are not very unlike joint Stock Banks. The societies which borrow from them are required to take up shares in proportion to their borrowings, and in this way gradually secure a dominating voice at the annual general meeting. Central Banks are thereby brought to realise that they are the servants and not the masters of the societies which they finance. The individual shareholders are generally local men of influence, who are willing to take

a part in public work. They form a majority on the directorate, supply the business ability without which the Banks would certainly fail, and by their presence greatly enhance the credit of these institutions. In granting loans they are guided partly by the opinions of their colleagues, elected to represent the affiliated societies, and partly by the report of their inspecting staff, which is engaged in constantly touring with the double object of estimating the trustworthiness of societies and watching the way in which they use their loans. A quarter of the net profits is carried to reserve, and the remainder is available for distribution as dividends, subject to the maximum imposed by the rules.

17. Behind these Central Banks stands the Bombay Central Co-operative Bank, which is separately described in Chapter XII of this Manual. It has a twofold object. It aims at serving Central Banks, where they exist by acting as a balancing centre (*i.e.*, by taking charge of their surplus funds at fair rates of interest and utilising them in districts where funds are required), by supplying them with working capital up to the limit of their credit, and by holding cash reserves for their support in cases where their own fluid resources fail. In addition to this it acts as an ordinary Central Bank by assessing the credit of the primary societies and granting loans to them, in districts where no separate Central Bank exists or where the existing Central Bank is unable to finance all the societies in the district.

18. The financial system is thus built up in a sort of pyramid rising to an apex in the Provincial Bank. But while finance is rightly centralised in this way it is a maxim of co-operation that supervision should be decentralised and should as far as possible be done by the men on the spot, who will know local conditions and suffer by local failures. Primary societies are often remote and composed of illiterate members and require far more guidance and supervision than the Registrar's staff is able to give. In this Presidency the function of supervision is largely undertaken by local gentlemen, familiar with co-operative work who are enrolled as Honorary Organisers and devote themselves to training and improving old societies and forming new ones. It is impossible however for private gentlemen to give all the time to this work that it requires. Societies are therefore induced to form themselves into Unions with a small central committee, which is charged with the duty of supervising all societies which have become members and of seeing that they are honestly managed and fit to be entrusted

with loans. At present only one-fourth of the available societies are included within Unions, but it is hoped that ultimately they will embrace every agricultural society in the Presidency and cover the entire area. The Union, which is described in Chapter IX, usually obtains a maximum credit from the Central Bank on which it may draw at will. Within this limit it recommends loans for its member-societies and every loan granted in accordance with such recommendation is guaranteed by the Union to an extent prescribed in the Union by-laws. In short, it is the function of the Unions to see that societies are efficiently managed and to present their credit to Central Banks in an acceptable manner, such as will ensure the prompt despatch of all necessary and legitimate loans.

19. It has recently been felt that the propagandist and educational work undertaken by the Unions, Honorary Organisers, Special Local Committees, and so forth has suffered to some extent because it is uncoordinated. The policy has accordingly been enunciated that the future guidance and control of the Co-operative Movement should lie with three more or less coordinate authorities—the Registrar responsible for seeing that the Act, Rules and by-laws are not infringed, that fundamental Co-operative Principles are not disregarded and that regular annual audit is made of every society—the Bombay Central Co-operative Bank undertaking the finance of the movement, assessing and organising its credit, acting as a balancing centre and serving as a channel between Co-operative Units and the outside money market and a Central Institute focussing every form of Co-operative endeavour, responsible for all forms of co-operative propaganda, education and enquiry and representative of independent co-operative opinion on all questions affecting the movement. To meet this last need the Bombay Central Co-operative Institute has recently been formed and intends to organise and manage training classes for Co-operative Secretaries, to promote and guide the housing movement, to maintain a library, to issue journals in English and Vernaculars, to organise Conferences, lectures, and other propagandist work and to supervise co-operative work among the factory hands of Bombay. At the time of writing, the institute has not yet started work; but it is hoped that it may before long prove a real centre of propagandist work throughout the presidency and that ultimately it will make itself the connecting link between the federations which are likely to be formed before long in each separate linguistic area.

The Central Co-operative Institute.

20. The foregoing paragraphs 9 to 18 contain a brief account of the system under which credit societies, whether urban or rural, limited or unlimited, are organised, financed, and controlled. Part II of this Manual is devoted to describing the working of this system in detail. It remains only to touch on the application of co-operative principles to non-credit organisations. Here it is not possible to lay down with equal distinctness the problems that are being faced and the lines that are being followed. The main object of every co-operative association for the purchase of raw material or implements, the sale of produce, the insurance of property or the performance of specific services, is to eliminate middlemen as far as possible and to make the workers their own capitalists. These types of enterprise demand far more care and business ability than ordinary credit societies. Great caution is therefore necessary in taking up such schemes, however attractive, because they are always liable to overtax the abilities of their promoters and because it is far more difficult to forecast receipts and expenses and to assure a reasonable profit. In Part III of this Manual a few model-schemes for various types of non-credit co-operation, which have been practically tested in this Presidency and have proved workable in actual experience, have been included. The movement is yet in its infancy. But as education spreads and more men of practical ability spring up among the agricultural and industrial classes, there can be no doubt that great developments will take place. It would be premature yet to indicate definitely what lines these will follow. In experimenting with pioneer societies a few failures are bound to occur. But that ultimately co-operation will be the accepted method of dealing with large fields of agricultural and industrial organisation, few who have carefully studied the existing societies will be found to deny.

CHAPTER II.

THE CO-OPERATIVE SOCIETIES ACT, 1912 (II OF 1912).

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ACT No. II OF 1912.

PASSED BY THE GOVERNOR GENERAL OF INDIA IN COUNCIL.

*(Received the assent of the Governor General on the 1st March 1912.)***An Act to amend the Law relating to Co-operative Societies.**

WHEREAS it is expedient further to facilitate the formation of Co-operative Societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means, and for that purpose to amend the law relating to Co-operative Societies; It is hereby enacted as follows:—

Preliminary.

Short title and extent. 1. (1) This Act may be called the Co-operative Societies Act, 1912; and

(2) It extends to the whole of British India.

Definitions. 2. In this Act, unless there is anything repugnant in the subject or context,—

(a) "by-laws" means the registered by-laws for the time being in force and includes a registered amendment of the by-laws:

(b) "committee" means the governing body of a registered society to whom the management of its affairs is entrusted:

(c) "member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules:

(d) "officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules or the by-laws to give directions in regard to the business of the society:

(e) "registered society" means a society registered or deemed to be registered under this Act:

(f) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act: and

(g) "rules" means rules made under this Act.

Registration.

3. The Local Government may appoint a person to be Registrar of Co-operative Societies for the Province or any portion of it, and may appoint persons to assist such Registrar, and may, by general or special order, confer on any such persons all or any of the powers of a Registrar under this Act.

4. Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability:

Provided that unless the Local Government by general or special order otherwise directs—

- (1) the liability of a society of which a member is a registered society shall be limited;
- (2) the liability of a society of which the object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists, and of which no member is a registered society, shall be unlimited.

Restrictions on interest of member of society with limited liability and a share capital.

5. Where the liability of the members of a society is limited by shares, no member other than a registered society shall—

- (a) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed by the rules; or
- (b) have or claim any interest in the shares of the society exceeding one thousand rupees.

6. (1) No society, other than a society of which a member is a registered society, shall be registered under this Act which does not consist of at least ten persons above the age of eighteen years and, where the object of the society is the creation of funds to be lent to its members, unless such persons—

- (a) reside in the same town or village or in the same group of villages; or,

Conditions of registration.

(b) save where the Registrar otherwise directs, are members of the same tribe, class, caste or occupation.

(2) The word "limited" shall be the last word in the name of every society with limited liability registered under this Act.

7. When any question arises whether for the purposes of this Act a person is an agriculturist or a non-agriculturist, or whether any person is a resident in a town or village or group of villages, or whether two or more villages shall be considered to form a group, or whether any person belongs to any particular tribe, class, caste or occupation, the question shall be decided by the Registrar, whose decision shall be final.

Power of Registrar to decide certain questions.

Application for registration.

8. (1) For purposes of registration an application to register shall be made to the Registrar.

(2) The application shall be signed—

(a) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of section 6, sub-section (1); and

(b) in the case of a society of which a member is a registered society, by a duly authorised person on behalf of every such registered society, and where all the members of the society are not registered societies, by ten other members of, when there are less than ten other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

9. If the Registrar is satisfied that a society has complied with the provisions of this Act and the rules and that its proposed by-laws are not contrary to the Act or to the rules, he may, if he thinks fit, register the society and its by-laws.

Registration.

10. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled.

Evidence of registration.

11. (1) No amendment of the by-laws of a registered society shall be valid until the same has been registered under this Act, for which purpose a copy of the amendment shall be forwarded to the Registrar.

(2) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Act or to the rules, he may, if he thinks fit, register the amendment.

(3) When the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence that the same is duly registered.

Rights and liabilities of members.

12. No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society as may be prescribed by the rules or by-laws.

Member not to exercise rights till due payment made.

13. (1) Where the liability of the members of a registered society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, have one vote only as a member in the affairs of the society.

Votes of members.

(2) Where the liability of the members of a registered society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws.

(3) A registered society which has invested any part of its funds in the shares of any other registered society may appoint as its proxy, for the purpose of voting in the affairs of such other registered society, any one of its members.

14. (1) The transfer or charge of the share or interest of a member in the capital of a registered society, shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the rules.

Restrictions on transfer of share or interest.

(2) In case of a society registered with unlimited liability a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof unless—

(a) he has held such share or interest for not less than one year; and

- (b) the transfer or charge is made, to the society or to a member of the society.

Duties of registered societies.

15. Every registered society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall send to the Registrar notice of every change thereof.

Address of societies.

16. Every registered society shall keep a copy of this Act and of the rules governing such society, and of its by-laws, open to inspection free of charge at all reasonable times at the registered address of the society.

Copy of Act, rules and by-laws to be open to inspection.

17. (1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in this behalf the accounts of every registered society once at least in every year.

Audit.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(3) The Registrar, the Collector or any person authorized by general or special order in writing in this behalf by the Registrar shall at all times have access to all the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection may require.

Privileges of registered societies.

18. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a registered society shall be entitled in

Societies to be bodies corporate.

Prior claim of society.

priority to other creditors to enforce any outstanding demand due to the society from a member or past member—

- (a) in respect of the supply of seed or manure or of the loan of money for the purchase of seed or manure—upon the crops or other agricultural produce of such member or person at any time within eighteen months from the date of such supply or loan ;
- (b) in respect of the supply of cattle, fodder for cattle, agricultural or industrial implements or machinery or raw materials for manufacture, or of the loan of money for the purchase of any of the foregoing things—upon any such things so supplied, or purchased in whole or in part from any such loan, or on any articles manufactured from raw materials so supplied or purchased.

20. A registered society shall have a charge upon the share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

Charge and set-off in respect of shares or interest of member:

21. Subject to the provisions of section 20, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee under the Presidency-towns Insolvency Act, 1909, nor a Receiver under the Provincial Insolvency Act, 1907, shall be entitled to or have any claim on such share or interest.

Shares or interest not liable to attachment.

22. (1) On the death of a member a registered society may transfer the share or interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or; if there is no person so nominated, to such person as may appear to the committee to be the heir or legal representative of the deceased member, or pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws :

Transfer of interest on death of member.

Provided that—

- (i) in the case of a society with unlimited liability, such nominee, heir or legal representative, as the case may be, may require payment by the society of the value of the share or interest of the deceased member ascertained as aforesaid;
- (ii) in the case of a society with limited liability, the society shall transfer the share or interest of the deceased member to such nominee, heir or legal representative, as the case may be, being qualified in accordance with the rules and by-laws for membership of the society, or on his application within one month of the death of the deceased member to any person specified in the application who is so qualified.

(2) A registered society may pay all other moneys due to the deceased member from the society to such nominee, heir or legal representative, as the case may be.

(3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

23. The liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.

Liability of past member.

24. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease.

Liability of the estates of deceased members.

25. Any register or list of members or shares kept by any registered society shall be *prima facie* evidence of any of the following particulars entered therein:—

Register of members.

- (a) the date at which the name of any person was entered in such register or list as a member;
- (b) the date at which any such person ceased to be a member.

26. A copy of any entry in a book of a registered society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by the rules, be received, in any suit or legal proceeding, as *prima facie* evidence of the existence of such entry, and shall be admitted

Proof of entries in societies' books.

as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

Exemption from compulsory registration of instruments relating to shares and debentures of registered society.

27. Nothing in section 17, sub-section (1), clauses (b) and (c), of the Indian Registration Act, 1908, shall apply to—

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- (1) any instrument relating to shares in a registered society, notwithstanding that the assets of such society consist in whole or in part of immoveable property ; or
- (2) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immoveable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immoveable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures ; or
- (3) any endorsement upon or transfer of any debenture issued by any such society.

Power to exempt from income-tax, stamp-duty and registration-fee.

28. The Governor General in Council, by notification in the Gazette of India, may, in the case of any registered society or class of registered society, remit—

- (a) the income-tax payable in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits ;
- (b) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a registered society or by an officer or member and relating to the business of such society, or any class of such instruments, are respectively chargeable ;
- (c) any fee payable under the law of registration for the time being in force.

Property and funds of registered societies.

Restrictions on loans.

29. (1) A registered society shall not make a loan to any person other than a member :

Provided that, with the general or special sanction of the Registrar, a registered society may make loans to another registered society.

(2) Save with the sanction of the Registrar, a society with unlimited liability shall not lend money on the security of moveable property.

(3) The Local Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immoveable property by any registered society or class of registered societies.

30. A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by-laws.

Restrictions on borrowing.

31. Save as provided in sections 29 and 30, the transactions of a registered society with persons other than members shall be subject to such prohibitions and restrictions, if any, as the Local Government may, by rules, prescribe.

Restrictions on other transactions with non-members.

32. (1) A registered society may invest or deposit its funds—

Investment of funds.

(a) in the Government Savings Bank, or

(b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882, or

(c) in the shares or on the security of any other registered society, or

(d) with any bank or person carrying on the business of banking, approved for this purpose by the Registrar, or

(e) in any other mode permitted by the rules.

(2) Any investments or deposits made before the commencement of this Act which would have been valid if this Act had been in force are hereby ratified and confirmed.

33. No part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members :

Funds not to be divided by way of profit.

Provided that after at least one-fourth of the net profits in any year have been carried to a reserve fund, payments from the remainder of

such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the rules or by-laws :

Provided also that in the case of a society with unlimited liability no distribution or profits shall be made without the general or special order of the Local Government in this behalf.

34. Any registered society may, with the sanction of the Registrar, after one-fourth of the net profits in any year has been carried to a reserve fund, contribute an amount not exceeding ten per cent. of the remaining net profits to any charitable purpose, as defined in section 2 of the Charitable Endowments Act, 1890.

Contribution to charitable purpose.

I of 1890.

Inspection of affairs.

35. (1) The Registrar may of his own motion, and shall on the request of the Collector, or on the application of a majority of the committee, or of not less than one-third of the members, hold an inquiry or direct some person authorized by him by order in writing in this behalf to hold an inquiry into the constitution, working and financial condition of a registered society.

Inquiry by Registrar.

(2) All officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar or the person authorized by the Registrar may require.

36. (1) The Registrar shall, on the application of a creditor of a registered society, inspect or direct some person authorized by him by order in writing in this behalf to inspect the books of the society :

Inspection of books of indebted society.

Provided that—

(a) the applicant satisfies the Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

(b) the applicant deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.

(2) The Registrar shall communicate the results of any such inspection to the creditor.

37. Where an inquiry is held under section 35, or an inspection is made under section 36, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members or creditor demanding an inquiry or inspection, and the officers or former officers of the society.

38. Any sum awarded by way of costs under section 37 may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable actually and voluntarily resides or carries on business, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

Dissolution of society.

39. (1) If the Registrar, after an inquiry has been held under section 35 or after an inspection has been made under section 36 or on receipt of an application made by three-fourths of the members of a registered society, is of opinion that the society ought to be dissolved, he may cancel the registration of the society.

(2) Any member of a society may, within two months from the date of an order made under sub-section (1), appeal from such order.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period.

(4) Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the appellate authority.

(5) The authority to which appeals under this section shall lie shall be the Local Government :

Provided that the Local Government may, by notification in the local official Gazette, direct that appeals shall lie to such Revenue authority as may be specified in the notification.

40. Where it is a condition of the registration of a society that it should consist of at least ten members, the Registrar may, by order in writing, cancel the registration of the society if at any time it is proved to his satisfaction that the number of the members has been reduced to less than ten.

Effect of cancellation of registration.

41. Where the registration of a society is cancelled, the society shall cease to exist as a corporate body—

- (a) in the case of cancellation in accordance with the provisions of section 39, from the date the order of cancellation takes effect;
- (b) in the case of cancellation in accordance with the provisions of section 40, from the date of the order.

42. (1) Where the registration of a society is cancelled under section 39 or section 40, the Registrar may appoint a competent person to be liquidator of the society.

Winding up.

(2) A liquidator appointed under sub-section (1) shall have power—

- (a) to institute and defend suits and other legal proceedings on behalf of the society by his name of office;
- (b) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society;
- (c) to investigate all claims against the society and, subject to the provisions of this Act, to decide questions of priority arising between claimants;
- (d) to determine by what persons and in what proportions the costs of the liquidation are to be borne; and
- (e) to give such directions in regard to the collection and distribution of the assets of the society, as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure, 1908.

V of 1908.

(4) Where an appeal from any order made by a liquidator under this section is provided for by the rules, it shall lie to the Court of the District Judge.

(5) Orders made under this section shall, on application, be enforced as follows:—

- (a) when made by a liquidator, by any Civil Court having local jurisdiction in the same manner as a decree of such Court;
- (b) when made by the Court of the District Judge on appeal, in the same manner as a decree of such Court made in any suit pending therein;
- (6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act.

Rules.

43. (1) The Local Government may, for the whole or any part of the Province and for any registered society or class of such societies, make rules to carry out the purposes of this Act.

Rules.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

- (a) subject to the provisions of section 5, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member;
- (b) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society and the procedure in the matter of such applications;
- (c) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and abrogating by-laws, and the conditions to be satisfied prior to such making, alteration or abrogation;
- (d) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members, and the payment to be made and the interests to be acquired before the exercise of the right of membership;
- (e) regulate the manner in which funds may be raised by means of shares or debentures or otherwise;

- (f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings ;
- (g) provide for the appointment, suspension and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers ;
- (h) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance-sheet showing the assets and liabilities of a society ;
- (i) prescribe the returns to be submitted by a society to the Registrar and provide for the persons by whom and the form in which such returns shall be submitted ;
- (j) provide for the persons by whom and the form in which copies of entries in books of societies may be certified ;
- (k) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares, of a register of shares ;
- (l) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators ;
- (m) provide for the withdrawal and expulsion of members and for the payments, if any, to be made to members who withdraw or are expelled and for the liabilities of past members ;
- (n) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred ;

- (o) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent, to an individual member ;
 - (p) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society ;
 - (q) prescribe the extent to which a society may limit the number of its members ;
 - (r) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability and the maximum rate of dividend which may be paid by societies ;
 - (s) subject to the provisions of section 39, determine in what cases an appeal shall lie from the orders of the Registrar and prescribe the procedure to be followed in presenting and disposing of such appeals ; and
 - (t) prescribe the procedure to be followed by a liquidator appointed under section 42, and the cases in which an appeal shall lie from the order of such liquidator.
- (3) The Local Government may delegate, subject to such conditions, if any, as it thinks fit, all or any of its powers to make rules under this section to any authority specified in the order of delegation.
- (4) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.
- (5) All rules made under this section shall be published in the local official Gazette and on such publication shall have effect as if enacted in this Act.

Miscellaneous.

44. (1) All sums due from a registered society or from an officer or member or past member of a registered society as such to the Government, including any costs awarded to the Government under section 37, may be recovered in the same manner as arrears of land-revenue.

(2) Sums due from a registered society to Government and recoverable under sub-section (1) may be recovered, firstly, from the property

Recovery of sums due to Government.

of the society; secondly, in the case of a society of which the liability of the members is limited, from the members subject to the limit of their liability; and, thirdly, in the case of other societies, from the members.

45. Notwithstanding anything contained in this Act, the Local Government may, by special order in each case and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of this Act as to registration.

Power to exempt societies from conditions as to registration.

46. The Local Government may, by general or special order, exempt any registered society from any of the provisions of this Act or may direct that such provisions shall apply to such society with such modifications as may be specified in the order.

Power to exempt registered societies from provisions of the Act.

47. (1) No person other than a registered society shall trade or carry on business under any name or title of which the word "co-operative" is part without the sanction of the Local Government:

Prohibition of the use of the word "co-operative".

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which this Act comes into operation.

(2) Whoever contravenes the provisions of this section shall be punishable with fine which may extend to fifty rupees and in the case of a continuing offence with further fine of five rupees for each day on which the offence is continued after conviction therefor.

48. The provisions of the Indian Companies Act, 1882, shall not apply to registered societies. Indian Companies Act, 1882, not to apply. VI of 1882

49. Every society now existing which has been registered under the Co-operative Credit Societies Act, 1904, shall be deemed to be registered under this Act, and its by-laws shall, so far as the same are not inconsistent with the express provisions of this Act, continue in force until altered or rescinded.

Saving of existing societies.

50. The Co-operative Credit Societies Act, 1904, shall be hereby repealed.

Repeat.

CHAPTER III.

RULES UNDER ACT II OF 1912.

Notification No. 6952 dated Bombay Castle, July 2nd, 1918, and published on page 1251 of the *Bombay Government Gazette*, Part I, dated July 4th, 1918, is published below :—

Rules under section 43 of Act II of 1912.

1. (1) These Rules may be called the *Bombay Co-operative Societies Rules, 1918.*

(2) In these rules the expression "the Act" means the *Co-operative Societies Act, 1912 (II of 1912).*

Registration.

2. (1) Every application for the registration of a society under section 8, sub-section (1), of the Act shall be in the form of Schedule A.

(2) In addition to the copy of the by-laws which is required to accompany the application for registration under section 8, sub-section (3), of the Act, another copy shall be forwarded herewith. Each copy shall be signed by the persons who are required by section 8 (2) of the Act to sign the application.

(3) In cases where one of the members of the proposed society is a registered society, a member of the Managing Committee of that society shall be authorised by such Committee by resolution to sign the application for registration and the by-laws on its behalf, and a copy of such resolution shall be appended to the application.

3. If the Registrar refuses to register the society or its by-laws under section 9 of the Act, he shall communicate to the applicants his reason for so doing.

4. Where the Registrar refuses to register a society, an appeal may be made to the Governor in Council within three months of the date of the refusal.

By-laws.

5. (1) The matters in respect of which every society shall make by-laws are the following, namely :—

(a) the name and address of the society and its area of operations ;

- (b) the object of the society, the purposes to which its funds are applicable, the terms of admission of members and their rights and liabilities, the consequences of default in payment of any sum due by a member, and in the case of Credit Societies the conditions on which loans may be granted and the maximum number of members that may be admitted;
- (c) the mode of holding meetings, the right of voting, and, subject to the provisions of rules 6 and 7, the manner of making, altering and abrogating by-laws;
- (d) the mode of appointment and removal of the Committee and of the officers, if any, and the duties and powers of the Committee and officers;
- (e) the manner in which capital may be raised;
- (f) the mode of custody and of investment of the funds and, subject to rules 13, 17 and 18, the mode of keeping accounts, and the disposal of its profits.

(2) Every society may make by-laws in respect of any other matters incidental to the management of its business.

6. When a society has been registered, the by-laws submitted under rule 2, sub-rule (2), shall, subject to any modifications approved by the Registrar, and, if adopted at a general meeting by a majority of not less than two-thirds of the members, become the by-laws of the society.

7. By-laws may be made, altered or abrogated by a resolution passed at a general meeting of the society; provided that—

- (1) due notice of any proposal to make, alter or abrogate is given in accordance with the by-laws;
- (2) the resolution is passed by not less than two-thirds of the members present at the general meeting; or in the case of societies with limited liability, the operations of which extend over an area larger than that of a city or town or village or group of villages, by the written votes of a majority of not less than two-thirds of the members provided that a poll has been demanded, granted and held in accordance with a by-law authorising such a procedure;
- (3) the making, alteration, or abrogation is approved and registered by the Registrar.

8. Where the Registrar refuses approval to the making, alteration or abrogation of any by-law, an appeal may be made to the Governor in Council within three months of the date of refusal.

Loans and Deposits.

9. Every society with unlimited liability shall from time to time fix in a general meeting the maximum liability which it may incur in loans or deposits from non-members. The maximum so fixed shall be subject to the sanction of the Registrar who may at any time reduce it. No such society may receive any loan or deposit from a non-member which will make its liability to non-members exceed the limit sanctioned by the Registrar.

10. No society with limited liability shall incur total liabilities exceeding eight times the total of its paid-up share capital and its accumulated reserve fund.

11. The shares of the society may not be hypothecated to that society by its members as a security for a loan.

12. Agricultural Credit Societies may not accept deposits which are not fixed for a period of at least two months except in the case of savings deposits in such societies as have included in their by-laws provisions for the encouragement of thrift among their members by the opening of savings accounts.

Accounts, Returns and Documents.

13. (1) Every Credit Society shall keep the following accounts and books, namely:—

- (a) Register of members, including persons nominated under rule 19;
- (b) Register of shares and debentures (where capital is raised by shares or debenture);
- (c) Share Transfer Register (where capital is raised by shares or debentures);
- (d) Cash account;
- (e) Members' loan account;
- (f) Deposit account;
- (g) Loan Register;
- (h) Interest account;

- (i) Expenses account ;
 (j) Bank account ;
 (k) Minute book, recording the proceedings of general meetings ;
 (l) Minute book, recording the proceedings of meetings of the Committee ;
 (m) Such other accounts and books as may be prescribed by the Registrar.

(2) Societies other than Credit Societies shall keep accounts and books (a), (d), (k) and (l) mentioned in sub-rule (1) and such other accounts and books as may be approved or required by the Registrar.

14. For the purposes of section 26 of the Act, copies of entries in the books of any society may be credited by any officer of the society.

15. Members of co-operative societies or the public may inspect the following documents in the Registrar's office free of charge and may obtain certified copies of them on payment of the following fees :—

	Rs. a. p.
Application for registration of a society	.. 0 2 0 each.
By-laws of registered societies	.. 0 2 0 per folio.
Amendments of by-laws of registered societies	0 2 0 „
Certificates of registration	.. 0 2 0 each.
Orders of cancellation of the registration of a society.	0 2 0 per folio.
Audit memorandum of a registered society	.. 0 2 0 „
Annual balance sheets	.. 0 2 0 „

16. The Registrar may require the Secretary of any society to submit a periodical return of receipts and disbursements on such dates and in such forms as he may prescribe.

17. All registered societies classified by the Registrar as District or Central Banks and Urban societies with a capital of more than Rs. 50,000 shall submit to that officer a quarterly financial statement in the form prescribed by Government for the quarters ending March 31st, June 30th, September 30th and December 31st, not later than April 30th, July 15th, October 15th and January 15th, respectively.

18. On or before April 20th of each year the Committee shall publish an annual balance sheet, showing (a) the profit and loss, and

(b) the receipts and expenditure of the previous financial year, and (c) the assets and liabilities as they stood on March 31st. This balance sheet shall be open to the inspection of any member during office hours at the office of the society, and a copy thereof shall be submitted to the Registrar before April 30th.

19. (1) Every member of a society may nominate a person to whom under section 22 of the Act his share or interest shall be transferred or the sum specified in that section shall be paid and may similarly from time to time revoke or vary such nomination.

(2) The name and address of every person so nominated shall be entered in the register kept under rule 12, sub-rule (1), clause (a).

Distribution of profits, and Use of Reserve Fund.

20. No society shall pay a dividend to its shareholders at a rate exceeding 12½ per cent. nor shall it pay a rate exceeding 9¾ per cent. until its reserve fund exceeds one-quarter of its subscribed capital.

21. Without the sanction of the Registrar, no part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members in any year, unless the entire expenditure incurred by such society during the year, and any loss on account of bad debts written off, have been debited in the Annual Profit and Loss account before the net profit has been calculated.

22. With the previous sanction of the Registrar any society may invest its funds or a portion thereof in the purchase or leasing of land and in the construction of buildings, provided that such land or buildings are necessary for the conduct of its business.

23. With the previous approval of the Registrar, societies with unlimited liability constituted for the object of co-operative purchase of goods for distribution to the members and for the co-operative production of commodities for sale, may, once a year, after carrying to reserve at least one-fourth of the net profits earned in that year, distribute a sum not exceeding half of the remainder as a bonus among the members to such extent and under such conditions as may be prescribed in the by-laws.

24. In calculating the profits of a society for the year for the purpose of declaring a dividend or bonus, all accrued interest which has been unauthorisedly overdue for more than six months, shall be deducted from the gross profits of the year before the net profits are arrived at.

25. The reserve fund in a registered society of unlimited liability may, unless the Registrar by a special order direct it to be invested in the manner mentioned in rule 26, be utilized 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.

26. The reserve fund in a registered society of limited liability shall be invested or deposited in any of the modes mentioned in section 32 (1) (a), (b), (c) and (d) of the Act.

Audit.

27. Societies with limited liability and with a total working capital exceeding Rs. 50,000 at the beginning of the co-operative year may be required by the Registrar to bear the charges of the audit of their accounts. The amount of the charges to which they are liable shall be fixed by the Registrar and shall be recoverable under section 44 of the Act.

28. The Registrar may, with the previous sanction of Government, levy an audit rate not exceeding $\frac{1}{2}$ per cent. calculated on the working capital of every registered society within a stated area, as it stood at the close of the last preceding co-operative year and employ the proceeds of the rate in maintaining a staff to audit societies within that area. Societies falling under Rule 27 shall be exempt from this rate. Audit fees assessed under this Rule shall be recoverable under section 44 of the Act.

Arbitration.

29. Any dispute touching the business of a co-operative society between members or past members of the society or persons claiming through a member or past member, or between a member or past member or persons so claiming and the Committee or any officer, shall be referred to the Registrar.

30. The Registrar, on receiving notice of such dispute, shall, at his discretion, either decide the dispute himself or shall appoint an arbitrator or shall refer it to three arbitrators, of whom one shall be nominated by each of the parties to the dispute and the third shall be nominated by the Registrar and act as Chairman. Where any party to a dispute fails to nominate an arbitrator within 15 days, the Registrar may himself make the nomination. The appointment of the arbitrator or arbitrators shall be notified by the Registrar in the *Bombay Government Gazette*.

31. In such proceedings the Registrar or the arbitrator or arbitrators shall have power to administer oaths, to require by summons the attendance of all parties concerned and witnesses, and to require by summons the production of all books and documents relating to the matter in dispute. Such summons may be sent by registered post or served on parties or witnesses directly or through the Mamlatdar or Mahalkari in charge of the taluka or mahal in which the party or witness is residing.

32. The Registrar or arbitrator or arbitrators shall record a brief note in English or in Vernacular of the evidence of the parties and witnesses who attend and upon the evidence so recorded and after consideration of any documentary evidence produced by either side, a decision or award, as the case may be, shall be given in accordance with justice, equity and good conscience and shall be reduced to writing. In the absence of any party duly summoned to attend, the dispute may be decided *ex parte*. In cases where three arbitrators are appointed, the opinion of the majority shall prevail.

33. Any party aggrieved by an award of an arbitrator or arbitrators may appeal to the Registrar within one month of the date of the award. In cases which the Registrar has decided the dispute himself without reference to arbitration, an appeal within one month of the date of the decision shall lie to the Director of Agriculture and of Co-operative Societies.

34. An award of the arbitrators or a decision of the Registrar under rule 32 if not appealed against within one month, and an order of the Registrar or the Director of Agriculture in appeal under rule 33 shall, as between the parties to the dispute, not be liable to be called in question in any Civil or Revenue Court and shall be in all respects final and conclusive.

35. Decisions and awards under rule 32 shall, on application to any Civil Court having local jurisdiction, be enforceable in the same manner as a decree of such Court.

36. In proceedings held under rules 29 to 34 no party shall be represented by any legal practitioner.

Liquidation.

37. Where a liquidator has been appointed under section 42, sub-section (1), of the Act, the following procedure shall be adopted:—

- (1) The appointment of the liquidator shall be notified by the Registrar in the *Bombay Government Gazette*.
- (2) The liquidator shall at once take charge of the books of the society and publish by such means as he may think proper a notice requiring all claims against the dissolved society to be notified to him within two months of the publication of the notice. All liabilities recorded in the account books of a society shall be deemed to have been duly notified to the liquidator.
- (3) After the period of appeal allowed under section 39 (2) of the Act has expired the liquidator shall proceed to determine the assets and liabilities of the society as they stood at the time of the cancellation of its registration and shall determine the contributions to be made by the members and past members respectively to the assets of the society. He shall also determine by what persons and in what proportions the costs of liquidation are to be borne.
- (4) The liquidator shall make separate orders against various members and past members of the society, noting the amount to be realized from each as a contribution under clause (b) of section 42, sub-section (2), of the Act and as costs of liquidation under clause (d) of the same sub-section. These orders shall be submitted to the Registrar for his approval, and he may modify them and refer them back to the liquidator for further enquiry or other action.
- (5) A copy of these orders as finally approved by the Registrar, accompanied, if necessary, by a list of the property of each member or past member, against which the decree has to be enforced, shall be filed in the Civil Court having local jurisdiction, to be enforced as laid down in section 42 (5), clause (a), of the Act.
- (6) If the Civil Court is unable to recover the sum assessed against any member, the liquidator may frame a subsidiary order or orders against any other member or members to the extent of the liability of each for the debts of the society, until the whole amount due from members is recovered, and these orders shall be executed in the same way.

- (7) The liquidator shall submit a three-monthly progress report to the Registrar in such form as the Registrar may require.
- (8) All funds in charge of the liquidator shall be deposited either in the Post Office Savings Bank or in a Central Co-operative Bank, and shall stand in his name.
- (9) No appeal shall lie to any Civil Court from any order of the liquidator under section 42.
- (10) The liquidator shall have power to require the attendance of all members or officers of a cancelled society and of any other witness to assist in his enquiries, and to require the production of any books or documents relating to the affairs of such society by the person in whose possession they are, and may issue a summons for either of such purposes either by registered post or through the Mamlatdar or Mahalkari in charge of the taluka or mahal in which such person resides.
- (11) The Register shall fix the amount of fee, if any, to be paid to the liquidator.
- (12) At the conclusion of the liquidation a general meeting of the members of the dissolved society shall be called at which the liquidator shall summarize his proceedings, point out the causes of the failure of the society, and report what sum, if any, remains in his possession after meeting all the liabilities of the society as determined under clause (3) above.
- (13) The surplus thus remaining shall not be divided among the members, but may be assigned either to some recognised co-operative institution, or to any charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890, or to any local object of public utility approved by the Registrar, as may be determined by the votes of the meeting. If the meeting votes for some local object of public utility but fails to make any selection approved by the Registrar within three months of the date of its first vote, the latter shall credit the balance to the Union or Central Bank to which the society was affiliated, or shall place the amount on deposit in some co-operative society until a new society with a similar area of operations is registered in which event it shall be credited to the reserve fund of such society.

Miscellaneous.

38. (1) Summonses issued by the Registrar or by an arbitrator under rule 31, or by a liquidator under rule 37, shall, if sent for service to a Mamlatdar or Mahalkari, be served by such officer in the manner prescribed in the Bombay Land Revenue Code, 1879, and the provisions of sections 189 and 190 of the said Code shall apply, and the person summoned shall be subject to the same obligations and liable to the same penalties as in the case of a summons issued under the said sections.

(2) Any person to whom a summons has been sent by registered post by the Registrar or an arbitrator under rule 31, or by a liquidator under rule 37, shall, if such person fails to appear or otherwise to comply with the requirements of the summons and if the summons is duly served in accordance with the provisions of section 27 of the General Clauses Act, 1897, be liable on the order of the person issuing the summons, to a penalty not exceeding Rs. 50, and such penalty shall be levied as an arrear of land revenue under the provisions of any law for the time being in force for the levy of revenue demands.

(3) An appeal against an order imposing a fine under this rule shall lie to the Director of Agriculture, if the order was made by the Registrar and to the Registrar in any other case; provided that any such appeal shall be lodged within 30 days of the receipt of the order.

39. No society may take any action which would involve the society in the discussion or propagation of controversial opinions of a political or religious character, and the Registrar may prohibit any action or rescind any resolution which in his opinion is of such tendency.

40. The Registrar shall keep a register of the names and addresses of all registered societies and shall record a copy of the registered by-laws and subsequent amendments to the by-laws of such societies.

SCHEDULE A.

Form of application for registration.

1. Name of proposed society _____
2. Address to be registered _____
3. Is liability limited or unlimited? _____
4. Area of operation _____
5. Objects of the society _____

6. If the capital is to be raised by shares, what is the number and value of shares which it is proposed to issue? _____
7. In other cases, what is the amount of the capital it is proposed to raise by loan or deposit? _____
8. Language in which the books and accounts will be kept _____
9. With this application of registration are sent two copies of the proposed by-laws signed by the applicants (not less than ten).

Note.—Rules numbers 9, 10, 22, 25 and 26 were published provisionally for criticism. The finally accepted draft of these rules had not been published by Government, at the time of going to Press.

The following is the form of Quarterly Finance Statement for District or Central Banks prescribed by Government under Rule 17 (Government Resolution No. 3534 dated March 30th, 1916).

In filling up this form, Bank Managers should notice the following points:—

- (1) the total of the figures in columns 2 to 7 of Part II should agree with the total of the figures in columns 2 to 3 of Part I. Debentures should be shown in column 7 of Part II;
- (2) the totals of columns 2 to 5 and 6 to 9 of Part III should agree respectively with the figures in columns 4 and 8 of Part II;
- (3) if a Central Bank grants loans to individual members as well as to societies, these should be shown in column 26 of Part I and should be reckoned in to the sums shown in columns 8 to 10 of Part II and 6 to 9 of Part III.

Note.—The Quarterly Finance Statement prescribed for Urban Societies will be found in Appendix V—Addenda.

CENTRAL
QUARTERLY
PART

Liabilities and Quasi-Liabilities.

Outside the Movement.		Within the Movement.	
1	Name of Bank.		
2	Deposits fixed, current or Savings Bank, by non-members or by members in an individual capacity.		
3	Debentures.		
4	Overdrafts from outside Banks, e.g., Presidency or Joint Stock.		
5	Other items.		
6	Fixed deposits or loans received from Societies or Central Banks or Provincial Bank.		
7	Drawn portion of cash credit with Provincial Bank.		
8	Savings Bank or current accounts held in favour of Societies or Central Banks.		
9	Reserve fund of Bank itself.		
10	Paid-up share capital.		
11	Other items.		
12	Undrawn liabilities, e.g., cash credit accounts guaranteed by the Provincial Banks or to Central Banks or to Societies, and by Central Banks to other Societies.	To cover deposits.	
13		For loan transac- tions.	

BANKS.
FINANCE STATEMENT.
I.

45*

Assets and Quasi-Assets.

Outside the Movement.		Within the Movement.	
14	Cash in hand and in outside Banks.		
15	Government paper.		
16	Post Office Savings Bank deposits.		
17	Other investments of a liquid nature in outside concerns.		
18	With Presidency or Joint Stock Bank.	Undrawn Balance of assured cash credits.	
19	With Provincial Bank.		
20	Loans to Agricultural Societies.		
21	Loans to Non-Agricultural Societies.		
22	Loans or deposits due to the Central Bank by the Provincial Bank or other Central Banks.		
23	Loans and deposits due to Provincial by Central Banks.		
24	Uncalled share capital.		
25	Guaranteed share capital.		
26	Other investments inside the movement.		
27	Net profit of past year.		
28	Borrowed.	Rates of Interest on which money is usually	
29	Lent.		
30	Last Dividend declared		
31	Remarks.		

PART II.—CREDIT SOCIETIES AND BANKS.

CHAPTER IV.

HINTS ON THE ORGANISATION OF AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES.

1. The success of a society depends very largely on the way in which it is started. The work of organization will, as a rule, be left to Honorary Organisers; but since the Registrar himself is ultimately responsible for seeing that no society is registered without a fair prospect of success, the main principles, which should govern the organization of agricultural credit societies with unlimited liability are laid down for general guidance. In order to secure that they are not overlooked, the accompanying Organization Paper is prescribed. It should be filled up by the promoter of a society and forwarded along with the application for registration to the Registrar, whenever a new credit society is formed.

2. The area should not, as a rule, exceed that of a single village. The object of this provision is to enable members to be thoroughly well acquainted with each other and to exercise an effective mutual control. If the village is a very large one it may be necessary to form two societies in it. In that case it is usually found most convenient to form a separate society for the predominant caste, and to leave the original society to the remainder of the population.

3. For the same reason the size of the society should be subject to a limit. A bye-law under the heading "Membership" should in the case of unlimited societies always be added fixing the maximum membership at about 100. Many societies in this Presidency have lost their unity and become inefficient from the fact that they have allowed their membership to become unwieldy.

4. Occupation should be noted because too great a diversity is not desirable. All the members of a village community are of course eligible for a village society; but a mixture of membership that would include (say) pleaders and mahars in a single society, does not ordinarily work well owing to lack of common interests.

5. If the members are really going to co-operate, they must first thoroughly understand what "co-operation" means. The ten cardinal doctrines underlying the

co-operative idea are summed up in the "Ten Main Points" appended to this chapter. These simple principles should be continually drummed into the heads of members, and the application should not be sent up for registration until the Organiser is satisfied that as a minimum these ten Points have been grasped and fully assimilated by them.

6. No society is worth organising, unless the members think it worth making some sacrifice to obtain it. A good index of their sincerity is their readiness to contribute deposits which should be fixed for at least three years. They may either bind themselves to deposit so much monthly, quarterly, or yearly, and actually make such deposits for six months or a year before coming up for registration as a guarantee of their good faith, or, if they belong to a class that has any savings of its own, they may pay down their deposits in a single instalment at the time of starting work. As a minimum these deposits should not be less than one-tenth of the estimated needs of the society during its first year. Care should be taken to see that they are not merely nominal deposits, borrowed from a *savkar* for the purpose.

7. Where there is a union performing supervisory duties over the area in which the proposed society is situated, the society will not be registered unless it accepts affiliation with such union as a condition of registration. It is no longer possible for the Department to give sufficient attention to scattered independent societies.

8. The importance of a careful selection of original members cannot be over-estimated. It is they who choose future members and set the standard of the society. Character is the basis of every thing. Though education, position, and so forth are valuable in members, they are worth little in comparison with an industrious and straightforward type of character. The Honorary Organiser should always make a point of exercising his judgment on this point and excluding doubtful characters.

9. The Honorary Organiser should feel himself to some extent responsible for the well-being of all societies formed under his advice. It is he that for the first year will have to train the committee and secretary in disposing of their work in a business-like way, and, more important still, it is he that will be responsible for seeing that the Ten Main Points have been thoroughly driven home.

10. The accounts cannot be maintained without an educated secretary, who should be a local man and not an outsider. It is not usually desirable to appoint the Village Accountant to this post. The Chairman and at least one member of the committee should also be able to read and write in order to keep an effective control on the secretary. But in the committee character and unity of purpose is of more importance than educational acquirements.

11. It is difficult to estimate the amount of capital which the society will require, but an attempt should be made to forecast its needs roughly during its first year. As a rule, except in urgent cases, old debts cannot be cleared off until the society has been working for a year or two. It is best at first to restrict members' demands to their bare requirements for the current expenses of agriculture and industries with a small margin for unexpected calls.

12. It is most important to make sure that the financial position of members is not so embarrassed as to make their extrication hopeless. For this purpose a brief statement of their assets and liabilities is required in the accompanying form. Movable as well as immovable property may be included but great care should be taken not to over-estimate its value. The society is intended neither for the capitalist nor for the hopelessly involved but for the very large class which, though it has some credit, has to pay exorbitant interest on its loans. Wherever possible it should be made a condition of membership and resolved in a general meeting that no member should borrow any loan after admission except with the permission or at any rate the knowledge of the managing committee.

13. These are the main general principles that should underlie every new organization. While the movement was still in its infancy, societies were registered haphazard and experiments were made wherever an opening seemed to occur. A stage has now been reached when this policy must be abandoned. It is no longer permissible to press societies on a hesitating peasantry. As the working of the existing societies is improved, they should be left to recommend themselves to their neighbours. New societies should come into existence in response to a genuinely spontaneous local demand, arising from a desire to share the benefits seen in neighbouring societies. Only those applicants, who can satisfy the tests prescribed above, should in future be recommended for the privilege of registration.

Organization Paper.

Name of village and society _____

Taluka _____

District _____

1. Area of society ?
2. Maximum number of members to be admitted ?
3. What occupations are followed by the proposed members ?
4. Are the members familiar with the ten main points of co-operation ?
5. Amount of local deposits promised ? Have they been actually collected ?
6. To what Union or Central Bank, if any, does the society propose to affiliate itself ?
7. Are the proposed members respectable, thrifty men, accustomed to avoid suits in Civil Courts ?
8. How far is the society from the headquarters of the Honorary Organiser, and how often does he propose to visit it during the first year ?
9. Is a competent Chairman, managing committee, and secretary available ?
10. What is the total working capital which the society estimates that it will require during its first year for—
 - (a) current agricultural or industrial expenses ?
 - (b) improvements in stock, implements, and land ?
 - (c) redemption of old debt ?
 - (d) miscellaneous ?
11. What is the maximum amount which a single member may borrow ?
12. What are the main crops grown in the village ? Are they irrigated ?
13. Is there a school, post-office, or bazar in the village ?
14. What is the total population ?

15. Estimate the financial position of the original members in the following form :—

Name of member.	Value of unencumbered landed property	Value of encumbered landed property.	Total debts secured and unsecured.	Remarks.

Honorary Organiser,
Co-operative Societies.

The Ten Main Points of Co-operation.

1. The object of co-operation is to encourage people to lay by savings, to grant loans at reasonable terms of interest, and to get rid of debt.

2. Members must know each other thoroughly and should admit nobody who is a bad character or is unacquainted with the rest.

3. All members are jointly and unlimitedly liable for all sums borrowed by the society either from depositors or from outside sources. They are therefore all interested in seeing that loans are granted prudently and that no member is allowed to default.

4. It is the business of the managing committee to raise capital, to sanction loans to members, to watch over their recovery and to see that accounts are properly kept.

5. All loans must be used only for the purposes for which they are advanced. They may be granted for one year for current agricultural expenses, for two or three years for the purchase of cattle or implements, or for domestic expenses, and for five years for the payment of old debt or for land improvement.

6. All repayments must be made on the date fixed by the managing committee and in cash, not by book-adjustment.

7. The duties of the general meeting of the society are to appoint a managing committee and a secretary, annually to consider the balance sheet and the audit notes, to ask the committee questions about its work and to pass orders on any faults that come to light.

8. All profits are carried to the reserve fund, the object of which is to improve the credit of the society as a whole and to protect members from the enforcement of unlimited liability. It is the property of all the members jointly.

9. Capital is obtained either as deposits from members or other persons in the neighbourhood, or from some Central Bank. The Central Bank is controlled by its shareholders, and if societies buy shares in it, they will have a voice in its control.

10. Always remember that though the Registrar audits and warns, the members are themselves responsible for the working of their societies. Government is not going to manage the societies for them. If they want them to succeed, they must see to things themselves.

CHAPTER V.

CREDIT SOCIETIES WITH UNLIMITED LIABILITY.

1. *The use of Co-operative Credit Societies.*—The Co-operative Societies Act (II of 1912) was passed in order to make it easy for persons of small means to combine together for mutual assistance so that those who need to borrow small sums of money for short periods may obtain them more easily and at lower rates of interest on their joint security than they could have done separately, and those who are able to save small sums may invest them more safely and more profitably than they do at present.

The persons who will derive most benefit from being able to borrow small sums of money easily and at low rates are agriculturists and artisans in the villages. Carpenters, blacksmiths, weavers, and others living in villages want money to buy tools, wood, iron, yarn, etc., and would get all these articles much cheaper if they paid for them in cash. The agriculturist needs money to buy seed, cattle, manure, and implements and for other purposes. In order to produce his crops a cultivator must incur expenditure 5 or 6 months, and even up to a year, before the crop is harvested and sold. Also if he could borrow money for necessary expenditure at harvest time and hold over his grain for two or three months he would often get a much larger price for his grain. At present agriculturists borrow money required for their various wants either from Government as Tagai or from a savkar. Sometimes they borrow from both Government and the savkar. The interest charged by Government is small, but the agriculturist is never certain that he will be able to get a Government advance, and when an advance is sanctioned the money is usually paid at the Taluka kacheri, and delay and inconvenience often occur in getting the money. The Government advances are also not enough for all the agriculturists in need of money, and Government will not give Tagai for all necessary purposes. The savkar usually charges a high rate of interest and often requires the agriculturist to execute bonds and mortgages which are charged with stamp duties. The agriculturist is seldom able to know if the savkar keeps a correct account.

2. *The Co-operative Method.*—The first point to be grasped is that without security there can be no credit. The ordinary agriculturist has two sorts of security to offer: firstly, his good name for honesty, a

industry, and secondly, his property consisting of land, houses, cattle, farm implements, etc. If he combines with several other agriculturists, the amount of security gained becomes considerable. In order to get the full benefit of this, however, his liability must be joint with that of all the other members and unlimited. The members of a co-operative society must, therefore, be careful to see that only respectable persons well-known to them are admitted to membership, as otherwise they may themselves be called upon to make good some default. On their united security members will be able to raise loans at a moderate rate of interest. Some of them, who have savings of their own, should be induced to make deposits for a fixed term in the society. The remainder of the necessary capital may be raised by means of loans from local gentlemen, landholders, savkars, etc., who are not members but who have capital to invest, or from a Central Co-operative Bank. This money the members may lend out among themselves at a slightly higher rate. The profits accruing will belong to the society and will be carried to the reserve fund in order to improve its credit.

3. *The formation of a Co-operative Society.*—If any person thinks of forming a society in a village he should first enquire what is the rate of interest usually paid by agriculturists in the neighbourhood. If it is 8 per cent. or less, it is improbable that a society can be successfully organised. Where the rate is higher than this, he should collect a few respectable persons to discuss the idea. In all districts Honorary Organisers have been appointed who are always ready to visit a village and to advise on doubtful points. When the promoters are satisfied that they will be able to raise some capital among themselves and to conduct a society successfully, they should call a small meeting of persons whom they think are likely to be interested and should go through the model by-laws. The gaps in by-laws 1, 3, 4, 6, 8, 33, 36 should be filled up and they are at liberty to make any alterations in the model which they think proper. Two copies of the by-laws so corrected should be signed by at least 12 persons, and the form of application (Schedule A prescribed in the Rules, see Chapter III) should be filled up and signed by the same persons who have signed the by-laws. The organization paper mentioned in Chapter IV should be filled up. These papers should then be posted either to the Honorary Organiser of the district or to the Registrar, Co-operative Societies, Poona, and a report should be added stating the name and address of the person to whom the registration certificate and account books and other papers are to be sent by Value-payable Post.

4. *Registration.*—The Registrar, after making such enquiries and alterations in the by-laws as may seem necessary, will register the society. Along with the registration certificate, the rules issued by the Local Government, the approved by-laws and a set of circular orders issued by the Department, which are supplied free, he will send by V. P. P. a copy of Act II of 1912, a set of account forms, and other forms needed by the society.

5. *First General Meeting.*—On receipt of the registration certificate, a meeting of the persons signing the original application and any other persons who wish to become members should be called. The Honorary Organisers should also be invited to attend. The original members should first admit to membership any of the applicants whom they consider to be trustworthy; and both they themselves and the newly admitted members should pay an entrance fee in accordance with the by-law 6. After doing this they should proceed to the following business:—

(1) The members present should elect a President of the Meeting (by-law 17).

(2) The approved by-laws should be read out and formally adopted as the by-laws of the society.

(3) A Managing Committee should be elected in accordance with by-laws 12 (1) and 22.

(4) A Secretary of the society should be appointed and his pay fixed [by-law 12 (1)].

(5) The limit up to which capital may be raised by the Managing Committee should be fixed [by-law 12 (4)].

The General Meeting should then dissolve and the newly elected Managing Committee should hold its first meeting, the Secretary attending to record the minutes.

6. *First Meeting of the Managing Committee.*—The Managing Committee will—

(1) elect its Chairman (by-law 25);

(2) pass a resolution fixing the rates of interest to be allowed on—

(a) savings deposits,

(b) deposits for six months,

(c) deposits for one year,

(d) deposits for two years or more (by-law 42);

the rates recommended in ordinary cases are 4 per cent. on (a), $\frac{3}{4}$ pie per month on (b), and one pie on (c) and (d);

- (3) collect deposits from members who have promised them, and receive and dispose of applications for loans in accordance with by-laws 31 to 41;
- (4) fill up the application for opening a Post Office Savings Bank Account, which will be found with instructions among the papers accompanying the registration certificate (by-law 44);
- (5) if a loan is required from the Central Bank, it will fill up the form of application which also will be sent along with the registration certificate (see Chapter X);
- (6) sanction the cost of the forms received by V. P. P., and any other initial expense that may be required [by-law 27 (6)].

If there is no further business, the meeting will then be brought to a close by the Secretary reading out the minutes of the proceedings which should be signed by the Chairman.

MODEL BY-LAWS, OF THE

AGRICULTURAL
NON-AGRICULTURAL

CO-OPERATIVE CREDIT SOCIETY, UNLIMITED.

I.—Preliminary.

1. The name of the society is the _____ Co-operative Credit Society, Unlimited, and its registered address is _____
Post _____ Taluka _____ District _____

2. The objects of the society are to encourage thrift, to create funds by means specified hereafter to be lent out to its members at the lowest rate consistent with a fair profit, and to get rid of debt.

II.—Capital.

3. Funds may be raised in any or all of the following ways:—

- (a) by entrance fees,
- (b) by receiving deposits,
- (c) by raising loans from other Co-operative Credit Societies or from financing institutions,
- (d) by donations.

Funds of the kind specified in (b) and (c) may at any time be raised by the Committee on behalf of the society at such interest and for such period as may be arranged provided that the total amount so raised from non-members shall not exceed Rs. _____ except with the special sanction of a General Meeting of the Society, and the approval of the Union or the Central Bank to which the society is affiliated and of the Registrar.

III.—Membership.

4. All persons who have signed the application for registration are original members. Other members shall be elected by the vote of the Committee of the society. Two adverse votes are sufficient to exclude an applicant. No person shall be qualified for election unless he resides in the village of _____.

5. Applications for membership must be made in writing and signed by the applicant. If the applicant is illiterate he must make his mark or thumb mark on the application form in the presence of the Committee.

6. The entrance fee payable immediately on election shall be Rs._____. On the payment of such fee the elected applicant becomes a member.

7. Every member of the society shall be jointly and severally liable for all debts incurred by the society.

8. The total number of members admitted to this society shall not exceed_____without the sanction of the Registrar.

9. A member may withdraw from the society by giving three months' written notice to the Secretary provided that he has first repaid any sums due from him and has discharged all his liabilities as a surety.

10. A member may be expelled from the society by the vote of not less than two-thirds of the members present at a General Meeting of the Society for any of the following reasons:—

- (a) if he is a persistent defaulter,
- (b) if he wilfully deceives the society by false statements,
- (c) if he is bankrupt or legally disabled,
- (d) if he is criminally convicted,
- (e) if he intentionally does any act likely to injure the credit of the society,
- (f) if he persistently borrows loans elsewhere than from the society, without first communicating his intention to the Managing Committee and hearing what they have to say by way of advice or warning.

The Committee shall give such member fifteen days' written notice of the proposal to expel him.

IV.—The General Meeting.

11. The first meeting of members shall have the same powers as are herein given to the Annual General Meeting.

12. The Annual General Meeting shall be called in the month of April. Its duties are—

- (1) to elect a Managing Committee, to appoint a Secretary, and any other officers required for the ensuing year, and to fix their remuneration ;
- (2) to receive from the Committee a report on the preceding year's working of the society together with statements showing the receipts and expenditure, assets and liabilities, and profits and loss for the year ;
- (3) to consider the audit memo. and any other communication from the Registrar ;
- (4) to fix the amount of the capital to be raised under by-law 3 ;
- (5) to fix the maximum normal credit of every member ;
- (6) to consider any other business laid before it by the Registrar.

The proceedings of General Meetings shall be recorded in a minute-book.

13. A special General Meeting of members may be called at any time by a majority of the Committee or on receipt of a requisition from one-fifth of the members or from the Registrar. A special General Meeting shall always be held in October to receive and consider the half yearly accounts, to forecast the probable amount of recoveries and the probable needs of the society for the ensuing year.

14. In the case of the annual General Meeting ten days' notice, and in the case of a special General Meeting five days' notice shall be given by the publication of a written notice outside the office of the society and in any other conspicuous place that may be convenient. The notice shall specify the date, hour, and place fixed for holding the meeting and shall state the nature of the business to be transacted at the Meeting.

15. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting, provided that he may not so propose the expulsion of another member or an alteration in the by-laws or in the rates of interest affecting loans or deposits.

16. If on the day of the Meeting there is no quorum or if all business is not completed, the consideration of the remainder of the business may be abandoned or adjourned to another day. If on the day to which

the Meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

17. At all General Meetings the President shall be elected by the members present.

18. Each member present shall be entitled to attend and exercise one vote. The President shall have a casting vote in addition to his ordinary vote.

19. Three-fifths of the total number of members or 25 members, whichever be less, shall form a quorum at any General Meeting.

20. The society may by a vote of the General Meeting become a member of or affiliated to a union or a central Bank or any other registered combination of co-operative societies and may accept all the liabilities and duties entailed by such membership.

V.—*The Managing Committee.*

21. A Committee consisting of five members shall be appointed to manage the affairs of the society. This Committee may exercise all the powers of the society subject to the provisions of these by-laws and to directions for its guidance conveyed in resolutions passed at General Meetings of the society. Three members shall form a quorum.

22. The Committee, which shall be elected by the annual General Meeting, shall hold office for one year. Vacancies occurring in the course of the year shall be filled by co-option.

23. The Committee shall hold meetings not less often than once a month.

24. A Committee member may be removed during his term of office by a majority of votes obtained at a special General Meeting called for the purpose.

25. The Committee shall elect its own Chairman for the year. When present, he shall preside at all Committee meetings. When he is absent, the members present may elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary vote.

26. All acts done by the Committee or by any person acting as a member of the Committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such Committee or person, be as valid as if the Committee or every such person had been duly appointed.

27. The business of the Committee shall be as follows:—

- (1) to receive deposits and repayments of loans ;
- (2) to consider applications for loans and to decide whether loans shall be granted, and if so, for what period and on what security ;
- (3) to dispose of applications for membership ;
- (4) to check the accounts of the Secretary ;
- (5) to examine the loan register and take steps for the recovery of over-due instalments ;
- (6) to sanction working expenses, count the cash balance, consider applications for postponement and deal with other miscellaneous business ;
- (7) to see that the cash-book is written up promptly and is signed daily by one of the members of the Committee.

28. All decisions of the Committee sanctioning loans, granting extensions, ordering recovery, and authorising admissions of members shall be recorded in the Committee's minute-book which shall state also the names of the members present, and shall be signed by the Secretary and two members.

29. The Committee may suspend any officers appointed under by-law 12 (1), recommend their dismissal to the General Meeting, and appoint acting substitutes pending the final decision.

VI.—The Secretary.

30. The duties of the Secretary shall be:—

- (1) to summon and attend all meetings of the society and of the Committee ;
- (2) to record the proceedings of such meetings in the minute-books ;
- (3) to make disbursements and to receive payments under orders of the Managing Committee ;
- (4) to keep all accounts and registers required by the rules and by-laws, to prepare all receipts, vouchers, balance-sheets, and other documents required for the transaction of the business of the society, to conduct correspondence, and to supply all needful information to the members.

In the absence of the Secretary the Committee may authorise any other person to perform his duties.

All documents or receipts passed on behalf of the society shall be signed by the Secretary and one member of the Managing Committee.

VII.—Loans.

31. Loans may be granted by the Committee to members only. The Committee shall require two good sureties or a mortgage of immovable property before sanctioning any loan. A member of the Committee may not vote on his own application for a loan.

32. Loans shall be granted for the following maximum periods :—

Nature of loans.	Period not exceeding
(1) Seed, manure, weeding and current agricultural and domestic expenses ..	1 year.
(2) Purchase of bullocks, carts, iron implements, etc. . .	2 years.
(3) Ceremonial expenses ..	3 "
(4) Payments of old debts and large works of land improvement ..	5 "

Note.—In villages where sugarcane or other crops are grown which take more than one year before they can be harvested, the period for loan for current agricultural expenses may be extended so as to make the loan recoverable out of the outturn of the crop.

33. The sum due to the society from any single member shall never exceed Rs.

34. The Committee have power to extend loans for one year only, where they are satisfied that the borrower is unable to make payment for some good reason not due to any fault of his own. Extensions beyond one year may only be granted by the General Meeting with the previous sanction of the Union or Central Bank to which the society belongs.

35. The normal credit of each member shall be fixed at the Annual General Meeting under by-law 12 and shall be the amount believed by the General Meeting to be sufficient to meet his current agricultural expenses. Loans within this limit may be granted on demand of the member without further enquiry for periods not exceeding one year on the authority of the Chairman and one Committee member. No formal Committee meeting is necessary, but sureties must be given and a bond passed as usual.

36. The rate of interest at which loans are advanced shall be _____ pias per rupee per month, until another rate is fixed at an annual General Meeting of the society and approved by the Registrar. Interest shall

be calculated from the date of advance to the date of receipt, fractions of a month if less than 16 days being counted as half a month and if 16 days or over as a complete month. Illustration :—

- (1) A borrows Rs. 80 on February 23rd and repays on April 3rd. He is liable for interest for one month and 9 days. Interest will be charged for $1\frac{3}{4}$ months.
- (2) A borrows Rs. 80 on June 20th and repays on September 5th. He is liable for interest for 2 months and 16 days. Interest for 3 months will be charged.

37. Notwithstanding by-laws 32, 33 and 36 loans for the liquidation of a member's old debts, for land improvement, or other desirable agricultural object may be made once only to any member under the following conditions :—

- (1) Such a loan to a single member may not exceed Rs. 750 without the previous approval of the Registrar.
- (2) Every loan shall be repayable in annual instalments which shall extend over a period not exceeding 10 years.
- (3) The rate of interest on such loans shall never be less than the rate fixed in by-law 36 but may be more.
- (4) The security to be given for the repayment of such loans with interest shall be a possessory mortgage of immovable property worth in the opinion of the Committee at least three times the amount of the loan. The bonds redeemed and the acquittance of the savkar shall be taken by the society on to its record.
- (5) The mortgaged property shall be let to the borrower during the term of the mortgage in consideration of his paying the land revenue and the local fund cess charged thereupon and an annual rent equal to the amount of the annual instalments due to the society.
- (6) In the event of default, the borrower may be ejected from the property which shall be relet to others on such terms as the Committee think proper for the remainder of the term of the mortgage.

38. In the event of any loan or instalment of a loan not being paid on the date fixed for repayment, special interest at three pies per rupee per month will be recoverable on the total amount overdue from the date of default. When payment is not made on due date, the Secretary shall in writing require the borrower and each of the sureties to pay.

In the event of payment being delayed for one month, the Committee shall take steps to recover the amount due with interest unless they are satisfied that the borrower has shown sufficient reason for non-payment.

39. A member, applying for a loan, must state the amount of the loan, the purpose and the period for which it is required and the nature of the security offered. In dealing with such application the Committee may refuse or sanction a loan of such amount and on such terms as they think proper. When an applicant is unable to present a written application the Secretary shall record the necessary particulars of his application in the usual form.

40. When a loan granted for a specified purpose is misapplied the Committee shall have power to recall the loan with interest to date of repayment. The Committee's decision as to the fact of misapplication is final.

41. When a person who has stood as surety for a loan dies or becomes in the Committee's opinion unfit, the Committee may require the borrower to find another surety within 15 days. If the borrower fails to find another surety, when so required, the loan shall be repayable immediately with interest up to date of repayment.

VIII.—Deposits.

42. Deposits shall always be fixed for at least six months. The Committee may refuse or accept deposits of either sort and shall fix the rates of interest which shall be payable on deposits that are (a) for six months, (b) for one year, and (c) for two years or longer. Interest shall be calculated as in by-law 36 with the difference that no interest shall be allowed on periods less than half a month and interest for half a month only shall be allowed on periods less than a complete month.

42A. Savings deposits may be accepted from members only on the following conditions :—

- (1) The balance to the credit of any depositor (exclusive of current interest) may never exceed a maximum of Rs. 500.
- (2) The smallest sum that can be deposited at one time is annas four and the largest sum is Rs. 100.
- (3) A depositor may withdraw money not more often than once in one calendar month.

- (4) A depositor may not withdraw at one time a smaller sum than one rupee or a larger sum than Rs. 100.
- (5) No deposit can be accepted and no money withdrawn without the production of the pass-book. The Society will not be responsible for any sum not acknowledged in the pass-book. If a pass-book is lost a fresh one will be issued on payment of a fee of annas four.
- (6) Interest will be allowed at the rate of four per cent. per annum on the lowest balance at the credit of any account between the first and the last day of each calendar month.
- (7) All sums in savings accounts shall be paid to the depositor within three days of the notice of withdrawal (exclusive of Public-Holidays) if below Rs. 100, and within ten days if Rs. 100 or upwards.

IX.—Pass-Book.

43. Each member shall have a pass-book in which the Secretary shall enter amounts paid to, or received from, such member, loan and deposit accounts being kept separately in ledger form.

X.—Balances.

44. The balance of the society's funds, not utilized as loans to members, shall be kept in the Post Office Savings Bank or as provided in section 32 of the Co-operative Societies' Act. A sum not exceeding Rs. 10 may be kept in the custody of the Secretary to meet petty expenditure. Balances in excess of Rs. 10 should be kept in the custody of the Chairman who will be responsible for them until they are paid into the Bank. No outlay may be incurred from this sum by the Secretary except under the authority of a resolution of the Committee recorded in the minute-book.

XI.—Profits.

45. All profits shall be carried to reserve fund but an amount, not exceeding 7½ per cent. of the net profits, may be devoted by the society to any charitable purpose.

XII.—Right of Inspection.

46. Any member of the society may inspect any of the Registers or accounts provided that no member is entitled to inspect the deposit account of another member. A copy of the Act, rules, and by-laws shall also always be kept open to inspection.

XIII.—Amendments.

47. None of the by-laws herein contained shall be altered or rescinded and no by-law shall be added except by a vote of a majority consisting of at least two-thirds of the members present at a General Meeting convened for the purpose. The notice convening the meeting shall specify the proposed alteration, addition, or rescission and shall be issued not less than 10 days prior to the meeting. The amendment shall not take effect until it has been approved and registered by the Registrar.

XIV.—Appeals.

48. An appeal shall lie from all decisions of the Managing Committee to the General Meeting except in cases under by-laws 34, 38 and 40.

XV.—Service of Notice.

49. When by these by-laws it is provided that written notice shall be given to any member, the delivery of such a notice at the house at which such member ordinarily resides shall be sufficient service of notice.

APPENDIX.

MODEL BY-LAWS FOR SHARE SOCIETIES WITH UNLIMITED LIABILITY (FOR USE IN SIND ONLY).

NOTE.—In Sind the agricultural population consists mainly of Mussalmans who have a strong aversion to receiving interest and are therefore unwilling to make deposits on the ordinary system. They are also on the whole too poor to take up a full share by the payment of a single instalment. The following model is intended to meet their needs. The shares are made payable by small annual instalments spread over 10 years. During the first ten years no interest or dividend is paid on shares, and after that period there is a distribution of half the accumulated profits among the shareholders, which is rightly regarded not as interest on money lent to a society but as a prize or bonus due to thrift and careful management, or as a refund to members of the excess interest earned from them by the society.

MODEL BY-LAWS OF THE

AGRICULTURAL
NON-AGRICULTURAL

CO-OPERATIVE CREDIT SOCIETY, UNLIMITED.

I. Preliminary.

1. The name of the society is the _____ Co-operative Credit Society, Unlimited, and its registered address is _____, Taluka _____.

2. The objects of the society are to create funds by means specified hereafter, to be lent out to its members at the lowest rate consistent with a fair profit.

II. Capital.

3. Funds may be raised in any or all of the following ways :—

- (a) by Entrance fees,
- (b) by the issue of shares,
- (c) by receiving deposits,
- (d) by raising loans from other Co-operative Credit Societies or from financing institutions,
- (e) by donations.

Funds of the kind specified in (c) and (d) may at any time be raised by the Committee on behalf of the society at such interest and for such period as may be arranged provided that the total amount so raised from non-members shall not exceed Rs. _____ except with the special sanction of a General Meeting of the Society and of the Registrar.

III. Membership.

4. All persons who have signed the application for registration are original members. Other members shall be elected by the vote of the Committee of the society. Two adverse votes are sufficient to exclude an applicant. No person shall be qualified for election unless he resides in the village of _____.

5. Applications for membership must be made in writing and signed by the applicant. If the applicant is illiterate he must make his mark or thumb mark on the application form in the presence of the Committee.

6. The entrance fee payable immediately on election shall be 8 annas. An elected applicant does not become a member, until he subscribes to at least one share and pays the first instalment thereon.

7. Every member of the society shall be jointly and severally liable for all debts incurred by the society.

8. The total number of members admitted to this society shall not exceed without the sanction of the Assistant Registrar.

9. A member may withdraw from the society by giving three months' written notice to the Secretary provided that he has first repaid any sums due from him and has discharged all his liabilities as a surety.

10. A member may be expelled from the society by the vote of not less than two-thirds of the members present at a General Meeting of the Society for any of the following reasons:—

- (a) if he is a persistent defaulter,
- (b) if he wilfully deceives the society by false statements,
- (c) if he is bankrupt or legally disabled,
- (d) if he is criminally convicted,
- (e) if he fails to pay his share instalments punctually,
- (f) if he intentionally does any act likely to injure the credit of the society.

The Committee shall give such member fifteen days' written notice of proposal to expel him.

11. A person ceases to be a member on—

(a) death,

(b) ceasing to hold one share,

(c) ceasing to reside regularly in _____,

(d) withdrawal after three months' notice,

(e) permanent insanity,

(f) expulsion by a two-thirds majority of the members of a meeting at which not less than half the members of the General Body are present,

(g) joining another Society of Unlimited liability.

IV. Shares.

12. The face value of each share shall be Rs. 20. Shares may at the option of a member be either fully paid up on allotment or paid for by 10 annual instalments of Rs. 2 each. A member may hold any number of shares not exceeding 50.

13. Every member shall hold at least one share. Provided that he holds one fully paid up share, he may after the 10th year of the Society's existence withdraw any additional fully paid up shares held by him, or may, with the approval of the Managing Committee, transfer them to any other member. Such transfers shall not be complete until the transfer has been noted in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

14. For the first 10 years of the Society's existence no dividends shall be paid on shares. On the completion of the 10th year from the date of registration, one-half of the accumulated net profits shall be carried to reserve, and one-half shall be available for division among all persons owning shares in the Society on that date.

15. The division of profits shall be made by the Managing Committee with the approval of the Assistant Registrar. In making the division shares fully paid up on allotment in the first year shall be entitled to one full portion in the profits.

(a) Fully paid up shares, subscribed in subsequent years shall be entitled to the following portions :—

Number of complete years since the share was fully paid up.	Fraction of one portion which they will earn.
9	9/10ths
8	8/10ths
7	7/10ths
6	6/10ths
5	5/10ths
4	4/10ths
3	3/10ths
2	2/10ths
1	1/10th

(b) Shares paid up by equal annual instalments shall be entitled to share in the distribution at the following rates :—

Number of annual instalments actually paid up.	Fraction of one portion which they will earn.
10	.55/100
9	45/100
8	36/100
7	28/100
6	21/100
5	15/100
4	10/100
3	6/100
2	3/100
1	1/100

Example.—The profits of a Society after 10 years are Rs. 2,000, Rs. 1,000 are carried to reserve and Rs. 1,000 are available for distribution. Ten shares were fully paid up on allotment in the first year, 3 in the 4th, 6 in the 5th, and 11 in the 7th. Then 10 shares will claim 10 portions, 3 shares will claim 3 (6/10), 6 shares will claim 6 (5/10), and 11 will claim (3/10), i.e., $10 + 18/10 + 30/10 + 33/10 = 18\frac{1}{10}$. Fifty shares payable by instalments were subscribed in the first year, 12 in the 2nd, 14 in the 3rd, and 8 in the 9th. Then 50 shares will claim 50 (55/100), 12 will claim 12 (45/100), 14 will claim 14 (36/100) and 8 (1/100), i.e., $2,750/100 + 540/100 + 504/100 + 8/100 = 3,802/100 = 38\frac{1}{25}$. The total number of portions into which the profits are to be divided will be

$18\frac{1}{10} + 38\frac{1}{50} = 56\frac{9}{50}$. Then each portion of the sum of Rs. 1,000 divisible profit will amount to Rs. $17\frac{23}{25}$ or roughly Rs. 17.4. Each class of shares will then receive their proper fraction of one portion.

16. After the distribution of profits on the 10th year, half of the annual net profits shall be carried to reserve, and half shall be available for distribution to the shareholders in proportion to the amount paid up on their shares, *i.e.*,

Amount paid up.	Fraction of dividend.
Rs.	
20	1
18	9/10
16	8/10
14	7/10
12	6/10
10	5/10
8	4/10
6	3/10
4	2/10
2	1/10

17. On the death of a member the amount standing to his credit shall, subject to deduction on account of all sums due from him to the Society, be paid within six months to his heir nominated by him, or in the absence of such nominee to such person as many appear to the Committee to be entitled to receive the amount as legal representative of the deceased member, on his executing, if so required, a deed of indemnity to the Society.

18. A person who ceases to be a member shall be entitled to receive back the actual sum paid up by him on his shares before the expiry of one year from the termination of membership.

V. *The General Meeting.*

19. The first meeting of members shall have the same powers as are herein given to the Annual General Meeting.

20. The Annual General Meeting shall be called in the month of April. Its duties are—

- (1) to elect a Managing Committee, to appoint a Secretary, and any other officers required for the ensuing year, and to fix their remuneration;

- (2) to receive from the Committee a report on the preceding year's working of the society together with statements showing the receipts and expenditure, assets and liabilities, and profits and loss for the year;
- (3) to consider the audit memo. and any other communication from the Registrar;
- (4) to fix the amount of the capital to be raised under by-law 3;
- (5) to consider any other business laid before it by the Registrar, or duly brought forward by any member.

The proceedings of General Meetings shall be recorded in a minute-book.

21. A special General Meeting of members may be called at any time by a majority of the Committee or on receipt of a requisition from one-fifth of the members or from the Registrar. A special General Meeting shall always be held in October to receive and consider the half yearly accounts, to forecast the probable amount of recoveries and the probable needs of the society for the ensuing year.

22. In the case of the annual General Meeting ten days' notice, and in the case of a special General Meeting five days' notice shall be given by the publication of a written notice outside the office of the society and in any other conspicuous place that may be convenient. The notice shall specify the date, hour, and place fixed for holding the meeting and shall state the nature of the business to be transacted at the Meeting.

23. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting, provided that he may not so propose the expulsion of another member or an alteration in the by-laws or in the rates of interest affecting loans or deposits.

24. If on the day of the Meeting there is no quorum or if all business is not completed, the consideration of the remainder of the business may be abandoned or adjourned to another day. If on the day to which the Meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

25. At all General Meetings the President shall be elected by the members present.

26. Each member present shall be entitled to attend and exercise one vote. The president shall have a casting vote in addition to his ordinary vote.

27. Three-fifths of the total number of members or 25 members, whichever be less, shall form a quorum at any General Meeting.

28. The society may by a vote of the General Meeting become a member of or affiliated to a union or a Central Bank or any other registered combination of co-operative societies and may accept all the liabilities and duties entailed by such membership.

VI. The Managing Committee.

29. A Committee consisting of seven members shall be appointed to manage the affairs of the society. This Committee may exercise all the powers of the society subject to the provisions of these by-laws and to directions for its guidance conveyed in resolutions passed at General Meetings of the society. The Committee shall meet as often it considers necessary for the transaction of business. Four members shall form a quorum.

30. The Committee, which shall be elected by the annual General Meeting, shall hold office for one year. Vacancies occurring in the course of the year shall be filled by co-option.

31. The Committee shall hold meetings not less often than once a month.

32. A Committee member may be removed during his term of office by a majority of votes obtained at a special General Meeting called for the purpose.

33. The Committee shall elect its own Chairman for the year. When present, he shall preside at all Committee meetings. When he is absent, the members present may elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary vote.

34. All acts done by the Committee or by any person acting as a member of the Committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such Committee or person, be as valid as if the Committee or every such person had been duly appointed.

35. The business of the Committee shall be as follows:—

- (1) to receive deposits, instalments payable on shares and repayments of loans ;
- (2) to consider applications for loans and to decide whether loans shall be granted, and if so, for what period and on what security ;
- (3) to dispose of applications for membership ;
- (4) to check the accounts of the Secretary ;
- (5) to examine the loan register and take steps for the recovery of overdue instalments ;
- (6) to sanction working expenses, count the cash balance, consider applications for postponement and deal with other miscellaneous business ;
- (7) to see that the cash-book is written up promptly and is signed daily by one of the members of the Committee.

36. All decisions of the Committee sanctioning loans, granting extensions, ordering recovery, and authorising admissions of members shall be recorded in the Committee's minute-book which shall state also the names of the members present, and shall be signed by all the members present. Every decision of the Committee shall be subject to an appeal to the next General Meeting.

37. The Committee may suspend any officers appointed under by-law 20 (1), recommend their dismissal to the General Meeting, and appoint acting substitutes pending the final decision.

VII. The Secretary.

38. The duties of the Secretary shall be—

- (1) to summon and attend all meetings of the society and of the Committee ;
- (2) to record the proceedings of such meetings in the minute-books ;
- (3) to make disbursements and to receive payments under orders of the Managing Committee ;
- (4) to keep all accounts and registers, required by the rules and by-laws, to prepare all receipts, vouchers, balance sheets, and other documents required for the transaction of the business of the society, to conduct correspondence, and to supply all needful information to the members.

In the absence of the Secretary the Committee may authorise any other person to perform his duties.

All documents or receipts passed on behalf of the society shall be signed by the Secretary and one member of the Managing Committee.

VIII. Loans.

39. Loans may be granted by the Committee to members only. The Committee shall require two good sureties or a mortgage of immoveable property before sanctioning any loan. A member of the Committee may not vote on his own application for a loan.

40. Loans shall be granted for the following maximum periods :—

Nature of loans.	Period not exceeding
(1) Seed, manure, weeding and current agricultural and domestic expenses.	1 year.
(2) Purchase of bullocks, carts, iron implements, etc.	2 years.
(3) Ceremonial expenses	3 „
(4) Payments of old debts and large works of land improvement.	5 „

NOTE.—In villages where sugarcane or other crops are grown which take more than one year before they can be harvested, the period for loan for current agricultural expenses may be extended so as to make the loan recoverable out of the outturn of the crop.

41. The sum due to the society from any single member shall never exceed Rs. 500.

42. The Committee have power to extend loans for one year only, where they are satisfied that the borrower is unable to make payment for some good reason not due to any fault of his own. Extensions beyond one year may only be granted by the General Meeting.

43. The rate of interest at which loans are advanced shall be pias per rupee per month, until another rate is fixed at an annual General Meeting of the society. Interest shall be calculated from the date of advance to the date of receipt, fractions of a month if less

than 16 days being counted as half a month and if 16 days or over as a complete month.

Illustration :—

- (1) A borrows Rs. 80 on February 23rd and repays on April 3rd. He is liable for interest for 1 month and 9 days. Interest will be charged for 1½ months.
- (2) A borrows Rs. 80 on June 20th and repays on September 5th. He is liable for interest for 2 months and 16 days. Interest for 3 months will be charged.

44. Notwithstanding by-laws 40 and 41 loans for the liquidation of a member's old debts or big land improvements may be made under the following conditions :—

- (1) Such a loan to a single member may not exceed Rs. 750 without the previous approval of the Registrar.
- (2) Every loan shall be repayable in annual instalments which shall extend over a period not exceeding 10 years.
- (3) The security to be given for the repayment of such loans with interest shall be a possessory mortgage of immovable property worth in the opinion of the Committee at least three times the amount of the loan. The bonds redeemed and the acquittance of the savkar shall be taken by the society on to its record.
- (4) The mortgaged property shall be let to the borrower during the term of the mortgage in consideration of his paying the land revenue and the local fund cess charged thereupon and an annual rent equal to the amount of the annual instalments.
- (5) In the event of default, the borrower may be ejected from the property which shall be relet to others on such terms as the Committee think proper for the remainder of the term of the mortgage.

45. In the event of any loan or instalment of a loan not being paid on the date fixed for repayment, penal interest at three pies per rupee per month will be recoverable on the total amount overdue. When payment is not made on due date, the Secretary shall in writing require the borrower and each of the sureties to pay. In the event of payment being delayed for one month, the Committee shall take steps to recover the amount due with interest unless they are satisfied that the borrower has shown sufficient reason for non-payment.

46. A member applying for a loan must state the amount of the loan, the purpose and the period for which it is required and the nature of the security offered. In dealing with such application the Committee may refuse or sanction a loan of such amount and on such terms as they think proper. When an applicant is unable to present a written application the Secretary shall record the necessary particulars of his application in the usual form.

47. When a loan granted for a specified purpose is misapplied the Committee shall have power to recall the loan with interest to date of repayment. The Committee's decision as to the fact of misapplication is final.

48. When a person who has stood as surety for a loan dies or becomes in the Committee's opinion unfit, the Committee may require the borrower to find another surety within 15 days. If the borrower fails to find another surety, when so required, the loan shall be repayable immediately with interest up to date of repayment.

IX. Deposits.

49. Deposits shall be fixed for at least six months. The Committee may refuse or accept deposits and shall fix the rates of interest which shall be payable on deposits that are (a) for six months, (b) for one year, and (c) for two years or longer. Interest shall be calculated as in by-law 43 with the difference that no interest shall be allowed on periods less than half a month and interest for half a month only shall be allowed on periods less than a complete month.

49A. Savings deposits may be accepted from members only on the following conditions:—

- (1) The balance to the credit of any depositor (exclusive of current interest) may never exceed a maximum of Rs. 500.
- (2) The smallest sum that can be deposited at one time is annas four and the largest sum is Rs. 100.
- (3) A depositor may withdraw money not more often than once in one calendar month.
- (4) A depositor may not withdraw at one time a smaller sum than one rupee or a larger sum than Rs. 100.
- (5) No deposit can be accepted and no money withdrawn without the production of the pass-book. The Society will not be

- responsible for any sum not acknowledged in the pass-book. If a pass-book is lost a fresh one will be issued on payment of a fee of annas four.
- (6) Interest will be allowed at the rate of 4 per cent. per annum on the lowest balance at the credit of any account between the first and the last day of each calendar month.
- (7) All sums in savings accounts shall be paid to the depositor within three days of the notice of withdrawal (exclusive of Public-Holidays) if below Rs. 100, and within ten days if Rs. 100 or upwards.

X. Pass Book.

50. Each member shall have a pass book in which the Secretary shall enter amounts paid to, or received from, such member, loan and deposits accounts being kept separately in ledger form.

XI. Balances.

51. The balance of the society's funds, not utilized as loans to members shall be kept in the Post Office Savings Bank or as provided in section 32 of the Co-operative Societies' Act. A sum not exceeding Rs. 10 may be kept in the custody of the Secretary to meet petty expenditure. Balances in excess of Rs. 10 should be kept in the custody of the Chairman who will be responsible for them until they are paid into the bank. No outlay may be incurred from this sum by the Secretary except under the authority of a resolution of the Committee recorded in the minute book.

XII. Profits.

52. Half of the profits shall be carried to reserve fund. The remainder shall be available for distribution among the shareholders but an amount not exceeding $7\frac{1}{2}$ per cent. of the net profits may be devoted by the society to any charitable purpose.

XIII. Right of Inspection.

53. Any member of the society may inspect any of the registers or accounts, provided that no member is entitled to inspect the deposit account of another member. A copy of the Act, Rules, and by-laws shall also always be kept open to inspection.

XIV. Amendments.

54. None of the by-laws herein contained shall be altered or rescinded and no by-law shall be added except by a vote of a majority consisting of at least two-thirds of the members present at a General Meeting convened for the purpose. The notice convening the meeting shall specify the proposed alteration, addition, or rescission and shall be issued not less than 10 days prior to the meeting. The amendments shall not take effect until it has been approved and registered by the Registrar.

XV. Service of Notice.

55. When by these by-laws it is provided that written notice shall be given to any member, the delivery of such a notice at the house at which such member ordinarily resides shall be sufficient service of notice.

CHAPTER VI.

CREDIT SOCIETIES WITH LIMITED LIABILITY.

Scope of Limited Societies.—An urban or limited society is intended to meet conditions for which a rural or unlimited society is unsuitable. In country villages the members are usually thoroughly acquainted with each other's character, means, and behaviour, and know exactly how much money a particular person requires and how far he can be trusted. They are therefore not unwilling to accept joint and unlimited liability for each other. This joint and unlimited liability forms the basis of the credit of their society and enables it to raise funds from depositors and outside lenders. In a town circumstances are different. Members of different classes or professions cannot all be acquainted with each other; they are usually artisans or traders who own very little land or other real property and therefore have no very substantial security to offer. They want funds for their own business but do not want to be troubled with their neighbours' affairs. It would be unreasonable to expect such persons to submit to joint and unlimited liability.

2. *Capital: how raised.*—The great majority of urban societies, therefore, start with limited liability. At the same time by limiting their liability they reduce the security to depositors. In order to raise working capital, therefore, they have to provide some sort of guarantee in place of unlimited liability. This is done by the issue of share capital. Every member is required to take up and subscribe to at least one share, and the total fund raised by shares affords a reserve security to depositors and lenders. The shareholders undertake most of the risk involved in the working of the society and in return are entitled to divide the profits among themselves and to control the management of the society. As the reserve fund increases, their risk of course diminishes proportionately. It is generally found convenient to have shares of a nominal value of not less than Rs. 10 each, as it is difficult to raise sufficient capital and inconvenient to distribute dividends if shares are smaller than this. Where it is desirable to encourage thrift, shares may be made payable by monthly instalments. But as a rule shares should be fully paid up at the outset since the credit of a society is largely gauged by the amount of its unwithdrawable paid up share capital and since it is troublesome to enforce a number of small calls for instalments.

3. *Enquiries before Organisation.*—Any person organising an urban society must first decide what classes of persons the society is

intended to benefit. He must find out what industries are carried on in the town and where and how the raw material is obtained. Carpenters are usually provided with timber by the persons giving orders to them. It would, therefore, be doubtful whether loans for the direct wholesale purchase of the timber could be used by them advantageously; and such a point should be noted. The needs of members should be considered in connection with the necessary domestic or ceremonial expenses and old debts as well as with their industries or occupations. On the whole it will be found that the great majority of artisans are handicapped in their work by the absence of working capital. Take the example of coppersmiths. They receive sheet copper from the local dealers on credit and have in return often not only to repay the advance with interest but also to sell their finished product to the lender at such a rate as he may be inclined to fix. Smiths have to buy their own iron and amalgam, dyers to purchase their own dyes. Small tradesmen, often can improve and extend their business by putting a little more capital into it. Lower in the scale come such men as tongawallas, porters, etc., who in a bad season need some small advance to keep their animals alive or to repair their equipment. The point to remember is that a Co-operative Society will not automatically and necessarily benefit all the classes that need money for business purposes. Before launching a society the organiser should ascertain how far the members will be free to take loans and how far they can use them profitably.

4. *Rates of Interest.*—The most important point of all however which he has to consider is the current rate of interest charged by sowkars. This should be found out by enquiries into several particular cases and not from mere general statements. An ordinary urban society should be able to raise deposits up to eight times its paid up share capital plus its accumulated reserve at a rate not exceeding 6 per cent, and should be in a position to advance loans profitably to members at 9½ per cent. (1½ pies per rupee per month). If the sowkar's rate is less than this it is improbable that a society will be of much use and it should only be promoted with great caution. In cases where the current rate exceeds this the organiser would be well advised to enquire whether owing to the untrustworthiness of the people themselves or the uncertainty of their trade the higher rate of interest is not perhaps justified. A society cannot any more than a sowkar afford to give money at a cheaper rate than is proportionate to the credit whether real or personal of the borrower. If, however, the high rate of interest seems

to be due to the greed of the sowkars, there is every hope that the society will meet a real need and flourish.

5. *Registration.*—Having satisfied himself that a society might be made successful, the organiser should arrange an informal preliminary meeting of the promoters, at which the model by-laws should be scrutinized and corrected where necessary. The blank spaces in by-laws 1, 5, 8, 36, 38, and 43 should be filled up. Two copies of the by-laws together with one application form (schedule A) should then be signed by at least 12 of the promoters for submission to the Registrar. At the same meeting the organiser should ascertain whether the necessary capital will be forthcoming and should fill up the attached organization paper for transmission to the Registrar. No society should start without a fair proportion of initial capital subscribed by its own members. He should also make certain that a competent secretary will be available for account keeping at a low rate of pay. If the preliminary meeting is successful, the application should be posted to the Registrar or Honorary Organiser who should be informed to whom account-forms, etc., should be sent by V. P. P. along with the registration certificate.

BY-LAWS OF THE CO-OPERATIVE CREDIT
SOCIETY, LIMITED.

I.—Preliminary.

1. The name of the society is Limited,
and its registered address is

Any change of address shall be notified to the Registrar within 14 days and published in a local paper.

2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.

II.—Funds.

3. The objects of the society are—

- (1) to encourage thrift and co-operation among its members; and
- (2) to create funds by means specified hereafter to be lent out to members of the society at a moderate rate of interest.

4. Funds may be raised—

- (a) by the issue of shares;
- (b) by receiving deposits;
- (c) by raising loans;
- (d) by donations;
- (e) by entrance fees.

5. The amount of capital to be raised by the sale of shares shall not exceed Rs. The nominal value of each share shall be Rs. Shares shall be fully paid up on allotment.

6. Deposits and loans may be received for fixed periods or upon current account at such rates of interest and to such an amount as may be determined by the Managing Committee: provided that the total of loans and deposits shall never exceed eight times the paid up share capital plus the reserve fund.

7. The funds of the society when not utilized shall be invested or deposited as required by section 32 (1) of the Act.

III.—Membership.

8. No person shall be a member unless—

- (1) he is a resident in ;
- (2) his written application for membership has been approved by an absolute majority of the Managing Committee ;
- (3) he has paid an entrance fee of Re. 1 ; and
- (4) he has subscribed to at least one share and paid for it within 15 days of allotment.

Members who signed the original application are exempt from condition 8 (2).

9. Any member may withdraw from the society at any time with the sanction of the Managing Committee, but this will not be given while he is in debt to the society or is surety for another member who is in debt.

10. A member of the society may be expelled by a vote of General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is criminally convicted ; or
- (5) if he intentionally does any act likely to injure the credit of the society.

Expulsion may involve the forfeiture of all shares held by him.

11. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion ; or
- (4) on the transfer or forfeiture of all the shares held by him.

IV.—Shares.

12. Application for shares shall be made in writing and shall be disposed of by the Managing Committee.

13. The liability of a member is limited to the nominal value of the shares held by him.

14. A member may transfer his share or shares, after holding them for one year, to another member with the approval of the Managing Committee. The transfer is not complete until the name of the transferee has been entered in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

15. A share certificate bearing a distinctive-number, shall be issued for every share subscribed.

16. Any member of the society may by a writing under his hand deposited with the society nominate any person (other than a servant or officer of the society) to whom the whole or any part of his interest in the society should be transferred in the event of his death. A fee of four annas will be charged for recording such nominations and any subsequent revocation or variation.

17. On the death of a member the amount standing to his credit by way of shares or dividends shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him or in the absence of such nominee to such person as may appear to the committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The deposits of the deceased may be withdrawn by such heir, only if the period of deposit has expired.

V.—General Meeting.

18. The Annual General Meeting shall be held during the month of April.

19. The functions of the Annual General Meeting are—

- (1) to elect a President for the ensuing year, whose duty shall be to preside at General Meetings, and at Meetings of the Managing Committee to supervise the administration of the society generally, and to summon through the secretary general and committee meetings whenever necessary ;
- (2) to appoint persons to make an audit, over and above the Government audit, of the accounts of the society during the ensuing year and to fix their remuneration ;
- (3) to elect a Managing Committee for the ensuing year of whom the President of the society shall be one and to appoint a secretary and any other officers that may be required and to fix their remuneration ;

- (4) to receive from the outgoing Managing Committee the balance sheets of the preceding year and to sanction the distribution of the profits ;
- (5) to fix the maximum up to which the Managing Committee may raise funds under by-law 6 ;
- (6) to appoint a supervising committee consisting of 3 members ;
- (7) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward.

20. A Special General Meeting can be summoned by the President or by a majority of the Managing Committee or on a requisition from the Registrar or from the 25 ordinary members. It shall be the duty of the President to call such a meeting, within fourteen days of the receipt of the requisition.

21. In the case of an Annual General Meeting 14 days' notice and in the case of a Special General Meeting 7 days' notice shall be given. The notice shall specify the date, hour and place of the meeting and the business to be transacted.

22. With the permission of two-thirds of the members present at a general meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting, provided that such proposal does not relate to the expulsion of a member or the alteration of a by-law.

23. The President shall have a casting vote, in addition to his ordinary vote.

24. Each member shall have one vote only. Only those who are actually present at the meeting may vote.

25. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a General Meeting. If there be no quorum the meeting shall be adjourned for at least 7 days, and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VI.—The Managing Committee.

26. The Managing Committee shall consist of not less than five members or more than 7. Three members shall form a quorum. It shall be presided over by the President of the society elected under by-law 19 (1), who shall have a casting vote.

27. Subject to the by-laws and the resolutions passed at a General Meeting the Managing Committee shall have full authority to carry on the business of the society. It shall meet for the transaction of the business not less often than once a month.

28. Vacancies on the Managing Committee from death or any other cause shall be filled up at the next ensuing General Meeting by election.

29. A committee minute book shall be maintained by the Secretary in which the names of members present and the proceeding at each meeting shall be recorded. It shall be open to the inspection of all members.

30. No member shall be present or vote on any matter in which he has a personal interest.

31. The powers of the Managing Committee shall be—

- (1) to appoint, suspend, punish or dismiss all salaried servants of the society subject to by-law 18 (2) and (3);
- (2) to hear and deal with complaints;
- (3) to deal with applications for loans except from members of the Managing Committee;
- (4) to supervise the use to which loans are put;
- (5) to examine and check the accounts;
- (6) to prepare annual balance sheets;
- (7) to enquire into and take action in cases of arrears;
- (8) to raise loans and secure deposits;
- (9) to institute, defend, or compromise legal proceedings;
- (10) generally to conduct the business of the society.

32. No appeal shall lie from the decisions of the Managing Committee to the General Meeting, unless authority to accept appeals on any particular branch of its work has been reserved by the General Meeting by special resolution.

33. It shall be the duty of the auditors appointed under by-law 19 (2) to audit the accounts and documents of the society quarterly; and of the Managing Committee to produce all the requisite books for their inspection.

VII.—Supervising Committee.

34. The duties of the Supervising Committee are to see that the Rules and by-laws are strictly obeyed and that the management of affairs is conducted by the Managing Committee in the best interests of the society.

Its powers are —

- (1) to call for papers, records, and returns from the Managing Committee or the Secretaries and to return them with any remarks that seem necessary ;
- (2) to consider and sanction applications for loans from members of the Managing Committee for their own use ;
- (3) to supervise the uses for which other members of the society obtained loans from the society and bring to the notice of the Managing Committee cases of misuse ;
- (4) to suspend the operation of any resolution of the Managing Committee, if it appears to be in contravention of any rule or by-law, or detrimental to the best interests of the society and to order that such a resolution should be referred within one month to a general meeting of the members for final decision.

VIII.—The Secretary.

35. The Managing Committee shall control the Secretary, whose duties shall be —

- (1) to carry on the correspondence of the society, and to maintain all its books, accounts, and registers ;
- (2) to receive applications for loans, withdrawals of deposits, etc., and to lay them before the Managing Committee ; and to prepare receipts and vouchers ;
- (3) to receive and disburse money on behalf of the society under the orders of the Managing Committee ;
- (4) to attend to all other business entrusted to him by the Managing Committee.

IX.—Loans.

36. Loans will be advanced at the rate of per cent. to members only. No member shall owe the society more than Rs. 500 without the special sanction of the General Meeting. Not more than one-half

of the total capital of the society shall be on loan for periods exceeding one year and not more than one-fourth for periods exceeding 2 years. All loans shall be paid in cash by the secretary in the presence of at least one member of the Managing Committee.

37. Not more than one-tenth of the total capital of the society or Rs. 1,000 (whichever is less) may be on loan at any time with the members of the Managing Committee.

38. The Committee shall prescribe the instalments by which loans are to be recovered and may grant extensions not exceeding one year when necessary. Requests for extensions for more than one year beyond the date fixed shall be laid before the General Meeting for disposal. Special additional interest at the rate of per cent. shall be levied from the date of default on instalments not repaid within 14 days of the due date. Loans and repayments shall be entered in a pass book which shall be supplied to every borrower.

39. A loan may be granted on personal surety or on the security of immoveable property at the discretion of the Committee. For every loan a bond shall be executed stating the rate of interest, the date of the instalments, and the nature of the security, but if the loan does not exceed Rs. 100, a promote may be accepted at the discretion of the Managing Committee.

X.—Deposits.

40. Deposits may be received at any time within the limits fixed by by-laws 6 and 19 (5) either in current account or for a fixed period. A pass book shall be supplied to each depositor in which interest shall be credited yearly on April 1st. Amounts accepted on current deposit shall not exceed one-tenth of the total working capital.

41. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rates until its withdrawal, unless the deposit has been accepted by the Committee for a further fixed period, at the request of the depositor.

41A. Savings deposits may be accepted from members only on the following conditions :—

- (1) The balance to the credit of any depositor (exclusive of current interest) may never exceed a maximum of Rs. 500.
- (2) The smallest sum that can be deposited at one time is annas four and the largest sum is Rs. 100.

- (3) A depositor may withdraw money not more often than once in one calendar month.
- (4) A depositor may not withdraw at one time a smaller sum than one rupee or a larger sum than Rs. 100.
- (5) No deposit can be accepted and no money withdrawn without the production of the pass-book. The Society will not be responsible for any sum not acknowledged in the pass-book. If a pass-book is lost a fresh one will be issued on payment of a fee of annas four.
- (6) Interest will be allowed at the rate of 4 per cent. per annum on the lowest balance at the credit of any account between the first and the last day of each calendar month.
- (7) All sums in savings accounts shall be paid to the depositor within three days of the notice of withdrawal (exclusive of Public-Holidays) if below Rs. 100, and within ten days if Rs. 100 or upwards.

XI.—Distribution of Profits.

42. The distribution of profits shall be decided on at the Annual General Meeting. The balance remaining after carrying 25 per cent. to reserve, and paying a bonus, if any, to office holders, shall be available for paying a dividend on shares.

43. The dividend shall not exceed per cent. until the maximum lending rate to members has been reduced to per cent.

XII.—Reserve Fund.

44. In addition to the sum prescribed under section 33 of the Act, all admission fees and receipts on account of forfeited shares, fines and donations shall be carried to reserve.

45. Any loss occurring as the net result of the year's working may with the previous sanction of the Registrar be made good from the reserve fund, but this amount must be restored to the reserve fund as first charge on the profits of the next ensuing year.

XIII.—Accounts and Records.

46. Accounts and records shall be maintained in forms prescribed or approved by the Registrar with such additions as the Managing Committee think necessary. The Chairman and Secretary have power

jointly to execute documents, grant receipts, and sign share certificates on behalf of the society.

47. Any member of the society may inspect any of the registers or records during office hours so far as they relate to his own business transactions.

48. Before April 15th annually the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities and profit and loss for the previous year. A copy of these statements shall be supplied to the Government Auditor.

XIV.—Amendment of By-laws.

49. Subject to the rules framed by the local Government, by-laws can be amended provided that notice of the amendment has been given to the Registrar, and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

Organization Paper.

Name of society _____

Address _____

Taluka _____ District _____

1. What is the amount of share capital which the intending members have already promised to subscribe ? _____

2. For what purposes will loans be chiefly required ? _____

3. At what rate of interest and for what periods are deposits expected to be received ? _____
4. What loans will be required from outside during the first year ? _____

5. What are the occupations chiefly followed by the members ? _____

6. What is the normal rate of interest at which they now borrow ? _____
7. What expenses will be incurred during the first year on account of—
 - (1) the salary of the Secretary _____
 - (2) Rent of office building _____
 - (3) Contingencies _____

8. Estimate the financial position of the original members in the following form :—

Name of member.	Profession.	Shares taken up.	Wages or salary monthly	Value of his immoveable property.	Debts.	Remarks.

Date _____

Organiser.

CHAPTER VII.

CREDIT SOCIETIES FOR SALARY-EARNERS.

1. *The Special Circumstances of Salary-earners.*—Agricultural Co-operative Societies can be started without much risk because the members have their lands, houses, and cattle to offer as security. Also being neighbours and residents in one village, they know each other well and are therefore willing to undertake joint unlimited liability. In towns fewer persons own immovable property, and owing to the greater population there is less mutual knowledge. Accordingly, co-operative societies are usually started with limited liability and a share capital. This share capital is subscribed by the members themselves out of their savings, and is the guarantee fund on the security of which deposits and loans are obtained from the public. The scheme is convenient enough for artisans, small traders, and professional men who have some working capital of their own out of which they can afford to buy a share or two. But it does not suit the large class of salary-earners, whether employed by private firms, Government departments, or railways, who are drawing a fixed monthly rate of pay and have rarely any accumulated capital on hand. If the wage-earner has not more than Re. 1 or Rs. 2 left over after he has paid his monthly bills, it will be a long time before he can manage to buy a Rs. 10 share in an ordinary co-operative society.

2. A salary-earner is in a difficult position, because he has no security to offer to his creditors except his prospect of remaining in his post and drawing his pay. Death or dismissal would deprive him of his livelihood. Transfer might remove him beyond the reach of a convenient court. Any one who lends money to him has these risks before his eyes, and charges proportionately higher rates of interest. He needs loans for medical attendance, marriages, obsequies, etc., as much as any one else. But he has to pay more for the accommodation. When he once gets into debt, therefore, he often finds it very difficult to get out again and to make a fresh start. With regard to savings, men regularly employed by private firms have often no provident fund in which to invest. Banks despise the humble rupee or two which is all that they can afford to lay by monthly and without the wholesome compulsion of a definite fund system they find it difficult to save at all.

3. *Co-operative Societies for Salary-earners.*—These general considerations determine the special form which Co-operative Credit Societies

for salary-earners must take. First of all the society must be based on thrift, because that is the ultimate foundation of all credit, and thrift implies that every member shall make monthly savings from his pay in proportion to his means. This is provided for by the system of subscription explained in by-law 13, which is enforceable by expulsion for default under by-law 11 (6). In return for his monthly subscription the member will be given a receipt ticket, and as soon as he holds tickets worth Rs. 10, may convert them on the American Morris system into a fully paid-up share worth Rs. 10, ranking for dividend from the date of the first subscription. This conversion is necessary, because an employees' society will ordinarily be one of limited liability, and must therefore possess a paid-up share capital in order to secure public credit. But, as has been already pointed out, most salary-earners are in debt before they join the society, and if the society is to be of any use to them it must start by redeeming their old debts. The terms on which such loans may be made are explained in by-laws 40, 41 and 42. The committee will fix the monthly instalments of repayment (not exceeding 30) according to the means of the borrower. It would be a hardship to call on members to continue to pay in their subscriptions and to convert them into shares at (say) 6 per cent. while they are paying (say) 12 per cent. for the loan which they have taken from the society. Therefore as soon as they have collected receipt tickets worth Rs. 10, they have the option of applying the sum to the extinction of the debt due to the society over and above their ordinary instalment, instead of buying a share if they prefer it. These are the main special features which are recommended to adapt co-operative credit to the needs of salary-earners.

4. *Formation of Salary-earners' Society.*—If the need of a society on the above model is admitted, the first step is for a few promoters to come together and to discuss the project. Salary-earners are subject to a more strict discipline than the ordinary public, and therefore it is often prudent to add weight to the committee by securing the adhesion of one or two employers or heads of offices. This is particularly necessary when, as is often the case, the society is confined to a single firm or department. The knowledge that their chief is taking part in the society does much to keep members up to the mark. Such men will not usually consent to stand for election on the same plane as their own subordinates, and therefore provision has been made in by-law 29 for their service *ex officio*. In some cases they may agree to allow recovery of advances by the society through the pay-bills, and this greatly

decreases the risk of default. But even when this cannot be arranged the head of the office may promise to help in bringing pressure to bear on recalcitrant debtors. Official support having been secured, the next step is to secure about 40 other respectable employees who are ready to become members and to take up shares. The society will probably want a good deal of capital to start with, in order that it may at once take up debt redemption. This can only be obtained from outside, provided that there is a fair amount of paid-up share capital to serve as a basis of credit. Therefore a nucleus of substantial men who will take up 5 or 10 shares each is desirable. In admitting humbler members the promoters should be more careful, because, as has been explained in paragraph 2, their real security as a rule is poor, and the society will have to rely to a large extent on their general character for honesty and thrift. Where a service is scattered over a wide area, it should be considered whether means are available for remitting subscriptions and instalments to the head office, and whether sub-committees will be required. After these enquiries the promoters should hold a preliminary meeting and should discuss and make any changes they think desirable in the model by-laws.

5. *Registration.*—Two copies of the by-laws, each signed by not less than 12 of the promoters, together with one copy of Schedule A (see Chapter III) should be duly filled up and sent to the Registrar, Co-operative Societies, Poona, and he should be informed to whom the registration certificate copy of the Act and rules, account books, etc., are to be sent by V. P. P. The Registrar, after making such enquiries or suggestions as may seem necessary, will register the by-laws without fee, and will return one copy duly approved to the society.

6. *First General Meeting.*—On receipt of the registration certificate, a meeting of the persons signing the original application and any others who wish to become members should be called. The Registrar's representative, who will be nominated by him, should be invited to attend. The original members should first admit any applicants whom they unanimously approve of; and both they and the newly admitted members should pay their entrance fees in accordance with by-law 8. After doing this a formal general meeting should be constituted and the following business carried out:—

- (1) The members present should elect a President of the meeting.
- (2) The approved by-laws should be read out or summarily explained, and should be formally adopted as the by-laws of the society.

(3) A managing committee should be elected under by-laws 22 (3) and 29.

(4) A President of the society should be elected for the year, under by-law 22 (1).

(5) Auditors should be appointed under by-law 22 (2).

The General Meeting should then be dissolved, and a copy of its proceedings be forwarded to the Registrar for his record.

7. *First Meeting of the Managing Committee.*—This should take place immediately after the close of the first general meeting. Its business is—

(1) to elect its Vice-Chairman under by-law 29 ;

(2) to appoint a Secretary under by-law 34 (2) and to fix his pay ;

(3) to fix the rates of interest payable under by-law 6 on loans and deposits—

(a) current, *i. e.*, on 10 days' notice ;

(b) fixed for one year ;

(c) fixed for more than one year.

The rates recommended are ordinarily 3 per cent. for (a), 6 per cent. for (b) and 6½ per cent. for (c) ;

(4) to sanction all expenses incurred in starting the society and to meet them from the entrance fees collected ;

(5) to collect the price of shares from members who have applied for them under by-law 14 and to collect first subscriptions under by-law 13 ; and

(6) to fix the dates of its own future meetings and to dispose of other incidental business.

8. *Accounts.*—The accounts may be maintained in the forms prescribed in Chapter XXVI, which are obtainable from the Registrar. In addition to them the society will require a subscription ledger, which must be devised by the promoters themselves to meet the special circumstance of their case.

BY-LAWS OF THE _____ EMPLOYEES'
CO-OPERATIVE CREDIT SOCIETY, LIMITED.

I.—Preliminary.

1. The name of the society is _____ Limited and its registered address shall be _____.

Any change of address shall be notified to the Registrar within 14 days and published in a local paper.

2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.

3. The objects of the society are to encourage thrift by enabling members to save part of their income in a safe and convenient way with the prospect of a fair profit, and to prevent indebtedness by making loans available on reasonable terms.

II.—Funds.

4. Funds may be raised—

- (1) by subscriptions and shares,
- (2) by loans and deposits,
- (3) by donations and entrance fees.

5. The amount of capital to be raised by the sale of shares shall not exceed Rs. _____. The nominal value of each share shall be Rs. 10.

6. Deposits and loans may be received for fixed periods or upon current account, at such rates of interest and to such an amount as may be determined by the Managing Committee: provided that the total of loans and deposits shall never exceed eight times the paid up share capital, plus the reserve fund.

7. The funds of the society when not utilized shall be invested or deposited as required by section 32 (1) (a), (b) or (d) of the Co-operative Societies Act.

III.—Membership.

8. No person shall be a member unless—

- (1) He is permanently employed in

- (2) His written application for membership has been approved by an absolute majority of the Managing Committee.
- (3) He has paid an entrance fee of rupee 1.
- (4) He has either purchased at least one share or paid his first monthly subscription under by-law 13.

Members who signed the original application for registration are exempt from by-law 8 (2).

9. Every duly elected member shall sign his name in the roll of members, undertaking thereby to abide by the by-laws of the society, and to accept the rights, obligations and responsibilities of membership as defined in those by-laws.

10. Any member may withdraw from the society at any time after giving two months' notice to the Managing Committee, provided that he is not in debt to the society or surety for another member who is in debt to it.

11. A member of the society may be expelled by a vote of General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is criminally convicted ;
- (5) if he intentionally does any act likely to injure the credit of the society ; or
- (6) if he fails for three successive months to pay his monthly subscription ;

Expulsion may involve the forfeiture of all shares held by him.

12. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion ;
- (4) on the transfer of forfeiture of all the shares held by him ; or
- (5) when he ceases to be in the permanent employment of _____

IV.—Shares and Subscriptions.

13. Every member shall be required to pay to the society a monthly subscription at the following rates :—

Pay.	Subscription.
Rs. 1 to 15	.. Rs. 0-8
,, 16 to 40	.. ,, 1-0
,, 41 to 80	.. ,, 3-0
,, 81 to 100	.. ,, 4-0
etc.	etc.

In exchange for each subscription paid, he will receive a printed receipt ticket. As soon as he has acquired tickets worth Rs. 10 he may produce them before the Secretary, who will cancel them and issue to him a share certificate for one Rs. 10 share. The certificate will be dated and will rank for dividend from the date of the payment of the first subscription. If a member prefers, he may use the subscription tickets, as soon as their accumulated value is not less than Rs. 10, for the purpose of paying off any debt owed by him to the society.

14. In addition to the shares purchased from the monthly subscriptions any member is at liberty to apply to the Managing Committee for further shares and to pay for them in a single cash payment.

15. The liability of a member is limited to the nominal value of the shares held by him.

16. A member may transfer his share or shares, after holding them for one year, to another member, with the approval of the Managing Committee. The transfer is not complete until the name of the transferee has been entered in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

17. A share certificate bearing a distinctive number shall be issued for share subscribed.

18. In the event of membership ceasing under by-law 10 or 12, the part value of the shares held by a member after deducting any amount due by him to the society shall be paid to him within 6 months from the date of the cessation of membership.

19. Any member of the society may by a writing under his hand deposited with the society nominate any person (other than a servant

or officer of the society) to whom the whole or any part of his interest in the society should be transferred in the event of his death. A fee of two annas will be charged for recording such nominations and any subsequent revocation or variation.

20. On the death of a member the amount standing to his credit by way of shares or dividends or subscriptions shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him, or in the absence of such nominee, to such person as may appear to the committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The deposits of the deceased may be withdrawn by such heir only if the period of deposit has expired.

V.—General Meetings.

21. The Annual General Meeting shall be held during the month of April.

22. The functions of the Annual General Meeting are—

- (1) to elect a president for the ensuing year, whose duty shall be to preside at General Meetings, to supervise the administration of the society generally, and to summon through the secretary general meetings whenever necessary;
- (2) to appoint persons to audit the accounts of the society during the ensuing year and to fix their remuneration;
- (3) to elect four members of the Managing Committee for the ensuing year and to appoint a secretary and any other officers that may be required and to fix their remuneration;
- (4) to receive from the Managing Committee the balance sheet of the last year and to sanction the distribution of the profits;
- (5) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward; and
- (6) to consider appeals against the orders of the Managing Committee, in matters in which the power of receiving appeals has been specifically reserved by the General Meeting, and generally to exercise supreme authority in any matter relating to the work of the society.

23. A special General Meeting can be summoned by the President or by a majority of the Managing Committee, or on a requisition from the

Registrar, or from the twenty-five ordinary members. It shall be the duty of the President to call such a meeting.

24. In the case of an Annual General Meeting 14 days' notice, and in the case of a Special General Meeting 7 days' notice, shall be given. The notice shall specify the date, hour, and place of the meeting and the business to be transacted.

25. With the permission of two-thirds of the members present at a General Meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting, provided that such proposal does not relate to the expulsion of a member or the alteration of a by-law.

26. The President shall have a casting vote in addition to his ordinary vote.

27. Each member shall have one vote. Any member may appoint another in writing to vote for him as his proxy.

28. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a general meeting. If there be no quorum the meeting shall be adjourned for at least 7 days, and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VI.—*Managing Committee.*

29. The management of the society shall be carried on by a Managing Committee, consisting of three members holding office *ex officio*, namely, (1) (2) (3), and 4 members elected at the Annual General Meeting. The Chairman of the Committee shall be the President elected under by-law 22 (1). The Committee may elect its own Vice-Chairman. Each member shall have one vote.

30. Subject to the by-laws and the resolutions passed at a General Meeting the Managing Committee shall have full authority to carry on the business of the society. It shall meet for the transaction of the business not less often than once a month. Four members shall form quorum.

31. Vacancies among the elected members of the Managing Committee from death or any other cause shall be filled up at the next ensuing General Meeting by election.

32. A Committee minute book shall be maintained by the Secretary, in which the names of members present and the proceedings at each meeting shall be recorded. It shall be open to the inspection of all members.

33. No member shall be present or vote on any matter in which he has a personal interest.

34. The powers of the Managing Committee shall be—

- (1) to admit new members;
- (2) to appoint, suspend, fine, or dismiss all salaried servants of the society, subject to an appeal to the General Meeting;
- (3) to appoint sub-treasurers for collecting subscriptions at local centres;
- (4) to hear and deal with complaints;
- (5) to deal with applications for loans;
- (6) to supervise and check the accounts;
- (7) to enquire into and take action in cases of default;
- (8) to prepare annual balance sheets;
- (9) to raise loans and deposits on such terms as may be decided upon;
- (10) to institute, defend, or compromise legal proceedings; and
- (11) generally to conduct the business of the society.

35. It shall be the duty of the auditors appointed under by-law 22 (2) to audit the accounts and documents of the society quarterly; and of the Managing Committee to produce all the requisite books for their inspection. This audit shall be in addition to the audit made by the regular staff of the Registrar.

36. The services of all the members of the Committee shall be gratuitous. The Chairman and Vice-Chairman are ineligible to receive loans from the society.

37. The Managing Committee shall control the Secretary, whose duties shall be—

- (1) to carry on the correspondence of the society and to maintain all its books, accounts and registers;
- (2) to receive applications for loans, withdrawals of deposits, etc., and to lay them before the Managing Committee; and to prepare receipts and vouchers;

- (3) to receive and disburse money on behalf of the society under the orders of the Managing Committee; and
- (4) to attend to all other business entrusted to him by the Managing Committee.

VII.—Loans.

38. Any member wishing to obtain a loan shall forward to the Secretary an application, stating amount required, purpose, surety or security offered, and period of repayment desired.

39. Members are entitled to receive loans equal to $\frac{1}{3}$ rd the amount of the paid-up shares held by them without any surety. A loan may be granted to any member up to the amount of his salary for 2 months, subject to a maximum limit of Rs. 750, at the discretion of the Committee.

Provided that it shall be at the discretion of the Managing Committee to lend once only, irrespective of the limit contained in this by-law, a sum which in the opinion of the Committee will suffice to pay off an existing debt contracted prior to admission into the society.

40. Loans shall ordinarily be repayable in not more than 12 monthly instalments. But the Committee have authority to extend repayment for a reason which must be recorded over a longer period limited to thirty months, if necessary. Meanwhile the usual monthly subscriptions must be paid in addition to the instalments.

41. Loans shall be made on the personal security of the member borrowing and that of two sureties who shall be members, or on a mortgage of unencumbered immovable property or on the assignment of an insurance policy the surrender value of which covers the loan, or with one surety, provided that the loan is less than Rs. 50 or one month's pay, whichever may be greater.

42. Interest on loans shall be $12\frac{1}{2}$ annas per cent. per month (equivalent to $1\frac{1}{2}$ pies per rupee, and to $9\frac{3}{4}$ per cent. per annum). Loans taken before the 16th of a month will bear interest for the full month, and on or after the 16th, interest for half of that month.

43. On overdue loans interest shall be charged at 18 per cent. per annum from the date of default.

44. When a member takes a loan from the society or becomes surety under by-law 41 he shall undertake not to resign service in the ^{Department}/_{Company} until his liability is discharged.

45. It is the duty of the Managing Committee to take action for the recovery of overdue loans. The Committee shall be liable jointly and severally for any loss befalling the society on account of any loan or instalment which has been overdue for more than six months without its permission, unless in that period a suit has been filed or the case referred to arbitration.

VIII.—Deposits.

46. (1) Deposits may be received at any time either in current account or for a fixed period. A pass book shall be supplied to each depositor, in which interest shall be credited on production half-yearly on April 1st and October 1st.

(2) After the period of a fixed deposit has expired interest shall be paid on it at current deposit rates, unless the deposit has been accepted by the Committee for a further fixed period.

47. Savings deposits may be accepted from members only on the following conditions :—

- (1) The balance to the credit of any depositor (exclusive of current interest) may never exceed a maximum of Rs. 500.
- (2) The smallest sum that can be deposited at one time is annas four and the largest sum is Rs. 100.
- (3) A depositor may withdraw money not more often than once in one calendar month.
- (4) A depositor may not withdraw at one time a smaller sum than one rupee or a larger sum than Rs. 100.
- (5) No deposit can be accepted and no money withdrawn without the production of the pass-book. The Society will not be responsible for any sum not acknowledged in the pass-book. If a pass-book is lost a fresh one will be issued on payment of a fee of annas four.
- (6) Interest will be allowed at the rate of 4 per cent. per annum on the lowest balance at the credit of any account between the first and the last day of each calendar month.

- (7) All sums in savings accounts shall be paid to the depositor within three days of the notice of withdrawal (exclusive of Public-Holidays) if below Rs. 100, and within ten days if Rs. 100 or upwards.

IX.—Distribution of Profits.

48. The distribution of profits shall be decided on at the Annual General Meeting. The balance remaining after carrying 25 per cent. to reserve, and paying a bonus, if any, to office holders, shall be available for paying a dividend on shares. Dividends will be added to member's subscriptions, unless any member applies to have his dividend paid to him.

49. The dividend shall not exceed _____ per cent. until the maximum lending rate to members has been reduced to _____ per cent.

X.—Reserve Fund.

50. In addition to the sum prescribed under section 33 of the Act, all admission fees and receipts on account of forfeited shares, fines and donations, shall be carried to reserve.

51. Not less than half the reserve fund shall be deposited with some outside society or bank approved by the Registrar.

52. Any loss on the year's working may, with the previous sanction of the Registrar, be made good from the reserve fund.

XI.—Accounts and Records.

53. Accounts and records shall be maintained in the forms prescribed by the Registrar, with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign share certificates on behalf of the society.

54. Any member of the society may inspect any of the registers or records during office hours so far as they relate to his own business transactions.

55. Before April 15th annually the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government auditor.

XII.—Amendment of by-laws.

56. Subject to the rules framed by the Local Government, by-laws can be amended, provided that notice of the amendment has been given to the Registrar, and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

CHAPTER VIII.

LOANS TO MEMBERS.

(1) *How to advance.*

The Managing Committee of a society should hold its meetings regularly as prescribed by the by-laws and at every meeting should receive and dispose of applications for loans. All applications should be submitted in writing in the accompanying Form I, or if the applicant appears in person before the Committee, should be reduced to writing by the Secretary. In considering applications the Committee should have regard to the purpose for which the loan is required, and form its own opinion about the amount needed, the security offered, and the time to be allowed for repayment. If it is advancing money lent to it on deposit, it must so arrange the dates for the recovery of loans that money will be available for repaying the depositors on the due dates. Societies dealing with an urban population should be particularly careful on this point, as unpunctuality will damage their credit with the public and prevent fresh deposits coming in. As soon as a loan has been sanctioned, the money should be paid over to the borrower in the presence of the Committee if the society has sufficient balance in hand; if not, arrangements should at once be made to withdraw the required sum from the postal savings bank. At the time of disbursement a formal agreement should be taken from the borrower in one of the forms mentioned below.

Borrowers nearly always ask for longer periods for repayment than are absolutely necessary. It is the business of the Committee to see that the periods for repayment are kept as short as possible. In the case of loans for productive purposes the loan should be repaid from the profits obtained by its utilization, e.g., loans for seed or manure should be repaid from the outturn of the crop grown, i.e., in 1 year, loans for bullocks should generally be repayable in 2 years, and loans for land improvements or wells in from 3 to 5 years. In the case of loans for non-productive purposes, e.g., redemption of old debt, weddings, doctors, funerals, education, the income and earning capacity of the borrower should be compared with his necessary expenditure, and the difference between the two should determine the amount which he is able to pay.

2. In the case of moderate loans (up to Rs. 500) required for periods of one or two years only by respectable members, personal sureties will usually be sufficient.

Security: Sureties.

Form II should be employed, and two sureties should generally be required. They may or may not be members of the society but they must be honest people known to the Committee. The same people should not be accepted as sureties for several loans, nor should two borrowers from the society be allowed to stand as sureties for each other unless they are both known to be in good circumstances. A society with unlimited liability may not accept movable property, e.g. jewellery, grain, etc., as a security except with the previous sanction of the Registrar (section 29 (2) of Act II of 1912), but any society may lend money against stock or share bonds deposited with it accompanied by an authorization to sell in event of default. Insurance policies may be accepted and loans granted up to about $\frac{2}{3}$ of their surrender value. But in such cases the assignation of the policy to the society should be registered in the books of the Insurance Company, which can generally be done for a fee of Rs. 2-8-0.

3. Loans for larger amounts or small loans for longer periods than those mentioned above require a firmer security than personal sureties can offer. A member may borrow Rs. 500 for building a well. As the profits of his enterprise will come in gradually, recoveries must be spread out over at least 5 years. In such a case it is advisable to take a mortgage on the property of the borrower, of which the estimated value is at least twice the value of the loan. A mortgage without possession, which may be taken in the accompanying Form III, affords an excellent security since Act I of 1912 (Bombay) has exempted co-operative societies from the operation of the Deccan Agriculturists' Relief Act.

4. But there will always remain a class of cases involving very large sums or very long periods in which a society will require the best security available. A society cannot undertake to pay off a member's old debts and to substitute for them a debt to itself at a lower rate of interest unless it is fully safeguarded against loss. A special by-law (No. 37) has been inserted in the model by-laws for unlimited societies which prescribes that when old debts are liquidated, the consent of the Registrar is required for amounts exceeding Rs. 750, that the loan shall be repayable by instalment within 10 years, and that the debtor shall be required to mortgage with possession to the society land worth three times the amount of the loan advanced. In these and similar cases it is necessary to use the accompanying Forms IV and V. The owner first mortgages the land to the society under Form IV and then under

Form V takes it on lease again from the society on an annual tenure, agreeing to pay the land revenue assessment and local fund cess to Government and a sum equal to the interest and annual instalment of repayment of principal on the loan advanced to him as rent to the society. In cases where a society redeems the old debts of a member, it will often be a wise precaution if the Committee pays the money direct to the creditor and obtains a stamped receipt in full satisfaction of his claim. Any security bond held by him should be recovered at the same time. If he has obtained a decree from the Civil Court, payment should be notified to the Court under section 2 (2) of Order XXI printed in the first schedule of the Civil Procedure Code. The society should be careful to see both by the examination of the Record of Rights and by enquiry at the Sub-Registrar's office that the land taken in mortgage has not previously been encumbered. Under section 135 (C) of the Land Revenue Code transactions under Forms III, IV, or V should be notified at once to the village accountant. The extinction of any rights created by such mortgages should be reported to the village accountant by the person in whose favour a mortgage is discharged or extinguished.

5. When the bond has been taken, and the sanctioned loan paid over to the borrower, the Secretary should enter the payment at once in the day-book and in the member's pass-book. Entries in pass-books should always be made both in words and in figures. The other accounts can be written up afterwards.

6. When a society finds that it has a large cash balance on hand for which it has no use, it will often be convenient to lend the sum to a neighbouring society. Under section 29 (1) of Act II of 1912, this can only be done with the previous sanction of the Registrar but deposits (defined in paragraph 6 of Chapter XXI) may be made under section 32 (1) (c) without such sanction. The accompanying Form VI will be found suitable for use in connection with transactions of this kind. Where a district Central Bank is in existence, spare cash should always be deposited with it and not lent direct to any other primary society.

(2) *How to recover.*

7. The chief test of the good management of a Co-operative Society is the punctuality with which loans are recovered from its members. No society can succeed if defaults are common. If a Managing

Committee understands its duties and is keen and active in performing them, arrears will always be small. Large arrears always mean that the Managing Committee is not performing its duties properly. For the guidance of the inexperienced Managing Committees the following hints are given as to the best ways of preventing defaults and of dealing with them when they occur.

8. However carefully loans are sanctioned, accidents will occur which make it difficult for borrowers to repay.

Extensions. Crops may fail or may not be ready on the fixed date, cattle may die, the borrower's house may be burnt down, his family may die of plague, floods or famine may upset his arrangements. In such cases the loan should not be treated as an arrear. The Managing Committee should call the borrower before them and, after considering his situation, should decide what portion of the loan, if any, should be recovered on the due date and should extend the remainder by a formal resolution for a suitable period. Interest should always be recovered before an extension is sanctioned. If the society was relying on the recovery of the loan for the repayment of some loan due to a Central Bank or some deposit due to the outside public, it should apply to the Central Bank or the depositor for an extension, before sanctioning the extension to its own member.

When the Managing Committee is satisfied that an extension is desirable, it should remember in sanctioning it that under section 135 of the Contract Act IX of 1872 the sureties will thereby be discharged from further liability unless their assent is recorded on the bond and attested by their signatures.

9. If there is no good reason for granting an extension, the money must be recovered punctually on the due date. The

Recoveries. Managing Committee should see that the Secretary warns members, either orally or in writing, about a month in advance of the date of repayment. If a member does not pay up punctually the Chairman or Secretary should visit his house personally and try to collect the money by his own influence without resort to coercive measures.

10. If a member deliberately defaults in spite of warning, the

Treatment of defaulters. Managing Committee is advised to take the following action against him :—

- (a) A list of defaulters to the society should be hung up publicly in the society's office or the *chora* as a disgrace.

- (b) The member should be warned that he will be charged penal interest and this should be done.
- (c) All further loans to him should be stopped.
- (d) Written notices should be served on his sureties.
- (e) The General Meeting may pass a resolution that he shall be disqualified to serve on the Managing Committee.
- (f) A resolution may be passed by the Managing Committee referring his case to arbitration. The procedure will then be that explained in Chapter XXII.
- (g) After recovering the sum awarded by the arbitrator the member may be publicly expelled from the society.

11. A Managing Committee should always remember that under section 19 of the Act (II of 1912) it has a prior claim over crops, cattle, implements, etc., obtained with money advanced by it and should object if sowkars or other creditors try to enforce their claims on such property.

FORM I.

Application for Loan.

Having become a member of the _____
Co-operative Credit Society, I hereby apply for a loan of Rupees (_____) (in words)_____. I wish that it may be made repayable—

(a) after _____ months, or

(b) in _____ instalments on the following dates :—(1) _____

(2) _____ (3) _____ (4) _____ (5) _____

The names of the Sureties offered are given below.

The object for which the loan is required is _____

Dated _____ 191 .

Signature _____

Occupation _____

Names of Sureties offered :—

(1) _____

(2) _____

(3) _____

FORM II.

Form of Agreement for a Loan.

I acknowledge to have received from the _____
 Co-operative Credit Society a loan of Rupees (_____)
 (in words) _____ repayable as under :—

Principal.			Interest.			Total.			Date of Repayment.
Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	
(1)									
(2)									

The loan bears interest at _____ pies per rupee per month.
 I undertake to employ the loan for the following purpose :—

I undertake to repay the loan on the date (or dates) mentioned
 above and to be bound in all respects by the Society's By-laws.

Signature of Borrower _____

Witnesses' Signatures { _____

We _____

and _____

hereby undertake to be jointly and severally liable to the above-
 mentioned Society for the due repayment of this loan on the date or dates
 shown above or on any dates to which the period may be legally extended
 by the Managing Committee with interest in accordance with the above
 conditions and the by-laws of the Society.

Dated _____ 191 .

Signatures of Sureties—

(1) _____

(2) _____

(3) _____

Witnesses' Signatures—

FORM III.

Form of Agreement for a Loan.

I acknowledge to have received from the _____
Co-operative Credit Society a loan of Rupees (_____)
(in words) _____
repayable as under :—

Principal.			Interest.			Total.			Date of Repayment.
Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	
(1)									
(2)									
etc.									

The loan bears interest at _____ pies per rupee per month. I undertake to employ the loan for the following purpose :—

As security for the repayment of the loan with all interest accruing

†If the property is surveyed and assessed land, the name of the village, survey number, area and assessment should be here inserted. Other landed property should be described fully. If any previous mortgage has been executed particulars should be given, or the fact that the property is not mortgaged should be stated.

I hereby mortgage without possession the under-mentioned property which is now in my ownership and possession :—†

I undertake to repay the loan on the date (or dates) mentioned above and to be bound in all respects by the Society's by-laws.

Signature of Borrower }
or
Thumb Impression }

Signature of Witnesses. { (1) _____
(2) _____

FORM IV.

Draft Mortgage.

AN AGREEMENT made this . . . day of . . . one thousand nine hundred and . . . between the . . . Co-operative Credit Society (hereinafter referred to as "the said Society") of the one part and . . . a member of the said Society (hereinafter referred to as "the mortgagor") of the other part.

2. WHEREAS the mortgagor has this day received from the said Society the loan of a sum of . . . rupees (Rs. . . . only) for the purpose of

3. NOW THIS AGREEMENT WITNESSETH THAT the mortgagor hereby binds himself and agrees to repay to the said Society the said sum together with interest thereon at the rate of . . . rupees (Rs. . . . only) per centum per annum in the following annual instalments upon the following dates :—

Number of each instalment.	Amount of each instalment.	Date for payment of each instalment.

4. As security for the repayment of the loan with interest as aforesaid the mortgagor hereby mortgages with possession to the said Society the following immoveable property :—

Name of village, taluka and district in which situated.	Survey number or other description.	Area.	Assessment.	Estimated value.	Boundaries.

5. AND it is hereby agreed that the mortgagor shall pay the land revenue and local fund cess payable in respect of the said property and

that the said Society shall take the annual profits of the said property in lieu of the said annual instalments.

6. AND it is hereby further agreed that the terms and conditions of this agreement shall be subject generally to the by-laws of the said Society.

IN WITNESS WHEREOF

the above named* has hereunto set his hand and † have hereunto set their hands for and on behalf of the said Society and the seal of the said Society hath hereunto been affixed the day and year first above written.

*Name of Mortgagor.

†Names and descriptions of persons authorised to execute the deed on behalf of the Society.

‡Mortgagor's name.
§Mortgagor's signature.
||Witnesses' signatures and descriptions.

Signed and delivered }
by the above-named }
† } §
in the presence of }
|| { }

¶Names and descriptions of persons authorised to execute the deed on behalf of the society.

**Signatures of persons executing on behalf of the said Society.

Signed, sealed and }
delivered by the above- } **
named ¶ }
on behalf of the said }
Society. }

††Witnesses' signatures and descriptions.

In the presence of
†† {



FORM V.
Draft Lease.

AN AGREEMENT made this . . . day of . . . one thousand nine hundred and . . . BETWEEN the . . . Co-operative Credit Society (hereinafter called "the Lessor") of the one part and . . . a member of the said Society (hereinafter called "the Lessee") of the other part.

2. WHEREAS the following immoveable property:—

Name of village, tanks and district in which situated.	Survey number or other description.	Area.	Assessment.	Estimated value.	Boundaries.

has by a mortgage deed bearing this day's date been mortgaged with possession to the Lessor by the Lessee.

3. AND WHEREAS the Lessor has agreed to lease the said property to the Lessee for a term commencing with the date of this agreement and co-extensive with the currency of the said mortgage in consideration of the payment of the following annual rent on the following dates:—

Rent.	Dates for payment.
(Enter amounts of each instalment.)	(Enter dates for payment of each instalment.)

4. Now this agreement witnesseth that the Lessor hereby leases to the Lessee the said property for the said term in consideration of the payment of the said rent on the said dates.

5. AND the Lessee hereby agrees to pay to the Lessor the said rent on the said dates and to pay the land revenue and local fund cess payable in respect of the said property.

6. AND it is hereby agreed that in the event of the Lessee making default in the payment of the said rent or any part of it on the said dates the Lessee shall pay to the Lessor as additional rent interest on the rent in respect of which the Lessee is so in default at the rate of twelve rupees (Rs. 12 only) per centum per annum from the date of such default to payment.

7. AND it is hereby further agreed that in the event of such default or in the event of the Lessee failing to pay the land revenue or local fund cess payable in respect of the said property it shall be lawful for the Lessor to eject the Lessee and to lease the said property to such other person or persons and on such conditions as the Lessor may think fit for the remainder of the said term.

8. AND it is lastly hereby agreed that the terms and conditions of this lease shall be subject generally to the by-laws of the Co-operative Credit Society.

IN WITNESS WHEREOF * have set their hands for and on behalf of the Co-operative Credit Society and the seal of the said Society hath been affixed to the one part hereof remaining with the Lessee and the Lessee hath set his hand to the other part hereof remaining with the said Society the day and year first above written.

*Names and descriptions of persons authorized to execute the lease on behalf of the Society.

[] *Omit from counterpart.*
 †Names and descriptions of persons authorized to execute the lease on behalf of the Society.
 §Signature of persons executing on behalf of the Society.

*[Signed, sealed and delivered by the above-named † on behalf of the said Society.] §

In the presence of

|| [Witnesses' signatures and descriptions.

{]



[] *Omit from original.*
 †Name of the lessee.
 **Signature of lessee.

*[Signed and delivered by the abovenamed † in the presence of] **

†† [Witnesses' signatures and descriptions.

{]

FORM VI.

Form of Agreement to be executed on behalf of a Registered Co-operative Credit Society obtaining an Advance from another Registered Co-operative Credit Society.

We, the undersigned, being duly empowered in this behalf by the Committee of the _____ Co-operative Credit Society, ^{Limited,} ~~Unlimited,~~ under the by-laws of the Society acknowledge to have received from the _____ Co-operative Credit Society, ^{Limited,} ~~Unlimited,~~ the sum of Rs. _____ as a loan to our Society, and we undertake on behalf of our Society to pay the loan with interest at the rate of _____ in the following annual instalments, each instalment being payable on the date shown opposite thereto:—

Principal.	Interest.	Total.	Date.

2. We further agree to pay additional interest at _____ per cent. per annum on any instalment or portion of an instalment which is not paid on due date, such interest to run from due date to date of payment.

3. We declare that since our application for this loan was submitted Society's indebtedness either to members or to non-members has not increased otherwise than by the accrual of interests on debts specified in the application.

Dated _____ 191 .

Signatures { (1) _____
(2) _____
(3) _____
(4) _____

Witnesses' signatures. { (1) _____
(2) _____

CHAPTER IX.

GUARANTEEING UNIONS.

Object of a Union.—The objects of a Union are firstly to supervise and control the societies within its own area, and secondly to provide them with the funds needed for all reasonable forms of current expenditure in the simplest and promptest possible way. It is because it can supervise affiliated societies, check errors, and prevent mismanagement that the Union is able with confidence to fix the limit up to which each society may be trusted with funds and to guarantee its borrowings accordingly. Inversely the fact that it is called on to undertake a guarantee for its member societies imposes a sense of responsibility which adds keenness to its supervision and weight to its advice and warnings. Without such a Union, when a loan is required from the Bombay Central Bank, the application is kept pending until a Special Mamlatdar can be sent down and an enquiry made into the assets of the members. A union will sweep away these delays. By a special arrangement with the Central Bank it will be empowered to draw on a maximum credit up to certain limits and under certain conditions as to repayments, and to pass the money on immediately to the societies requiring it.

2. *Finance.*—Under model by-law 13 each society in the Union accepts a lump liability calculated at a rate somewhere between Rs. 20 and Rs. 100 per head according to the needs of the society. The guaranteeing power of the union under by-law 21 (c) may not exceed 6 times the total liability so undertaken, but the exact figure will be settled in consultation with the Central Bank and will ordinarily, until the union has worked for a year or so, be somewhat less than this maximum. The manner in which the guarantee works can most clearly be explained by a concrete example. If a union consists of four societies each composed of 100 members, who have accepted a liability of Rs. 30 per head, then the total liability of the union is Rs. 12,000, and its guaranteeing power is 6 times this figure, i.e., Rs. 72,000. The Central Bank would perhaps at the beginning accept the Union's guarantee up to 5 times the figure only and would open a maximum credit of Rs. 60,000 in favour of the union. In distributing this amount the union is not bound to lend to each society a sum equal to exactly 6 times the liability accepted by it, but, if it finds it convenient, may, under by-law 11 (b), lend up to 12 times to any particular society, i.e., in this case one society might receive loans up to Rs. 36,000. The terms on which the maximum credit

will be granted must, as has been said, be ascertained from the Manager of the Bombay Central Bank or of whatever other Central Bank the union elects to affiliate itself to. As a rule it will not be an unrestricted credit. *The union will have to state for what purpose each separate loan is required by each society under its control, and the period of repayment will be fixed according to the purpose. Its application to the Central Bank would usually take the following form :—

Name of Society.	Objects of loans.	Amounts.	Periods.	Remarks.
Pandhara	Purchase of castor cake	Rs. 6,500	1½ years	The union has induced the applicants to reduce their wedding expenses to the lowest reasonable limit.
	Repairing houses	700	2 years	
	Boiling jaggery	1,200	3 months	
	Bajri seed	100	10 months	
Ravangaon	Current agricultural expenses.	2,000	1 year	
	Purchase of bullocks	900	2 years	
	Wedding expenses	750	2 years	
Hol	Domestic expenses	500	1 year	
	Purchase of iron ploughs	400	2 years	

The Central Bank will not dispute the amounts required within the limits fixed but will retain power to revise the periods where it thinks that they are fixed on wrong principles. The principle on which they should be settled is that a loan should always be repaid out of the proceeds of its utilization. Advances for seed must be repaid out of the crop grown with that seed, and not any other source. The union will be permitted to draw on its maximum credit for loans that can reasonably be repaid in two years. If a society requires a loan for a longer period, e.g., for the redemption of the old debts of members or for building wells, then its application will not usually be guaranteed by the union, though it cannot be considered without the union's approval. It will be dealt with separately on its merits by the Directors of the Central Bank, who will examine the security and fix the period as they may think best.

3. *Area.*—It is most important that the members of the different societies in the union should be acquainted with each other and should be familiar with the way in which each others' societies are being conducted. The area of a union should therefore never exceed a circle with a radius of 5 miles. From the most distant society on one side

to the most distant on the other the distance should not exceed 10 miles. The office of the union should be as near the centre as possible and should be at the bazar town or the railway station or some place to which the members are accustomed to come in their ordinary business. The minimum number of societies that may start a union is 4 and the maximum 20. Attention is drawn to by-law 12 (4) which forbids member societies to borrow from outside the union area without the permission of the union.

4. *Staff*.—The work of visiting other societies, once every 3 months, of looking into their affairs, of making sure that things are going on all right, of estimating the general position of a society should be entrusted to experienced members of the Union Committee deputed by the Committee for this purpose and receiving a fee under by-law 10 (d) intended to cover their expenses. Their enquiries should follow the lines of Schedule C printed at the end of this chapter. The union will need a secretary both to keep its own accounts and to move round its member societies, looking in a more detailed way into their accounts and forms and the other records, training the secretaries, and helping them to put right mistakes and errors that have occurred. There is no objection if the union secretary is at first also secretary of one or two member societies if this is necessary in the interests of economy. When a group of 7 or 8 unions have been started in a neighbourhood they may, if they wish, combine to maintain a joint supervisor, to look after their secretaries but this need will only arise at a late stage. The expenses of the union will, therefore, consist only of the pay, allowances and office contingencies of its secretary, the rent of an office room, and the inspecting fees payable to the members of the Managing Board. In forming a union it ought not to be difficult to estimate the amount required and to fix a union rate in by-law 8 which will be sufficient to yield the necessary sum and to leave a small balance in hand. Neither the secretary nor the elected visitor will have power to issue orders to societies inspected but will send in their reports to the union committee which will pass orders on them.

5. *Forecasting*.—One of the most important duties of a union is to forecast half yearly what recoveries are expected to be made in the course of the next six months by member societies and what fresh loans will be required. These forecasts should not be mere guesses but prepared after detailed individual enquiry in the manner described in Chapter XI. The object of this procedure is first of all to enable the

Central Bank to have the funds ready, and secondly to enable the union to note what balance of the maximum credit is at its disposal and to consider how this can most fairly be distributed among societies in light of their needs. Unions would often be well advised also to require member societies to keep field books in which the Committee should note after a visit to the fields whether the loan has been wholly or partially devoted to the purpose for which it was granted and whether the crop is in good condition.

6. *Registration and First General Meeting.*—Two copies of the model by-laws duly filled up, and signed by three authorised members of each member society should be forwarded to the Registrar together with separate declarations in the attached Form B for each society signed by the same three authorised members. One copy of the attached Schedule A should also be sent with the by-laws. Immediately after registration the Union should hold its first General Meeting of which the business should be—

- (1) formally to adopt the approved by-laws ;
- (2) to decide which societies shall be admitted to the Union in addition to those which signed the original application ;
- (3) to elect a chairman, vice-chairman and Board of Management ;
- (4) to fix the limits up to which the Union may incur liability under by-law 21 (c).

As soon as the meeting has dissolved the Board should draw up an application to the Central Bank stating names of member societies, working capital, number of members, liability accepted per head, and amount of maximum credit desired, and should enquire from the Central Bank on what terms it will open such a credit. The business of the Union will not begin until the maximum credit has been definitely settled and approved by the Central Bank.

7. *Accounts.*—The Union Account books are few and simple, and are detailed in by-law 26. Forms (5) and (6) are maintained in blank note books, and (3) in the standard form obtainable from the Registrar. Sample forms (1), (2) and (4) are appended :—

I.—Ledger of Member Societies.

Serial No. _____ Number of members _____
 Name of Society _____ Max. credit under by-law 11 (b) _____

Date.	Amount received.	Amount repaid.	Balance due to the Central Bank after each transaction.	Remarks.

A separate page should be allotted to each society and a fresh entry made every time a payment or recovery takes place.

A similar consolidated ledger account should be maintained for the Union as a whole showing all its withdrawals and repayments on the maximum credit account with the Central Bank.

II.—Register of Inspections.

Serial No. _____
 Name of Society _____

Date of Inspection.	Name of inspecting member of Board.	Fee paid to inspecting member.	Report of inspecting member.	Summary of order passed by the Board as result of the inspection.	Date when compliance was reported.	Remarks.
1	2	3	4	5	6	7

A separate page should be maintained for each society.

III.—Register of Subscriptions.

Date.	Name of member society.	Working capital on March 31st.	Rate of fee under by-law 8.	Amount paid.
1	2	3	4	5

MODEL BY-LAWS.

I.—Preliminary.

1. The Union, which is registered under the Co-operative Societies Act II of 1912 shall be called "The _____ Union of Agricultural Co-operative Credit Societies, Limited."

2. Its registered office shall be at _____. In the event of any change in the situation of the registered office, notice of such change shall be given to the Registrar.

3. The objects of the Union are—

- (1) to develop Co-operative Societies within the area of the Union ;
- (2) to provide a means of assessing and guaranteeing the credit of each Co-operative Society admitted into it ;
- (3) to control its constituent Societies by careful and regular supervision, and to issue warnings and instructions with regard to faults ;
- (4) to settle matters of common interest, to advise and assist its members, and to further their interests in every way ;
- (5) to organise the sale of Agricultural implements on commission only.

II.—Membership.

4. All unlimited registered Societies which have through their representatives signed the application for the registration of the Union are original members. Any other unlimited Agricultural Co-operative Credit Societies within a radius of _____ miles from the village of _____ are eligible for membership. Their application for admission must be addressed to the Chairman and placed before a General Meeting of the Union for consideration. It will not be sanctioned unless $\frac{2}{3}$ ths of the Societies constituting the Union agree to it. Only Societies classed at audit as A or B may be admitted to the Union without the Registrar's sanction.

5. On admission to membership every Society shall by its Chairman and two duly authorised Committee members sign a declaration in Form B (attached) accepting all the rights, duties, and liabilities prescribed in these by-laws.

6. No Society shall withdraw from membership except on the expiry of 18 months from the date of its giving notice of withdrawal and after paying to the Union all sums due to it and liquidating all debts borrowed on its guarantee.

7. If an affiliated Society be found guilty by the Union of careless or bad working, the Union General Meeting may direct that within one month it shall repay all or part of sums borrowed by it through the Union and the affiliated Society shall thereupon be bound to obey such direction. If its working be not improved, or if it be guilty of disloyalty to the Union, it shall be liable to expulsion from the Union by resolution of the General Meeting, without detriment to the liability attaching to it under section 23 of Act II of 1912.

III.—Funds.

8. Each member Society shall pay to the Union in the month of May a contribution calculated at the rate of not more than—— annas on each Rs. 100 of its total working capital as calculated up to March 31st of the preceding year.

9. The reserve fund of any member Society which may be cancelled shall, after liquidation, be transferred to the Union, unless the Registrar otherwise directs.

10. The funds of the Union may be used for the following purposes only :—

- (a) pay of Union Secretary ;
- (b) pay of Union Supervisors ;
- (c) cost of office contingencies ;
- (d) fee not exceeding Rs. 2 per visit payable for inspections made by the members of the Board of Management as prescribed in by-law 14.

IV.—Privileges of Member Societies.

11. It is the privilege and right of every member Society—

- (a) to have its accounts and general management supervised and assisted by the Union Secretary and by the members of the Board of Management of the Union.

- (b) to have its borrowings from outside guaranteed if desired by the Union up to a maximum not exceeding 12 times the liability accepted under by-law 13, provided that such borrowings have first been approved by the Union.

V.—Duties and Liabilities of Member Societies.

12. The duties of a member Society are—

- (1) to conduct its business in accordance with the Act and Rules, its own by-laws and the resolutions of the General Meeting of the Union ;
- (2) to give all facilities to persons deputed by the Union or to Chairman of other member Societies to inspect its working and accounts ;
- (3) to belong to no other Union ;
- (4) to take no loan or deposit from any person or institution outside the Union area without the permission of the Board of Management ; nor to take any loans or deposit from non-members in excess of such limit as the Union may fix.
- (5) to inform the Board of Management at once of any reduction in its membership or of any other fact likely to reduce its credit.

13. The Union itself as such undertakes no financial liability. But when the Board of Management recommends a loan on behalf of a member Society from any financing institution, and such a loan is granted, then all the other member Societies guarantee that loan. This guarantee only comes into force after the Society which receives the loan and makes the default has been liquidated and wound up. If thereafter any deficit remains, the other member Societies undertake a total liability calculated at the rate of Rs _____ per head on each of their members as they stood at the time when the loan was recommended.

14. The Board of Management shall be responsible for sending one or two of its members at least once every three months to inspect the accounts and working of all affiliated Societies. Such inspection shall include not only an examination of accounts but an enquiry into all overdue arrears, the action taken to remedy faults previously pointed out, and any other points that affect the general credit and good working of the Society.

VI.—General Meeting.

15. Every member of the Managing Committees of every Society in the Union may attend the General Meeting of the Union and will possess one vote.

16. General Meetings of the Union shall be held at the office of the Union or in some other convenient public place at least twice a year. The Annual General Meeting shall be held in April or May. The other Meeting shall be held whenever the Board of Management may call it.

17. Special General Meetings must be called by the Board :

- (1) on receiving an order from the Registrar ;
- (2) on receiving a written request for such Meeting signed by a majority of the Committee Members of three Societies ;
- (3) on the motion of a majority of the Board itself.

18. Seven days' notice shall be given of the time and place of all General Meetings. Such notice shall be sent to the Chairmen of all member Societies.

19. To form a quorum at least two-thirds of the Societies in the Union must be represented by at least two of their Committee members each. In the absence of a quorum the meeting shall be adjourned and the quorum at the adjourned meeting shall be at least half of the Societies in the Union.

20. All questions shall be settled by voting. Each representative shall have one vote, and the Chairman a casting vote. The opinion of the majority shall prevail.

21. The General Meeting is the supreme governing body of the Union. Its duties are—

- (a) to elect a Board of Management annually ;
- (b) to receive an annual statement of the accounts of the Union ;
- (c) to fix the limits up to which the Board may recommend and guarantee outside loans on behalf of each of its member Societies up to a maximum not exceeding 6 times the total liability accepted under by-law 13 ;
- (d) to elect a Chairman and Vice-Chairman of the Union, who shall also serve as Chairman and Vice-Chairman of the Board ;

- () to admit new Societies to the Union and to expel Societies which disobey the instructions of the Union or are grossly mis-managed ;
- (f) to receive and consider audit reports and inspection notes ;
- (g) to consider alterations in the by-laws ;
- (h) to consider any matter placed before it by the Registrar or the local Honorary Organiser, or any-member Society ;
- (i) to pass resolutions for the guidance of member Societies, which shall be binding on them ;
- (j) generally to control the business of the Union.

Items (a) to (d) shall always be settled in the annual General Meeting held in May.

VII.—The Board of Management.

22. The Union Board of Management shall consist of the Chairman and the Vice-Chairman of the Union and not less than three other members elected from among the Committee men of member Societies. It shall meet as often as necessary for the transaction of business, and may invite other local gentlemen to attend and advise at its meetings.

23. Meetings shall be summoned by the Chairman. Three days' notice shall be given. Each member shall have one vote and the Chairman a casting vote. The opinion of the majority shall prevail. Three members shall form a quorum. In the absence of a quorum, the meeting shall stand adjourned for 3 days.

24. It shall be the duty of the Board

- (a) to appoint and to fix the pay of a Secretary ;
- (b) to call General Meetings when required under by-laws 16 and 17 ;
- (c) to depu'e certain of its members to visit member Societies, when necessary, to fix their remuneration, if any, under by-law 10 (d) and to receive and consider their reports ;
- (d) to see that loans and interest due by Societies to non-members and to financing institutions are repaid punctually ;
- (e) to watch over and control the work of the Secretary ;
- (f) to see that orders passed by it as the result of any audit or inspection are duly carried out by the Societies concerned and

if necessary to order member Societies to hold Special General Meetings to consider its communications ;

- (g) to report serious cases of mismanagement or default to the General Meeting of the Union, in order that the credit allowed to the Society guilty of such error may be reduced ;
- (h) to keep the accounts of the Union and to prepare its annual balance sheets in the course of April ;
- (i) actively to teach co-operation and to train Societies in the right methods of work ;
- (j) to carry on the administration of the Union generally.

25. The Chairman and one member of the Board shall have power to sign all papers or agreements on behalf of the General Meeting or the Board of Management, as the case may be, and their signatures shall bind the Union.

VIII.—Accounts.

26. The following books shall be maintained and written up by the Secretary :—

- (1) Ledger account of Member Societies.
- (2) Register of Inspections, recording date of inspection, name of Inspecting Officer, any order passed by the Board of Management as a result of the inspection, and the date when the Society reported compliance with the order of the Board.
- (3) Cash Book.
- (4) Register of Subscriptions.
- (5) Proceedings Book of the General Meeting.
- (6) Proceedings Book of the Board of Management.

27. All books of the Union shall be open to inspection by any member of any member Society.

28. Every member Society shall be supplied with a copy of the Union by-laws.

IX.—Disputes.

29. Disputes between Societies and the Board of Management or its officers shall be referred to the General Meeting of the Union. If the General Meeting cannot settle the dispute, it shall refer it to the Registrar whose decision shall be final.

SCHEDULE A.

Form of Application for Registration of Union.

1. Name of the proposed Union _____
2. Address _____
3. Distance of the furthest Society from the Union office _____
4. Language in which books and accounts will be kept _____
5. Rate of liability accepted per head _____
6. Statistics about member Societies :—

Name of Society.	Number of members.	Total liability accepted under by-law 13.	Working capital.	Signature of three duly authorised members of each society.
				Chairman.
				Member.
				Member.
				Chairman.
				Member.
				Member.
				Chairman.
				Member.
				Member.
				Chairman.
				Member.
				Member.
				Chairman.
				Member.
				Member.

SCHEDULE B.

Declaration.

We, the undersigned Chairman and two Committee members of the _____ Co-operative Credit Society, Unlimited, being authorised so to do by a resolution of the General Meeting of our Society, hereby, on behalf of the said Society, agree to accept all the rights, duties and liabilities prescribed in the by-laws of the _____ Union of Agricultural Co-operative Credit Societies, Ltd., as a condition of our admission to the said Union.

Chairman.

Member.

Member.

Date _____

Place _____

SCHEDULE C.

Inspection Note for the Use of Unions.

NOTE.—It is the duty of the Union Secretary to examine the accounts and records of all affiliated societies in detail, to point out mistakes, and to train the Secretary of each society in keeping his account books neatly and accurately. In his enquiry he should be guided by the form of audit memo. used by Auditors.

It is the duty of the Union Committee members, when visiting a society other than that to which they belong, not so much to scrutinize details as to look at the general working of the society, in order to ascertain whether the members understand their duties and whether loans are wisely used and punctually repaid, and whether anything has happened to affect the general credit of the society.

At the time of their visit they are advised to answer the following questions :—

Questions.

Answers.

1. Does the Committee meet frequently? Are its members familiar with the by-laws and do they understand their duties?

2. Does the Committee work well as a Committee or does it leave all the work to one man?

3. Do the ordinary members know the ten main points (see page 52)?

4. Are loans given for suitable purposes and proper periods?

5. Are they punctually repaid? How many debtors are in arrears and what is the total amount overdue?

6. Does the Committee understand how to prepare its forecast of needs and recoveries for submission to the Union half-yearly?

7. Is the society doing anything to encourage thrift and to secure deposits from members and non-members?

8. Is the society doing anything to relieve indebtedness?

9. Have all the society's debts to the Central Bank been discharged punctually? Does the Committee know when future instalments are due and is it prepared to meet them?

10. Are there any factions in the village which interfere with the working of the society ?

11. Are deposits repaid punctually when they are due and is interest on them paid punctually ?

12. Are ordinary members carefully selected ? — Do they take a real interest in the society and turn up at General Meetings ?

13. Is the society doing all that it can to encourage education amongst its members ?

Date of Inspection _____

Name of Society inspected _____

Signature of member of Union Committee
making Inspection.

CHAPTER X.

DISTRICT CENTRAL BANKS.

Scope and Objects.—In most districts the ordinary village or primary societies cannot raise locally all the capital that their members require. They can, it is true, if they are well managed, usually obtain loans from outside lenders, but these loans are not generally available at the moment when they are required and the societies often find a difficulty in getting into touch with likely lenders. Such lenders on their part feel a certain nervousness about granting loans to societies of which they necessarily know little and which they cannot themselves supervise. There is, therefore, an urgent need for an intervening agency, which by virtue of its directorate and standing will command the confidence of the public and draw capital from local investors, and which by means of its agency for inspecting societies and judging the degree of credit to which they are entitled, will be able to use its capital in financing the co-operative societies of the district without undue risk. Such an institution, as its funds grow, will be in a position to finance societies promptly and adequately according to their needs and credit and thereby will immensely enhance the benefits which primary societies can offer to their members. A Bank of this sort will not stop at financing societies but will also endeavour to serve as a balancing centre, accepting the surplus funds of one society at a fair rate of interest and transferring them to another which requires more capital than it has got. At the same time it affords a suitable opening by which the leading gentlemen of a district, who could hardly be expected to join village societies and to share in the unlimited liability which most of them undertake, can take their part in promoting and guiding the movement. It serves to bring them into very close contact with the needs and difficulties of the agricultural and industrial classes and in return for the benefit which it derives from their support, gives them a unique chance of studying the economic prospects of their own district.

2. *Constitution and Management.*—A Central Bank should use its funds exclusively in loans to other co-operative societies. Theoretically, therefore, in the interests of pure co-operation, its shareholders should consist only of co-operative societies. But the representatives of such societies are not usually trained business men, and this type of organization would exclude leading local gentlemen from taking part in the movement. If on the other hand the shareholders of the Central Bank were simply individual financiers, there would be no identity of

interest between the borrowing and lending parties and the spirit of co-operation would be lost. It is, therefore, recommended that all Central Banks should be of a mixed constitution and should contain both societies and private individuals among their members. In order to prevent the individual shareholders from pressing claims antagonistic to the interest of the societies, dividends should be strictly limited and societies should be granted a majority on the Directorate. The area served by a Central Bank should, as a rule, comprise a whole administrative district, and the number of societies dealing with it should be sufficient to give it an initial annual turnover of at least one lakh, unless it can for the first year or two secure an efficient Honorary Manager. The Directors of a Central Bank should be men of some standing with local knowledge and certain experience of affairs. They should not reside so far from the Bank's office that they are unable to attend all the meetings. A paid Manager and staff should as a rule be maintained permanently at the Bank's office.

3. *Working Capital.*—The working capital of the Bank should consist of :—

- (a) *Shares.*—These should generally be of a face value of Rs. 50 or 100 and fully paid up, as it is often difficult to realize later calls. The shares issued to individual members may bear a slightly preferential rate of dividend, when it is necessary in order to attract local capital. The share capital is the guarantee fund, on the security of which deposit and loan capital is obtained. Liability should be limited to the actual face value of the shares and the total working capital raised should never exceed 8 times the share capital plus the reserve fund. Societies may be required to take up shares and pay for them by deduction from the loans advanced to them.
- (b) *Deposits.*—It is recommended that no current deposits should be accepted. They are unprofitable since they must be covered by a sufficient stock of cash in hand. Where they are absolutely necessary, the rate of interest should never exceed 2 per cent. The Central Bank should make special efforts to obtain local deposits, since they tend to improve its credit, and should secure them for the longest terms possible, since most societies want loans for periods varying from 9 months to 5 years. As the Bank will lend its funds out at 7 or 7½ per cent., it should try to raise deposits fixed for at least 1 year at not more than 5 per cent.

- (c) *Loans.*—In so far as the share and deposit capital is often insufficient to meet all the calls upon the Bank, it must arrange to raise the remainder by a loan from the Bombay Central Co-operative Bank or some similar institution on such terms as may be settled.
- (d) *Reserve Fund.*—This is the owned property of the Bank and since it adds greatly to the credit of the Bank, every effort should be made to build it up as rapidly as possible. Provided that the Bank has assured for itself sufficient liquid resources to meet the probable withdrawals of depositors, the reserve fund need not be invested outside the usual business of the Bank.

4. *Utilization of Capital.*—As has already been stated, a Central Co-operative Bank should lend only to registered Co-operative Societies. It should only lend to affiliated Societies and these should be required to take up shares in proportion to their borrowings. As a rule they should be compelled to subscribe to 1 share of Rs. 50 per every Rs. 3,000 or fraction of Rs. 3,000 borrowed, and the subscription money should be realized by deduction from the loans advanced. Affiliated Societies should further be required to submit quarterly forecasts showing what loans they need for various purposes and periods and what repayments to the Central Bank they expect to be able to make. These will place the Directors in a position to judge beforehand what capital they must try to provide. But before sanctioning loans it is the business of the Directors to assess the extent of the credit to which any society is reasonably entitled. To assist them in this most difficult and responsible function they should rely on (a) audit classification of the society as A, B, C or D, (b) amount of accumulated reserve and local deposits, (c) a valuation statement which each unlimited society should be required to send in once a year, showing the moveable and immoveable property of members (with encumbrances), and the average estimated net income of each member, (d) inspection notes on borrowing societies recorded by any of the Directors or the Bank's Manager who have paid visits with particular reference to the punctuality of the repayments, and (e) the advice of the Registrar when it is desired. In granting loans within the limits arrived at on these data, the Directors should always take special care to see that the average period for which loans are granted corresponds to the average period for which deposits are received. It is essential to the credit of the Bank that it

should make adequate provision to meet the withdrawal of all deposits as they mature, and this will be impossible if too large a part of the capital is locked up in long-term loans. The Central Bank should also undertake a certain degree of supervision over affiliated societies because it is part of its business not only to finance societies but to see that they are fit to be financed and to use the money sensibly when they receive it, but this power should not be used in such a way as to sap the independence or self-government of village societies.

5. *Registration.*—The promoters of a District Central Bank of the type proposed above should fill up two copies of the accompanying by-laws (modified where necessary) together with one copy of the usual schedule A and Organization paper, signed by at least 12 persons, of which at least six should be the authorised representatives of registered Co-operative Societies desiring to affiliate themselves to the Central Bank. They should forward the papers to the Registrar at Poona for registration. On receiving them back they should take early steps to hold the first General Meeting and to collect the share capital promised.

6. *First General Meeting.*—The following business should be transacted at the first General Meeting :—

- (1) a president of the Meeting should be elected ;
- (2) the registered by-laws should be formally adopted by the original members ;
- (3) other persons and societies besides those signing the application for registration should be formally admitted to membership ;
- (4) the original members and the members admitted under the above clause should be called on to pay up their subscriptions to shares on the spot or within 10 days ;
- (5) a Board of Directors and a Chairman should be elected under by-laws 20 and 24 ;
- (6) the total amount of loans and deposits which may be raised by the Directors should be fixed under by-law 20 (4) ;
- (7) the location of the Bank's office should be settled.

The remaining business in connection with the inauguration of the Bank will be decided by the Board of Directors. A copy of the Proceedings of the first General Meeting should be sent to the Registrar for record.

Organization Paper.

1. District _____
2. Number of Registered Co-operative Credit Societies —
Class A _____ Class B _____ Class C _____ Class D _____
3. Share capital actually promised Rs. _____
4. Rate at which deposits fixed for 1 year will probably be obtainable _____
5. Total working capital expected to be raised in first year _____
6. Is a competent Manager available? And if so, on what salary?
7. What steps have been taken to consult the wishes of the Co-operative Credit Societies in the District?

Name of the Organiser of the Bank.

BY-LAWS OF THE _____ DISTRICT CENTRAL
CO-OPERATIVE BANK, LIMITED.

I.—Preliminary.

1. The Bank which is registered under the Co-operative Societies' Act II of 1912 shall be called the _____ Central Co-operative Bank, Limited.

2. Its registered office shall be at _____. In the event of any change in the situation of registered office, notice of such changes shall be given to the Registrar within 10 days.

3. The objects of the Bank are :—

- (1) to finance Co-operative Societies in the _____ District and generally to carry on banking business with such Societies ;
- (2) to act as a balancing centre for the surplus funds of such Societies ;
- (3) to supervise and estimate the credit of affiliated Societies ;
- (4) to develop Co-operative Societies within the District.

II.—Capital.

4. The share capital of the Bank shall be Rs. _____ divided into _____ shares of Rs. _____ each. The full amount of the shares shall be paid up on allotment. The amount of capital may hereafter be increased by a resolution of the General Meeting.

5. (1) To carry on its work, the Bank may receive deposits and raise loans. The total amount of such liabilities shall not exceed 8 times the paid up share capital plus the reserve fund.

(2) The Bank may arrange a cash credit with the Bombay Central Co-operative Bank or any Joint Stock Bank and has power to transfer to it the bonds passed by affiliated Societies when they are required as collateral security.

III.—Membership.

6. (1) All registered Co-operative Societies within the _____ District, which have through their representatives subscribed to the application for registration are original members. Other Societies may be admitted by a vote of at least two-thirds of the members of the Board of Directors.

(2) Any respectable persons residing in the _____ District, approved by a vote of at least two-thirds of the members of the Board of Directors, may become members.

7. Every Society which is a member of the Bank, shall be termed an affiliated Society.

8. (1) When applying for admission, a Society shall submit along with its petition an application for one or more shares together with an initial instalment of Rs. 10 per share subscribed and a statement of property and debts of its members or any other statement that may be required by the Board of Directors. The Board may, from time to time, prescribe a form for the purpose and may sanction or refuse the application at its discretion.

(2) When applying for membership an applicant other than an affiliated Society shall submit along with his application for membership an application for one or more shares, together with an initial instalment of Rs. 10 per share subscribed. The Board may from time to time prescribe a form for the purpose and may sanction or refuse the application at its discretion.

9. An affiliated Society shall cease to be a member of the Bank, if

- (1) it is expelled ;
- (2) it is dissolved ; or
- (3) it transfers all the shares it holds.

Any other member will cease to be a member on death, expulsion, bankruptcy, or transfer of all shares held by him, or permanent removal from the District, or if the Board decides to redeem his shares at par with or without his consent, provided that no person or Society shall cease to be a member until it has discharged all his or its liabilities to the Bank.

10. (a) The Board of Directors may suspend or expel an affiliated Society for —

- (1) persistent mismanagement of its affairs ;
- (2) deliberate disobedience of these by-laws or any rule which may, from time to time, be drawn up by the Bank for the guidance of the affiliated Societies ;
- (3) default or any act likely to damage the credit of the Bank.

During the period of suspension no dividend on shares shall be allowed to the holder. All cases of suspension or expulsion shall be reported to the next General Meeting for confirmation.

(b) Individual members may be expelled by a vote of the General Meeting for any act or conduct likely to damage the credit of the Bank.

IV.—Shares.

11. Every member shall hold at least one share. An affiliated Society shall hold at least one share for every Rs. 3,000 or fraction thereof borrowed by it.

12. For every share the full amount shall be paid on allotment. In the case of Societies less than 5 years old this rule may be relaxed by the Board of Directors.

13. If an instalment due on account of shares remain unpaid for more than one month, the Board of Directors may declare such shares forfeited together with all payments made thereon and the right of membership attaching to those shares extinct. Such shares may be renewed within a period of three months from the date of the notice of forfeiture on payment of all arrears including interest at 12½ per cent. per annum.

14. In the event of cessation of membership on any grounds other than default of share payments, the net value of the shares held by a member after deductions of the member's dues to the Bank shall be paid to the member within six months from the date of cessation. In the case of dissolution of an affiliated Society, such amounts shall be paid to the liquidator of the Society.

15. Shares can be transferred with the approval of the Board of Directors from one member to another, or to a non-member who is eligible for admission and willing to become member and whom the Board of Directors is willing to admit as a member, but no affiliated Society shall be permitted to alienate in any way any shares belonging to it while indebted to the Bank.

Transfers of shares must be registered in the Bank's books. Transfers not so registered will not be recognised.

16. Members shall be entitled to certificates under the common seal of the Bank, specifying the share or shares held by them. If such certificates are lost or worn out, they may be renewed on payment of a fee of four annas per share.

17. The liability of the shareholders for the debts of the Bank shall be limited to the face value of the shares held by them.

V.—General Meeting.

18. The supreme authority of the Bank shall be vested in the General Meeting consisting of delegates from affiliated Societies, and of all members other than affiliated Societies. Each affiliated Society may send to the General Meeting three delegates and each delegate and each other member of the General Meeting shall have one vote. The Board of Directors shall from time to time prescribe rules for the selection of the delegates by affiliated Societies. One-fifth of the total number of delegates and other members of the Bank or 25, whichever is less, shall form a quorum, provided that at least half of the quorum consists of delegates of affiliated societies. The Chairman shall have a casting vote. On all questions the opinion of the majority shall prevail.

19. General Meetings shall be of two kinds—ordinary and extraordinary. The first General Meeting shall have the same powers as an ordinary General Meeting.

20. An ordinary General Meeting shall be convened in April every year. Its duties will be—

- (1) to receive and consider the annual report and the statement of accounts prepared by the Board of Directors and to review the work of the Bank during the past year ;
- (2) to elect for the ensuing year a Board of Directors and its Chairman ;
- (3) to review the work of its officers and to hear and to decide appeals from the decisions of the Board of Directors ;
- (4) to fix the maximum amount of liability which may be incurred by the Bank during the coming year ;
- (5) to take notice of all subjects which affect the financial position of the Bank and its affiliated Societies and to pass resolutions with regard to them ;
- (6) to consider the audit mémo. and any business referred to it by the Registrar ;
- (7) to transact any other business that may be brought up.

21. The Board of Directors may, whenever it thinks fit and shall, upon a requisition in writing made by four affiliated Societies, or by ten other members or on a written order from the Registrar or the Collector, convene an extraordinary General Meeting. Such requisitions,

if made by affiliated Societies, must be signed by at least three members of the Managing Committee of each affiliated Society making the requisition.

22. Notices of a General Meeting mentioning the place, date and hour of the Meeting and the business to be transacted thereat, shall be issued at least 10 days before the date of the Meeting, and published in a local newspaper.

23. If, at the hour fixed for an ordinary or extraordinary General Meeting, a quorum is not obtained, the Chairman shall, if the Meeting has been called on the requisition of members, dissolve it; otherwise he shall postpone the Meeting, to a date not less than seven days and not more than a fortnight later, and the business transacted at the postponed meeting shall be the same as that proposed at the former meeting. If at such postponed meetings there is still no quorum, resolutions may be carried by a majority of those present.

VI.—Board of Directors.

24. The management of business and affairs of the Bank shall be entrusted to a Board of Directors consisting of 9 persons, including the Chairman, appointed annually; of whom four shall be elected by the delegates of affiliated Societies, from among themselves, four shall be elected by the remaining shareholders, both elections taking place at the ordinary General Meeting; and one shall be nominated by the Collector. But for each 50 affiliated Societies over and above the first fifty, one additional Director shall be appointed from among the delegates of the affiliated Societies.

Members of the Board shall retire annually but shall be eligible for re-election. If an elected member of the Board ceases to be either a delegate of an affiliated Society or a shareholder or fails to attend four consecutive meetings of the Board, the other members of the Board shall appoint another person to take his place till the next General Meeting.

25. (1) The Chairman who shall be elected at the ordinary General Meeting shall preside at all meetings of the Bank and of the Board.

(2) If a vacancy in the office of the Chairman should arise during the tenure of the Chairman, the remaining members of the Board shall appoint an *ad interim* Chairman who will hold office till the next General Meeting.

26. The Board shall meet at least once a month. In the absence of the Chairman, the Board shall select one of its members to preside at the meeting. Four members of the Board shall constitute a quorum. The proceedings of the Board shall be recorded in a minute book to be kept for the purpose and shall be signed by the Chairman.

27. The duties of the Board shall be—

- (1) to deal with applications for membership and to allot shares ;
- (2) to raise funds subject to these by-laws ;
- (3) to deal with applications for loans ;
- (4) to receive and distribute money through its Manager or Treasurer ;
- (5) to appoint such salaried and non-salaried officers and other employees as seem necessary ;
- (6) to prepare annual balance sheets before April 15th every year ;
- (7) to deal with all cases of arrears and default ;
- (8) to make arrangements for the inspection of the accounts of affiliated Societies ;
- (9) to transact all other business incidental to the management of the Bank.

VII.—Inspection of affiliated Societies.

28. Every affiliated Society may be inspected whenever the Directors think fit.

Inspections shall be conducted by one of the Bank's officers or by any person or persons specially authorised by the Board of Directors for the purpose. The officers of the affiliated Societies shall afford every facility and assistance for inspection.

29. The inspection and examination of the affiliated Societies shall be made in accordance with the rules drawn up by the Board of Directors. The inspection will not be restricted to simple examination of books and balance sheet, but may include enquiries whether the administration of such Societies is carried on in conformity with co-operative principles, whether the officers understand their work and perform it, and whether the defects pointed out in previous reports have been remedied. The result of the inspection shall be communicated to the affiliated Societies in such manner as may be determined by the Board of Directors.

30. If the Board of Directors is of opinion that the working of an affiliated Society is unsatisfactory and requires remedial measures, it may order the Society to convene a General Meeting of its members to take such steps for the removal of the defects as may be considered necessary.

31. The Board of Directors shall, from time to time, draw up rules of procedure for the guidance of affiliated Societies and for the periodical submission of accounts and returns by them.

32. Every affiliated Society shall be bound—

- (a) to submit to the Bank such statements and reports as may be prescribed ;
- (b) to take the sanction of the Bank before taking any loan from outside the taluka in which it is situated ;
- (c) to send delegates to the General Meetings of the Bank when required ;
- (d) to administer its work in strict conformity with the by-laws of this Bank.

VIII.—Loans.

33. Loans shall be granted to affiliated Societies only.

34. Affiliated Societies shall be entitled to get loans or to obtain a cash credit from the Bank at the discretion of the Board of Directors. Application for loans or cash credits shall be made in such forms as may be prescribed by the Board.

35. The rate of interest on loans shall be determined in each case by the Board of Directors, subject to a minimum of $6\frac{1}{2}$ and a maximum of $7\frac{1}{2}$ per cent. per annum.

36. Repayments of instalments shall be fixed at the time the loan is granted by the Board of Directors. The Board shall have power to grant extension of time in exceptional circumstances to be notified to it in writing before the repayment falls due.

37. If an affiliated Society fails to repay interest or any instalment of principal on the due date and if the Board of Directors does not grant an extension of time the whole loan shall become immediately repayable irrespective of any conditions on which the loan was made.

38. Any sum outstanding against an affiliated Society which has been expelled or which otherwise ceases to be a member of the Bank shall become immediately repayable irrespective of any conditions on which the loan or cash credit was granted.

IX.—Deposits.

39. The Board of Directors may frame rules subject to the directions of the General Meeting regarding conditions on which deposits shall be accepted or withdrawn and regarding rates of interest for various kinds of deposits. Deposits fixed for less than two months shall not be accepted to an amount exceeding $\frac{1}{10}$ th of the total working capital.

X.—Distribution of Profits.

40. The business year of the Bank shall close on 31st March. At the close of the year's work the net profit shall be distributed as follows:—

- (a) at least 25 per cent. shall go to the Reserve Fund, in accordance with the Co-operative Societies' Act ;
- (b) a dividend on the shares shall be paid at the rate to be determined by the General Meeting, but in no case shall it exceed $9\frac{3}{4}$ th per cent. ;
- (c) the balance, if any, may be disposed of under the Act as the General Meeting thinks best.

41. If a dividend is not drawn within three years from the date on which it is announced at the General Meeting all claims to it shall be extinguished and it shall be credited to the Reserve Fund.

XI.—Reserve Fund.

42. The Reserve Fund shall consist of —

- (a) 25 per cent. at least of the profits annually placed to the Fund in accordance with by-law 40 (a) ;
- (b) any other sum allotted to it out of the profits or otherwise ;
- (c) the value of all shares forfeited to the Bank and lapsed dividends.

XII.—Miscellaneous.

43. Every affiliated Society and every shareholder shall be supplied with a copy of these by-laws.

44. Any dispute which cannot be decided by the General Meeting or by arbitration shall be referred to the Registrar whose decision shall be final.

45. All documents creating a charge or obligation on the Bank shall be signed by the Chairman and the Secretary or two members of the Board and shall bear the common seal of the Bank, provided that in the case of receipts for deposits and cheques up to Rs. 100 and receipts for repayments of loan the Chairman or the Secretary or any office bearer duly authorized by the Board of Directors may sign.

46. Subject to the rules framed by the Local Government these by-laws can be amended provided that notice has been given to the Registrar, the Collector of the District and members at least 20 days prior to the Meeting. Amendments take effect after being registered under section 11 (3) of the Act.

Signatures —

- (1) _____
- (2) _____
- (3) _____
- (4) _____
- (5) _____
- (6) _____
- (7) _____
- (8) _____
- (9) _____
- (10) _____
- (11) _____
- (12) _____
- (13) _____
- (14) _____
- (15) _____

CHAPTER XI.

HOW TO APPLY FOR LOANS FROM CENTRAL BANKS.

To what Central Bank to apply.—As far as possible societies should raise sufficient funds to meet all the reasonable needs of their members locally by securing fixed deposits from their own members or from other people living in the neighbourhood at rates varying from 5 to 6½ per cent. according to local circumstances. The less societies have to depend on outside help, the more healthy and independent they will be. It is only after trying to obtain funds locally and failing that, societies should turn for help to the special financing agencies known as Central Banks which have been started to meet their needs and which usually charge 7 or 7½ per cent. interest. In all districts where a District Central Bank is in existence, applications should be addressed to the Manager of that Bank. In the case of all other districts, they should be addressed to the Manager, Bombay Central Co-operative Bank, Sardar Building, Apollo Street, Fort, Bombay, and sent to him through the Registrar. In order that the Central Bank may make the necessary enquiries and arrive at a decision as promptly as possible, all societies requiring loans are requested to follow the procedure detailed below and to fill in the attached form of application. It should be remembered, however, that these instructions do not apply to societies affiliated to Guaranteeing Unions, and enjoying the privilege of a maximum credit. Special instructions are issued for their guidance at the time when the maximum credit is opened and only para. 2 below is applicable to them.

2. *How to forecast the needs of a Society.*—A borrowing society's first step should be to find out exactly what sums it requires, for what purposes and what periods. No mistake is more common than for Committees to ask for too much or too little, or to suggest inconvenient dates for repayment and then to return with a request to have the bond amended. The Committee should, therefore, meet once every six months on (say) September 1st and April 1st, and call every member of the society before it. It should ask them what loans they will require, as far as they can judge, in the course of the next six months, and should prepare a forecast in the subjoined form. It is not enough to state merely what sums it will require. The Central Bank should also be informed what recoveries are expected, so that it may know how much fresh capital it has to find. Column 7 is important. It shows the sum which in the opinion of the Managing Committee will be sufficient to meet the current agricultural expenses of each member, apart

from all special expenses such as stock-purchase, debt-redemption, and land improvement. These sums should be fixed by the Managing Committee and read out at a General Meeting. After being approved by a General Meeting, a member can draw loans for current agriculture up to those limits on the authority of the Chairman and one Committee Member without any further delay or trouble. For definition of normal credit see Chapter V, by-law 35.

Forecast of Needs and Recoveries.

Name of Member.	Purposes of loan.	Amount wanted.	Month when wanted.	Period.	Probable recoveries during next 6 months.	Normal credit.
1	2	3	4	5	6	7
		Ra.				
Govindrao Sasane..	Planting sugarcane ..	400	March.	18 months.	200	400
	Wedding of daughter ..	300	May.	3 years.	..	..
Ganpatrao Kale ..	Jowari crop ..	60	June.	10 months.	100	60
	Buying iron plough ..	50	April.	2 years.	..	..
	Building well ..	500	March.	5 years.	..	..
Laxmanrao Jagdale.	Bejri and other crops ..	60	June.	10 months.	20	100
	Cake manure ..	40	July.	1 year.	..	..
	Purchase of bullocks ..	100	March.	2 years.	10	..
Pandu Vinkar ..	Buying yarn ..	30	Every month.	3 months.	..	..
	Buying loom ..	22	August.	12 monthly instalments.	..	..
Gopala Teli ..	Purchase of oil seed ..	150	December.	8 months.	30	..
Damo Nana ..	Land Revenue assessment.	400	Feb'y. 200	4 months.	500	400
			March 200			
Shaik Imam Abdul.	Old debts ..	200	March.	5 years.	..	..

The Committee should consult every member as to his probable needs, and should cut down all requests that seem unreasonable or excessive. In fixing periods for payment, it should always be guided by the principle that a loan should be repaid out of the outturn of that loan. If it is given for seed, it should be recovered from the produce of that seed. Thus loans for seed, manure, weeding and current agricultural and domestic expenses should ordinarily be approved for one year only; purchase of bullocks, carts, iron implements, etc., for two years; wedding expenses up to three years and the redemption of old debt and big works of land improvement up to five years. When a loan is made repayable in 2 years or more, it is understood that the repayments will be made by equal annual instalments. When the committee has prepared this list, it need not send it to the Central Bank, but should keep it on its

own record and merely submit to the Central Bank the summary which appears as items 7 and 8 on the Loan Application Form.

3. *Information required on Form of Loan Application.*—In applying for a loan, the next step of a borrowing society after deciding what it requires is to convince the Central Bank that its credit is good and that it can be trusted with the amount. Credit depends on the good management of the society by the Managing Committee and on the property of the members. Good management will be shown by the replies to the items Nos. 3 to 6 in the loan application. The figures returned should not be those of the last balance sheet, but those that are true at the date of making the application. All instalments repaid to Government or any Central Bank should be deducted, and the balances outstanding only shown. The property of members will be exhibited in the form attached to the loan application. This form need not be filled up every time that a loan is applied for, but only once a year. The information needed for filling up the form can be obtained from the ledger account of each member as maintained in the village revenue records. Members of societies are entitled under section 213 of the Land Revenue Code (V of 1879) to inspect the Record of Rights and all other revenue records in charge of the village accountant and under rule 3 of the rules under that section may make copies of entries without the payment of any fee. The form has been made as simple as possible and provision has been made for including houses and other immoveable property.

4. *Applications to District Central Banks.*—In order to ensure that the money will be available in time societies should apply for loans about 3 months before they are required, and as the date on which the money is needed approaches should send a reminder to the Bank. It will be convenient to Central Banks as well as societies if applications are made only once or twice a year after due consideration of all probable needs. If the application is sent direct to a District Central Bank, the Board of Directors of that Bank will take the following action. If the society is in A class and has also been a punctual repayer and if the application appears reasonable and funds are available, it will sanction the loan, or as much as possible of it, at once and inform the society accordingly. If the society is new or has not a good record or the property of the members seems insufficient in value, the Central Bank will ask either its own Inspector or Manager or one of its Committee Members or possibly an Honorary Organiser, to visit the society and request him to report (a) how the society is being managed and (b) whether the list and valuation of the property of the members

is trustworthy, after taking a 10 per cent. or 20 per cent. check. After receiving the report of this officer, which would be usually sent to the Bank through the Assistant Registrar in charge in order that any information available with him might be placed at the disposal of the Bank, the Board will consider what credit the society is entitled to and whether it can meet its requirements wholly or partially. If partially the Board should decide for which of the purposes named loans should be granted. If the Board considers that the society's credit is good, but that it cannot grant the loan from the funds at its command, it may forward the application with an intimation to that effect and with its recommendation to the Registrar who will take steps to secure a loan independently, if necessary, from the Bombay Central Co-operative Bank.

5. *Applications to Bombay Central Bank.*—If the application comes from a district in which no Central Bank has been established, it should be sent direct to the Registrar, who, if the society has not been previously valued, will cause the statement of assets and the general management to be verified by the Special Mamlatdar. In the case of new societies or specially urgent applications, a percentage check of the list of property may be made by the Honorary Organiser whose certificates will provisionally be accepted in ordinary cases. The Registrar, after examining the society's record, will sanction such loan as may seem to him proper and will forward the papers to the Bombay Central Co-operative Bank for final decision and disposal. This Bank does not bind itself to lend up to any settled proportion of the total valuation, but will be guided by the management of the society and its past record.

6. *Remittance of Money.*—Money may be sent by the Central Bank to a society by (a) Remittance Transfer Receipt payable at the nearest sub-treasury or (b) by postal money order or (c) by registered and insured post in the manner described in para. 23 of Chapter XXI. The society should report in item 11 of the form of application how it desires the money to be sent and where. The Central Bank will usually send two copies of the bond to the chairman who will keep one copy on the society's record and return the other duly signed by the three authorised members to the Manager of the Central Bank. If the chairman is illiterate or the society new or not well managed, the bond will usually be sent to the nearest Honorary Organiser who may be asked kindly to get it filled up at his next visit, and to supervise the distribution of the loan. In some cases District Central Banks may find it convenient to call the representatives of the borrowing society to its office to receive payment.

APPENDIX.

Form of Loan Application.

1. Name of borrowing Society _____ Unlimited.

Address _____

Taluka _____

District _____

Audit classification _____

2. The total amount of capital which may be raised under by-law 3 is Rs. _____

3. The position of the Society is shown by the following figures :—

(1) fixed deposits from members Rs. _____

(2) fixed deposits and loans from non-members Rs. _____

(3) current deposits Rs. _____

(4) loans from Government Rs. _____

(5) loans from other Co-operative Societies or Banks. _____

Name of Bank.	Amount.

(6) Reserve fund _____

4. The present number of members of this Society is _____

5. The amount of loans overdue by more than one month during one year prior to this application is Rs. _____

6. The number of bad debts written off during the last year is _____

7. The amount of loan wanted by the Society during the next six months is estimated as follows :—

Purpose.	Amount wanted.	Period for repayment (separately for each purpose).	Date on which advance is required (separately for each purpose).
Total ..			

8. The Society requests that the above loans may be added together and instalments of repayments fixed as follows :—

Amount of instalment.	Date of repayment.
Total..	

Note.—Totals in items 7 and 8 must agree.

9. A list of the property of the Society's members is attached.

10. A copy of the resolution of the Managing Committee authorizing three of its members by name to receive the loan and enter into an agreement on behalf of the Society for its repayment with interest is attached.

11. At what treasury or sub-treasury the Remittance Transfer receipt should be made payable or how the money should be paid

Dated _____

(Signature) _____

Chairman,
Managing Committee.

Secretary.

Member,
Managing Committee.

Member,
Managing Committee.

List of Property of Members.

Name of member.	Survey and P&T hissa number.	Assessment.	Tenure of land.	Valuation.	Encumbrances, if any.	Net value.	Other immovable Property of member, if any.	
							Description.	Value.
Total ..								

The above valuation is true to the best of our knowledge and judgment.

Date _____

Chairman.

Committee Member.

Secretary.

Committee Member.

CHAPTER XII.

THE PROVINCIAL BANK.

The Bombay Central Co-operative Bank.

In a perfect co-operative system the duties of a Provincial Bank would be to co-ordinate and control the working of the District Central Banks, to forecast and arrange for the provincial requirements as a whole, and to be the financial co-operative centre of the province. It would serve as a balancing centre, receiving the surplus funds of one Central Bank and using them to meet the deficiency of another. Above all it would maintain a central reserve of fluid resources, so that district central Banks might be assured of its support in times of stress and difficulty. In the Bombay Presidency, the district central Bank system is still in its infancy, and therefore a Provincial Bank of this ideal model is not yet a possibility.

2. The Bombay Central Co-operative Bank was registered under G. R. No. 6843 of July 19th, 1911. Its chief function is to finance primary societies direct in districts where no District Central Banks exist or where the funds of such Banks are insufficient to meet all the calls upon them. It gives these societies access to the general money market and enables them to secure loans proportionate to the credit which they have to offer. It acts as a balancing centre and offers the most favourable terms possible on short-term deposits by societies. Where true District Central Banks exist, it is always willing to enter into relations with them and to support and finance them on such terms as may be arranged.

3. The Bank has been exempted under G. R. No. 4149 of May 1st, 1913, from sections 5 (b), 14 (1), 21, 22, and 33 of Act II of 1912.

These exemptions follow naturally from the terms of the Agreement between the Bank and the Secretary of State, a copy of which is appended to this chapter.

4. The shares are held partly by co-operative societies but mainly by the ordinary public. The shareholders annually elect the Board of Directors, in whose hands lies the control of the Bank's business. The Directors usually number nine and the qualification for a seat on the Board is a

holding of at least 20 shares. Two or three of the Directors are generally selected from among the members of registered societies, in order that in accordance with co-operative principles the borrowing clients of the Bank may be represented in the management as well as the capitalist shareholders.

5. The Bank derives its funds from (1) shares, (2) debentures, (3) deposits and (4) outside loans, cash credits, etc.

Sources of capital. The shares are of the face value of Rs. 50 each fully paid up. The general meeting has power to increase the share capital to any amount not exceeding 50 lakhs. Transfers are registered on payment of a fee of 2 annas.

The debentures of the Bank are secured on its general assets and carry interest at the rate of 4 per cent. per annum payable half-yearly. The payment of interest at this rate is guaranteed by the Secretary of State. Debentures are bearer-bonds of a face value of Rs. 1,000 each and may be issued to the extent of three times the paid up share capital subject to a maximum of 20 lakhs. All debentures are redeemable within 41 years of the date of issue. Under India Act XXI of 1917 these debentures are admissible for the investment of Trust Funds under section 20 (c) of the Indian Trusts Act (II of 1882).

Deposits are obtained from members of the public and from other co-operative societies and Banks at rates which may be ascertained on application. These rates vary according to the state of the market and the periods for which deposits are fixed.

Similarly loans and cash credits are obtained according to need from Joint Stock Banks and other financing agencies in Bombay City or elsewhere.

6. All working capital is used in financing co-operative societies situated in the Bombay Presidency. The rate of interest on such advances may not exceed 8 per cent.

Employment of capital.

No loan is granted without the sanction of the Registrar. The period of loans may not exceed 10 years but the Bank has power to renew such loans, if so desired for a further period of 10 years. All applications for loans should be made in the manner described in Chapter XI. The only exception to this procedure is in the case of Guaranteeing Unions and a few selected primary societies in whose favour a maximum credit has been

granted. The terms on which such maxima credits are usually sanctioned are as follows:—

- (1) Half yearly forecasts of requirements and anticipated repayments to be submitted in March and September.
- (2) Excess of more than Rs. 5,000 over the forecast not granted without one month's notice.
- (3) Drawals to be made on one week's notice; the Bank retains power to refuse loans under exceptional circumstances.
- (4) The amounts of maxima credits to be revised by the Central Bank annually.
- (5) Loans to be repaid in definite periods: *i.e.*
 - (a) Four months; for land revenue and irrigation dues.
 - (b) One year; seed, manure, and other current agricultural expenses and petty trade.
 - (c) Two years; purchase of bullocks, sugarcane, minor land improvements, ceremonial expenses, etc.
 - (d) Three years; for panmala crops.
- (6) Interest to be debited on March 31st at a rate of $7\frac{1}{2}$ per cent.
- (7) No loans to be made through Unions for more than 2 years.
- (8) Quarterly Returns of loans and deposits accepted by affiliated societies from (i) members, (ii) non-members, (iii) financing institutions to be submitted.
- (9) Number of members of affiliated societies should be reported annually.
- (10) Societies classed at audit as C or D to be expelled from unions if so ordered by the Central Bank.
- (11) Half yearly reports on the working of union societies to be submitted to the Central Bank.
- (12) Loans to be secured by demand promissory notes as well as by supplementary bonds.

7. The first charge on the profits is the sinking Fund calculated in accordance with clause 8 of the agreement with the Secretary of State. In addition to the sinking fund the Directors have power to carry such portions of the profits as they think fit to reserve or to the Bad and Doubtful Debts account.

The second charge on the profits is the dividend which has been always declared at the rate of 6 per cent. If at the end of each successive period of 3 years it is found that the net profits earned are more than sufficient for this purpose, one-half of the excess is available for distribution to shareholders, while the other half is distributable in the form of a rebate to societies which have borrowed loans from the Bank during that period.

Agreement with Secretary of State.

8. The terms of the agreement between the Bank and the Secretary of State are as follows:—

AGREEMENT.

(1) The promoters shall form and register, within a period of six months from the date of these presents, an Urban Society under the said Act to be called "The Bombay Central Co-operative Bank, Limited," having for this object the advancement of loans to Co-operative Credit Societies registered under the said Act. The by-laws of the Society for the time being in force shall be subject to the previous approval of the Registrar of Co-operative Credit Societies for the Presidency of Bombay.

(2) The Capital of the Society shall be Rs. 7 lakhs with power to the Society to increase the same to any amount not exceeding Rs. 50 lakhs.

(3) The Society shall have power to raise moneys not exceeding three times the amount of the paid up capital of the Society for the time being by the issue of Debentures charged upon the undertaking and general assets of the Society: Provided always that the Society shall not raise on the whole more than the sum of Rs. 20 lakhs by the issue of such Debentures without the sanction of the Local Government first obtained for that purpose, which sanction may be granted or withheld entirely in the discretion of the Local Government. All such Debentures issued by the Society shall be secured by a Trust Deed to be executed by the Society in such form and containing such covenants and provisions as the Local Government shall require.

(4) The rate of interest to be paid by the Society on its Debentures issued under clause (3) hereof shall be 4 per centum per annum.

(5) The Secretary of State shall guarantee the payment of the interest at the rate aforesaid on each such Debenture of the Society issued under clause (3) hereof until such Debenture shall be wholly paid

off or redeemed but shall not guarantee the repayment or redemption of any part of the principal money secured by any such Debenture.

(6) Each Debenture issued by the Society under clause (3) hereof shall be paid off or redeemed on the expiration of 41 years from the date of its issue: Provided always that the Society shall have the option to pay off or redeem any such Debenture at any earlier date subsequent to the expiration of 28 years from the date of its issue.

(7) If the Society shall have issued Debentures under clause (3) hereof to the full extent of Rs. 20 lakhs or such other further amount as the Local Government shall sanction the Society notwithstanding that it may pay off or redeem some of such Debentures shall not thereafter issue any further Debentures until all such Debentures issued under clause (3) hereof shall have been paid off or redeemed.

(8) The Society from the date of the first issue of Debentures under clause (3) hereof shall establish a Sinking Fund in order to provide for the repayment and redemption of Debentures and to the credit of such fund there shall be paid at the close of each financial year of the Society a sum which shall be calculated at the rate of one per centum or at the rate of two per centum of the amount for the time being remaining unpaid on such Debentures then outstanding according as the average rate of interest charged by the Society (exclusive of any rebate subsequently allowed) on advances to Co-operative Credit Societies during such year shall be 7 (or less) or 8 per centum respectively: Provided always that if such average rate of interest so charged on advances to Co-operative Credit Societies shall exceed 7 per centum, but be less than 8 per centum, the sum to be paid to the Sinking Fund shall also exceed one per cent. by the same percentage rate as such average rate of interest charged on such advances shall exceed 7 per centum. Such portion of the Sinking Fund as may for the time being remain uninvested under the terms of clause (9) thereof, shall be kept in a separate account at a Bank to be approved by the Local Government.

(9) The amount which, from time to time, shall represent the Sinking Fund of the Society and the interests accruing on the investments thereof shall without delay as funds permit be invested in such securities including the Debentures to be issued by the Society under clause (3) hereof as shall be approved of by the Local Government and such securities shall be transferred into the joint names of an officer to be appointed by the Local Government and of a nominee of the Society

and shall be deposited with the Local Government to be held in trust for repayment or redemption of the Debentures issued under clause (3) hereof according to such conditions as may be set out in the said Trust Deed: Provided always that the Society with the previous consent of the Local Government shall be at liberty at any time subject to clause (6) hereof to apply the whole or any part of the Sinking Fund and the investments representing the same in and towards the payment or redemption of any such Debentures for the time being outstanding.

(10) The Debentures issued under clause (3) hereof and the interest payable thereon shall form a first charge on the undertaking and general assets of the Society.

(11) Subject to the formation of the Sinking Fund as aforesaid a Reserve Fund may be created by the Society and may be added to out of the profits of the Society subject to clause (19) hereof: Provided always that the Society shall have the entire management, use and employment of such Reserve Fund.

(12) Except so far as provided for by these presents, the funds of the Society shall be utilized for the purpose of granting loans to Co-operative Credit Societies registered under the said Act: Provided always that no loan shall be granted to any Co-operative Credit Society unless the same shall have been approved of or recommended by the Registrar of Co-operative Credit Societies under the said Act.

(13) The interest to be charged by the Society on each loan advanced to any Co-operative Credit Society shall not exceed 8 per centum per annum.

(14) Every loan, which shall be advanced by the Society to a Co-operative Credit Society, shall be made repayable at the end of a period which shall not exceed 10 years from the date of the loan: Provided always that the Society shall be at liberty to renew any such loan at the expiration of the original term for such further period as the Society shall think fit but so that such renewed period also shall not exceed 10 years in any case.

(15) The Society shall have power to receive deposits at or without interest and at call or payable after notice: Provided always that the Society shall keep in hand either invested in Promissory Notes of the Government of India or in any other securities approved by the Local Government and in cash an amount which shall be equal to 40 per centum of the amount deposited with the Society for the time being payable on demand.

(16) The Local Government shall have the right to appoint one or more of its officers from time to time and at any time to inspect the books of account, vouchers and papers of the Society and to conduct special audits and examinations of its affairs and the Society shall afford every facility for such inspection, audits and examinations being taken to the satisfaction of every such officer: Provided always that this right reserved to Government shall in no way limit or affect the provisions of the said Act relating to the audit by the Registrar of Co-operative Credit Societies under the said Act.

(17) The Society shall deposit all moneys, which shall not be immediately required for the purpose of its business, in such Banks as the Local Government or the Accountant General of Bombay or the said Registrar of Co-operative Credit Societies may from time to time approve, or with the like approval invest the same in securities approved by the Local Government.

(18) Without prejudice to any remedy which the Local Government may have under the said Act or otherwise the Local Government shall be at liberty to take possession of the business and assets of the Society in the event of default being made by the Society for a period of 21 days in the payment of any interest on any Debenture for the time being outstanding after the due date fixed for the payment thereof and also in the event of default being made by the Society in paying or investing the amount which, according to the stipulation in that behalf herein contained, is to be paid annually to the credit of the Sinking Fund for a period of 21 days after notice, requiring the Society so to do, has been given by the Local Government.

(19) If at the end of three years from the date of the registration of the Society and at the end of each successive period of three years thereafter, it shall be ascertained that the Society, after having annually paid to the Sinking Fund a sum of money sufficient to satisfy the amount mentioned in clause (8) hereof, has earned during such period a net profit so as to enable it to declare during such period a dividend on an average at the rate of 6 per centum per annum on its paid up capital, one-half of the excess profits (if any) available after providing for such dividend of 6 per centum per annum or so much of such half as shall be necessary shall be utilized in making a rebate to the Co-operative Credit Societies to whom advances shall have been made during the same period by the Society in respect of the interest paid by them, but so that the rate of interest payable by such Societies during such period

in respect of the advances made to them by the Society shall not be reduced below 6 per centum per annum.

(20) The terms and conditions herein shall be operative and have effect only so long as any of the Debentures issued under clause (3) hereof, the interest whereof shall have been guaranteed by the Secretary of State shall remain unpaid and unredeemed, and upon the payment and redemption of all such Debentures, the Society shall be at liberty to carry on its business in such manner as to it shall seem fit subject only to its by-laws and the provisions of the said Act and any rules made by Government under the said Act.

PART III.—OTHER TYPES OF SOCIETIES.

CHAPTER XIII.

SEED BANKS AND GRANARIES.

(1) Seed Banks.

Next to the need of cash loans at easy rates the difficulty that is probably felt most acutely by the small Indian cultivator is the need of good seed on reasonable terms. Only the more substantial ryots store their own seed; those who are poorer and more backward usually have to obtain it from their *sowkar* on such terms as he chooses to impose, with the result that they get bad seed at an exorbitant price.

2. A few seed-banks have been started in different parts of this Presidency to meet this difficulty. But they have been either largely financed and controlled by official agencies or managed as semi-charitable institutions by some philanthropic person under very few and lax rules. Before such institutions can be registered under the Co-operative Act, it is necessary that they should be placed on a more businesslike footing and managed by their own Committees. The model by-laws which are proposed for such Co-operative Seed-Banks are attached. Their object is not to maintain a store of grain in a village for use in time of famine, nor is it to help cultivators to sell their harvest at advantageous rates. It is simply to show cultivators how they may unite in obtaining a supply of sound selected seed at the cheapest possible rates.

3. A village seed society can be carried on in exactly the same way as a village credit society. The main difference between the two types of institution is that, in the case of a seed society, the capital is maintained in seed, not cash, and loans are also made in seed. It is the business of the committee to arrange for and to supervise the production of good seed, to see that it is separately harvested or ginned, to store it carefully, and to advance it to members at the sowing season. Members are debited with the cash value of the seed and make repayment in cash at whatever rate of interest may be fixed.

4. The first object of the Organizer will be to raise capital of cash or seed. He should induce members to promise cash deposits at $6\frac{1}{2}$ per cent. and with this money he should arrange to buy selected seed from some Government Farm or approved grower. If the Honorary Organizer obtains sufficient promises of cash to make it worth while establishing a society, he should have two copies of the by-laws with such corrections, as may be desirable, signed by the applicants and submitted to the Registrar along with the usual form of application. After registration, entrance fees and the promised cash deposits should be promptly collected. With these funds scales and storage bins should be purchased. Seed should then be purchased, should be carefully stored until the next sowing season. The advantages of purchasing some time before the sowing season are obvious. The price of seed grain almost invariably rises as the sowing season approaches.

5. The Society should usually be organised towards the end of the monsoon and should be registered before the harvest is quite ready. Directly after the harvest, seed can be bought most cheaply and has received less injury from weevils and other pests. It is always better to arrange with trustworthy cultivators to grow seed of the required type for the society than to buy it in the open market. Seed should always be seen by experienced agriculturists before it is stored and it is one of the most important duties of the committee to choose good cultivators and to make a contract with them that they will take their seed at a good fixed price, preferably after seeing it growing in the field, in order that they may note whether it is uniform, true to type and free from disease. Seed from a weedy badly cultivated field is usually poor and should not be accepted. In the case of oil seeds it should be remembered that they become unsuitable for sowing after eight months (Bombay Bulletin No. 37 of 1910).

6. Apart from these general precautions it is always well to make an actual test of the germination of any sample of seed. A convenient way to test the germination of seed is to select 100 average seeds and place them in a porous basin, such as is used by a *mali* for holding a flower pot. The basin is placed within a larger one in which water is kept and a cover is placed over the inner basin. The moisture soaks from the outer basin to the inner one and causes the seed to germinate. The number of seeds that

germinate gives the percentage germination, and the vitality of the seed is indicated by the time required for germination. Thus wheat seed which germinates in three days possesses good vitality. The percentage of germination (mentioned in by-law 13) will of course vary for different crops. It is, for instance, higher from wheat than from cotton seed (Bombay Bulletin No. 43 of 1911). Note that hand-ginned cotton seed is much better than that ginned by a steam engine.

7. Cereals and cotton seed are usually free from admixture of weed seeds, but pulses and oils are apt to contain them. Cereals are generally mixed with waste and dirt. Impurities, whether weed, seeds, or dirt, can be removed sufficiently well by the ordinary country method of winnowing with a *sup* aided by the wind. Where a winnowing machine is available, however, it gives better results. It can be obtained from the Rasulia Mission, Hoshangabad, for Rs. 90.

8. Nearly all seeds, but particularly cereals and pulses, are infested with weevils when taken from the threshing floor. These pests and their eggs must be destroyed before storing. The simplest method is to keep the seed in a 2 per cent. solution of copper sulphate (obtainable in all bazars) for ten minutes and then to dry it carefully in the shade (never in the sun). When thoroughly dry, mix it with 5 per cent. of its weight of quick lime or wood ashes and then immediately store it before a fresh infection can take place.

9. There are several methods of storing seed, but a *kotha* is usually preferred to a pit. The important point to keep in view with regard to the storage is that seed must be kept in some insect-proof and rat-proof receptacle placed within a good rain-proof godown. A big earthen vessel or a receptacle made of bamboo matting thoroughly plastered with cowdung and placed on a raised support, are both in common use. The top opening must be very carefully closed up and sealed. The iron storage bins, as used at Government Farms, are still better than these. If any society desires further information about them, it should address its enquiries to the Deputy Director of Agriculture.

10. The success of a society depends entirely upon its Managing Committee. It is the business of that body to arrange for a supply of good seed. It is its duty to see that grain is carefully weighed on receipt, carefully valued, carefully selected, and carefully stored. The

storage bins must be continually watched in case any accidents happen. The Committee must be particularly careful to see that all repayments are made at harvest time from the outturn of the crop which has been raised from the seed advanced by them. Postponements should never be granted unless the crops of the debtor have absolutely failed. If the Managing Committee performs these duties and the others enumerated in by-law 10 punctually and strictly, there is no doubt that interest at $9\frac{3}{8}$ per cent. in cash, will enable it to run its business at a fair profit.

MODEL BY-LAWS FOR A CO-OPERATIVE SEED SOCIETY.

I.—Introductory.

1. The society shall be called the _____ Co-operative Seed Society, Unlimited. Its registered office is at _____

II.—Membership.

2. Any resident of _____ who is of good character is eligible for election as member.

3. Members shall be elected by the Managing Committee.

4. The entrance fee is eight annas, and is payable by an applicant for membership, when he has been elected. No one shall exercise the rights of membership until he has been elected, and has paid the entrance fee.

5. Every member shall with every other member be jointly and severally responsible for all liabilities and debts due by the society.

6. Every member shall be liable to expulsion by the general meeting by a majority of votes—

(i) for being in default to the society for a period of one month after a liability has become due without the permission of the Managing Committee ;

(ii) for conduct injurious to the credit and reputation of the society ;

(iii) for a serious breach of the rules or of the by-laws of the society.

7. Any member may withdraw from the society after giving one month's notice to the Secretary : provided that he is not in debt to the society. He also *ipso facto* ceases to be a member, if he ceases to reside in the village of _____

III.—Capital.

8. Capital may be obtained in the following ways :—

(a) entrance fees under Rule 4 ;

(b) fixed deposits from members at _____ per cent. ;

(c) loans from outsiders on such terms as may be arranged by the Managing Committee ;

(d) donations.

The total amount raised under (b) and (c) may not exceed Rs. without the sanction of the General Meeting.

IV.—*Management.*

9. The members of the society shall elect annually a Managing Committee of five members. The Committee shall appoint one of its members to be Chairman. Three members form a quorum.

10. The Managing Committee shall have the following powers and duties:—

- (i) To sanction advances of seed to members of the society, and to see that it is used for sowing and not for purposes of trade or food.
- (ii) To select members of the society to whom shall be entrusted the growing and production of improved seed, to supervise their work, to see that their seed is separately dealt with and supplied to the society in a pure and sound state.
- (iii) To purchase seed from the selected growers and from other approved sources.
- (iv) To make arrangements for cleaning, storage, and insurance of seed.
- (v) To make arrangements for the transport of seed.
- (vi) To receive and disburse money, the property of the society.
- (vii) To sign on behalf of the society receipts, cheques, bonds, deeds or other instruments: provided that the society's credit is not pledged in excess of the amount fixed by the annual meeting as the maximum liability for the year.
- (viii) To arrange for the keeping of the accounts of the society.
- (ix) To prescribe the forms in which the accounts and registers of the society shall be kept.
- (x) To call, whenever that may be necessary, a General Meeting of the members of the society.
- (xi) To call, in the month of April, an annual General Meeting of the society.
- (xii) To publish, on or before 30th April of each year, a balance sheet of the society for the year ending on the previous 31st March.
- (xiii) Generally to conduct the business of the society.

11. The members assembled in annual General Meeting which must be held in April shall have the following powers and duties :—

- (i) To elect a Managing Committee for the year.
- (ii) To fix the maximum amount which shall be borrowed on behalf of the society during the year.
- (iii) To fix the maximum amount of seed which shall be purchased for or sold by the society during the year.
- (iv) To fix the maximum amount of seed which shall be advanced to any one member of the society during the year.
- (v) To consider the last audit memo. and any communication from the Registrar and to adopt the balance sheet.

Half the total members or fifteen, whichever is less, shall form a quorum.

V.—Advances of Seed.

12. The Managing Committee shall invest its cash capital in the purchase of seed and storage bins. This seed shall be advanced to members at the season of sowing.

13. No seed other than that purchased from the selected growers shall be issued unless it has been cleaned and tested, and has shown at least 80 per cent. of germination.

14. All advances of seed shall be made to members only and shall be debited at their cash value. Repayments shall be in cash, not in kind. The rate of interest charged shall be $9\frac{3}{4}$ per cent. per annum.

15. No loan shall be granted for a period exceeding 1 year, nor shall any member receive seed valued at more than Rs. 100. All loans shall be repayable within one month after harvest. For every loan at least one surety shall be taken. Extensions up to 1 year may be granted only on the failure of the crop.

16. Before seed is stored it shall be cleaned and sifted, to ensure that no seed is stored which is, on account of its small size, unfit for sowing. Seed of small size so removed shall be sold in the bazar and the amount credited to the account of the society in the Post Office Savings Bank.

17. Before storage sufficient seed shall be sold to provide funds for payment of interest, cost of storage, cleaning and insurance charges,

and repayment of instalments of principal debt as long as any such remain due, provided that no cash balance be available.

18. Money, the property of the society, not immediately required for payment shall be deposited in the Post Office Savings Bank, or with the previous sanction of the Registrar, Co-operative Societies, placed with a joint-stock bank in fixed or current deposit or otherwise disposed of by investment or loan.

19. All profits shall be credited to reserve fund.

Accounts.

A Register of Members, a Day Book, a Register of Loans, a Deposit Register, an Interest Account, Pass Books and an Expenses Account should be kept in the same forms as are prescribed for ordinary credit societies.

The following special form is recommended for use:—

1.—Stock Register.

Date.	Serial No. in day-book.	Receipts.						Expenditure.						Balance.						Remarks.
		Kind of grain.						Kind of grain.						Kind of grain.						
		Gram.	Til.	Wheat.	Tur.	Cotton.	Rice.	Gram.	Til.	Wheat.	Tur.	Cotton.	Rice.	Gram.	Til.	Wheat.	Tur.	Cotton.	Rice.	

N.B.—This form can be much simplified by omitting columns for kinds of grain not dealt in by the Society.

All seed should as far as possible be advanced on personal surety only. Bonds should be taken on standard form A issued by this Department with such verbal corrections as are necessary.

Form of Application for an advance of seed.

As a member of the _____ Co-operative Seed Society,
I hereby apply for an advance of _____ maunds _____ seers of
seed to be repaid by me in kind out of the produce of the crop raised
by me from the seed or in cash at such rates as may be fixed by the
Managing Committee. Under section 19 of Act II of 1912 I acknowledge
that the society's claim shall have priority to all other claims over the
crop except that of land-revenue.

Dated _____ 19 _____

(Signature)
(Residence)

Names of Sureties—

- (1) _____
(2) _____
(3) _____

(2) Granaries.

Need of Grain Banks.—Owing to the poverty of the great mass of agriculturalists, it often happens that they have to sell their grain immediately after the harvest when prices are at their lowest, in order to pay rent, sowkar's debts, or land revenue assessment, and that they are unable to keep on hand enough corn to maintain their families until the next year. Prices almost always begin to rise some three or four months after the harvest has been reaped, but the profit falls into the hands of the dealers and not of the agriculturalists. The poorest classes have generally exhausted their stock of grain by the end of May and have to subsist until the next harvest on grain advanced to them at high prices and heavy interest by their sowkars. If the agriculturalists had had sufficient stock of food on hand to enable them to hold up their produce for 3 months, they could have sold it at much better prices. They would, therefore, have had to sell less and could have kept in hand a stock enough to carry them over to the next year without an appeal to the sowkars. The objects of grain banks are, firstly, to enable agriculturalists to tide over the period of low prices and to sell their harvest at a good profit, and secondly to make advances of grain at reasonable rates to necessitous agriculturalists during the off-season for their maintenance.

2. *Management of Grain Banks.*—The classes of agriculturalists who stand in need of the sort of granary described above are usually the poorest and most illiterate. It is therefore very necessary that any institution intended for them should be of the simplest kind and should not require complicated accounts or difficult rules of management. The draft model by-laws have been made therefore as few and as plain as possible. The society is managed by a committee on very much the same lines as a credit society, but grain is used instead of cash. The only cash is that derived from entrance fees and is intended to cover working expenses, which will be very small. A society must be started at harvest time, and every member besides paying his entrance fee must make a deposit of grain, which will be retained by the society for at least three years, and then at the wish of the member may be repaid with an addition of one-tenth of the weight deposited for each year of deposit. The society will use its capital in granting advances to the members later on in the year for their subsistence and perhaps also for seed, if the grain is good enough. The draft model by-laws, herewith attached, are intended for a society with this single simple object.

3. If a society, however, wishes to help agriculturalists by granting cash advances also to them against their crops, in order to enable them to hold them up pending better prices, a few additions must be made to the by-laws. The management will be a little more complicated, as the society will have to deal and keep accounts in cash as well as in grain. The following additions to the by-laws are suggested in such cases:—

- 5 (3) by deposits of cash, the total amount of which shall not exceed Rs. without the sanction of the General Meeting;
- 6 (6) to fix the amount of cash to be raised on deposit, the rate of interest to be paid on such deposit, and rate of interest at which cash advances are to be made;
- 8 (10) to sanction cash advances to members in order to enable them to wait for a convenient opportunity of selling their grain, to determine what security shall be taken and what period not exceeding one year allowed for repayment.
- 14 (5) Registers of advances of grain and cash.

4. *How to start a Society.*—The organizer should first consult several agriculturalists and find out in what way they are now disposing of their produce, and whether most of them maintain in their houses a stock of grain sufficient to carry them on until the next harvest. If they do not there is room for a society. No society can start work without a working capital of grain, and as this can only be secured at the harvest season, societies should as a rule be organized at that season only. Two copies of the by-laws and one of Schedule A should be filled up by at least twelve original members, and should be sent either to the official Honorary Organiser of the district or to the Registrar at Poona. A report should also be sent stating to what address the registration certificate, account forms, etc., should be sent by V. P. P., and what amount of initial working capital has been collected or promised.

5. *Storage of Grain.*—As soon as the Society is registered, the grain capital and entrance fees should be collected. There are several methods of storing grain, but a *kotha* is usually preferable to a pit. The important point to keep in view with regard to storage is that grain must be kept in some insect-proof and rat-proof receptacle placed within a good rain-proof building. A big earthen vessel or receptacle made of bamboo matting and thoroughly plastered with cowdung and placed on a raised support are both in common use. The top opening must be very

(3) Register of Advances and Recoveries.

Date of advance.	Name of borrower.	Names of sureties.	Kind and amount of grain advanced.	Date of repayment.	Amount repaid.		Remarks.
					Capital.	Interest.	
1	2	3	4	5	6	7	8

Columns 1 to 4 only are filled up at the time of the advance and columns 6 to 7 on repayment.

(4) Deposit account.

Name of member _____

Date.	Grain deposited.		Grain withdrawn.		Balance.		Member's signature on withdrawal.
	Kind.	Amount.	Kind.	Amount.	Kind.	Amount.	
1	2	3	4	5	6	7	8
		Mds. Srs.		Mds. Srs.		Mds. Srs.	

5. Stock Register.

Date.	Receipts.		Withdrawals.		Balance.
	From whom.	Amount received.	To whom.	Amount given out.	Amount on hand after each transaction.
1	2	3	4	5	6
		Mds. Srs.		Mds. Srs.	

A separate stock register should be maintained for each separate kind of grain dealt in by the Society. Every entry in the stock register should have some corresponding entry in either the register of advances and recoveries or in the deposit account.

(6) Reserve Fund Account.

Date.	Amount carried to reserved fund.	Amount withdrawn from reserve.	Balance.
1	2	3	4

Forms (2) to (6) should be ruled by the secretary on blank sheets of paper as required.

Where a society gives cash loans against crops it should also maintain a member's cash ledger and cash register of loans in the standard forms, which can be obtained as described in Chapter XXVII.

MODEL BY-LAWS FOR A CO-OPERATIVE GRANARY.

I.—Introductory.

1. The Society shall be called the Co-operative Granary Society, Unlimited. Its registered office is at

II.—Membership.

2. Any cultivator resident in _____, of good character, may become a member, provided that his application, which must be in writing, is approved by a majority of the Managing Committee and he pays an entrance fee of annas 8.

3. Members may be expelled by the General Meeting for conduct disgraceful in itself or injurious to the credit of the Society.

4. Members may resign after six months' notice, and will lose their membership if they remove their residence from the village of _____

III.—Capital.

5. Capital may be raised :—

- (1) By entrance fees.
- (2) By deposits of grain.

The kinds of grain which will be dealt with by the Society are _____ . The total amount of grain received shall not exceed _____ without the sanction of the General Meeting.

IV.—General Meeting.

6. The Annual General Meeting shall be held in April, and its functions shall be :—

- (1) To elect a Managing Committee for the ensuing year.
- (2) To fix the maximum amount of grain to be received on deposit in the course of the year.
- (3) To receive the balance sheets for the last year.
- (4) To lay down general rules for the guidance of the Managing Committee.
- (5) To consider the audit memo. and any other communications received from the Registrar.

7. A special general meeting may be called at any time by the chairman of the Managing Committee at his own instance or on a requisition from the Registrar. At least seven days' notice of such meeting shall be given.

V.—*Managing Committee.*

8. The Managing Committee shall consist of _____ members, and its duties shall be:—

- (1) To elect its own chairman.
- (2) To receive deposits of grain.
- (3) To admit members.
- (4) To deal with applications for advances of grain.
- (5) To arrange and supervise the safe storage of grain.
- (6) To see that repayments are made punctually and that weight is correct, and to reject any bad grain that may be brought.
- (7) To see that the accounts are properly kept and bonds taken for all advances.
- (8) To sell such portion of the stock of grain as may be convenient.
- (9) Generally to carry on the business of the society.

9. The grain pit shall be opened once a month in the months of _____ in the presence of not less than three members of the Committee. All transactions shall take place at that time.

10. Advances of grain shall be made at *Sawai* rates, until reduced by a resolution of the general meeting with the sanction of the Registrar.

11. All repayments shall be made at harvest in the months of _____. All advances shall be repayable at the harvest immediately following the advance.

12. After all collections have been made, the grain shall be weighed, and any excess over the amount of deposits that have been received and credited, shall be carried to reserve.

VI.—*Accounts.*

13. The Managing Committee shall appoint a secretary and fix his pay, if any.

14. The following accounts shall be maintained :—

- (1) Members' Register.
- (2) Cash Book.
- (3) Expenses Account.
- (4) Members' Ledger Account.
- (5) Register of Advances.
- (6) Deposit Account.
- (7) Grain Stock Register.
- (8) Minute Book of General Meeting.
- (9) Minute Book of Managing Committee.

VII.—Deposits.

15. Deposits of grain may be received from members or non-members. All deposits are fixed at least for 3 years and are repayable if desired after the fourth harvest, with an additional $\frac{1}{3}$ th of the weight of the grain originally deposited for each year during which the deposit has been in the granary. The added grain shall be withdrawn from the reserve fund.

16. Every member must make an annual deposit of at least maunds of grain for each plough maintained by him.

VIII.—Amendments of By-Laws.

17. By-laws may be amended with the sanction of the Registrar by resolutions of a General Meeting.

CHAPTER XIV.

MANURE SUPPLYING SOCIETIES.

The Problem of Manure Supply.—No crop will thrive unless it is properly manured and as a general rule the profit will increase up to a certain point with the amount of manure applied. Every agriculturalist is therefore bound to consider the question of manure supply. For ordinary dry crops, the natural manure of the farmyard is the best and cheapest, and for this reason as little as possible of this should be used as fuel and as much as possible reserved for agricultural purposes. But for many of the high-class irrigated crops it will be found profitable to use some sort of concentrated manure. To buy this cheaply is often difficult, because it has usually to be procured in large quantities, imported from a distance, and stored for some time before use. The traffic naturally therefore has fallen into the hands of middlemen accustomed to mercantile transactions. By enhancing the price beyond a reasonable level, by supplying manure of inferior quality, by falsifying weights, and by charging bazar cesses over and above the selling price, the middlemen often secure for themselves an excessive profit at the expense of the agriculturalist.

2 *Formation of a Manure supplying Society.*—The object of a co-operative manure supplying Society is to eliminate the middleman and to secure for the agriculturalists themselves the profits now engrossed by him. The method of forming such a society is not very difficult. The promoters should first ascertain the probable number of persons likely to join the Society and should estimate the amount of artificial or concentrated manure required by them altogether. Having done so, they can calculate approximately the total price of the manure that must be bought, and this is the amount of capital which they must manage to raise in the first instance. The points to which special attention should be paid are enumerated in the organisation paper attached. Since a good deal of executive power will be in the hands of the Secretary, and many purchases will be made by him at a great distance from the Society, members cannot undertake joint and unlimited liability. It will be better to raise capital by issuing shares of about Rs. 10 each, fully paid up, with liability limited to the face value of the shares. Promises to buy shares should be recorded in writing by the promoters, and fixed deposits bearing interest at about 6½ per cent. should be invited. As soon as they have secured sufficient capital to enable them to start business, steps should be taken to get the Society registered.

3. *Registration.*—Two copies of the model by-laws should be filled up, and each should be countersigned by the same 12 persons who sign Schedule A, the form of application for registration. The by-laws may be altered wherever it appears desirable but the reasons of any changes made should be explained in the covering letter to the Registrar. In most districts the Registrar is represented by an experienced Honorary Organizer who should ordinarily be consulted before the by-laws are finally settled. The application for registration, two copies of the by-laws and the organisation paper should then be posted to the Registrar and the name of the person to whom copies of the Act, account forms, etc., may be sent by V. P. P., should be reported.

4. *Hints on Manure Purchase.*—The Managing Committee are responsible for the purchase of good and suitable manure. In particular they must arrange to buy it at the proper season and the cheapest market, after taking into consideration the expense of freight and storage and the percentage of nitrogen. Before paying for manure, they should open several of the bags delivered and make sure that it is up to sample. For instance, castor cake may be found brittle and liable to crumble though the sample previously supplied had been firm and solid, or it may be mouldy and stale while the sample was fresh and good. Again the Managing Committee should exercise commonsense in buying the right sort of manure. In the year when the price of castor cake runs high, it would be advisable to buy fish-manure or some other sort of cake, if it is suitable to the crop raised. The Society must remember that though it will be easy to sell manure at rates lower than those prevailing in the bazar, it will often be difficult to make sales, when owing to market fluctuations it finds that it has to charge a higher rate than the bazar rate in order to cover expenses. The business is bound to be slightly speculative, but when doubt is felt about the future trend of prices, the Managing Committee should always try to err on the safe side.

5. *Markets.*—There are four chief concentrated manures in common use in this Presidency: castor cake, safflower cake, fish-manure and sulphate of ammonia. In all these the valuable constituent is nitrogen, and the effectiveness of the manure will depend on the percentage of nitrogen in it.

- (1) *Castor cake* can be obtained at the Sabarmati Mills near Ahmedabad and through several other firms in Gujerat and Berar. The Medical Stores, Bombay, also prepare about 38,000 lbs.

annually. Country-made ghani-cake can be purchased at places where the castor crop is important, *e. g.*, Anand, Nadiad, Kalol, and all the important villages in the Charotar. Castor cake may be bought from September to May. Forward sales commence from January. Prices are often high in May and June if the stock is running short. Castor cake should contain at least 4 per cent. of nitrogen, but there is a marked difference in manurial value between hydraulic pressed castor cake and country ghani-made castor cake. The former is much superior. The nitrogen in it is present in a more active form and it decomposes into a finer powder.

- (2) *Safflower cake* varies considerably in composition and for this reason is less reliable and less popular than castor cake. It contains usually from 3 to 7 per cent. of nitrogen. The time to purchase it is March, April and May, and the centres at which it can best be obtained are Hubli, Bijapur, Poona, Akola and Jalna.
- (3) *Fish manure* is also uncertain and variable in composition, but a good sample should contain about 8 per cent. of nitrogen. It can be bought at any time during the fair season. It is sold by dealers at Bombay and Poona and can also be obtained direct from most of the various fish-curing yards lying along the Konkan coast. On the Kanara and Goa coasts thousands of tons of it are manufactured annually from the shoals of sardines.
- (4) *Sulphate of ammonia* can be bought at any time of the year. The chief firms dealing with it are D. Waldie & Co. at Calcutta and Forbes, Forbes, Campbell & Co. in Bombay. It can also be bought direct from the Anglo Continental Guano Works, Billitar St., London, and is being manufactured at the Tata Iron Works in Sakchi. It should be purchased with a written guarantee of 95 per cent. purity and 20 per cent. nitrogen. Its price has risen very high owing to the war.

Any agriculturist wishing to know the nitrogen percentage of manure can obtain the information by submitting a sample to the Agricultural Chemist, Agricultural College, Poona.

6. *Storage*.—Having ordered the manure, the Managing Committee should at once set about finding a place to store it. It must be kept

absolutely dry and should not be put in a place where its offensive smell will cause annoyance. The paid Secretary of the Society must be responsible for checking its weight and quantity, and seeing that it is properly stored. It is also his business to deliver to members advances of manure sanctioned by the Managing Committee. If members lend their carts for conveying manure from the Station to the Store, a useful economy is made. The Managing Committee should from time to time ascertain by actual weighing that the balance on hand really corresponds with that shown in the stock register, and should sanction the writing off of any deficiency due to dryage or other unavoidable cause.

7. *Accounts.*—The accounts which must be maintained are detailed in by-law 35. Forms 1 and 2 may be kept in common unruled notebooks. Forms 3, 4, 7, 8, 9, 10, 11 and 12 can be obtained from the Registrar; and the promoters in applying for registration should state how many of each they wish to buy. Forms 5 and 6 are not printed. The following form is recommended:—

Stock Register.

Kind of manure _____

Date.	Quantity received.		Quantity sold.				Balance after each transaction.		
			For cash.		On credit.				
			Quantity.	Page in day-book.	Quantity.	Number of ledger account.			
1	2		3	4	5	6	7		
	Khandi.	Palli.	Khandi.	Palli.		Khandi.	Palli.		Khandi.

The quantity received shown in column 2 should be checked by means of the invoices of the supplying agents. The price of manure sold for cash appearing in column 3 should be shown on the same date in the

day-book, and to avoid confusion the amount of manure sold should also be shown there. Thus the entry in the day-book would appear "from Rama Govind on account of 1 khandi 17 pails of castor cake sold for cash Rs. 20". A separate stock register should be kept for each different kind of manure stored by the Society.

Register of Indents by Members.

Serial No.	Name of member.	Quantities of manure required.					Signature of indenting member.
		Castor cake.	Safflower cake.	Karanj cake.	Fish.	Ammonium sulphate.	
1	2	3	4	5	6	7	8

It is not always easy to induce members to indent beforehand for the manure that they will require, but the Managing Committees should always try to introduce this practice, as it makes it much easier for them to estimate what quantity of each kind of manure to buy and saves them from having a balance of unsold manure left on hand. A promising society may work at a loss, if its forecast of the members' needs is inaccurate.

I.—Introductory.

1. The name of the Society is the Limited, and its registered address is
2. The object of the Society is to supply concentrated manures such as oil-cakes, fish, artificial manures and the like to its members, at the lowest possible rates.

II.—Funds.

3. Funds may be raised as follows:—
 - (a) By the issue of shares of the value of Rs. _____ each fully paid up.
 - (b) By receiving deposits.
 - (c) By borrowing money from other registered Co-operative Societies or from non-members.
 - (d) By donations.

Funds of the kind specified in (b) or (c) may at any time be raised at interest by the Managing Committee on behalf of the Society, provided that the total amount so raised shall not exceed 8 times the paid up share capital plus the Reserve Fund.

When the Managing Committee decide to borrow any sum under (c) it may authorize any two of the Committee members with the Secretary, to sign a receipt or bond for the amount on behalf of the Managing Committee.

III.—Membership.

4. Members of the Society, other than persons who have signed the application for registration, shall be elected by the Managing Committee of the Society. The election will be decided by votes, the votes of two-thirds of the total number of Committee members present being necessary to secure election. No person shall be a member who is not a resident in

5. Application for membership must be made in writing and signed by the applicant. If the applicant is illiterate, he must make his mark and thumb mark on the application form to be filled up in the

presence of the Secretary of the Society. Every applicant must subscribe to one or more shares of the Society.

6. Every member will subscribe to at least 1 share. The shares allotted to a member must be fully paid up within 15 days of allotment. After making this payment he shall exercise the rights of membership.

7. The liability of a member shall be limited to the nominal value of the shares held by him.

8. A member may withdraw from the Society by giving notice to the Secretary, provided he has repaid with interest all sums due from him to the Society, and has discharged any suretyship or other liability undertaken by him.

9. A member may be expelled for persistent default or any conduct likely to injure the credit of the Society by a vote of the General Meeting. Expulsion may involve forfeiture of all shares held by him.

IV.—General Meeting.

10. The first General Meeting of members shall have the same powers as are herein given to the Annual General Meeting.

11. An Annual General Meeting shall be called during the month of April in each year.

The functions of the Annual General Meeting shall be :—

- (1) to elect the Managing Committee, the Secretary and any other officers that may be required for the ensuing year ;
- (2) to receive from the Managing Committee a report on the preceding year's working of the Society with the balance sheets and to consider the audit memo. or any other communication received from the Registrar ;
- (3) to decide in what sorts of manure the Society shall deal in the following year and to make regulations for the guidance of the Managing Committee ; and
- (4) to dispose of any other business duly brought forward.

12. A special General Meeting of members may be called at any time by a majority of the Managing Committee and must be called within a month on receipt of a requisition from fifteen of the members or from the Registrar stating the business to be discussed. It shall be the duty of the Secretary to call such a meeting.

13. (a) In the case of the Annual General Meeting ten days' notice and in the case of the Special General Meeting five days' notice shall be given by the publication of a written notice outside the office of the Society.

(b) The notice shall specify the date, hour and place fixed for holding the Meeting and shall state the nature of the business to be transacted at the Meeting.

(c) With the permission of the two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the Meeting, provided that he may not propose the expulsion of another member or an alteration in the by-laws.

(d) Should a Meeting be unable to complete on the appointed day the business specified in the notice calling such Meeting, it may resolve to abandon the consideration of the remainder of the business or to adjourn until another day. If on the day to which the Meeting is adjourned the notified business is not completed, the business remaining to be transacted shall be abandoned until it is brought up at a Meeting convened by fresh notice.

14. At all General Meetings the President shall be elected by the members present.

15. Each member attending a General Meeting shall be entitled to one vote. The President shall have a casting vote in addition to his ordinary vote.

16. One-half of the total number of members or twenty members, whichever be less, shall form a quorum at any General Meeting. No quorum is needed at adjourned Meetings.

V.—The Managing Committee.

17. A Managing Committee consisting of seven members of the Society shall be appointed to manage the affairs of the Society. The Managing Committee may exercise all the powers of the Society subject to the provisions of these by-laws and to directions for their guidance conveyed in resolutions passed at General Meetings of the Society. The Managing Committee shall meet as often as they consider necessary for the transaction of the business but not less than once in a month. Three members shall form a quorum.

18. The Managing Committee shall be elected at the Annual General Meeting of the Society. Members shall be eligible for re-election on the expiry of their term of office. Vacancies occurring amongst the Committee members through death, resignation, or removal shall be filled at the next General Meeting of the Society. A member elected to fill such vacancy shall hold office until the next annual election of the Managing Committee.

19. A Committee member may only be removed during his term of office by a majority of votes obtained at a special General Meeting called for the purpose.

20. The Committee members shall elect their own Chairman from among themselves to hold office during the year of their tenure of office. He shall, when present, preside at all meetings of the Managing Committee. When he is absent, the members present at a Committee meeting may elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary vote.

21. All acts done by the Managing Committee in good faith shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of members of such Committee, be as valid as if each Committee member has been duly appointed.

22. The Managing Committee shall control the Secretary and other officers and pay them for their services, subject to any resolution passed at a General Meeting as to the amount of such remuneration.

23. The members who signed the application for registration or a majority of them, may, until the Managing Committee is appointed, exercise any of the powers conferred by these by-laws on the Managing Committee.

VI.—The Secretary.

24. The duties of the Secretary shall be:—

- (1) to summon and attend all meetings of the Society and of the Managing Committee;
- (2) to record the proceedings of such meetings in the minute-book;
- (3) to be responsible for the safety of the Manure Store, to arrange the receipt and resale of manure and to ensure its good condition;
- (4) to keep all accounts and registers required by the rules and by-laws, to prepare all receipts, vouchers and other documents

required for the transaction of the business of the Society, to conduct correspondence, to supply all needful information to the members and to perform all duties assigned to him by the Managing Committee.

In the absence of the Secretary, the Managing Committee or the General Meeting may authorize any other person to perform any of his duties.

VII.—Distribution of Manure.

25. Manure may be sold to any member of the Society to any amount if the sale is for cash. When manure is supplied on credit, the total amount due from a member shall not exceed Rs. 500 at any time. The Managing Committee shall satisfy themselves that the manure is genuinely required by the member for his own use.

26. No person who is not a member may purchase manure from the Society, until the needs of all members have been fully met. All sales to non-members shall be for cash only.

27. The Managing Committee shall fix a date by which every member requiring manure shall submit an indent stating the quantity and kind of manure required by him, and whether he wants the manure for cash or on credit.

28. The sale price of the manure shall be fixed by the Managing Committee at the lowest figure consistent with reasonable profit. The members shall take delivery of manure at such place and time as may be fixed by the Managing Committee.

29. When manure is supplied to a member on credit, the recipient must sign a bond for the value of the manure received and must offer such security in the shape of sureties or mortgage of property as the Managing Committee may require. The crop grown with the manure supplied shall be part of the security accepted by the Committee. Interest on the price of manure supplied on credit shall be charged at the rate of 1½ pies per rupee per month. Loans shall be repaid with interest at or before the harvest of the crop, for the planting of which the manure was advanced.

30. When a person who has stood surety for a loan dies or becomes, in the opinion of the Managing Committee, unfit, the Managing Committee may by notice require the purchaser to find another approved

surety in ten days. If the borrower fails to find another surety when so required, or to provide other adequate security, the amount owing shall be repayable immediately, with interest to the date of repayment.

31. The Society shall have power to demand deposits in advance for manure to be supplied. No interest shall be paid on such deposit.

32. Each member who purchases manure shall be given a pass-book in which the Secretary shall enter the amount of manure supplied to the member on credit, with its cost, and the amounts received from such member in payment with interest.

VIII.—Cash Balance.

33. The balance of the Society's funds not utilized in the purchase of stock shall be kept in the Post Office Savings Bank, or such other Bank or manner as is approved by the Registrar.

34. A sum not exceeding Rs. 50 may be kept by the Secretary to meet petty expenditure. No outlay may be incurred from this sum by the Secretary, except under the authority of a resolution of the Managing Committee recorded in the minute-book.

IX.—Accounts.

35. In addition to any other registers and account books prescribed by the Registrar, the following shall be kept in accordance with the directions herein laid down :—

- (1) A minute-book in which the minutes of all proceedings of General Meetings shall be recorded under the signature of the Secretary and the Chairman of the Meeting.
- (2) A minute-book in which the proceedings of the meetings of the Managing Committee shall be recorded under the signature of the Secretary and the Chairman of the meeting.
- (3) A register of members in which shall be recorded the name; address and calling of each member, the date of his admission, and the names of heirs nominated by members.
- (4) A cash book in which all receipts and payments of cash by the Society shall be entered day by day.
- (5) A Stock Register.
- (6) An Indent Register.
- (7) Members' Ledger.

- (8) An Interest Account in which shall be entered particulars of all sums paid as interest on capital and on deposits and of all sums received as interest on loans.
- (9) Expenses Account, in which all outlays in connection with expenses of management, including salaries, shall be entered.
- (10) Share Register.
- (11) Share Transfer Register.
- (12) Register of Deposits and Loans.

36. Any member of the Society may inspect any of the registers or accounts during office hours, but may not without the permission of the Managing Committee inspect the ledger or deposit account of any other member.

X.—Miscellaneous.

37. On or before the 20th April in each year the Managing Committee shall prepare and publish at the Society's office a balance sheet showing the receipts and expenditure, profit and loss, assets and liabilities of the Society, together with a brief statement of the business transacted by the Society, during the year ending March 31st. A copy of the balance sheet and of the statement shall be supplied to the Government Auditor not later than April 20th in each year.

38. None of the by-laws herein contained shall be altered or rescinded and no by-law shall be added unless such alteration or addition has been carried by the vote of a majority consisting of at least two-thirds of the members present at a General Meeting convened for the purpose. The notice convening the meeting shall specify the proposed alteration, or addition, and shall be issued not less than ten days prior to the meeting.

The amendment shall not take effect until it has been approved and registered by the Registrar.

39. When by these by-laws it is provided that written notice shall be given to any member, the delivery of such a notice at the house at which such member ordinarily resides shall be sufficient service of notice.

XI.—Distribution of Profits.

40. Of the net annual profit not less than twenty-five per cent. shall be carried to Reserve Fund. The distribution of the balance in the form of dividends, bonuses, rebates, or other payments, shall be decided on by the Annual General Meeting.

Organisation Paper.

1. Name of Society ..
2. Area of Society ..
3. Number of members joining the Society in the first year
4. What share capital will be collected in the first year?
What fixed deposits or loans are promised?
5. What crops requiring concentrated manures are grown in the villages included in the Society?
What sorts of manures are required?
6. What total areas under such crops are owned by the members joining the Society?
7. From what places will the Society obtain the manures required?
8. Estimate the total value of each kind of manure that will be required by the Society in the first year.
9. What rate of commission above the total cost price of the manure does the Society propose to levy?
10. Forecast the gross profit expected during the first year on account of:—
 - (a) Commission.
 - (b) Interest on credit sales.
11. Forecast the expenses of the Society during the first year on account of:—
 - (a) Salary of Secretary and staff.
 - (b) Rent of godown.
 - (c) Miscellaneous.

Organiser.

CHAPTER XV.

CO-OPERATIVE CATTLE-BREEDING SOCIETIES.

1. *Need of Cattle-breeding Societies.*—In many parts of the Presidency the breed of cattle is extraordinarily poor, and the prevalent type of animal is not as useful as it might be either for milk or for draught purposes. The causes are insufficient and unsuitable fodder and bad breeding. The village cattle are all herded together, so that cows in heat are often covered by weak or immature bulls, and the resulting calves are stunted and unhealthy. The benefits which cattle-breeding societies aim at securing are firstly an improved system of grazing and secondly the provision of a suitable type of bull.

2. *How to start a Society.*—The number of cows which one bull could serve would not ordinarily exceed 60. It is necessary in the first instance that agriculturists should be found, who are anxious to secure the services of an improved type of bull and together own about 60 cows. When these have been found, they should apply to the Registrar for advice as to what type of bull to choose. In making the choice they should state whether they require an animal suited for heavy draught work, for fast trotting along roads, for general farm work, or for improving the output of milk. The climate, the nature of the pasturage, and the size of cows to be covered should also be taken into account. The Superintendent of the Civil Veterinary Department should be consulted in making the final choice and the Registrar will do his best to obtain the bull for the society at a favourable price. Under Government Order No. 6590 of June 17th, 1918, Revenue Department, Government have authorised the Director of Agriculture to make to any Cattle Breeding Society a grant up to Rs. 100 towards the purchase of a breeding bull. Having found their bull, the promoters should look round for a suitable grazing area. It is most important that the herd assigned to the selected bull should not be allowed to mix with the other village cattle. They must graze separately on an area reserved for them from the village grazing area, revenue waste, or open forest; or failing any of these resources must hire a piece of grazing land for themselves. If possible the grazing area should be divided into four sections which should be grazed in turn. The land should be well-drained and have access to a good water-supply. Under Government Order No. 6590 of June 17th, 1918, Revenue Department, Government have expressed a wish that all Revenue and

Forest Officers should encourage Cattle Breeding Societies by the assignment to them for long periods of a reasonable amount of grazing land, whenever it is possible to do so consistently with the interests of the village and of the Forest Department.

3. *The Herd*.—No cows should be admitted to the herd unless they are good healthy animals passed by the committee. Old and weakly stock should be excluded. The cows will during the day graze with the herd on the society's pasture, which should, if possible, be fenced to keep off intruders, and at night will return to the houses of their several owners. A herdsman must be maintained to look after them all day, to take them out in the morning and to bring them home in the evening. A shed should be provided for the bull, which must be carefully tended and fed on some kind of concentrated food, weighing at least 4 lbs. a day. After five years the bull should be changed in order to avoid the risk of his covering his own progeny. In order to keep a record of the working of the society a herd-book should be maintained in the following form with a separate page for each cow:—

Herd Book.

Name and description of cow—

Name of owner—

Ledger No.

Date of admission to herd—

Age at admission—

Date of covering. 1	Name of covering bull. 2	Date of calving. 3	Sex and description of calf. 4	Remarks. 5

In societies which aim at improving milk supply, details of the milking qualities of the mother should be noted in column 5.

4. *The Rearing of Calves*.—Calves should be well fed and cared for to give them a chance of growing into really fine animals. For the first six weeks of its existence a calf should not receive less than 5 lbs. a day of its mother's milk. After that this milk diet should be supplemented by other fodder and if the calf is hand fed skimmed milk

to which some suitable meal—Bajri, Maize, Linseed—has been added may be given.

The milk may gradually be reduced and fodder to take its place given in larger quantity until 6 months when the calf should be weaned.

Castration should take place before one year, unless it is intended to keep the animal for stud purposes.

In selecting a young bull for stud purposes it is desirable to select one whose mother was a good milker.

5. *Finances.*—In forming a society the promoters have to calculate whether they can raise the initial working capital, and what subscriptions they must levy in order to meet the current annual expenses. These two items, one of which is recurring and one non-recurring, should be estimated separately and reported to the Registrar along with the application for registration. The initial expenses will usually consist of—

- (1) cost of bull,
- (2) shed for bull,
- (3) hedging for grazing area.

This amount can best be raised by entrance donations from the members. The recurring annual expenses consist of—

- (1) wages of herdsman,
- (2) feed of bull,
- (3) rent for grazing land,
- (4) salaries and contingencies,
- (5) a sum of Rs. 20 in excess yearly to be carried to the reserve fund.

To meet these annual charges, the following sources of income are available :—

- (1) annual subscriptions from members for each cow admitted to the herd,
- (2) sale of dung,
- (3) covering fees from non-members for the occasional services of the bull.

These items should be fixed at rates estimated to return enough to meet all the recurring annual expenses and should be payable in advance.

VI.—Dead Stock Register.

Article.	Date of purchase.	Value at time of purchase.	Remarks.

VII.—Bull Ledger.

Name and breed of bull—

Marks and description—

Date of purchase—

Age when purchased—

Where purchased—

Price at which purchased—

Date of covering.	Name of cow covered and Ledger No. in herd book (if any).	Name of owner.	Date of payment of covering fee (if any).	Date of calving.	Sex and description of calf.	Remarks.

If the dead stock consists of only a shed and a bucket Register (VI) should be dropped. It is only needed when a society spends a considerable sum in farmyard utensils.

MODEL BY-LAWS OF A CO-OPERATIVE CATTLE-BREEDING
SOCIETY, UNLIMITED.

I.—*Preliminary.*

1. The name of the society is _____ unlimited and its registered address is _____
2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.
3. The object of the society is to improve the strain of draught ^{or} _{and} milk cattle in the village by the provision of a suitable bull, by the maintenance of a herd book, by spreading information on questions connected with breeding, and by taking all possible measures to keep the stock pure.

II.—*Funds.*

4. Funds may be raised by—
 - (a) entrance fees,
 - (b) donations,
 - (c) deposits or loans,
 - (d) subscriptions,
 - (e) covering fees.

The funds raised by methods (a), (b) and (c) shall be utilised for capital expenditure only; annual expenses shall be met from (d) and (e). Cash balances exceeding Rs. 10 shall be kept in the Post Office Savings Bank till required.

III.—*Membership.*

5. No person shall be a member unless—
 - (a) he is resident in _____
 - (b) his application for membership has been approved by an absolute majority of the Managing Committee;
 - (c) he has paid an entrance fee of _____
 - (d) he has paid an entrance donation as prescribed in by-law 10.
6. The privilege of a member is to keep not more than _____ cows in the society's herd, with which they may pasture without charge and to have them covered without fee.

7. Membership ceases on death or resignation.

8. A member may be expelled by vote of the General Meeting for any act that may damage the credit of the society or by disobedience to its rule and by-laws.

IV.—*Initial Expenses.*

9. The first General Meeting shall decide on the cost and breed of the bull to be bought, the provision of stabling for him, the areas of grazing (if any) to be taken for the exclusive use of the society, the question of fencing it and providing if necessary a stall for the bull. The initial expenses so incurred shall be met by donations from members and by gifts and deposits from the public provided that the total amount of members' donations shall not be less than one half of the total initial expense. Subject to this restriction, the first General Meeting shall decide at what rate members shall make a donation.

10. All members subsequently admitted shall make the same donation which shall be carried to reserve, and is non-withdrawable.

V.—*General Meetings.*

11. The Annual General Meeting shall be held in April. Special General Meetings shall be held, when required by a majority of the Managing Committee or by a petition from not less than five ordinary members or on a requisition from the Registrar.

12. The functions of the Annual General Meeting are—

- (1) to elect a Managing Committee of five members and to appoint a Secretary ;
- (2) to receive from the Managing Committee and consider the balance sheets for the previous year ;
- (3) to fix the number of bulls to be maintained, the area of grazing to be hired, and to make regulations generally for the control of the herd ;
- (4) to lay down regulations for the use of its bulls by outsiders ;
- (5) to receive a budget estimate of its receipts and expenses during the forthcoming year ;
- (6) to fix the rate of interest payable on deposits.

(7) to consider any communication or audit memo. received from the Registrar or any other matter duly brought forward by a member.

13. Every member has one vote only. The Chairman of the Managing Committee shall preside at General Meetings and shall have casting vote.

14. Two-fifths of the total number of members or ten (whichever is less) shall form a quorum.

VI.—The Managing Committee.

15. The Managing Committee shall meet at least once a month. Three members shall form a quorum. It shall elect its own Chairman.

16. Subject to the by-laws and to resolutions passed by a General Meeting it shall have full authority to carry on the business of the society, and in particular shall have power—

- (1) to appoint, suspend, punish, or dismiss all salaried servants of the society subject to by-law 12 (1) and to an appeal to the General Meeting;
- (2) to arrange for the purchase, grazing, feed, housing, and supervision of the bull and for the general management of the herd;
- (3) to supervise the accounts; to see that subscriptions and donations are properly paid, and to make forecasts of the annual receipts and expenses;
- (4) generally to carry on the business of the society.

VII.—Recurring Expenditure.

17. The Annual General Meeting shall consider and pass the budget for the following year placed before it by the Managing Committee. Recurring expenditure will include rent of the land, depreciation in value of the dead-stock, pay of Secretary, herdsman, and other servants, and feed and housing of bull. The total expense so calculated shall be met by annual subscriptions and by covering fees. The annual subscription, payable by each member, shall be fixed annually at such a rate per head of cattle admitted to the herd, after deducting estimated receipts from covering fees, as shall meet all recurring expenses and leave a margin of not less than Rs. 20 to carry to reserve.

VIII.—The Herd.

18. The number of cows in the herd shall not exceed 60 for each bull, and if the services of the bull are allowed to outsiders on the payment of a fee, the matter should be regulated so that the bull does not cover more than 60 cows in a year.

19. The Managing Committee have the right to exclude from the herd any cow which it regards as unhealthy or otherwise unworthy of admission, or any cow or calf which they consider cannot be expected to develop properly owing to habitual underfeeding.

20. A herd book shall be maintained in the accompanying form.

21. Outside cattle may be covered by the society's bull on payment of fees on such scale as may be fixed by the General Meeting provided that the total number of coverings made by a bull in one year shall not exceed 60.

IX.—Profits.

22. The whole of the profits of the society shall be carried to the reserve fund, the object of which is to improve the general credit of the society and to provide funds for the purchase of a new bull when an old one dies.

X.—Amendments.

23. Subject to the rules framed by the local Government by-laws can be amended by the General Meeting provided that notice of amendment has been given to the Registrar and the members ten days prior to the Meeting. Amendments take effect after being registered by the Registrar.

Organisation Paper.

1. Area of Society.
2. Number of members joining at beginning.
3. Number of cows.
4. What sort of bull is required?
5. Amount of initial donations.
6. Amount of initial expenses—
 - (a) Bull.
 - (b) Shed.
 - (c) Fencing, etc.
7. What grazing land, if any, does the Society propose to take?
8. Give details of annual expenses—
 - (a) Herdsman.
 - (b) Feed of bull.
 - (c) Pay of Secretary.
 - (d) Rent of grazing area.
 - (e) Miscellaneous.
9. What will be the rate of annual subscription?
10. What is the covering fee from outsiders?

Signed _____

Organiser.

CHAPTER 'XVI.

CO-OPERATIVE CATTLE INSURANCE SOCIETIES.

1. *Use of Cattle Insurance.*—No occupation is so liable to risks and sudden calamities, beyond the power of man to prevent, as agriculture. Crops may be destroyed by locusts, rats, blight, excessive or insufficient rain, storms or floods; straw or grass may be burnt; cattle may be carried off by epidemics or by other causes of death too numerous to mention. A single one of these misfortunes may make it impossible for a farmer of small means to carry on his business and bring him to ruin. It is therefore the bounden duty of a prudent farmer to guard himself by such means as he can against the risks with which he is faced. Of these none is more urgent or more disastrous in its incidence than the loss of his cattle from whatever cause. Without plough cattle he cannot till his land or move his produce and his whole occupation is brought to a standstill. If by any effort it were possible for him to assure that on the death of any of his cattle funds would be forthcoming to purchase another in its place, it would surely be his duty to make that effort.

2. *Co-operative Insurance.*—In western countries a method has been devised whereby some of these risks can be guarded against. Co-operative societies have been started to insure crops against hail, frost, and storms, and others to insure them against fire. The moderate success which these have gained, however, is quite overshadowed by the remarkable results of co-operative cattle insurance. In the small country of Belgium alone there were in 1909 no less than 1,142 societies comprising 1,01,709 members and insuring 2,94,583 cattle of an average value of Rs. 200 each. In France in 1910 there were 8,428 cattle insurance societies and in Germany 8,400. The same system has been introduced into Burma with remarkable success.

3. Insurance is the method by which a number of owners combine to pay in advance to a society yearly sums (called premiums) sufficient at least to equal the yearly average amount of loss sustained in respect of the things assured. From the sum thus collected the society is bound to pay indemnities for any losses incurred by the members during the year. The premiums are calculated at a fixed proportion of the value of the things insured and vary according as the risk of loss is large or small. For instance a straw hut is far more likely to be burnt down than a stone house and therefore the premium payable for it would be

proportionately higher. Now it is obvious that if any five or ten persons join in paying premiums, one or two losses above the average may exhaust all the funds and bring their society to bankruptcy. But when a large number of members join, the total losses are more likely to be near the average and the position of the society is safer. For this reason no society should be started unless at least 100 cattle are insured in it. But the principle of large numbers must not be extended too far, because on the other hand it is absolutely essential to keep the organisation cheap and simple and subject to easy control. The insured animals should be always under the society's eye to avoid any trickery and therefore the area should be small. All the cattle should be admitted only after careful examination by the committee and experts and should be liable to be watched. The members who should number at least 12 must be able to see that the rules for keeping cattle are regularly complied with. To keep expenses low the committee must work gratuitously and therefore cannot be expected to spare time for travelling about and supervising a very large number of cattle.

4. *Practical example of insurance.*—The working of a society can be best understood by a simple practical illustration. Let it be supposed that there are 100 cattle insured of an average value of Rs. 60 and 80 of an average value of Rs. 40. This means that the total value to be insured is Rs. 9,200. If the premiums on the cattle are calculated at 5 per cent. of this value, the total annual income of the society would be Rs. 460 which is a sufficient sum to pay compensation for 11 of the Rs. 60 animals or 17 of the Rs. 40 animals, provided that in accordance with by-law 5 only $\frac{2}{3}$ of the estimated value is actually paid as compensation. Of both classes of cattle together, compensation could be paid for 14 head. Now if losses due to the causes mentioned in by-law 4 are excluded, the death rate ought very rarely to exceed 5 per cent. (in Europe the mortality is as low as 3 per cent.) and therefore not more than 9 cattle should ordinarily die. The unexpended balance of the premiums would remain with the society and go to the reserve fund as security against bad years and epidemics.

5. *How to fix the premium rate.*—It is obvious that the amount of premium charged will depend on the probable mortality among the cattle insured. It is therefore very necessary to estimate the death-rate as correctly as possible. In India there are no accurate and complete statistics available upon this subject, and even if there were, the death rate varies so much from district to district that they would have

to be accepted with great caution. Each society must try to fix its own premium rate. As a general guide the premium suggested in by-law 20 has been fixed at 5 per cent., but on good reason being shown, the Registrar is prepared to assent to a higher or lower rate if desired. In fixing the rate, the following points among others must always be taken into consideration :—

- (1) What risks are the cattle to be insured against? As far as possible, in order to prevent disappointment to insurers, all risks should be accepted, even epidemics, otherwise there is room for trickery, discontent and disputes about the real cause of death. A few special exceptions have been made in model by-law 4, but the number of exceptions should be kept down as much as possible.
- (2) What diseases are specially common? Besides ordinary non-infectious diseases, the chief epidemics that cause death among cattle in India are—
 - (a) *Rinderpest*.—This disease kills about half the cattle which it attacks in the plains and nearly all in the hills. Therefore in hilly tracts either cattle insurance societies should not be started, or they should exclude death by this disease from the risks insured against. Where it is common, young cattle die from it more usually than old ones, and it might be well to raise the minimum age for insurance under model by-law 3, and to insist on preventive inoculation under by-law 4 (c) as soon as the disease appears in the village.
 - (b) *Hæmorrhagic septicæmia*.—This disease usually attacks buffaloes, and it would be prudent to exclude them altogether from societies in Northern Gujarat and other places where the disease is common. The best way to stop it spreading is to clean the byres of the cattle thoroughly every day and to provide them with clean water to drink.
 - (c) *Anthrax* occurs principally in the Karnatic and kills about 90 per cent. of the cattle attacked by it. It is not common among buffaloes. It can be checked by cleanliness and preventive inoculation.

- (d) *Black-quarter* attacks chiefly young animals up to four years of age. Adult animals are not so susceptible except in a few notorious places and may be protected by vaccination.

Foot and mouth disease, parasites, errors of diet, accidental poisoning, famines, etc., are fair risks, and societies must be prepared to cover them. To assist honorary organisers in recognising the above diseases, a list of their local names is added in an appendix.

- (3) The availability of veterinary assistance.—This is most important among the societies first started, as without the help of a veterinary graduate the causes of death will often be wrongly diagnosed by the Committee members and the proper measures on the appearance of an epidemic may be neglected with disastrous results to the society. The Superintendent, Civil Veterinary Department, has kindly promised to direct his staff to keep a special watch over cattle insurance societies. It is intended for the first few years that the veterinary graduates, where they will accept the post, should be invited to be the Honorary Chairmen of Societies. In such cases by-law 32 (b) should be omitted and the words "with Mr. Veterinary Graduate as Chairman" added to by-law 31 (a).
- (4) The amount of indemnity to be paid.—In the case of human beings the full value insured is paid because it can always be assumed that they avoid death as far as they possibly can. The same is not true of cattle. Owners might often be tempted fraudulently to cause the death of their stock. Therefore under model by-law 5 only $\frac{2}{3}$ of the estimated value has been suggested as the amount of indemnity.

6. *Liability of members.*—It may happen that the indemnities falling due exceed the capital that has been accumulated by means of premiums, and this is not unlikely to happen in the early years of a society before adequate capital and reserve fund have been obtained. In such a case three courses are open. The members might introduce a by-law providing that every claimant should receive a proportionately reduced premium at the end of the quarter (as in model by-law 30) or that the members should be bound to make good the deficit by a contribution all round, or they might induce some charitable body or famine

relief fund to guarantee to make up the sum by a contribution. If the first course is adopted the members are free from all liability (as in by-law 26).

7. *Administration.*—The success of the society will depend chiefly on the ability of the valuation committee of the experts mentioned in by-law 14. It is the business of this committee to value all cattle annually and to fix their age on admission. Once the age has been fixed and accepted, it cannot subsequently be called in question by either party. When death occurs one or more members of the committee must always see the carcase and must give a certificate stating what in his opinion was the cause of death. The Managing Committee, if they doubt the certificate, must themselves see the carcase and examine the owner before refusing to accept it. Once death has been admitted, the indemnity is payable by the Secretary in cash at the end of the quarter. The Managing Committee will supervise the decisions of the Committee of experts and verify them when in doubt. It is their business to make any sanitary rules that may be necessary and to see that all insured cattle are properly looked after.

8. *Organisation.*—Any group of cattle owners desiring to form a society should first consult the Registrar or local Honorary Organizer or the Graduate in charge of the nearest Veterinary Hospital who will visit the village. They should call an informal meeting of persons owning altogether not less than 100 cattle, and after making such alterations in the model by-laws as are necessary to meet local conditions, at least 12 of them should sign 2 copies of the proposed by-laws and should fill up one copy of Schedule A. These should be submitted to the Registrar together with a report stating the number of cattle to be insured and the name and address of the person to whom account forms, etc., are to be sent by V. P. P.

9. *Account Forms.*—Insurance Societies must maintain the Members' Register, the Cash Book and the Expenses Account in the usual forms, supplied from the Registrar's office. In addition to these the following special forms are required.

I.

Ledger Account.

Name of Member

Premium rate :

Per cent.

Serial No.	Kind of beasts.	Age.	Colour.	Description.	Value fixed by committee.	Amount of premium paid in advance.	Period of insurance.		Remarks.
							From	To	
1	2	3	4	5	6	7	8	9	10

No animal is insured and no entry should be made in this ledger until the premium fixed by the Committee has been duly paid. The date in column 8 should be the date on which the premium is paid and should correspond with a simultaneous entry in the Cash Book. Beasts may be insured from any date to any date, at the wish of the insurer, provided that the total period must be either half a year or one year.

II.

Policy No.

The _____ Cattle Insurance Co-operative Society Limited, hereby undertakes to pay the sum of Rs. _____ on the death of the beast described below:—

Kind of beast.	Age.	Colour	Description.	Name of owner.

Subject to all the conditions and restrictions laid down in the Society's by-laws, provided that the death occurs between the dates of _____ and _____, in consideration of which undertaking the insurer has this day paid the sum of _____ as ^{yearly}/_{half-yearly} premium.

(Signed)

Chairman._____
Secretary.

This policy should be drawn up as soon as the first premium is paid, and one copy kept by the society and one copy given to the insurer.

III.

Register of Policies.

Number of policy.	Name of Insurer.	Value of beast insured.	Amount payable in event of death.	Period of policy.		Remarks.
				From	To	
1	2	3	4	5	6	7

This Register should be filled up as soon as the policy has been prepared. Its object is to show the society at a glance what is the total amount of its liabilities. As soon as the period, mentioned in column 6 has expired, the insurance ceases (subject to the exception made in by-law 16), and the whole entry should be scored out by the Secretary with a red line.

I.—Model By-laws.

1. The society shall be called the _____ Cattle Insurance Co-operative Society, Limited. Its registered address shall be _____

2. The object of the society is to provide for its members an indemnity in case of the loss of draught cattle by death from disease or accident.

II.—Scope and conditions of insurance.

3. The society will accept for insurance healthy bullocks and male or female buffaloes between the ages of 4 and 12 years. Any animal may be admitted that has six permanent incisor teeth.

In the case of animals insured for the first time the insurance will not come into force until 10 days after valuation and registration.

4. The society will pay indemnities for the death of all animals except those dying from the following causes :—

(a) War, riot and rebellion.

(b) Theft or loss by straying.

(c) Journey by railway.

(d) Act of a third party who is legally liable to pay compensation to owner, unless, with the approval of the Managing Committee and the Registrar, the society voluntarily accepts the liability.

(e) Contagious disease, where the member has failed to carry out any prophylactic or curative measures advised by the Veterinary Department, provided that they have been accepted by the committee and communicated to the owner by it in writing.

5. The indemnity payable shall be two-thirds of the value of the animal as fixed at the last annual valuation, subject to the provision that it shall in no case exceed Rs. 100.

6. The owner is bound to inform the managing committee of all cases of illness as quickly as possible, and to carry out its suggestions for treatment.

7. If the managing committee think veterinary assistance necessary they may call in the veterinary assistant. If they are required

by the Superintendent, Civil Veterinary Department, to pay the expenses of the visit, the amount shall be borne equally by the society and the member.

III.—Membership.

8. Membership of the society shall be confined to residents in the village of _____ and in the villages of _____ lying within a radius of 3 miles of it.

9. All respectable persons, above eighteen years of age, who own draught cattle in the village are eligible for admission. The application for membership must be signed by the member and approved by a majority of the managing committee. An entrance fee of Re. 1 must be paid.

10. A member may resign his membership, with the approval of the committee, after three months' notice, provided that he has first discharged all his liabilities to the society.

11. A member may be expelled or fined by the managing committee subject to appeal to the next general meeting for ill-treatment of cattle, fraud, or deceit, or breaking rules, or refusing to carry out the sanitary orders of the committee.

12. On the withdrawal or expulsion of a member any policy held by him is immediately rendered void.

IV.—Valuation.

13. An owner wishing to insure any of his cattle shall declare the age, value and description of the beast; deceit in this declaration, if it misleads the valuation committee, will invalidate the insurance.

14. The value of each beast accepted for insurance shall be fixed annually by the valuation committee (appointed under by-law 31 (b)). The age shall be fixed on admission and shall be subsequently indisputable.

15. All insured cattle shall be branded with the society's mark on the right fore foot and their description registered.

16. Animals in bad condition or of more than 12 years of age shall be refused admission, or, if already insured, re-insurance at the end of the year, provided that if any animal rejected under this rule dies within one month of the date of rejection, the owner shall receive three-fourths

of the indemnity that would have been payable immediately before the rejection.

17. Animals bought to replace animals sold can be substituted, provided their value is practically the same.

18. No refund of premium is allowed if the animal insured is sold by the owner. The policy will continue in force provided that the animal is not removed from the village.

19. The valuation committee shall not value their own cattle. This shall be done by the managing committee.

V.—Funds.

20. The annual premium shall be 5 per cent. of the value of animals as annually determined by the valuation committee. The premium shall be payable in advance in two half-yearly instalments on April 1st and October 1st.

21. If any premium is overdue by more than 30 days the policy lapses and the member can get no indemnity.

22. If a member wishes to move any insured beast for more than 7 days not less than 10 miles beyond the limits of _____, he is bound to inform the managing committee and to pay such enhanced premium (if any) as it may fix.

23. The funds of the society shall be :—

- (1) The general fund, *i.e.*, the amount received on account of premia during the previous and current year.
- (2) The reserve fund, which shall consist of :—
 - (a) Fines.
 - (b) Entrance fees and donations.
 - (c) Net balance for the year before last remaining over after paying all dues.
 - (d) Interest on any sum invested.

24. At least half of the reserve fund shall be deposited on one month's notice in the Bombay Central Co-operative Bank. The remaining funds shall be kept in the Post Office Savings Bank.

25. The reserve fund can be used for paying indemnities only with the approval of the Registrar after the general fund has been exhausted.

26. The liability of members is strictly limited to the amount of premia payable by them under by-law 20.

VI.—Indemnities.

27. The owner of a beast which has died must inform the secretary of the society of the fact of death within 24 hours. He must produce the carcass before a member of the valuation committee within 48 hours of death, and must answer truly all questions put to him.

28. The indemnity will be payable at the next quarterly meeting of the managing committee after death has been certified by the valuation committee, provided that the claim is admitted.

29. The member may dispose of the skin and carcass.

30. If the funds of the society (both reserve fund and general fund) are exhausted, indemnities for all deaths during the quarter must be proportionately reduced.

VII.—The General Meeting.

31. Within one month after the commencement of each year (April 1st) a general meeting shall be held. Its duties shall be:—

- (a) To elect a Managing Committee of seven members.
- (b) To elect a Valuation Committee of three expert members.
- (c) To receive the Balance Sheets of the previous year as prepared by the Managing Committee, and to pass them.
- (d) To consider the Audit Note and any communication received from the Registrar or any suggestions made by members.
- (e) To hear and to dispose of appeals.
- (f) To appoint a Secretary and to fix his pay and bonus (if any).

VIII.—The Managing Committee.

32. The Managing Committee of seven members, of which three are a quorum, shall perform the following duties:—

- (a) To hear and decide appeals from decisions of the Valuation Committee.
- (b) To elect its own Chairman, whose services shall be gratuitous.
- (c) To supervise the treatment of the animals insured.

- (d) To make sanitary rules which shall be binding on the members, and to fine members sums not exceeding Re. 1 for infringements.
 - (e) To check the Accounts, and to see that no defaults in the payment of premia are allowed.
 - (f) To authorise the secretary to pay indemnities after considering claims.
 - (g) Generally to carry on the business of the society.
33. The Managing Committee shall meet at least once a quarter.

IX.—Amendment of By-laws.

34. Subject to the rules framed by the local Government by-laws can be amended provided that notice of the amendment has been given to the Registrar, the Collector of the District and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

APPENDIX.

*The Common Vernacular Names for Epidemic Diseases in Cattle
in the Bombay Presidency Proper.**Rinderpest.*

In the Deccan and the Konkan.—Devi, Devicharog, Bulki, Bulkandi, Guracharog, Pataki, Hagvan, Darangalya, Musalya, Dhendalya.

In the Karnatic.—Hirebyani, Maribyani, Maharog.

In Gujarat.—Mata, Shili, Shitala, Kaka Balia, Maraki.

Hæmorrhagic Septicæmia.

In the Deccan and the Konkan.—Galsuji, Galphula, and Naradpe.

In the Karnatic.—Cheudurog.

In Gujarat.—Galgotu, Galsunda, Undi, Awari.

Anthrax.

In the Deccan and Konkan.—Goli, Fanshi, Lakhya, Peloo, Sushya.

In the Karnatic.—Gallubyani, Gantlabyani.

In Gujarat.—Bhamariya, Chakrivayu, Hoomada.

Black-quarter.

In the Bombay Presidency.—Dhavra, Ghatya, and Farya.

Foot and Mouth Disease.

In the Deccan and Konkan.—Lal, Khoorkut, Payalag.

In the Karnatic.—Kalbyani, Baibyani.

In Gujarat.—Movasa, Mova, Kharva.

CHAPTER XVII.

STORES SOCIETIES.

1. *Use of Co-operative Stores.*—In country bazars the rates charged by the shopkeepers are often found to be far in excess of any justified by market conditions. Instead of remaining content with a fair commission on their outlay, the savkars frequently form rings in order to control the market, and fix the selling prices of their goods at a figure that secures them a quite exorbitant profit. The purchaser is helpless against them because there is usually no other bazar in the neighbourhood, and because he is often in their debt and therefore not at liberty to deal with other merchants even when opportunity offers. The shopkeepers abuse their power not only by exacting high prices, but by adulterating their goods or by giving false weight or by selling old and rotten stock. These are the evils which co-operative stores are designed to meet. Their primary object is to sell to members goods in general use at the cheapest possible rate. Economy is effected by buying stock direct from wholesale dealers and by keeping down working expenses. Such stores should also of course refuse to countenance adulteration, insist on fresh and sound stock, and make a point of giving purchasers good weight for their money.

2. *How to start Co-operative Stores.*—Stores cannot be managed without constant attention and some business experience. It is not recommended that they should be opened in any town unless the promoters are fairly well educated and include amongst their number some persons who have had experience of retail trade in one of its branches. If such men can be found, the first step would be to arrange an informal meeting and to consider how far the rates charged by the shopkeepers are excessive and what reduction could be expected from wholesale purchases. Having satisfied themselves on this point and having determined roughly on the class of articles in which dealings should be undertaken, the promoters' next step should be to consider how much capital would be required for the business and how much could be raised among themselves and their friends by the issue of shares. After canvassing for capital and supporters, they should arrange a second informal meeting to which the Honorary Organiser of the district might be invited and should then go through the model by-laws. They should fill up the blanks in by-laws 1, 5, 8, 40 and correct the model in any other places where it requires alteration. At least 12 of the promoters should

then sign the form of application for registration and should send it to the Registrar, Co-operative Societies, Poona, together with two copies of the by-laws countersigned by the same 12 persons. The Registrar, after satisfying himself that the papers are in order and that the Society has a fair prospect of success, will register it, and will send the certificate and other papers to the address of the leading promoter, whose name should be reported..

3. *The Management of Co-operative Stores.*—The success of the Stores will depend wholly on the Managing Committee and on the salesman appointed by them. The latter must be a man who can be trusted to work honestly without continual supervision. He should know how to store goods so as to avoid deterioration, to keep accounts, and to please customers. The Managing Committee should meet at least once a week. It should check the stock book, see that the quality of the wares is satisfactory and that the shop is kept clean and tidy, and, most important of all, should pass the weekly indent for fresh stores which should be prepared and put up by the salesman. It is only if the supply of stores is always of good quality, and cheap, and is never allowed to become exhausted, that regular customers will be attracted. Where possible, stores may be bought locally; if ghi, or grain is stocked and if any members are ready to supply it at a rate which the Society is willing to pay, they should be given preference over other sellers. Some sorts of goods can be obtained most cheaply from other co-operative societies. Most Weavers' Co-operative Societies are ready to supply Saris, Khadis, and other woven goods at a reasonable rate. When the Committee does not know how best to obtain any particular article, it can usually get information by writing to the Secretary, Indian Merchants' Chamber of Commerce, Bombay. The Committee must be ready to pay for all stores purchased by it in cash. Otherwise the wholesale dealers will charge heavy interest, which will soon eat up profits. It must always be remembered that the stock in the shop represents locked up capital which is earning no interest. Every sale releases money and also realizes a profit. When an article sold has been in stock for a long time, the profit realized may be swallowed up in the interest due on the money invested in it, and the transaction may end in a net loss. The Committee should, therefore, always aim at a quick turnover and a moderate profit. All sales of goods should be made for cash, or if that is not feasible on very short credit. It should be careful to deal only in articles for which there is a brisk demand. Special arrangements should be made for the early sale of perishable articles. By-laws 36 to 43 contain some rules

on these points, but in practice the energy and common sense of the Managing Committee will have more effect on the success of the society than any number of rules.

4. *Accounts.*—Experience has shown that co-operative stores societies usually keep defective accounts. They do not check their stock sufficiently frequently, with the result that they often find themselves overstocked in some lines and short in others. The cash accounts and the stock accounts are often not maintained in forms that check each other, and this leaves a loophole for dishonesty. For this reason the forms that must necessarily be maintained are set out at length in by-law 50. The Registrar can supply forms 1, 2, 3, 4, 7, 8 and 11 from his standard stock. For forms 5 and 6 stoutly-bound blank notebooks will be found convenient. The two most important forms of all, however, are (9) and (10), which act as an important check on the work of the salesman, and these the society must prepare for itself. It is recommended that the Stock Register be maintained in the following form :—

Stock Register.

Date.	Item.	Ghi.	Shoes.	Lamps	Kerosine	Bajri.	Sugar.	Saria.	Caps, quality A.	Caps, quality B.	Secs.
1st April 1913	Opening Stock	Seers.	Pairs.	No.	Gallons.	Seers.	Seers.	No.	No.	No.	
	Incomings ..										
	Total ..										
	Outgoings ..										
2nd Apl. 1913	Opening Stock										
	Incomings ..										
	Total ..										
	Outgoings ..										

Every kind of article in the shop should have a separate column, and the register should, if necessary, run over several pages. The Managing Committee will frame its weekly indent for fresh stock entirely from this register and ought frequently to check, the balance shown in

the Register with the stock actually found on hand. The incomings should be posted to correspond with the advice notes and bills of the supplying agents, and the outgoings should be extracted every evening from the Sales Register.

5. The Sales Register may be kept in the following simple form :—

Daily Sales Register.

Date.	Article sold.	Quantity.	Cash price paid.	Number of creditor's ledger account.
1	2	3	4	5

A summary of columns 2 and 3 should daily be posted in the Stock Register, in order that there may be no doubt about the amount of stock in hand. Column 4 will of course tally with the daily total entered in the cash book. Entries in column 5 need only be made when sales are on credit, since such transactions must be shown not in the cash book but in the ledger. If the salesman is honest, these two accounts ought to afford a sufficient check on his work. But if other safeguards are required, the Society can protect itself by insisting that a written receipt or cash memo be given for every payment and a counterfoil or carbon duplicate kept on the salesman's record. As the salesman will usually be a busy man, it is recommended that of the forms mentioned in by-law 50 he should be required to maintain only numbers 4, 9, 10 and 11, and that the remainder be handed over to the Secretary of the Society.

BY-LAWS OF THE _____ CO-OPERATIVE STORES
SOCIETY, LIMITED.

I.—Preliminary.

1. The name of this Society is _____ Limited, and its registered address is _____.
2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.
3. The object of the Society is to obtain and supply to its members articles in general use of good quality at a cheap rate.

II.—Funds.

4. Funds may be raised—
 - (1) by the issue of shares or debentures,
 - (2) by receiving deposits,
 - (3) by raising loans,
 - (4) by donations
5. The amount of capital to be raised by shares shall not exceed Rs. _____, without the sanction of the general meeting of the Society. The nominal value of each share shall be Rs. _____. The first general meeting shall decide what sum shall be paid on allotment and by what instalments (if any) the balance shall be called up.
6. Deposits and loans may be received for fixed periods or upon current account at such rates of interest and to such an amount as may be determined by the Managing Committee; provided that the total of loans and deposits shall never exceed eight times the subscribed share capital plus the reserve fund.
7. The funds of the Society when not utilized in its business shall be invested or deposited as required by section 32 (1) (a) (b) or (d) of Act II of 1912.

III.—Membership.

8. No person shall be a member unless—
 - (1) he is a resident in _____;
 - (2) his written application for membership has been approved by an absolute majority of the Managing Committee;
 - (3) he has paid an entrance fee of Rs. _____; and

- (4) he has subscribed to at least one share and paid his instalment within 15 days of allotment.

Members who signed the original application for registration are exempt from condition (2).

9. If a member fails to pay any instalment due on his shares within 30 days of the call, the share or shares in respect of which default has been made may be forfeited and become the property of the society.

10. Any member may withdraw from the society at any time with the sanction of the Managing Committee, but this will not be given while he is in debt to the society or is surety for another member who is in debt.

11. A member of the society may be expelled by a vote of General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is criminally convicted ; or
- (5) if he intentionally does any act likely to injure the credit of the society.

Expulsion involves the forfeiture of all shares held by him.

12. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion ; or
- (4) on the transfer of forfeiture of all the shares held by him.

IV.—Shares.

13. Application for shares shall be made in writing and shall be disposed of by the Managing Committee.

14. The liability of a member is limited to the nominal value of the shares held by him.

15. A member may transfer his share or shares, after holding them for one year, to another member with the approval of the Managing Committee. The transfer is not complete until the name of the transferee

has been entered in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

16. A share certificate bearing a distinctive number shall be issued for every share subscribed.

17. Any member of the society may, by a writing under his hand deposited with the society, nominate any person (other than a servant or officer of the society), to whom the whole or any part of his interest in the society should be transferred in the event of his death. A fee of four annas will be charged for recording such nominations and any subsequent revocation or variation.

18. On the death of a member the amount standing to his credit by way of shares or dividends shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him or in the absence of such nominee to such person as may appear to the Committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The deposits of the deceased may be withdrawn by such heir, only if the period of deposit has expired.

V.—General Meetings.

19. The Annual General Meeting shall be held during the month of April.

20. The functions of the Annual General Meeting are—

- (1) to elect a president for the ensuing year whose duty shall be to preside at General Meetings, to supervise the administration of the society generally, and to summon, through the secretary, general meetings, whenever necessary;
- (2) to appoint persons to audit the accounts of the society during the ensuing year and to fix their remuneration;
- (3) to elect a Managing Committee for the ensuing year and to appoint a secretary and any other officers that may be required;
- (4) to receive from the Managing Committee the balance sheets of the last year and to sanction the distribution of the profits;
- (5) to fix the maximum up to which the Managing Committee may raise funds under by-law 6;

- (6) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward ;
- (7) to consider the sales of the past year and the stock on hand and to determine in what sort of goods dealings shall be carried on during the next year.

21. -A Special General Meeting can be summoned by the President or by a majority of the Managing Committee or on a requisition from the Registrar or from the 25 ordinary members. It shall be the duty of the President to call such a meeting.

22. In the case of an Annual General Meeting 14 days' notice and in the case of a Special General Meeting 7 days' notice shall be given. The notice shall specify the date, hour, and place of the meeting and the business to be transacted.

23. With the permission of two-thirds of the members present at a general meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting, provided that such proposal does not relate to the expulsion of a member or the alteration of a by-law.

24. The President shall have a casting vote, in addition to his ordinary vote.

25. Each member shall have one vote. No proxies are allowed.

26. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a general meeting. If there be no quorum the meeting shall be adjourned for at least 7 days and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VI.—The Managing Committee.

27. The Managing Committee shall consist of not less than five members or more than 7. Three members shall form a quorum. It shall elect its own Chairman, who shall have a casting vote.

28. Subject to the by-laws and the resolutions passed at a general meeting the Managing Committee shall have full authority to carry on

the business of the society. It shall meet for the transaction of the business not less often than once a month.

29. Vacancies on the Managing Committee from death or any other cause shall be filled up at the next ensuing general meeting by election.

30. A committee minute book shall be maintained by the secretary in which the names of members present and the proceeding at each meeting shall be recorded. It shall be open to the inspection of all members.

31. No member shall be present or vote on any matter in which he has a personal interest.

32. The powers of the Managing Committee shall be—

- (1) to appoint, suspend, punish or dismiss all salaried servants of the society subject to by-laws 20 (2) and (3);
- (2) to hear and deal with complaints;
- (3) to examine the stock register, to see that the quality of all articles recently stocked is good, to fix the selling price of all articles in the shop, to increase or reduce the selling price where necessary, to satisfy themselves that all goods in the shop are bought as cheaply as possible, to note whether any articles in stock are deteriorating in quality and to reduce the price accordingly, and to approve orders for fresh stock that may be required;
- (4) to examine and check the accounts, especially by comparing the Stock Register, the Sales Book and the Cash Book;
- (5) to prepare annual balance sheets;
- (6) to enquire into and take action in cases of arrears;
- (7) to raise loans;
- (8) to institute, defend or compromise legal proceeding;
- (9) to test the scales, weights and measures, and to ascertain that there is no avoidable adulteration;
- (10) generally to conduct the business of the Society.

33. An appeal shall lie from all decisions of the Managing Committee to the General Meeting.

34. It shall be the duty of the auditors appointed under by-laws 20 (2) to audit the accounts and documents of the society quarterly; and of the Managing Committee to produce all the requisite books for their inspection.

35. The Managing Committee shall control the secretary whose duties shall be—

- (1) to carry on the correspondence of the society, to attend all meetings of the general body or of the Managing Committee, to record the proceedings of all such meetings and to convey all orders to the officers or members of the society concerned ;
- (2) to receive applications for the payment or withdrawal of deposits, suggestions from members, and other correspondence and to lay them before the Managing Committee for orders ;
- (3) generally to conduct the correspondence of the society and to perform such duties as are assigned to him by the Managing Committee.

VII.—Purchases and Sales.

36. The Managing Committee shall acquire a shop in which the goods of the society shall be stored and exposed for sale.

37. The price of every article shall be clearly written upon it or upon the receptacle in which it is stored.

38. The shop shall be managed by a salesman who shall be appointed and whose remuneration shall be fixed by the Managing Committee. He shall be responsible for maintaining a Stock Register, a Sales Register, a Cash Book, and Ledger account for all members who are authorised to purchase on credit. All sales shall be made and entered in the books by him.

39. All sales shall be for cash only. Goods may be sold to non-members as well as members.

VIII.—Deposits.

40. Deposits may be received at any time within the limits fixed in by-laws 6 and 20 (5) either in current account or for a fixed period. Interest shall be payable half-yearly on April 1st and October 1st.

41. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rates unless the deposit has been accepted by the Committee for a further fixed period.

IX.—Distribution of Profits.

42. The distribution of profits shall be settled at the Annual General Meeting. The balance remaining after carrying 25 per cent. to reserve, and paying a bonus, if any, to the servants of the society, shall be available for paying a dividend on shares and a bonus to regular customers.

X.—Reserve Fund.

43. In addition to the sum prescribed under section 33 of the Act, all admission fees and receipts on account of forfeited shares, fines and donations, shall be carried to reserve.

XI.—Accounts.

44. Accounts and records shall be maintained in the forms prescribed by the Registrar with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign share certificates on behalf of the society. The following forms shall always be maintained :—

- (1) Register of members, including nominations of heirs.
- (2) Register of shares.
- (3) Share Transfer Register.
- (4) Cash book.
- (5) Minute book of General Meetings.
- (6) Minute book of Managing Committee Meetings.
- (7) Deposit Account.
- (8) Expenses Account.
- (9) Stock Register.
- (10) Daily Sales Account.

45. Before April 15th annually, the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government Auditor.

XII.—Amendments of By-laws.

46. Subject to the rules framed by the local Government by-laws can be amended, provided that notice of the amendment has been given to the Registrar, the Collector of the District and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

CHAPTER XVIII.

WEAVERS' SOCIETIES.

1. *State of Hand-loom Weavers.*—In Bombay Presidency the weaving industry is second in importance only to that of agriculture. At the last census it was found that no less than 808,000 persons were employed in textile manufactures, and subsidiary industries. Weaving mills have made great progress during the last decade and the pressure of their competition is making it more and more difficult for the hand-loom weaver to maintain himself. Though hard hit, he has not however yet succumbed. In many districts the cloth of the hand-loom weaver is preferred for its superior wearing qualities and its more popular patterns, and this is particularly the case with regard to silk work. In 1911 there were in the cotton industry one hundred and ninety-three thousand workers in mills as against two hundred and sixty-seven thousand home workers, and in the silk industry two thousand mill workers as against twenty-three thousand home workers. These figures show that the home industry is very far from dead. If, however, the hand-loom weavers are to survive the effects of the fall in prices brought about by the power looms, they can only do so by adopting any modern improvements in the form of their looms that will enable them to increase their output, by buying their yarn in the cheapest market, and selling their cloth to the best possible advantage.

2. *Improved Implements.*—Government is taking measures to popularise, as far as possible, the most useful modern improvements. The Director of Industries is prepared to send an expert weaver to any weaving centre at which his presence is required to demonstrate to the weavers the advantages of the improved fly shuttle loom and dobbie, to explain which are the cheapest markets in which to buy the yarn in local use, and to introduce modern methods of dyeing. Where progress is satisfactory and the new ideas prove acceptable to the weavers, a weaving school may be opened for training their sons. But weavers generally find it useless to adopt improved methods and to increase their production while they continue to depend on their sowkars for advances with which to carry on their business. The sowkars arrange matters in such a way that very little of the increased profit goes to the weavers themselves.

3. *Need of Capital.*—In order to free the weavers from this economic serfdom and to enable them to secure a fair share of the profits of their industry, it is believed that they will find it to their advantage to

establish co-operative societies in as many centres as possible. The first object of these societies is to grant them cash advances on easy terms. A weaver has generally to spend Rs. 25 to Rs. 50 per loom per month in the purchase of yarn. The sowkar usually advances this yarn to him at an interest of about 18 per cent., and insists also on his selling the manufactured cloth to him at such rate as he may decide. Very few weavers are rich enough to buy yarn out of their own capital and to carry on business independently of the sowkar. The Co-operative Society will take the place of the sowkar, and its result will be not only that weavers will obtain loans at easy rates, but that such profits as accrue will belong to the weavers themselves jointly instead of falling into the hands of the sowkars.

4. *Registration of a Society.*—These societies should be formed in the same way as cash societies in the first instance. Members from the weaving classes should be induced to band themselves into a society and the liability made joint and unlimited. The model by-laws should then be considered and after they have been corrected to meet the wishes of the members, two copies should be signed by at least 12 applicants. The usual form of application should also be filled up and submitted along with the by-laws to the Registrar for registration. As soon as the registration certificate is received, the society should hold its first meeting and should elect its Managing Committee, and adopt the registered by-laws. Its most important duty will be to decide how funds are to be raised. The members themselves should deposit such sums as they can afford, and should fix the rate that they will pay on deposits at 5 or 6 per cent.; they should also try to obtain loans from sowkars and local gentlemen. In the case of weaving societies, Government is for the present ready to grant loans free of interest for 3 years, equal in amount to the sum collected by the society as deposits. Further funds can be accumulated as the society acquires credit.

5. *Cash Advances to Members.*—In order to make a success, the Managing Committee of the society must pay particular attention to the following points. Loans should be lent to weavers for short periods only, usually not more than 2 or 3 months, and collected promptly with their interest. Loans should be lent for productive purposes, e.g., purchase of looms, yarn, or utensils and not, while the society is young, for marriages, law court expenses, or old debts. Two trustworthy sureties should be required for every loan. The Committee should see that the advance is used for the purpose for which it is given. The number

of looms owned by each member should be recorded and should be taken into consideration in sanctioning a loan. Fresh loans should not be granted until previous loans are repaid and no loans at all should be given to habitual defaulters.

6. *Supply of Yarn.*—When the society has started business on a cash basis, and the members have begun to understand what is meant by co-operative methods, it should then consider the question of purchasing yarn wholesale for retail at the lowest possible rates to its members. Different brands, counts, and colours of yarn should be tested, and when the weavers are satisfied with the quality and price, a few bundles should in the first instance be ordered as a sample. In order to make yarn purchase a success the following points must be borne in mind. The yarn should be of a kind fully approved of by the weavers. The members must bind themselves to use the yarn when it arrives and to accept advances in it instead of in cash. The society must be able to pay promptly and in cash for the bundles purchased, otherwise the commission agents will refuse to continue to supply their orders. The members must understand that the price of the yarn supplied by the societies cannot fluctuate with the market. Usually it will be less than the market rate, but occasionally it may be higher. The society will charge the cost price of the yarn plus the expenses of transit and storage. It will make no profit on the yarn dealings itself, but will be content with charging interest on the price of the yarn advanced from the date of the advance up to the date of repayment. It should be remembered that a room is required for the storage of the yarn, and that the Secretary, who has to buy it from the mills, and to distribute it in the form of advances to members, should be a competent business man. Before starting a yarn branch, societies are advised to apply to the Registrar to send down a Weaving Expert Assistant to help them with the preliminary arrangements.

7. *Sale of Cloth.*—Having made cheap loans available to its members and arranged for the supply of yarn at wholesale prices, the society should, after a further interval, consider whether it cannot open a shop at which the cloth of its members can be sold to the public. While the sowkar controls the sale, he can probably find a way of keeping the greater part of the profit for himself. Model by-laws 22, 23 and 24 contain rules for meeting this difficulty as far as will be feasible at first. But the only way by which weavers can make sure of getting for themselves all the profit that they have earned is by starting a shop of their own. This

Dr.

Deposits re- turned to members. 12	Deposits re- turned to non- members. 13	14 Loans.			Purchase of yarn. 15	Dividend and bonus. 16	17 Other items.				Total. 18	Balance for the next day. 19	Remarks. 20	
		Cash.	Yarn on credit.	On hypothe- cated cloth.			Salaries.	Contingen- cies.	Miscellane- ous.	Draft and draft dis- count.				

In filling up the day book, societies doing cash loan business only may leave blank column 8 on Cr. side and sub-column 2 of column 14 and column 15 on Dr. side.

10. *Deposits.*—In the day-book column 4 includes current as well as fixed deposits from non-members and column 5, from members. Column 4 would also include loans received from Government and financing institutions, the repayments of which will appear in column 13. A depositor's account with the society will be maintained in the following form:—

(2) *Depositor's Account.*

Name _____

Date.	Rate of interest.	Fixed Deposit.				Current Deposit.			Signature of depositor.
		Amount deposited.	Date of with- drawal.	Amount with- drawn.	Balance.	Amount deposited.	Amount with- drawn.	Balance.	
1	2	3	4	5	6	7	8	9	10

11. *Loans.*—Column 14 of the day-book includes all cash loans advanced to members. Sub-column 1 of column 14 should also include deposits and investments made by the society in other institutions. Column 6 of the day-book is intended to show recoveries of loans

advanced to members and withdrawals of deposits and investments in other institutions. A register in the following form will be filled up in the society's office in the case of all members taking loans from the society. The Managing Committee should always examine this form in order to ascertain that recoveries are made punctually.

(3) *Loan Account.*

Name _____

Date.	Amount lent.	Date of payment.	Amount due.		Date of payment	Principal.	Interest.		Signature of member.
			Principal.	Interest.			Usual.	Penal.	
1	2	3	4	5	6	7	8	9	10

12. *Yarn, etc.*—When yarn is purchased, the advice notes and bills should be posted in columns 1, 2, 4, 5, 6, 7 and 8 of the following form and column 9 should then be filled up :—

(4) *Yarn Purchase Register.*

Date of purchase.	Serial No.	Ledger No.	Name of merchant.	Description of goods.	6 Quantity.		Rate.	Amount.	9 Other expenses.		Total.	Remarks.
					Bundles.	Hanks			Rail.	Cost.		
1	2	3	4	5	6	7	8	9	10	11		

13. When yarn is sold to members and non-members the transactions are noted in detail in the following form :—

(5) *Yarn Sale Register.*

Date of sale. 1	Serial No. 2	Name of person. 3	Description of goods. 4	5 Quantity.		6 Price of goods sold.			Total sale since last April. 7	Remarks. 8
				Bundles.	Hanks.	Cash.	Credit.	Total.		

14. When the yarn is given on credit to any member it is noted in the subjoined form, which expands sub-column 2 of column 6 above. Form (3) relates to loans in cash and form (6) to loans in yarn or kind. The same advance should not be entered in both these accounts :—

(6) *Ledger of Yarn sold on Credit.*

Ledger No. _____ of _____
Limit of credit _____

Date of sale. 1	Sale Register No. 2	Description of goods. 3	4 Quantity.		Price. 5	Signature. 6	Date of payment. 7	8 Period of credit.		9 Amount to be returned.			Balance due. 10	Remarks. 11
			Bundles.	Hanks.				Months.	Days.	Principal.	Interest.	Total.		

In the day-book, yarn sold on credit should be noted in sub-column 2 of column 14 and this should correspond with form (6).

15. Societies should maintain stock Register of yarn in the following form. The Committee should from time to time check the stock and write off any small differences due to the ordinary accidents of trade:—

(7) *Stock Register of Yarn.*

Date.	Item.	*												Remarks.	
		†													
		Bundle.	Hank.	Bundle.	Hank.	Bundle.	Hank.	Bundle.	Hank.	Bundle.	Hank.	Lbs.	Tolas.		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1st April.	Opening balance														
	Receipts.														
	Total Outgoings.														
2nd April.	Balance														
	Receipts.														
	Total Outgoings.														
	Balance ..														

* Brand and colour of cotton yarn and silk. † Count of cotton yarn.

After the column 2 the society should maintain as many columns as there are varieties of yarn and silk, etc., in which it deals.

Every day's receipts and outgoings can be written up from the yarn purchase and sale registers (Forms 4 and 5).

In ordering a fresh stock of yarn, silk, etc., the Managing Committee should always have this register before it and should see that the stock is not allowed to become exhausted before a fresh consignment is received

16. Societies should maintain a General Receipt book in the following form instead of keeping cash vouchers for petty cash transaction :—

(8) *General Receipt Book.*

Date.	Name of person receiving payment.	Reason of payment.	Amount.	Signature.	Signature of the Secretary.	Remarks.
1	2	3	4	5	6	7

17 Societies which accept the manufactured cloth of members or deposit for retail sale and which advance fresh loans to such members against the cloth deposited will need to maintain three more books in the following forms, which are self-explanatory :—

(9) *Register of Hypothecated Cloth.*

Date of Hypothecation.	Serial No.	Name of the person hypothecating.	Description of hypothecated cloth.	Quantity.	Loan Register No.	Remarks.
1	2	3	4	5	6	7

(10) Ledger of Hypothecated Cloth.

1 Date of hypothecating cloth.	2 Hypothecated cloth Register No.	3 Description of cloth.	4 Quantity.	5 Approximate price.	6 Amount taken as loan.	7 Signature of person taking loan.	8 Date of payment.	9 Period of loan.		10 Amount recovered.			11 Balance.	12 Remarks.
								Months.	Days.	Principal.	Interest.	Total.		

(11) Receipt Book of the hypothecated cloth returned.

1 Date.	2 Hypothecated cloth Register No.	3 Name.	4 Amount to be recovered.		5 Total.	6 Signature of the owner.	7 Remarks.
			Principal.	Interest.			

As soon as the cloth is received it is shown in the Register of hypothecated cloth and in the ledger columns 1 to 7. When payment is received and the cloth returned to the owner entries are made in the receipt book and columns 8 to 12 of form (10).

MODEL BY-LAWS.

Weavers' Co-operative Society.

1. This society shall be known as the Weavers' Co-operative Society, Unlimited, and its address shall be

2. The object of the society is to improve the condition of the weavers residing in With this object it may raise funds and use them in granting cash advances to weavers, in purchasing raw material at wholesale rates and retailing it, in purchasing improved machinery to be sold or to be hired out to its members, in granting advances to members on the security of the cloth woven by them, in buying and retailing improved dyeing materials, and in any other way conducing to its main object.

Funds may be raised by—

- (1) entrance fees,
- (2) deposits,
- (3) debentures of Rs. 5 each, bearing interest at per cent.,
- (4) outside loans.

The total amount so raised shall not exceed Rs.

Membership.

3. Any person over 18 years of age residing in may become a member provided that he pays an entrance fee of Rupee one and is duly approved by the Committee, and provided that not less than three-fourths of the total number of members are *bonâ fide* weavers. All persons signing the registered copy of the by-laws are original members, exercising full powers of membership after paying their entrance fees.

4. Every member shall be jointly and severally liable for all the debts of the society.

5. No member shall be admitted by the Committee unless he applies for membership in writing and unless two other members will vouch for his honesty and stand surety up to two years for the due repayment of all debts that he may owe to the society.

6. A member may be expelled by the General Meeting for frequent default or for conduct injurious to the general credit of the society

7. No member may resign his membership without the approval of the Committee which shall only be given when all his liabilities have been paid of.

8. A member removing his residence from _____ shall cease to be a member as soon as his liabilities are paid off.

Management.

9. A General Meeting shall be held annually in the month of April and on any other occasions that may be necessary. The meeting shall appoint its own chairman. Two-thirds of the total number of members or 25, whichever is less, shall form a quorum.

10. The duties of the Annual General Meeting are :—

- (1) to elect a committee, choosing if necessary one member to represent each ward or street;
- (2) to receive the accounts of the past year from the retiring committee;
- (3) to decide what branches of business shall be undertaken during the forthcoming year and to allocate funds for carrying them on;
- (4) to pass resolutions limiting the amounts and periods of loans repayable to members, fixing the rates of commission to be charged by the society on the sale of yarn, and regulating the general business of the society;
- (5) to consider the Registrar's annual audit memo. and any other communications from him;
- (6) to dispose of such business as may be laid before it by the Committee.

11. A 10 days' notice of a General Meeting shall be given. The notice shall state the business to be transacted. Each member shall have one vote only. The Secretary must summon a special general meeting within one month on receipt of an order from the Managing Committee or a requisition from the Registrar or a formal request signed by 15 members. The notice summoning the meeting should state the place, time, and business to be transacted.

12. The Committee shall consist of 5 members, elected annually, and shall elect its own chairman. If one resigns or dies, the Managing Committee may choose some one in his place.

13. The duties of the Committee are—

- (1) to raise funds as loans and deposits up to a maximum of Rs. ;
- (2) to determine the rates of interest to be allowed on such loans and deposits and to be charged from members on advances made to them ;
- (3) to appoint or dismiss a secretary, to fix his remuneration and to determine his duties ;
- (4) to carry on the business of the society with regard to the purchase and sale of yarn, other materials, improved looms, dyeing appliances, etc. ;
- (5) to receive and dispose of applications for loans in cash or advances in kind ;
- (6) to arrange for the safe custody of the funds and other property of the society, and to see that all prescribed accounts are duly maintained ;
- (7) to take action for giving effect to suggestions received from the Registrar, Auditor or Inspector ;
- (8) generally to conduct the whole business of the society subject to the by-laws and to any resolutions passed in the General Meeting.

14. Each member shall have one vote, and the chairman a casting vote. Three members shall form a quorum. Meetings shall be held not less frequently than once a fortnight for the disposal of business.

15. The cash balance of the society shall be deposited in the Post Office Savings Bank or in any other bank approved by the Registrar.

Raw Material.

16. The Committee may purchase such yarn and other raw material as they consider to be necessary, at such times and such rates and from such places as seem to them proper, subject to the proviso that they shall not buy anything for which they have not means to pay in cash. The Secretary will be responsible for keeping the raw material safe and the stock shall be checked by the Managing Committee at least once every three months.

17. Raw material shall be advanced to members at such prices and on such terms as the Committee from time to time determine, but

the value of it shall not exceed Rs. _____ for each loom held by the borrower.

18. Members are bound to repay the value and interest charged on such advances out of the profits realised by the sale of the article manufactured from the raw material advanced and no further advance shall be granted until this is done. Cases falling under by-law 23 are excepted from this rule.

19. A member is liable to a fine not exceeding Rs. 5 at the discretion of the Committee, if he applies raw material to any purpose except that for which it is advanced.

Cash Advances.

20. The Committee may make cash advances to weavers who are members at a rate of 1½ pies per rupee per month. Such advances shall not ordinarily exceed Rs. 10 for each loom possessed by the borrower, and shall be given on the security of two personal sureties or of immoveable property.

21. Loans shall not exceed Rs. 50 at a time, nor be given for a longer period than 6 months, except when they are made for the liquidation of old debt. No further loans may be granted to members in default.

Finished Products.

22. In cases where members sell their finished cloth to dealers, the repayment of the loan from the society with interest shall be the first charge on the sale price.

23. Where the market is bad and no remunerative sale price can be obtained a member may deposit the finished product with the Managing Committee who shall advance to him an amount not exceeding 80 per cent. of the estimated value of the cloth at a rate of 1½ pies per rupee per month.

24. Advances under by-law 23 shall be made for periods not exceeding 4 months. If the advance is not repaid within that period, the cloth deposited shall become the property of the society and be sold by the Committee, after giving notice of 15 days' grace to the depositor.

Miscellaneous Activities.

25. With the previous approval of the General Meeting the Managing Committee may undertake the opening of a retail shop, the purchase

and retail of fly-shuttle looms, or of any other weaving or dyeing utensils, the hiring out of such utensils belonging to it or any other branch of work which is likely to be useful or profitable. But before doing so it must draft rules for the conduct of such business and submit them to the Registrar for approval.

Profits.

26. After paying all interest due on borrowed capital and all working expenses, the General Meeting shall carry the whole net profit earned to reserve. The reserve fund is one and indivisible and belongs to the society. It shall only be drawn upon to make good any losses incurred.

Miscellaneous.

27. As the society is intended to secure the mutual benefit of the members by co-operation, it is desirable that private disputes among them should be referred to the Committee for amicable settlement.

28. A copy of the annual balance sheets shall be sent to the Auditor in charge not later than April 30th.

29. By-laws may only be amended by a majority of two-thirds of the persons present at a General Meeting of which full notice has been given, and with the sanction of the Registrar.

(Signatures) (1) _____
 (2) _____
 (3) _____
 (4) _____
 (5) _____
 (6) _____
 (7) _____
 (8) _____
 (9) _____
 (10) _____
 (11) _____
 (12) _____
 (13) _____
 (14) _____

CHAPTER XIX.

HOUSING SOCIETIES.

It is a fact beyond dispute that in Bombay City and most other large towns house-rents show a tendency continually to rise, and that this rise, coupled with the recent sharp rise in the price of food and fuel, is pressing very hard on the middle and lower classes. The pinch is felt more keenly by that section of the middle-class which is engaged in clerical work and whose salaries have remained almost stationary, than by mill-hands and artisans whose wages are constantly going up. Though there is an urgent need to set up a higher standard of domestic comfort and hygiene among the labouring classes and gradually to improve the slum conditions under which most of them have to live, it is probably even more urgent to devise some means of preserving to the middle-classes the standard to which they are already accustomed and to save them from having to abandon the decent and sanitary conditions of housing which reasonable self-respect requires. The object of co-operative housing schemes on the co-partnership model, which are alone dealt with in this leaflet, is to enable the middle classes to secure dwellings for themselves in reasonably pleasant and healthy surroundings at a rent which is not beyond their means.

2. Co-operative housing schemes are still unfamiliar to India, and no general and spontaneous demand for them can be expected without much propagandist labour. If one or two members of a community conceive the idea of forming a housing society, their first step therefore must be to find associates in their plan and to get them to support it in earnest. It is of the first importance that the members of a society should be bound to each other by common interests and pursuits, and therefore they should, as a rule, belong to a single community, caste, class or profession, and should be of about the same social standing. By this method of selection vegetarians can avoid living next to meat-eaters, lovers of European music can escape a neighbour who practises Indian music, and so forth. The amenity of a home is immensely increased by congenial neighbours. Those classes which are suffering most from high rents or congested quarters, or amongst which the spread of modern education has roused

a keen desire for better conditions of life, are the most likely to throw themselves zealously into such a scheme. Before any overt action is taken, the first step should be to discover a nucleus of persons who are ready to give time and money in order to secure the sort of houses they require.

3. The particular type of co-operative housing here recommended is known as Tenant Co-partnership. It has been tried in England with great success, and the experience gained there is worthy of study. The promoters of such schemes are advised to join the Bombay Co-operative Housing Association (address:—The Hon. Secretary, c/o City Improvement Trust, Bombay. Subscription: Rs. 5) which has been formed with the express object of helping and advising enquirers in connection with such schemes, and to make use of its library of books on this subject. Tenant co-partnership is intended to meet the needs of those persons who are not in a position to purchase or own an independent house. The members join together to own a house or houses in common, each tenant advancing in the form of share money a part of the cost of the house in which he resides, the balance necessary being raised by the society in the form of loans or debentures. The houses built by the society are owned jointly by all the members not individually by any of them, and are therefore kept up well. The landlord's profit is abolished and rent is fixed on the lowest possible scale, and not liable to be raised by competition. Although a member is part owner of the house in which he lives, he is not tied down to remain in it, and may on his departure realise the amount invested by him in the building from the in-coming tenant or from the society. His shares may be transferred by sale to other members as provided in the rules, and his loan stock may be sold to outsiders. The attached set of draft by-laws are recommended as a model for use in India. The promoters should appoint from among themselves a provisional committee with instructions (1) to select a suitable site; (2) to obtain plans and estimates for suitable buildings; (3) to devise a scheme for raising the necessary initial capital; (4) to forecast the annual balance sheet of the society, if their scheme is adopted, and (5) to prepare a suitable set of by-laws on the tenant co-partnership model. The results of these preliminary measures should be placed before a meeting of all the members before a formal proposal for registration under the Co-operative Societies Act (II of 1912) is sent up to the Registrar.

Principles of co-partnership.

4 The site chosen for the society's building will, as a rule, be in the suburbs where more open spaces are available and ground rents are lower. In selecting the site the provisional committee should attend firstly to the scale of ground rents prevailing in the neighbourhood, and, secondly, to its facilities of access. The locality should be well served by trains or trams and cheap fares should be available so that the extra cost of transit to their place of work should not more than counterbalance the saving effected by members in their rent. Thirdly, the proximity of a suitable market should be noted. Fourthly, educational facilities should be available for the children of residents. Fifthly, the site should be as healthy and open as possible, while the distance of dispensaries, parks, libraries, public gardens, etc., deserves attention. Sixthly, if a considerable area is taken up by the society, the possibility of getting the Municipality to open up the site with new roads and a good lighting system should be considered. Of all these points however ground rent is in big cities by far the most important, and should be the determining factor in the final selection.

5. The nature of the building erected must depend entirely on the finance of the scheme and it is impossible to prescribe details in advance. The promoters will find that it is by no means easy to design buildings of which the rent will not exceed that of similar buildings in the neighbourhood. The society by setting aside a substantial part of its holding for gardens, fresh air and light, to that extent raises the ground-rent on the area actually built upon. The cost of labour and materials is constantly rising, and the interests payable on the increased capital invested makes it necessary to charge rents substantially higher than those asked for houses built a decade earlier. The society must employ a contractor to do the work for it, and as a result pays more than the speculative house-builder who is often himself a contractor, and able to use up materials which he happens to have on hand. The promoters must therefore first ascertain exactly what is the maximum rent per flat or per bungalow which the members are ready and able to pay and roughly what is the amount of accommodation they require. Their whole scheme must start from these propositions, and they must engage a competent local architect to draw up plans and estimates, showing the best that can be done at the figure named. These plans should be submitted for criticism and

advice to the Co-operative Housing Association, who have kindly undertaken to give all help in their power.

6. The question, of course, that the architect will first ask is how much capital can the society place at his disposal, and this point is the most crucial that will face the provisional committee. Capital has to be found for the buildings themselves and their fittings, the outhouses, the compound walls and gates, the laying out of the gardens, paths, etc. The members of the society will not be rich men and it will probably be exceedingly difficult for them to find the money needed. The ways by which they can secure it are :—

How to raise the initial capital.

- (1) Entrance fees and paid up share capital. Generally it will be found convenient to the members to pay up the shares by instalments (by-laws 16 and 17) within a year; and it would be well if instalments were collected and accumulated for at least six months before the building were taken in hand. To encourage members to pay up their shares fully in one instalment, it would be legitimate to offer such subscribers first choice of occupancy.
- (2) By the issue of loan-stock to the public (by-law 26). This stock may be secured on the property of the society and may be held by non-members.
- (3) Loans or deposits on moderate terms of interest from the public or well-wishers or sympathetic co-operative societies. The society would not ordinarily be in a position to pay these off at short notice, and should arrange that they shall be fixed for at least five years.
- (4) Loans for long terms at favourable rates from Municipalities (as is done in Europe), or other public bodies interested in the housing question.

The share-capital will be the basis of the security which the society has to offer and should from the commencement form at least one-eighth of the total capital raised. In order to reduce initial capital expense, societies are advised not to purchase their building site outright but to take it from some public body (e. g., Improvement Trust or Town-planning Committee) on a 99 years' lease with an annual ground-rent. At the same time it is not recommended that in order to reduce the initial outlay, the society should curtail the area taken by it on lease

too much. The land left open round the buildings should be at least equal in area to that built upon, and reciprocal agreements should be entered into with neighbouring landlords that they will not build right up to the edge of their plots.

7. Not only must the committee arrange to raise its initial expenditure, but it must make a careful forecast of the annual expenses and be prepared to meet them. The main items would probably be (a) ground-rent, (b) municipal taxes and water rates, (c) repairs, (d) sinking or reserve fund, (e) fire insurance, (f) contingencies, including lighting of passages and compound, garden, stationery, etc., (g) interest on loan-stock, loans, and deposits, (h) dividends on shares, (i) repairs, and (j) working margin. The whole of these expenses must be met out of the monthly rents paid by members, and these must be so calculated as to equal the recurring expenses and to leave a working margin for errors in the estimate or for rooms standing vacant. The top floor will generally be more desirable than the bottom in big towns, and it will usually be desirable to graduate the rent charged in a tenement building according to the floor occupied. Enquirers will find in leaflet No. 8 of the Bombay Co-operative Housing Association a good concrete example of the way in which the Sarasvat Co-operative Housing Society forecasted its initial and recurring expenses and arranged how they were to be met.

8. The preparation of by-laws is put last because it is of less practical importance than finance, but there is no reason why from the beginning the provisional committee should not be discussing the by-laws and getting them into shape. The draft by-laws, attached herewith, are based on the best English models, adapted to Indian conditions, and will probably be found useful as a basis for the scheme. The crucial points for decision are: (1) what are to be the qualifications for membership (by-law 6); (2) how capital is to be raised (by-laws 3 and 16); (3) what amount of loan-stock shall be issued and on what terms (by-law 26); (4) the constitution of the committee; what powers should be delegated to it and what reserved for the general meeting (by-laws 28 and 39); (5) conditions of tenancy (by-laws 52—57); (6) utilization of profits and sinking fund (by-laws 59 and 60). When the by-laws have been finally settled and the financial difficulties overcome, the Registrar should be asked to supply the promoters with a form of

application for registration, and this form, together with two copies of the by-laws in the language adopted by the society should be signed by at least 12 of the promoters and returned to the Registrar for registration. With the registration papers he will send leaflets containing the different regulations which apply to co-operative societies and miscellaneous information about their privileges and methods of working. The society should then proceed under by-law 27 to hold its first general meeting.

DRAFT BY-LAWS OF THE CO-PARTNERSHIP
BUILDING SOCIETY, LIMITED.

I.—Preliminary.

1. Name and address of the Society shall be the Co-partnership Building Society, Limited.
2. The objects of the Society shall be to carry on the trade of building, and of buying, selling, hiring, letting and developing land for building and to establish and carry on social, recreative and educational work in connection with its tenants.

II.—Funds.

3. (i) Funds may be raised in any or all of the following ways, viz. :—

- (a) by entrance fees,
- (b) by shares or debentures,
- (c) by raising loans, and issuing loan-stock,
- (d) by deposits,
- (e) by donation.

(ii) provided that the total amount under (b) and (c) at any one time shall not exceed *1 lakh* of rupees without the special sanction of a General Meeting of the Society, and that the total amount obtained under (c) and (d) shall not exceed *eight* times the paid up share capital plus the reserve at any one time.

4. *Deposits.*—Subject to restrictions to be laid down by a General Meeting, the Committee may receive deposits under by-law 3 (i) (d) at interest which may not exceed \quad per cent. per annum without the sanction of such meeting.

5. Funds may be invested with any outside Society or Bank approved by the Registrar.

III.—Membership.

6. All persons who have signed the application for registration are original members. Other members shall be elected by the vote of the Committee of the Society provided that all members shall belong to the \quad caste, race or profession or shall be the residents in \quad . Two adverse votes are sufficient to exclude an applicant.

7. Every person shall pay Re. 1 on applying for admission, for which he shall receive a copy of the rules. In cases where the application is refused, the entrance fee shall be returned.

8. Every application for admission must be made in writing and signed by the applicant and shall be considered by the Committee at its first meeting after the application is received, or so soon thereafter as is practicable.

9. Every member must hold at least one share in the society.

10. A person all of whose shares have been transferred under the by-laws shall cease to be a member.

11. (i) A member may be expelled from the society by the vote of not less than two-thirds of the members present at a General Meeting of the Society for any of the following reasons :—

- (a) if he is a persistent defaulter,
- (b) if he wilfully deceives the society by false statements,
- (c) if he is bankrupt or legally disabled,
- (d) if he is criminally convicted,
- (e) if he intentionally does any act likely to injure the credit of the society,
- (f) if he gravely misuses the dwelling rented by him from the society, or habitually acts in it in a disgraceful manner or a manner which causes serious offence to his neighbours.

(ii) The Committee shall give a member 15 days' written notice of the proposal to expel him.

(iii) To a member so expelled shall be refunded the amount received by the society in respect of the shares held by him at the date of the resolution for his expulsion.

(iv) *Readmission of expelled members.*—No expelled member shall be re-admitted except by a vote of two-thirds of the members present at an ordinary General Meeting, on a motion of which notice has been given.

12. The liability of a member is limited to the nominal value of the shares held by him.

13. *Transmission of interest.*—

(i) *How nomination is to be made.*—A member may, by a writing under his hand deposited with the society during his life-time, or by a

statement made in any book kept thereat, nominate any person or persons other than an officer or servant of the society (unless such officer or servant is the husband, wife, father, mother, child, brother, sister, nephew or niece of the nominator) to whom his share or interest in the society, or so much thereof as is specified in such nomination, shall be transferred at his decease.

(ii) *How it is to be revoked or varied.*—A nomination so made may be revoked or varied by any similar document under the hand of the nominator, deposited or made as aforesaid.

(iii) *Fees on nomination or revocation.*—A nomination made at the time of applying for membership shall be recorded free of charge. But for the recording of every nomination subsequently made or of a revocation or variation a fee of annas four shall be paid.

14. *Proceedings on death of a member.*—

(i) *If nomination made.*—On receiving satisfactory proof of the death of a nominator, the Committee shall either, subject to by-laws 18 and 19, transfer the property comprised in the nomination in the manner directed by it, or pay to every person entitled thereunder the full value of the property given to him, after deducting all sums due to the society from the deceased member.

(ii) *If no nomination made.*—If any member entitled to any share or interest in the society dies intestate, without having made any nomination, the Committee may, without Letters of Administration, distribute the same among such persons as appear to them, on such evidence as they may deem satisfactory, to be entitled by law to receive the same and may, if they think necessary, take an indemnity bond.

15. *Disputes : How to be determined.*—All disputes arising between a member, or any person who has ceased to be a member, or any person claiming through a member, or through a person who has ceased to be a member, and the society or any officer thereof, shall be dealt with as may be provided by the rules under the Act.

IV.—Shares.

16. The share capital of the Society shall be raised by shares of the nominal value of Rs. 50 each, and shall be held entirely by members of the society.

17. (i) The full amount of all shares shall be payable on allotment, or by such instalments as may be fixed by the Committee.

(ii) *Failure to pay calls.*—If a member fails to pay the amount of any call on a share within 30 days of notice thereof, the Committee may forfeit the share. A forfeited share becomes the property of the society.

18. *Limit to members' shareholding.*—No member shall have or claim any interest exceeding Rs. 1,000 in the shares of the society.

19. (i) Any share held by a member of the society may, subject to by-law 18, be sold to any other member, provided that no such sale may take place without the previous sanction of the Committee, who shall have full discretion in granting or withholding such sanction.

(ii) *Registration of transfers.*—Until the transfer of a share is registered, no right shall be acquired against the society by the transferee, nor shall any claim of the society upon the transferor be affected.

20. When a shareholder ceases to be a tenant, the Committee shall have the right at any time to pay off at par such number of shares as he may hold in excess of one share, provided that he may be given the option of selling the shares under by-law 19.

21. If a member who has received notice that the Committee are prepared to pay off his shares under by-law 20 on a certain date leaves the sum to be thus repaid in the hands of the society, he shall not be entitled to any interest thereon after the expiration of the time named in the notice of repayment.

22. The Committee shall keep a share register in which there shall be entered the name, occupation and address of the member to whom each share was originally allotted, and of each successive holder of the share with the dates of sanction of transfer under by-law 19, and when the share is cancelled, the date of such cancelling.

23. Upon each transfer of any share there shall be paid to the society such fee not exceeding Re. 1 as the Committee may fix.

24. The society shall have a first lien on shares for any debt due to it by the holder and may set off any sum credited thereon in or towards the payment of such debt.

25. The amount expended in the repayment of any shares shall not exceed the sum placed at the disposal of the Committee for that purpose from time to time by General Meetings of the Society, and shall be regularly stated in the accounts of the society.

Loan money shall not be used for repayment of shares.

V.—Loan Stock.

26. Loan stock under by-law 3 (c) may be issued by the Committee to members and other persons subject to the following conditions, viz. :—

- (a) The stock shall be payable by instalments or otherwise as may be fixed from time to time, prior to the issue thereof, by the Committee.
- (b) It shall carry interest (payable quarterly) at such rate not exceeding 6 per cent. per annum as may be fixed from time to time, prior to the issue thereof by the Committee.
- (c) It shall not confer a right to demand payment of the principal from the Society unless the interest aforesaid is in arrear for two consecutive years, or in the event of the liquidation of the Society.
- (d) It shall be secured by certificates of indebtedness, under the hands of two members of the Committee and the Secretary stating the amount of loan stock standing to the credit of the respective holders.
- (e) The Committee shall keep a register of the holders of loan stock for the time being.
- (f) Any bond of the Society may be made a specific charge upon any lands of the Society specified therein or in any schedule annexed thereto.
- (g) Any such bond may be issued, or note given, or agreement or mortgage made as a continuing security to cover any sum, not exceeding the limits aforesaid, due or to become due upon the account of the Society to any person with whom it may transact banking business.

VI.—General Meetings.

27. The first meeting of members shall have the same powers as are herein given to the Annual General Meeting.

28. The Annual General Meeting shall be called in the month of April. Its duties are :—

- (1) to frame by-laws for the Society or to add to them or to alter them ;

- (2) to elect a Committee, and to appoint a Secretary and any other officer required for the ensuing year and to fix their remuneration ;
- (3) to receive from the Committee a report on the preceding year's working of the Society together with statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the year ;
- (4) to consider the audit memorandum and any other communication from the Registrar ;
- (5) to perform such duties laid upon the Society in these rules as may from time to time arise ;
- (6) to consider any other business laid before it by the Committee or brought up after due notice by any member.

29. Questions shall ordinarily be decided by simple majority of those present, the voting being by a show of hands. But on the demand made either before or immediately after a show of hands, of a member or members holding altogether at least one-tenth of the share capital for the time being, each member shall be entitled to one vote for each share held by him, and the voting shall then not be by a simple majority of those present. The President shall have a casting vote in addition to his ordinary vote.

30. No by-law may be made, altered or abrogated unless—

- (1) a proposal to do so has been communicated to all members ten days beforehand ;
- (2) the resolution is passed by not less than two-thirds of the members present at the General Meeting and by votes representing not less than two-thirds of the shares held by members present ;
- (3) the making, alteration or abrogation is approved and registered by the Registrar.

31. The proceedings of General Meetings shall be recorded in a Minute Book.

32. A Special General Meeting of members may be called at any time by a majority of the Committee or on receipt of a requisition from one-fifth of the members or from the Registrar.

33. In the case of the Annual General Meeting ten days' notice, and in the case of a Special General Meeting five days' notice, shall be

given by the publication of a written notice outside the office of the Society and in any other conspicuous place that may be convenient. The notice shall specify the day, hour, and place fixed for holding the meeting and shall state the nature of the business to be transacted at the meeting.

34. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting provided that he may not so propose the expulsion of another member or an alternation in the by-laws.

35. Three-fifths of the total number of members, or twenty members, whichever be less, shall form a quorum at any General Meeting.

36. If on the day of the meeting there is no quorum or if all business is not completed, the consideration of the remainder of the business may be abandoned or adjourned to another day. If on the day to which the meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

37. At all General Meetings the President shall be elected by the members present.

VII.—The Committee.

38. A Committee consisting of five members shall be appointed to manage the affairs of the Society. This Committee may exercise all the powers of the Society subject to the provisions of these by-laws and to directions for its guidance conveyed in resolutions passed at General Meetings of the Society. The Committee shall meet as often as it considers necessary for the transaction of business but not less than once a month. Three members shall form a quorum.

39. Subject to the control of the Society, the business of the Committee shall be as follows:—

- (1) to dispose of applications for membership,
- (2) to check the accounts of the Secretary,
- (3) to examine the registers and account books and to take steps for the recovery of sums due to the Society,
- (4) to sanction working expenses, count the cash balance, and deal with other miscellaneous business,
- (5) to see that the cash book is written up promptly and is signed daily by one of the members of the Committee,

- (6) to decide on what terms loans and deposits may from time to time be accepted from the public,
- (7) to appoint a Treasurer and Secretary and clerks, to fine, suspend, or dismiss them, and to fix their pay,
- (8) to hear and deal with complaints,
- (9) from time to time, to engage, remove or discharge all managers, builders or employees of any description required to conduct any such business, and fix the duties, salaries or other remuneration of such persons, at such rates and require them to give such security as the Committee approve and determine,
- (10) to deposit the funds of the Society in any bank or banks approved by the Registrar and to authorise, by a written resolution, members of their body not exceeding two to operate the accounts, either jointly or severally, as may be laid down in the resolution,
- (11) to mortgage the property of the Society as security for loans,
- (12) to institute, prosecute, compromise or refer to arbitration any suit, debt, liability or claim against, by, to or on the Society, provided the sanction of the general body is taken with regard to any claim above Rs. 1,000,
- (13) and in any case for which the by-laws of the Society do not expressly provide, to exercise any power which could be exercised by the Society in General Meeting, other than such as by the law for the time being may be required to be exercised by such meetings, and so that in the exercise of any such power they do nothing inconsistent with the standing orders of such meetings.

40. And all acts or orders done or given by the Committee or by any person acting as a member of the Committee in the name and on behalf of the Society under any power hereby given them or him, shall bind the Society and every member thereof, as fully as if they had been acts or orders of a majority of the members of the Society at a General Meeting thereof acting in exercise of the powers given them by the by-laws, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such Committee or person.

41. The Committee, which shall be elected by the Annual General Meeting, shall hold office for one year. Vacancies occurring in the course of the year shall be filled by co-option. No member shall sit on the Committee who holds less than five shares.

42. Any member of the Committee may be removed during his term of office by a resolution of Special General Meeting called for the purpose.

43. The Committee shall decide questions by a simple majority of those present.

44. The Committee shall elect its own Chairman for the year. When present he shall preside at all Committee Meetings. When he is absent, the members present shall elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary votes.

45. The Committee shall keep a Minute Book which shall show the names of the members present at each Committee Meeting and the number of members voting for and against each resolution. The minutes shall be signed by the Chairman and the Secretary.

46. The Committee may suspend any officers appointed under by-law 28 (2), recommend their dismissal to the General Meeting, and appoint acting substitutes pending the final decision.

VIII.—*The Secretary.*

47. *The Secretary.*—The Committee shall appoint a Secretary with the duties following:—

- (1) He shall summon and attend all meetings of the Society and of the Committee, and of any sub-committee if so required by the Committee and shall record the proceedings thereof in the Minute Books under the signature of himself and the Chairman of the Meeting and in such manner as the Committee directs.
- (2) He shall make such statements relating to the business of the Society as the Committee require, and shall prepare and send all returns required to be made to the Registrar.
- (3) He shall have charge of the documents and other papers of the Society, and shall keep the accounts in such manner as the Committee directs.

- (4) He shall keep the registers of members, shares, debentures and loan stock and all the books relating to loans or deposits required to be kept under the rules of the Society, and shall receive all contributions, fines and other payments due from the members to the Society and make disbursements under orders of the Committee and keep the accounts thereof.
- (5) He shall carry on the correspondence of the Society.
- (6) He shall in all things act in the discharge of his duties under the direction and control of the Committee.
- 48.^a In the absence of the Secretary, the Committee may authorise any other person to perform his duties.
49. All documents or receipts signed on behalf of the Society shall be signed by the Secretary and one member of the Managing Committee.
50. The Secretary may be removed from office by a Special General Meeting called for the purpose.

51. *Security from Officers.*—Every person holding any office touching the receipt or charge of any moneys of the Society shall, before entering on the execution of his office, furnish such security as the Committee require and approve for rendering a full and true account of all moneys received or paid by him on account of the Society.

IX.—*Tenants.*

52. No member shall be a tenant of the Society unless he holds at least five shares.
53. The Society's dwellings shall be offered to members in the order in which they became members of the Society, provided that no member may occupy more than one dwelling.
54. No dwelling offered on lease shall be taken by persons who are not members of the Society unless no member is willing to take it.
55. All rents shall be due on the first of the following month.
56. The dwellings owned by the Society shall, at such times as the Committee may determine, be valued.^a The value of each dwelling shall be placed against the name of the tenant who occupies it in a book to be kept for the purpose. The tenant shall be charged a fair and usual rent for his occupancy of the dwelling.
57. The Committee shall have the right to determine the terms of tenancy and to prohibit any tenant from sub-letting.

58. All external repairs shall be a charge on the revenue of the Society, but internal repairs must be done by and at the expense of the tenants to the satisfaction of the Committee, except in such cases as it may determine otherwise. When such repairs, etc., have, in the opinion of the Committee, become essential, they may order them to be done, and if not paid for by the tenant, may charge the cost of same against his repairs fund or his share capital, loan stock or deposit account. In case of a tenant leaving, the same rule shall apply.

X.—Profits.

59. After providing for the interest upon any loan and deposits and for placing to the credit of a sinking fund a sum representing $\frac{1}{2}$ per cent. per annum on the total cost of the Society's buildings, 25 per cent. of the net profits of all business carried on by or on account of the Society shall be placed to the credit of a reserve fund.

60. The remaining 75 per cent. shall, after leaving a sufficient margin for working expenses, be employed as follows in order, viz. :—

- (1) a dividend may be paid upon share capital, on such days as the Committee may direct at a rate not exceeding 5 per cent. per annum ;
- (2) money may be paid into a common fund for social, recreative, and educational purposes ;
- (3) an amount not exceeding the amount paid during the year into the common fund may be allotted to the tenants who are members of the Society in proportion to the amount of rent paid by them respectively during the year.

61. *Dividend on shares transferred.*—Dividends on shares shall be paid to the registered holder of such shares according to the books of the Society on the last day of the year.

62. No interest or dividend shall be paid to any member who has defaulted for more than a month in payments to the Society.

63. *Indivisibility of the Reserve.*—The Reserve Fund of the Society shall be indivisible, so that in the event of dissolution of the Society no member shall have any claim over it, but the fund, after meeting any charges that may then be certified by the Registrar to exist against, it shall be devoted to such object of general utility as may be determined by a General Meeting convened for that purpose and as may be approved by the Registrar.

XI.—Accounts.

64. Every balance sheet of the Society shall be accompanied by a complete list of members showing the share capital held by each. There shall also accompany the balance sheet a similar list of loan stock holders. The balance sheet shall state up to what date dividend and interest are included.

65. A banking account shall be opened by the Society into which all moneys received on behalf of the Society shall be paid, provided that the Secretary may retain in his personal custody a sum not exceeding Rs. 50 for petty expenses. All payments above Rs. 20 shall be made by cheque signed by the Secretary and two members of the Committee.

66. Each member shall have a pass book in which the Secretary shall enter amounts paid to or received from such member.

67. *Appointment of Auditor.*—In addition to the Government audit, the Society shall appoint at its General Meeting an auditor who shall audit the accounts of the Society to be prepared by the Committee as hereinbefore provided, and shall examine the annual returns, and verify the same, with the accounts relating thereto, and shall either sign the same as found by him to be correct, duly vouched, and in accordance with law, or specially report to the Society in what respects he finds it incorrect, unvouched, or not in accordance with law.

68. *Powers of the Auditor.*—The auditor shall be entitled to call for and examine any paper or document belonging to the Society and shall make a special report to the Society upon any matter connected with the accounts which appears to him to require notice.

69. *Publication of Accounts and Report.*—A copy of the last balance sheet of the Society and of the report of the Auditor, if any, shall be kept always hung up in a conspicuous place in the registered office of the Society.

XII.—General.

70. *Interest due on arrears.*—A member in arrear after thirty days from the date of notice shall pay interest at two pies per rupee per month on the amount outstanding.

71. *Sufficient notice.*—Every member shall be taken to have due notice of every meeting, resolution, or other matter, of which notice is required by the by-laws or rules of the Society to be given, if the same is made known by posting or sending a notice to the registered address of such member.

72. *Individual right of inspection.*—A member shall be allowed to inspect his own account at all reasonable hours at the registered office of the Society, or at any place where the same is kept subject to such regulations as to the time and manner of such inspection as may be made from time to time by the Committee.

73. *The Seal of the Society.*—The Society shall have a common seal which shall be in the custody of the Secretary of the Society, and shall be used only under the authority of a resolution of the Committee; and every deed or instrument, to which the seal is attached, shall be attested for or on behalf of the Society by the signature of the Chairman, the Secretary and a member appointed by the Committee for the purpose.

CHAPTER XX.

DAIRIES.

1. *Scope and Object.*—Co-operative dairies may be started with either of two distinct objects. They may be started by the producers in order to help them in producing more and better milk, in organising its sale in a more economical manner, and in ensuring that the milk shall be of such good quality and so cleanly handled that the consumers will be willing to pay a better price for it. Or they may be started by the consumers in order to secure for themselves a regular supply of good milk at the lowest possible price. The two types of society cannot be combined, because the interest of the producer is to get the highest possible price for his milk and the interest of the consumer to pay the lowest possible price. The former type of society is that recommended in this leaflet. Consumers, who want to secure a better milk supply and do not object to paying for it, would be quite justified in assisting in the formation of such a dairy, provided that it is clearly understood that the dominant interest is the interest of the producers and not of the consumers. To obtain the best possible price it is of course the duty of the producers to consider the convenience and wishes of the consumers as far as they can.

2. *Formation.*—Milk producers may be divided into two separate classes. There are the professional gowlis living for the most part in towns, whose sole business is the production and distribution of milk. Their difficulties are that their cattle are usually housed in an insanitary manner; they are generally in debt and pay exorbitant rates of interest; they have never been taught how to handle milk in a cleanly way and are in the habit of adulterating it. Their method of distributing their milk is on the other hand the most economical possible, since it is taken from door to door by the hands of their own families without any expense. In dealing with their case it is usually desirable to provide them with a cattle-yard and an improved byre and milkshed outside the town, to secure a grazing area for their cattle, and to enforce supervision over their milking methods and utensils. These are measures which it is difficult to undertake without the active co-operation of the Municipality concerned; and as a rule dairy societies should not be formed among city gowlis unless Municipalities will promise to give some financial help towards the building of sanitary byres and to enforce some degree of sanitary discipline on all gowlis

alike in order that the members of the society may not have to compete with the remainder at a disadvantage.

3. The second class of producers is the one for which the appended model by-laws are primarily intended. It consists of agriculturists living anywhere within a radius of (say) 12 miles of some big town or at villages connected with a big town by a good railway or tram. These people at present keep their cattle in a fairly healthy manner; but the defects of their organisation are they do not handle their milk in a clean and conscientious way, that they bring it to the market by hand which is slow, troublesome and expensive, and that they often sell it to middlemen who of course give them a lower price than the normal retail value. If such people can be shown how to market their milk by a convenient and economical method, and to arrange the distribution in such a way as to secure for themselves the full market value, the milk supply of cities can be increased and can also be improved in quality without putting up any further the already very high price of milk. The measures by which a co-operative dairy society would achieve this would be (a) by requiring all members to keep their cattle at home in a sanitary way and to milk them, if practicable, at a specified place where a supervisor would be present, (b) by making them hand over their milk immediately to the supervisor to be measured, scientifically handled and disposed of, (c) by engaging a milkcart with necessary cans to convey their milk in bulk to the market, (d) by opening a depôt for the sale of whole milk, butter, or ghi, (e) by engaging servants to distribute milk punctually at the houses of regular customers in the city. It may be found useful if a few detailed hints on these arrangements are included here.

4. *Care of Dairy Animals.*—The following hints on the care of milch cattle have been drawn up by Professor Knight of the Poona Agricultural College:—

- (1) *Regularity.*—Animals are creatures of habit, and feed, rest or drink at about the same time daily; so it is of prime importance that all operations in connection with dairy animals should be carried out with the strictest regularity. The hour for both morning and evening milking, the time and sequence of feeding and watering should not be varied from day to day.
- (2) *Gentleness.*—Nothing is more fatal to success in the dairy than harsh treatment. An unnecessary or unusual noise like a dog barking may injure a milk animal so that she will not give

her milk. Strangers or dogs should not be allowed around the dairy herd. The disgusting practice of "tumb or phooka" is not only cruel but may cause abortion and inversion of the uterus.

- (3) *Tying*.—Much misplaced kindness is displayed by cattle owners by hitching them with too long ties, as thereby they tend to drop their dung and urine in their bed or even in the feeding troughs, or may entangle their legs. Short tying keeps the animals in place and prevents these troubles. Wooden or iron stanchions are better than chains for cows. Buffaloes should be tied around the neck. Chains are better than ropes and they are cheaper in the long run. Ropes soon get old and break from time to time, permitting the animals to break loose and to do damage.
- (4) *Grooming and washing*.—Cows are benefited by daily grooming. The ordinary coir mitten *Hatale* is a suitable instrument. Cows should never be washed all over although it may be necessary to wash the parts soiled with dung to secure cleanliness in milking. Buffaloes require bathing at least once daily, and if there is a place where they can sit in water so much the better. These animals should be shaved three times a year to keep them free from lice.
- (5) *Bedding*.—Where any sort of cheap litter like rice hulls, groundnut hulls, safflower hulls or grasses not suitable for feeding is available they should be used for bedding. Stone or cement floors so necessary for sanitary milk production are very cold in the cold season to the udders and other parts and many cases of rheumatism and udder trouble are no doubt traceable to this. If no other bedding is available dry sand or earth (not black soil) will be of some use.
- (6) *Cleaning of byres*.—It is essential if clean milk is to be secured that the byres be kept clean. This is partly secured by proper details of construction such as an impervious floor at the back where the excreta fall, which should slope backward to drain away the urine, and a gutter for carrying it away. The solid excreta should be frequently removed during the day and the gutters flushed.
- (7) *Watering*.—Animals giving milk require an abundant supply of pure drinking water. If turned loose to exercise they

should be given an opportunity to drink three or four times during the day. It is important that the water should be clean and they should not be compelled or allowed to drink from stagnant pools or mud holes.

- (8) *Milking*.—This should be done twice daily with the night and day intervals as nearly equal as possible. Before milking the udder and flanks should be cleaned from all dung or dust by brushing and washing. When necessary the calf may be allowed to start the milk but after the calf is a month or six weeks old, other foods are cheaper for it than milk so that it should be taken away as soon as the milk flows freely. Under no condition should the calf be allowed to suck the stripplings, firstly because the last stripplings are the richest part of the milk and, secondly, because sucking for a long time unnecessarily drains the mother and, thirdly, if the custom of allowing the calf to complete the milking prevails, the mother soon learns to hold up her milk from the milker for the calf.

When the calf is allowed to suck an entire teat it should be a different teat at each milking or the udder will become one sided and even in this case the final milking should be done by hand and not by the calf.

The persons and clothing of the milkers should be scrupulously kept clean and none but a healthy person should be employed as a milker. Persons suffering from tuberculosis, dysentery or those recently recovered from enteric should never be allowed to care for cattle or to milk.

The operation of milking should take place as rapidly as possible without causing undue pain to the animal on account of any harshness. The thumb should not be doubled in and pressed against the teat. The nails of the milker should be kept short.

It is usually the custom to give the grain ration at the time of milking. Most cows in India require to have their legs tied together to prevent kicking during the process of milking.

- (9) *Feeds and feeding*.—The feeds used for animals consist of two classes: (a) coarse or bulky feeds, and (b) concentrated feeds. These will vary according to the locality. The dried fodders, such as grain and pulses and dried grass, and green fodder

such as maize or jowar raised for this purpose especially, and green grass are the usual coarse fodders.

Whole cotton seed, cotton seed meal, chuni, the refuse from dahl preparation, guvar, kulthi, wheat bran and the oilcakes, safflower, niger, groundnut and cocoanut make up the concentrated feeds. The selection of these depends upon availability and price.

Roughly the following points should be noted in selecting the ration :—

The health of the animals is improved if a part of the bulky ration is green even in the dry season. This will also aid in securing regularity in breeding as well as producing a greater milk yield.

A ration should consist of the following :—

	Rainy season.	Dry season.
Bulky food	{ Dry 10 lbs. Green 30 „	20 lbs. 10 „
Concentrated food	{ 6 lbs. daily in full milk (16 to 20 lbs.) 4 lbs „ in half milk (8 to 10 lbs.)	

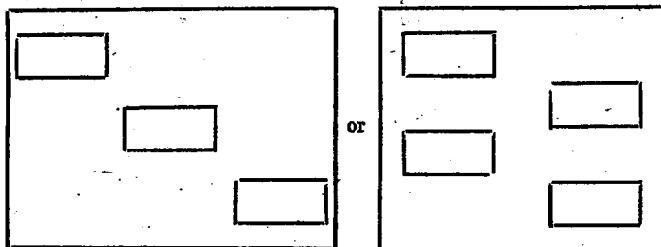
The amounts of roughage given are for an animal weighing 1,000 lbs. and need to be varied according to the size of the animal. Buffaloes as a rule require more roughage than cows. Coarse fodder like kadbi can be used more economically if chaffed. If cotton seed, whole or as meal, is used, it should not exceed the half of the concentrated ration. All foods should be sweet and clean and free from mould and decay. Feeding should be done twice daily and in quantities such as will be finished up completely at each meal. Any food not consumed should be removed and not left in front of the animal.

(10) *Salting*.—If rock salt is available a piece should be kept near each animal, otherwise 2 ozs. of fine salt may be mixed with the concentrated ration.

5. *Provision of Cattle Yard, Byres and Dairy Room*.—A cattle yard should be situated within reach of water and grazing and on as open a site as possible. The land should be slightly sloping. A tap-supply of water is the best, if obtainable. The tap and the troughs should be in the middle of the yard, but when a well is used, it should be sunk

in the corner of the ground from which the flow of the subsoil water moves. It is essential to arrange a run for the drainage, and an arrangement might be made with adjoining land-owners to have washings and urine run off on to their fields. Surface drains of stoneware are recommended, but are very liable to break, and stone-slabs should be used at the points where carts are likely to pass. The gowlis should remove the solid manure themselves.

Plans for model byres for 50 buffaloes or for 50 cows, together with estimates by the Sanitary Engineer to Government, have been lithographed and may be obtained from the Registrar on application. The byres should be arranged thus:—



The object should be to give the cattle as much air and light as possible. The building should as a rule be gabled towards the east and west. Apart from the land required for gowlis' houses, dairy, office, and haystacks, the area of the yard should as a minimum be large enough to ensure that not more than one quarter of it is covered by buildings. Land should, if necessary, be reserved for gowlis' houses and wadas granted at a rate of not more than one acre per fifty families. Drinking troughs should be long, and not more than 18 inches high, and the ground round them should be hardened with pounded murrum. There should be a dairy room, within the yard to which the milk is brought immediately after milking. A model plan and estimate for a cheap dairy room can be had from the Registrar.

Note.—The estimated cost of a cheap model byre for 50 buffaloes and 20 calves is Rs. 4,753; for 50 cows and 20 calves is Rs. 3,020; and for a model dairy room is Rs. 710.

A cattle yard is necessary only when a society intends to remove gowls outside a town and establish them on its outskirts. In dealing with cattle-owners in the country, a dairy room only is necessary, and it will be enough if milking is done under supervision in any convenient open spot.

6. *The Handling of Milk.*—The following notes on this subject have been compiled by Professor J. B. Knight :—

The first thing of importance in the handling of milk is the cleanliness of the milk vessels. Here comes the question of material and shape. If brass or copper vessels are used they should be pressed and not hammered because unless they are perfectly smooth on the inside they cannot be properly cleansed. Pressed aluminium is not solid enough unless it is extra thick for, when it becomes dented, it is no better than hammered brass. Seamless tinned iron vessels commonly known as tin-ware made especially for dairying are doubtless best of all, but in the long run they would be more expensive than brass, as they are quite worthless when worn out, whereas the brass can be worked over. At any rate if of brass they should always be carefully tinned inside.

Shape.—The usual small mouthed vessels in use in the country are very difficult to clean, as they cannot be properly inspected, and they are usually in a foul condition. On the other hand the larger the mouth of a vessel the easier it is to get dust and dirt into it. On the whole I favour a larger mouth vessel like the ordinary bucket.

In cleaning milk vessels the first washing should always be with cold water. The second water may be warm, and if soap or washing soda is used instead of scouring with mud, the vessels will last longer and be kept in a better condition. After washing, all vessels used for milk should be rinsed in boiling water or subject to steaming where facilities for such exist. Wiping is unnecessary and unless the greatest care is taken the wiping towels easily become mouldy and mildewed, giving a taint to the vessels that is transmitted to the milk. Instead of wiping while still hot from the rinsing, they should be inverted and in fair weather placed for some time in the sun. In cloudy weather they may be dried over sheets of iron under which a small fire has been made. One or two such heatings a week will keep them quite sweet.

Straining.—Even with the best of care a considerable amount of dust and dirt will get into milk. This can be removed by straining.

Wire gauze strainers will remove the coarser particles. Muslin strainers will do a little better but like the towels already referred to, they may or may not improve the condition of the milk. Ideal straining is done through specially prepared cotton wool, which is used and burnt after use. It is held in a coarse wire frame.

As soon as drawn, milk should be taken to the dairy room. It is fairer to consumers if the entire daily output is mixed before delivery in a large vessel. Ordinarily cooling is not attempted in dairies in India, but if the milk could be cooled by vessels containing it being immersed in water that had been cooled in large earthen pots of porous ware, it would keep sweet several hours longer.

It is needless to add that no substance whatever should ever be added to milk before it is sold.

Delivery of milk should take place in the early cool morning hours or after the heat of the day has lessened at night. Individual containers, tins or bottles filled at the dairy are preferable to delivery from large vessels in the city because the individual vessels can be properly cleansed and sterilized at the dairy and dust and dirt will not gain access to the milk. Moreover, if they are sealed there is less chance for dishonesty of the delivery servants.

7. *Distribution of Milk.*—No information is yet available as to the best type of milk-cart for use in India, but enquiries are being made, and societies are advised to consult the Registrar before purchasing one. Since it must travel fast, it should be drawn by a horse and not by bullocks. The milk should be taken direct to the depôt in the city, where the Distribution clerk would be in charge, and handed over to him. He should at once measure the milk, see that it is in good condition and acknowledge receipt. Servants should promptly be sent out to carry the milk by hand to the doors of all regular customers. Suitable arrangements should be made for disposing of any milk left over at the end of the day. These customers should receive their bills monthly, and unless they settle their accounts within 14 days of the end of the month, their further supply should be cut off. After deducting the society's commission, the balance of the money recovered, should be sent on the 15th day of every month to the village for distribution among the producers.

8. *Registration.*—The organiser of the dairy should ascertain what initial capital the society will require and how it can be obtained.

He should fill up the Organisation Paper and send two copies of the model by-laws corrected, where necessary, and duly signed by at least 12 persons to the Registrar, who will register them with such amendments as may be considered absolutely necessary. The organiser should send a letter explaining to the Registrar in outline what special measures he proposes to take and on what lines the dairy is to be run. After registration the Registrar will supply the society with necessary leaflets and most of the printed account forms that it will require.

BY-LAWS OF THE CO-OPERATIVE DAIRY
SOCIETY, UNLIMITED.

I.—Preliminary.

1. The name of the Society is the Co-operative
Dairy Society, Unlimited, and its registered address is at
, Taluka , District
Any change of address shall be notified to the Registrar within 14 days.

2. The objects of the Society are to advance loans to its members for enabling them to purchase and maintain milch animals, to assist them to produce pure milk and milk products, to secure a profitable market for their dairy produce, and generally to develop dairying on proper lines.

II.—Funds.

3. Funds may be raised—

- (a) by issuing loan-bonds of Rs. each, bearing
fixed interest at per cent. ;
- (b) by receiving deposits ;
- (c) by raising loans ; and
- (d) by donations.

4. The amount of capital to be raised by the sale of loan-bonds shall not exceed Rs. . The General Meeting shall decide
what sum shall be paid on allotment, and by what instalments (if any) the balance shall be called up.

5. Deposits and loans may be received for fixed periods at such rate of interest and to such an amount as may be determined by the Managing Committee ; provided that the total of loans and deposits shall never exceed eight times the paid up loan-bond capital plus the reserve fund.

6. The funds of the Society when not utilised shall be invested or deposited as required by section 32 (1) (a), (b) or (d) of the Act.

III.—Membership.

7. No person shall be a member unless—
(1) he is a resident in ;

- (2) his written application for membership has been approved by a majority of the Managing Committee ;
- (3) he has paid an entrance fee of rupee 1 ; and
- (4) he has taken at least one loan-bond and paid the amount within 15 days of allotment.

Members who signed the original application are exempt from condition 7 (2).

8. Not less than three-fourths of the total number of members shall be *bonâ fide* producers of milk or milk products, for sale.

9. Any member may withdraw from the Society at any time, with the sanction of the Managing Committee ; but this will not be given while he is in debt to the Society.

10. A member of the Society may be expelled by a vote of the General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the Society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is criminally convicted ;
- (5) if he persistently keeps his cattle in an insanitary condition ;
- (6) if he persistently adulterates his milk ; or
- (7) if he intentionally does any act likely to injure the credit of the Society.

11. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion.

IV.—Loan-bonds.

12. Application for loan-bonds shall be made in writing, and shall be disposed of by the Managing Committee. Sums paid on account of loan-bonds are non-withdrawable and non-redeemable. A fixed cumulative rate of interest at per cent. shall be paid annually on loan-bonds.

13. Every member of the Society shall be jointly and severally liable for the debts of the Society.

14. Any member of the Society may, by a writing under his hand deposited with the Society, nominate any person other than a servant or officer of the Society, to whom the whole or any part of his interest in the Society could be transferred in the event of his death. A fee of four annas shall be charged for recording such nominations and any subsequent revocation or variation.

15. On the death of a member the amount standing to his credit by way of loan-bonds or interest shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him, or in the absence of such nominee, to such person as may appear to the Committee to be entitled to receive the amount as heir or legal representative of the deceased member, on his executing a deed of indemnity to the Society.

V.—*General Meetings.*

16. The first meeting of the members shall have the same powers as are herein given to the Annual General Meeting.

17. The Annual General Meeting shall be called in the month of April. Its duties are—

- (1) to elect a Managing Committee, to appoint a Secretary and any other officers required for the ensuing year, and to fix their remuneration ;
- (2) to appoint persons to audit the accounts of the Society during the ensuing year ;
- (3) to receive from the Committee a report on the preceding year's working of the Society, together with statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the year ;
- (4) to consider the audit memo. and any other communication from the Registrar ;
- (5) to fix the amount of capital to be raised under by-law 5 ;
- (6) to consider the collection, conveyance and sale of milk and milk products and to pass resolutions as to its organization ;
- (7) to fix the commission to be charged by the Society on the price realised by sale of members' milk and milk-products or to fix the prices at which the Society shall take them from members and market them ;

(8) to decide on the opening of a depôt for the sale of milk and to satisfy themselves that all accounts have been settled punctually every month;

(9) to consider any other business duly brought forward.

The proceedings of General Meetings shall be recorded in the minute book.

18. A Special General Meeting of members may be called at any time by a majority of the Committee, or on receipt of a requisition from one-fifth of the members or from the Registrar.

19. In the case of the Annual General Meeting 14 days' notice and in the case of a Special General Meeting 7 days' notice shall be given by the publication of a written notice outside the office of the Society, and in any other conspicuous place that may be convenient. The notice shall specify the date, hour and place fixed for holding the meeting, and shall state the nature of the business to be transacted at the meeting.

20. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting, provided that he may not so propose the expulsion of another member or alteration in the by-laws or in the rates of interest affecting loans or deposits.

21. Two-fifths of the total number of members or 20 (whichever is less) shall form a quorum at a General Meeting. If on the day of the meeting there is no quorum, or if all business is not completed, the consideration of the remainder of the business may be abandoned or adjourned to any other day. If on the day to which the meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

22. At all General Meetings the President shall be elected by the members present.

23. Every member shall have one vote. The President shall have a casting vote in addition to his ordinary vote.

VI.—Managing Committee.

24. The Managing Committee shall consist of seven members. Three members shall form a quorum. It shall elect its own Chairman. When present he shall preside at all Committee Meetings. When he is

absent the members present may elect a Chairman from among themselves. Every committee member has one vote; but the Chairman is entitled to give a casting vote.

25. Subject to the by-laws and the resolutions passed at a General Meeting, the Managing Committee shall have full authority to carry on the business of the Society. It shall meet for the transaction of business not less often than once a month.

26. Vacancies on the Managing Committee from death or any other cause shall be filled up at the next ensuing General Meeting by election.

27. A Committee minute book shall be maintained by the Secretary, in which the names of members present and proceedings at each Meeting shall be recorded. It shall be open to the inspection of all members.

28. No member shall be present or vote on any matter in which he has a personal interest.

29. The duties of the Managing Committee shall be—

- (1) to appoint, suspend, punish or dismiss all salaried servants of the Society, subject to by-laws 17 (1) and (2);
- (2) to advance loans to the members for purchasing milch-animals and maintaining them;
- (3) to arrange, if necessary, for the construction or hire of cattle sheds and other buildings;
- (4) to arrange for members' animals to be milked, if necessary, under the supervision of the Society's staff;
- (5) to see that the member's animals are properly fed and housed;
- (6) to arrange for the proper handling and sale of the members' milk and milk products, or for manufacturing cream, butter or ghi, and marketing them at profitable prices;
- (7) to open a distributing depôt to see that milk is sent punctually to regular customers, and that any balance remaining over is disposed of profitably, and that all bills are recovered punctually;
- (8) to keep, if possible, a milk-register for recording the milk yield of each of the members' animals, and to record the results of tests made to ascertain the quality of their milk;

- (9) to arrange for the joint-purchase on commission of feeding stuffs required by members for feeding their animals ;
- (10) to hear and deal with complaints ;
- (11) to examine and check the accounts ;
- (12) to prepare the annual balance sheets ;
- (13) to enquire into and take action in cases of arrears, both from customers and from members ;
- (14) to raise loans and receive deposits ;
- (15) to institute, defend or compromise legal proceedings ;
- (16) generally to conduct the business of the Society.

30. An appeal shall lie from decisions of the Managing Committee to the General Meeting only in matters in which the right of hearing appeals is reserved by the General Meeting.

31. It shall be the duty of the auditors appointed under by-law 17 (2) to audit the accounts and documents of the Society quarterly ; and of the Managing Committee to produce all the requisite books for their inspection.

32. The Managing Committee shall control the Secretary, whose duties shall be —

- (1) to carry on the correspondence of the Society, and to maintain all its books, accounts and registers ;
- (2) to maintain cleanliness in the Society's cattle sheds ; to see that the milk of the members' animals is drawn and handled properly ; to carry out the Committee's orders regarding the transporting and sale of the Society's milk ; or manufacturing cream, butter or ghi from it and marketing them ; to collect the society's dues and to prepare receipts and vouchers ;
- (3) to receive and disburse money on behalf of the Society, under the orders of the Managing Committee ;
- (4) to attend to all other business entrusted to him by the Managing Committee.

VII.—Production and Sale of Milk and Milk-products.

33. The Managing Committee shall secure a dairy room in which milk may be strained and cooled, and milk or milk-product kept.

34. The Managing Committee shall find customers for purchasing the Society's milk and supplying cans, bottles, etc., for transporting and distributing it. It may dispose of surplus milk as it thinks best in the interest of the Society. All sales shall be for cash or against cash deposits only.

35. Every member of the Society producing milk and milk-products for sale shall be bound to market the same through the Society.

36. A pass book shall be issued to every member supplying milk and milk-products to the Society, and the quantity supplied by him shall be entered into it daily if he so desires.

VIII.—Deposits.

37. Deposits may be received at any time within the limits fixed by by-laws 5 and 17 (5). A pass book shall be supplied to each depositor in which interest shall be credited yearly on April 1st.

38. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rate, unless the deposit has been accepted by the Committee for a further fixed period.

IX.—Loans.

39. Cash loans for purchasing food stuffs repayable in not more than nine months and for liquidating old debts and for purchasing milch cattle repayable in not more than two years may be granted to any member by the Managing Committee. Not more than one-tenth of the total amount on loan shall at any time be for the liquidation of old debts. The rate of interest on loans shall be 2 pies per rupee per month. The amount of loans advanced to a member at any time shall not exceed Rs. . . . All loans shall be repayable by equal monthly instalments, which shall be deducted from the amount due from the Society on account of milk supplied. The supply of food stuffs on credit shall be treated as a cash loan.

40. Not more than one-fourth of the total amount lent by the Society shall be on loan at any time with the members of the Managing Committee.

41. The Committee shall prescribe the instalments by which loans are to be recovered and may grant extension when necessary. Penal interest at the rate of 3 pies per rupee per month may be levied on instalments not repaid within 14 days of the due date.

42. Every loan shall be secured by taking two sureties or a mortgage on cattle or immoveable property, at the discretion of the Committee. For every loan, a bond shall be executed stating the rate of interest, the date of instalments and the nature of security.

X.—Reserve Fund and Profits.

43. All the net profits shall be carried to reserve. But it shall be within the power of the General Meeting to order that a sum not exceeding 40 per cent. of the net profits on the sale of milk may be distributed as a bonus to the members who supplied the milk.

44. In addition to the sum prescribed under section 33 of the Act, all admission fees, fines and donations, shall be carried to reserve.

45. Any loss on the year's working may, with the previous sanction of the Registrar, be made good from the reserve fund.

XI.—Accounts and Records.

46. Accounts and records shall be maintained in the forms prescribed by the Registrar, with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign loan-bonds on behalf of the Society.

47. Any member of the Society may inspect any of the registers or records during office hours so far as they relate to his own business transaction.

48. Before April 15th annually the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government Auditor.

XII.—Amendment of By-laws.

49. Subject to the rules framed by the Local Government, by-laws can be amended, provided that notice of the amendment has been given to the Registrar and the members at least 10 days prior to the Meeting. Amendments take effect after being registered under section 11 (3) of the Act.

Organisation Paper.

1. Number of promised members—
 - (1) Cattle-owners _____
 - (2) Others _____
2. Number of milch cattle owned by them—
 - (1) Buffaloes _____
 - (2) Cows _____
3. Estimated daily outturn of milk _____
4. Estimated price at which milk is to be—
 - (a) taken from producers _____
 - (b) sold to consumers _____
5. What buildings is it proposed to secure—
 - (a) by construction at Society's expense _____
 - (b) on lease _____
6. What is the estimated cost of 5 (a) _____
7. What capital is promised in the shape of
 - (1) loan bonds _____
 - (2) Deposits fixed for 5 years _____
8. What help from the Local Municipality is—
 - (a) promised _____
 - (b) expected _____
9. Any other special forms of outside help _____
10. What help, if any, is required from Government in the shape of
 - (1) grazing _____
 - (2) cash loan _____
 - (3) other _____

Organiser,

PART IV.—GENERAL.

CHAPTER XXI.

DETAILS OF MANAGEMENT OF CO-OPERATIVE SOCIETIES.

(1) General Meetings.

1. Notice of all general meetings must be issued by the Secretary in the manner prescribed by the by-laws, stating the time and place of the meeting and the business to be transacted. The first general meeting of the Society has the same powers as an annual general meeting. The business of a first general meeting will ordinarily be—

Business of General Meetings.

- (a) to elect a President of the Meeting;
- (b) formally to adopt the approved by-laws;
- (c) to admit new members;
- (d) to elect a Managing Committee;
- (e) to appoint a Secretary and fix his pay;
- (f) to fix the limit up to which capital may be raised by the Managing Committee.

The annual general meeting held in April will transact the same business with the exception of (b) and (c) and will also—

- (g) receive the balance sheets of the last year from the Managing Committee;
- (h) consider any communications or audit memorandum received from the Registrar or his staff;
- (i) consider any business placed before it by the Managing Committee;
- (j) consider any matter brought before it after due notice by a private member.

2. The President is responsible for seeing that the business is conducted in an orderly manner. Every name proposed for election should be duly proposed by one member and seconded by another. Votes may be taken either by show of hands or by ballot, and it is the business of the President to announce the result. Subjects such as those recapitulated in (g), (h) and (i) should

Procedure.

be laid before the meeting by the Secretary. They should then be open to discussion, and if any member wishes to propose a resolution or alteration on any point he may do so and the President must put it to the vote. The Secretary should note the names of the proposer and seconder in the minutes, the substance of the discussion, the final resolution and the number voting *pro* and *con*. A general meeting cannot be held unless a quorum is present as fixed by the by-laws, or unless the meeting has already once been adjourned for want of a quorum. The names of all the members present should be recorded by the Secretary.

Quorum.

(2) *Managing Committee Meetings.*

3. The Managing Committee may dispose of its business more informally than the general meeting; but here again a quorum is necessary and a Chairman is elected annually who is responsible for seeing that all questions are properly discussed and voted upon. The decisions of the Committee must be fully recorded by the Secretary in a separate minute book, and he should see that no important point on which a decision is required is overlooked. For instance, in sanctioning a loan the Committee must decide (a) amount of loan, (b) purpose of loan, (c) nature of security or names of sureties, (d) the period of repayment. The Chairman and Secretary should sign the minute book which should contain the names of all committee men present.

Procedure of Managing Committee.

(3) *Amendments of By-laws.*

4. By-laws may be amended at a General Meeting of a Society in accordance with Rule 7 of the Rules contained in Chapter III.

Amendments how made. No amendment can take effect until a certificate of approval is received from the Registrar under section 11 (3) of the Act.

In forwarding an amendment to the Registrar for sanction, a society should report whether due notice of the general meeting was given, the number of members attending the meeting, and number who voted for the adoption of the amendment, and should attach an accurate copy of the resolutions of the general meeting, relating to each by-law amended or rescinded.

(4) Deposits and Loans.

5. The success of a society will largely depend on the amount of deposits and loans which it is able to collect.

Interest. Interest should be paid regularly, either yearly or half-yearly at the rates fixed in the by-laws or by the general meeting of the Society. Different rates should ordinarily be allowed on deposits which are —

- (a) current, or savings,
- (b) fixed for six months,
- (c) fixed for one year,
- (d) fixed for three, five or ten years.

The policy recommended with regard to the acceptance of deposits is set out in detail in circular no. 109 printed in Appendix V. If deposits are not taken away when the fixed period expires, interest at current rates should be allowed on them from the date of expiry until the owner either withdraws the money or gives notice that he deposits it for a further fixed term.

6. Deposits are sums obtained by a society from other members or non-members on the ordinary terms prescribed by its by-laws or general meeting. Loans are sums raised from a Central Bank or other financing agency on such terms as may be laid down by the lender. Ordinarily a society should prefer deposits since they are a proof of its own credit and are generally cheaper than loans. A society should always prefer local deposits to those drawn from a distance.

7. Deposits and loans are not part of the capital of a society as understood in section 21 of Act II of 1912 and are therefore not exempt from attachment by Civil Courts (Government Resolution No. 8989 of September 20, 1906, Revenue Department).

8. Deposits by Municipalities in Co-operative Societies can only be made with the sanction of Government under section 53 of the District Municipal Act (III of 1901). The Hubli Municipality was permitted under G. R. No. 1999 of March 25, 1912, G. D., to deposit funds in the Hubli Urban Co-operative Credit Society, Limited.

9. The legality of deposits by Courts of Wards in Co-operative Societies was discussed by the Advocate General, Bengal, with reference to the Punjab Court of Wards Act, 1903. It has been held in G. R. No. 2736 of March 6, 1915, R. D., that his conclusions are also applicable to the Bombay Court of Wards Act, 1905. His opinion is reproduced in full in G. R. No. 4845 of May 25, 1914, R. D., and the exact effect of his view has been summarised by Government in G. O. 2508 of March 13, 1918, R. D., as follows :—

“The net result is that though the Court of Wards is not precluded from making an investment other than in the securities authorised by or under section 20 of the Indian Trusts Act, it should ordinarily be guided by that provision of the law and depart from it only if special circumstances exist which would be sufficient in a Court of Law to justify that departure. The opinion is expressly stated that placing money on deposit at a bank is a mere advance without any security. Obviously also the special circumstances which might justify an investment other than in Trust Securities must be circumstances special to the estate, not such a circumstance as the offer by a Co-operative Bank of 6 per cent. for deposits.”

(5) *Litigation.*

10. Societies will usually deal with defaulters under the Arbitration Rules (Chapter XXII), but when for any reason these are inapplicable it may be necessary to recover money from persistent defaulters or non-member sureties through the Civil Courts. The Secretary or other members of the Managing Committee should be authorised by a special resolution of the Managing Committee to file a suit on behalf of the society. The following form of plaint has been adapted from that prescribed as Appendix A of the Civil Procedure Code :—

Pleading.

In the Court of _____

1. Name _____	Chairman Secretary	}	Plaintiff;
of the _____	Co-operative Credit Society on behalf		
of the Managing Committee of the said Society,			
age _____, caste _____, occupation _____			
residence _____			

versus

1. Name	, age	, caste	,	} Defendants.
occupation	, residence	.		
2. Name	, age	, caste	,	
occupation	, residence	.		
3. Name	, age	, caste	,	
occupation	, residence	.		

Claim—Rs.

The abovenamed plaintiff, duly authorised on behalf of the Co-operative Credit Society, states as follows :—

- (1) On the day of 19 the Co-operative Credit Society lent the defendant No. 1, who is a member of the said Co-operative Credit Society, Rs. , repayable on the day of 19 with interest at the rate of per cent. and with penal interest under by-law of the said Society's by-laws at the rate of per cent. from the date of default.

Defendants Nos. 2 and 3 are sureties and are jointly and severally liable to the claim with defendant No. 1 under the agreement.

- (2) The defendant has not paid the same except Rs. , paid on the day of 19 .
- (3) The loan was paid to the defendant at the office of the said Society in the village of , which is within the jurisdiction of this Court and the cause of action arose on , the date of default.
- (4) The bond of the defendant is attached and also a duly certified copy of his khata in the account books of the Society as evidence under section 26 of the Act II of 1912 and under rule 14 of the Bombay Co-operative Societies Rules, 1918.

- (5) The said Society has been registered under the Co-operative Societies Act (Act II of 1912) and hence the Society is exempt from the provisions of the Deccan Agriculturists' Relief Act, under Bombay Act I of 1912.
- (6) The value of the subject-matter of the suit for the purposes of jurisdiction is Rs. _____ and for the purposes of Court-fee is Rs. _____.
- (7) The plaintiff claims as under :—
- (a) The principal amount Rs. _____ with interest Rs. _____ at the rate of _____ per cent. from the day of _____ 19 , up to the day of filing the suit, Total Rs. _____ ; together with interest at the same rate from the date of the suit till the date of payment of the amount claimed.
- (b) Costs of the suit.

Date _____

(Signed) _____,

Co-operative Credit Society.

I, _____, plaintiff, verify on my own knowledge that the facts stated in paragraphs number _____ are true and the facts mentioned in paragraphs number _____ are stated upon information received and believed to be true.

Date _____

Place _____

(Signed) _____,

Co-operative Credit Society.

Filed in the Court on \ day of 19 .

Chairman,
Secretary,

Co-operative Credit Society.

List of documents filed.

In the Court of _____

1. Name _____ Chairman,
Secretary,
Co-operative Credit Society, } Plaintiff;
of the residence

versus

1. Name _____ } Defendant.
residence

Claim—Rs.

List of documents and papers filed on behalf of the plaintiff in the said suit as under:—

No.	Description of documents.	Date of documents.	Signature.
1	A certified copy of resolution of the managing committee authorising plaintiff to file the suit on its behalf.	....
2	A certified copy of the khata of the defaulter in the account books of the Society.	....
3	Original bond of the defendant	....	(Signed) _____
4	Certified copy of by-law prescribing penal interest.	....	Secretary.

Date _____.

(Signed) _____,

Co-operative Credit Society.

11. The plaintiff must attach as many copies on plain paper of the plaint as there are defendants [section 9 (1) of Order V of 1908]. The sureties will usually be associated with the borrower as defendants. If the Sub-Judge asks for the original account books of the society to be produced under section 17 of Order VII of Act V of 1908, his attention should be drawn to the fact that Co-operative Societies are exempted from this provision under section 26 of Act II of 1912.

Co-operative Societies are not exempt from Court-fees. The plaint therefore should be properly stamped. The amount of the Court-fee is annas 6 for every Rs. 5 claimed (section 6 of Act VII of 1870). The amount shown in paragraph 6 of the plaint should be the same as the amount of the claim.

12. A suit may be filed for the recovery of loans advanced on bonds with personal sureties within three years of the date on which the instalment claimed became due (item 74 of Schedule I of Act IX of 1908). When the security for the loan is a mortgage on immoveable property the period of limitation is 12 years (item 144 of the same Schedule). If before the period of limitation has expired the debtor or his surety acknowledges his liability in writing or if he pays interest on his debt, a fresh period of limitation sets in from the date of such acknowledgment or such payment of interest.

13. When the property bought with money lent by a society or crops raised from the funds or seed advanced by it are attached by some other creditor, the Society must enter and prove its prior claim in the Civil Court under clauses 58 and 59 of Order XXI of the first Schedule of the Code of Civil Procedure. A society may prove its claim and its right to object to the attachment under section 19 of the Co-operative Societies Act by showing firstly that it lent money to the judgment-debtor and secondly that this money was spent in buying the cattle or raising the crop under attachment. If the claim is admitted, the property will be either freed from attachment, or sold under or free from the charge, as the society may agree, under section 73 of the Code of Civil Procedure. If the claim is rejected the society can file a regular suit under section 63 within one year from the date of the order rejecting the claim [item 11 (a) of Schedule I of Act IX of 1908] and, if necessary, make an appeal on that. As a rule societies will be well advised to consent to a sale by the Court free of the charge, and then to obtain payment from the sale proceeds in priority to other creditors.

(6) Branches.

14. Societies confined to a single caste, community, department, or service, with no definite local limits may sometimes find it desirable to open branches outside the limits of the Bombay Presidency. To

do this the permission of the Local Government within whose jurisdiction it is proposed to open a branch must be obtained through the Registrar, and under G. R. No. 3595 of April 20, 1914, R. D., will usually be granted. The Registrar of the province, in which the parent society is situated, will be responsible for the audit and supervision of the branch.

(7) Societies' Officers.

15. In all agricultural societies and in the smaller non-agricultural societies the Chairman and the members of the Managing Committee should serve without remuneration. The duties of the Secretary are heavier and less attractive and therefore he will probably require pay. The most convenient method is to allow him a small monthly stipend together with an annual bonus of 20 per cent. of the net profits, to be sanctioned in the annual general meeting of the society provided that not more than 10 per cent. of the outstanding loans of the society are overdue for collection. His bonus should be reduced to 10 per cent. of the net profits when the arrears exceed 10 per cent. but are less than 20 per cent. If they exceed 20 per cent. no bonus should be paid at all. Loans which have been duly extended by the Managing Committee should not be considered arrears for the purpose of this rule, but paper transactions should be treated as arrears. The scale of regular stipend suggested is $\frac{3}{4}$ per cent. of the working capital up to Rs. 5,000, $\frac{1}{2}$ per cent. up to Rs. 10,000, and $\frac{1}{4}$ per cent. on capital above Rs. 10,000. Under G. R. No. 2085, dated February 22, 1916, R. D., societies may pay allowances not exceeding Rs. 5 per month to any village accountant or other subordinate officer of Government appointed to perform its clerical work.

(8) Utilization of Cash Balances.

16. A society ought never to keep a large cash balance on hand idle. If the money is not required by members it may be used under section 32 of Act II of 1912 in any of the following ways :—

- (a) Deposited in the Post Office Savings Bank.
- (b) Invested in any of the securities specified in section 20 of the Indian Trusts Act, 1882.
- (c) Invested in the shares or on the security of any other registered society.
- (d) Deposited in any bank approved by the Registrar.

17. Co-operative Societies are authorised under section 42 (b) of the Savings Bank Rules to open public accounts in the Post Office Savings Bank. The sanction of the Post Master General is first required and should be obtained by an application in the accompanying Form A forwarded through the Registrar, Co-operative Societies. A copy of the resolution of the Managing Committee authorising two Committee Members by name and the Secretary to operate the account should be attached. Under the Post Master General's No. 449 of May 4, 1907, based on the Director General of Posts and Telegraph Circular No. 6/5, dated the 11th April 1907, all Head, and Sub-Post Masters have been authorised to open accounts in anticipation of sanction on receiving an intimation from the Registrar.

When the public account is opened the declaration Form B (1) and (2) (appended) must be filled up and should be signed by the Secretary and the two selected members. At the same time a deposit should be made. If any of the three persons (*i.e.*, Secretary and two selected members) do not attend at the Post Office when the account is opened, the absent members must send specimen signatures.

When money is withdrawn, the application for withdrawal signed by the Secretary and the two selected members must be made in a form that will be supplied at the Post Office. The pass-book should be produced at the same time.

If at any time one of the selected members is unable to sign applications, he should give a letter of authority to another member of the Committee selected for the purpose at a Committee Meeting and a new declaration should be presented to the local Post Office.

If one of the selected members dies or refuses to give a letter of authority the Committee should make a fresh application to the Post Master General through the Registrar specifying the names of the two members and Secretary who will henceforward sign applications.

18. No Co-operative Society may have more than Rs. 10,000 at its credit in the Postal Savings Bank. Special facilities with regard to withdrawals have been conceded under the Post Master General's general letter No. 15, dated August 1, 1913 :—

Restrictions on accounts.

(a) Societies may withdraw sums up to Rs. 3,000 from their accounts on three days' notice at all Post Offices situated at District

Headquarters or at Taluka Headquarters where there is also a Telegraph Office.

- (b) Societies may withdraw sums up to Rs. 3,000 on seven days' notice from all other Post Offices.
- (c) Societies may withdraw sums exceeding Rs. 3,000 but less than Rs. 10,000 on ten days' notice from all Post Offices.

The accompanying circular letter No. 61953 of July 22, 1917, by the Postmaster General is republished for reference :—

The Registrar, Co-operative Credit Societies, Bombay Presidency, has complained that recently in numerous instances great inconvenience has been caused to the Co-operative Credit Societies by the refusal of the Postmasters to allow to withdraw more than Rs. 1,000 in a month. This shows sheer ignorance and utter disregard of the orders contained in the Postmaster-General's standing order No. 57 and the Postmaster General's circular letter No. 15, dated the 1st August 1913, on the part of the Postmasters. The attention of all concerned is once more drawn to the above orders and any failure to comply with the request of the Co-operative Societies in accordance with the above orders will be severely noticed.

H. S. H. PILKINGTON,
Postmaster General, Bombay.

Investments under the
Trusts Act.

19. Under section 20 of Act II of 1882, Co-operative Societies may invest their funds—

- (1) in promissory notes, debentures or stock of the Government of India or Great Britain ;
- (2) in bonds or debentures secured on Indian Revenues ;
- (3) in shares of Railway Companies guaranteed by the Secretary of State ;
- (4) in debentures or bonds issued by any Municipality in British India ;
- (5) in first mortgage on immovable property in British India, of which the value exceeds the mortgage-money by at least one-third ;
- (6) the debentures of the Bombay Central Co-operative Bank (India Act XXI of 1917) ;
- (7) any other security approved by the High Court.

20. A Co-operative Society is at liberty to purchase shares or debentures in any other Co-operative Society. It may also deposit its funds with any other society for any term at the ordinary rates allowed by the rules of the borrowing society. If, however, it advances money to any society on special terms dictated by itself as lender, then the advance must be regarded as a loan and the sanction of the Registrar obtained under section 29 (1) of the Act.

Investments in other Co-operative Societies.

21. Joint Stock Banks often allow attractive rates of interest on deposits, and societies in the larger towns will usually find them very convenient. As the financial position of these banks in India is occasionally not all that could be desired, no society may open accounts with them without the Registrar's previous approval. Besides this the Registrar is prepared to allow the deposit of a society's funds with old-established and trustworthy village shroffs on current account, when no other convenient means of investment is available, but his consent will not be given without full enquiry.

Use of Banks and Bankers.

22. When a society is unable except at unreasonable cost to deposit its funds and papers in a Government Savings Bank or with an approved banker or in some other safe manner, under Government Resolution No. 7135 of September 4, 1905, Revenue Department, it may be allowed by a special order of the Local Government to keep its strong box in the local Treasury, provided that there is room for it.

Strong box.

(9) *Transmission of Funds.*

23. Most societies at one time or another have to remit money to other societies or private persons at a distance. It is important that this should be done expeditiously to save interest. The following methods of transmission are available :—

(1) *Remittance Transfer Receipts.*—Under Civil Account Code 143-B (9) remittance transfer receipts are supplied at par for remittances between Co-operative Societies. Societies desiring

Remittance Transfer Receipts.

to use this privilege should fill up the following form :—

Form of application.—

- (1) Name in full of the applicant society.
- (2) Amount of draft required (in words and figures).

- (3) Name and address in full of society to whom remittance is to be made.
- (4) Name of Treasury at which draft is to be made payable.
- (5) Signatures of Secretary and one Committee member of the remitting society.
- (6) Date.

This form may be printed or in manuscript and may be in English or the Vernacular; but it must always be filled up by societies and presented at the Treasury at the time of paying in money for transmission. This is the only form required and under the Accountant General's Letter T. M. 22—1251 of November 8th, 1916, it has been ruled that no certificate that the Remittance Transfer Receipt is required for exclusively public purposes is necessary.

Remittance Transfer Receipts are obtainable at district treasuries and also at sub-treasuries with the previous approval of the Huzur Deputy Collector. On receiving the Transfer Receipt from the Treasury Officer the society should send it by registered post to the recipient. The amount of a Remittance Transfer Receipt may not be less than Rs. 150 under G. R. No. 4197 of October 9, 1914, F. D.

A Remittance Transfer Receipt, on receipt, may be cashed immediately at a district treasury; but if payment is required at a sub-treasury it should be handed to the Sub-Treasury Officer duly receipted and he will make payment after a few days on receiving a cash order from the Treasury Officer.

Under Government Resolution No. 5588 of June 10, 1911, Revenue Department, the privilege of the use of Remittance Transfer Receipts at par has been extended to remittances from branches of co-operative credit societies to their head office, or to other branches or to other societies or their branches.

Under Government Resolution No. 3907, dated April 25, 1913, Revenue Department, Remittance Transfer Receipts sent from Bombay to the mofussil may be obtained from the Bank of Bombay payable to the Huzur Treasury Officer of the district concerned. The remitter may send such receipts direct to the Treasury Officer who will issue immediately a cash order in favour of the payee at the sub-treasury nearest to the society. The remitter should inform the payee direct of the sub-treasury

at which payment will be made and should direct him to present himself there with proofs of his identity.

Conversely under Government Resolution No. 353, dated January 13, 1914, Revenue Department, rural societies, wishing to despatch a Remittance Transfer Receipt but to make payment for it at a taluka sub-treasury, may at the time of making payment and presenting their application for the issue of a Remittance Transfer Receipt, request the Sub-Treasury Officer to forward it direct to the payee instead of returning it to them for transmission.

(2) *Postal Money Orders*.—These can be despatched from nearly all post offices. The amount must not exceed Rs. 600 and must not include fractions of an anna. A commission of 1 per cent. on the sum remitted is charged. Under Government Order No. 5099, dated May 16, 1916, Revenue Department, a refund of the three-quarters of the money order commission paid on all remittances between a society and its financing agents has been allowed for a period ending March 31, 1921. Under Government Resolution No. 11674, dated December 23, 1912, it has been ruled that money order commissions paid on remittances between a society which has opened a store and the broker or dalal who supplies its stock are eligible for this rebate. Societies claiming a refund should submit the following form annually in April together with the post office receipts for the remittances to the Registrar who will make the necessary payment :—

Date of money order.	Name of sender.	Name of recipient.	Amount sent.	Commission charged.	Refund claimed.	Remark.

(3) *Registered and Insured Post*.—Cheques, hundis and currency notes can conveniently be sent by registered and insured post, but no special privileges have been conceded to societies which use this mode of transmission. In addition to the ordinary postal charges, a registration fee of two annas only, and an insurance fee of one anna for every Rs. 50, or fraction of Rs. 50

insured will be charged. Packets must be strongly fastened, tied with string or thread, and sealed. The name and address of the sender, and the amount for which the packet is insured must be clearly written on the cover. Packets up to the value of Rs. 600 can be insured at branch post offices and up to the value of Rs. 2,000 at other post offices. All packets containing currency notes must be registered and insured. If they contain cheques or hundis they must be registered but need not be insured. A receipt will be given by the Post Master, which should be preserved on the society's file.

(10) Registration of Documents.

24. Under section 17 of Act XVI of 1908 (Registration Act) the following documents in use among co-operative societies must be registered:—

What documents registrable?

1. All gifts of immovable property.
2. All sales, transfers or mortgages of immovable property of the value of Rs. 100 and upwards. If the value is less than Rs. 100, also the document must be registered unless delivery is made. (Transfer of Property Act, section 54.)
3. All leases of immovable property for terms exceeding one year.
4. All receipts for payments in virtue of which the above transfers, mortgages, and leases are cancelled or released.

25. Documents must be presented to the Sub-Registrar within whose Sub-District the whole or some portion of the property to which it relates is situated within four months of execution. The documents should be presented to the Sub-Registrar by one of the persons executing it or by one of the officers of the society claiming under it. All the persons executing such a document must present themselves before him before it can be registered. The Sub-Registrar will satisfy himself of their identity. If the Kulkarni or Patil is unwilling to attend, one of the members of the Managing Committee might be duly authorised by a special resolution of the Managing Committee to accompany them as identifying witness and, if necessary, his expenses might be paid by the society. The person chosen should be personally known to the Sub-Registrar. For further instructions about the presentation of documents for registration, see circular 108 printed in Appendix V.

Presentation of documents.

The property leased, mortgaged, or sold must be fully described in the document. Land should be described by reference to the survey number, area, and assessment shown in the village records, and the names of the adjoining properties should be given. In Talukas where mapping under Chapter XA of the Bombay Land Revenue Code has been carried out, the survey numbers in the maps should be given, and wherever a city survey has been carried out the C. T. S. numbers should be quoted. With regard to houses, the names of the street or road should be entered and it should be stated on which side they are situated and what properties adjoin them.

Under Government of India Notification No. 376, dated April 24, 1914, republished under G. R. No. 5818 of June 24, 1914, R. D., the Government of India has remitted the fees payable under the law of registration for the time being in force, namely:—

- (a) All fees payable by or on behalf of any registered co-operative society;
- (b) All fees payable in respect of any instrument executed by any officer or member of such a society and relating to its business.

26. In order that the time of the parties may not be wasted in waiting while the Sub-Registrar makes a manuscript copy of the registered document, the Inspector General of Registration has in his circular, dated January 30, 1912, ordered Sub-Registrars to accept printed duplicates of all documents executed by or in favour of co-operative societies, to complete registration immediately and to return the original document on the day of presentation. Printed duplicate forms should be presented blank and will be filled up by the Sub-Registrar at the time of registration.

27. Before taking land on mortgage, as security for a loan, the society should always satisfy itself that the land is unencumbered, *i.e.*, that it has not been previously sold or mortgaged to another person. The simplest method of doing this is to require the applicant for a loan to produce a copy of the entry in the Record of Rights relating to the land offered as security. But where the Committee suspects the accuracy of the

entry, or where no Record of Rights is available, as in towns, it is wise to enquire in the Sub-Registrar's office in order to make sure of the facts. The Secretary of the society should first look up the name of the alleged owner of the land in the Sub-Registrar's Index No. I and should then look up the description of the land in Index No. II. If after searching these two indices for the preceding 12 years no entry is found relating to the land in question, it will generally be safe to assume that the land is unencumbered.

Members of societies are entitled under section 213 of the Land Revenue Code (Act V of 1879) to inspect the Record of Rights and all other Revenue Records in charge of the village accountant at reasonable hours, and under Rule 3 of the rules under that section may take copies of entries in the Record of Rights without the payment of any fee.

Under Land Revenue Code 135 C, a society acquiring by mortgage, lease or otherwise any right over the land of its members is bound to report the fact orally or in writing within three months of the date of such acquisition to the village accountant except in cases where the bond has been registered by a Sub-Registrar. When a mortgage is discharged, the person whose property is released from such mortgage is bound to report the fact before three months.

28. It should be brought to the notice of Sub-Registrars that under Bombay Act I of 1912 co-operative societies have been exempted from the operation of the Deccan Agriculturists' Relief Act of 1879, and therefore, that documents need not be drawn up or executed in their presence.

Exemption from
Deccan Agriculturists'
Relief Act.

Under section 27 of Act II of 1912 the share certificates and debenture-bonds of registered societies are exempted from compulsory registration.

Registration of shares
and debentures.

(11) *Thumb-impressions.*

29. Thumb-impressions should be taken on all bonds passed by illiterate members. The rolled impression of the ball of the left thumb is required. The apparatus which consists of a tin slab, a roller, and some printing ink can be bought cheaply in any bazar. A drop or two of printing ink with the aid of a roller and a drop or two of kerosene should be spread evenly over the plate. The clean thumb of the person executing the document should be pressed gently but firmly on the tin slab and rolled (not

Thumb-impressions

rubbed) from side to side. The inked thumb should then be placed lightly on the document and rolled so as to leave a clear impression free from smudges. On registered documents this process should be gone through in the presence of the Sub-Registrar.

(12) *Takavi Loans.*

30. In Government Resolution No. 1158 of 3rd February 1909 Revenue Department, Government have accepted the principle that takavi loans to members of co-operative credit societies under the Agriculturists' Loans Act, XII of 1884, should be advanced through the societies and not direct, but they should only be granted when the societies have no funds on hand for necessary loans and are not in a position to raise them locally. The Assistant or Deputy Collector, on receiving a petition for takavi from any village in which a society has been established, will first enquire whether the petitioner is a member of the society. If so, he will refer the petition to the society and ask it to draw up a list of members requiring takavi, for whom it is willing to stand surety. The list should show the amounts required, the period of repayments and the object of the loans. The Assistant or Deputy Collector will at once sanction as many of these loans as he considers that the society is unable to grant out of its own funds. There will be no enquiry into the security offered by individual applicants, because instead of this the society itself will be required to sign each separate takavi bond through its representatives as a surety. In return for being surety the society may charge as commission a rate not exceeding two per cent. per annum on the amount advanced. For detailed instructions see Government Order 3552 dated April 4, 1919, Revenue Department, published under Appendix V, item (5) Takavi.

(13) *Classification of Societies.*

31. At the time of audit societies are classified by the auditors as (A) very good, (B) fair, (C) poor, and (D) bad. A society which is classed as (D) twice running will as a rule be cancelled. Societies classed as (C) will receive loans under strict conditions and after full enquiry. (A) societies will always have the first claim to enjoy all the financial and other facilities which the Department can

provide; and it should be the great object of all societies to reach the (A) class. The qualities which place a society in A class are:—

- (1) punctual and *bona fide* repayments;
- (2) well-written accounts;
- (3) adequate local deposits;
- (4) regular meetings of committee and General Meeting;
- (5) members' knowledge of principles and practice of co-operation.

(14) *Records.*

32. In addition to the prescribed account forms societies should maintain the following files:—

- (1) File of applications for membership.
- (2) Files of applications for loans together with the bonds executed by the borrowers and bonds to sowkars cancelled when old debts are redeemed. The office copies of bonds passed to Government or a Central Bank or financing agency should also be included.
- (3) File containing Act, Rules, By-laws, Registration Certificate, leaflets, circulars and standing orders.
- (4) File of audit memos., balance sheets, correspondence with the Central Bank or other financing Agency and with the Registrar or Auditor.

33. With regard to the preservation of Records the following rules should be observed:—

A: to be preserved for ever—

- (a) Register of Members;
- (b) Cash book;
- (c) Minutes of General and Committee Meetings;
- (d) Share Register;
- (e) Files, 1 and 3.

B : to be destroyed after 5 years—

- (a) all other account books, from the date when the accounts were closed ;
- (b) file (2) from the date when the loans were repaid and (4) from the date when the papers were filed ;
- (c) all other papers from the date when they were received or despatched.

Bonds should be cancelled and returned to the parties concerned as soon as their debt is discharged.

(15) *Purchase of Agricultural implements.*

34. Credit societies may not invest their funds in the purchase of iron ploughs or other implements for hiring out to their members without the sanction of the Registrar. This sanction will not be given unless —

- (a) the reserve fund exceeds Rs. 500 ;
- (b) the amount proposed to be invested does not exceed one-half of the amount by which the reserve fund exceeds Rs. 500 ;
- (c) the hiring rate is fixed on a scale estimated to return annually interest at 10 per cent. on the capital invested plus 10 per cent. sinking fund to cover the deterioration of the implements.

(16) *Quinine.*

35. Societies can purchase fresh quinine from the Superintendent, Yeravda Central Prison, Poona, for re-sale to their members. A bundle of 32 packets of 10 grains each costs one rupee. Bundles of the value of less than two rupees are not supplied, and all payments must be in cash. A parcel of treatments containing 200 tablets may be bought for Rs. 3.

(17) *Stamps.*

36. The stamp duty with which instruments executed by or on behalf of any registered co-operative society or by any officer or member of such society and relating to the business of the society are chargeable, is remitted under Government of India Notification No. 683-F. of December 28, 1912 (published under Government Resolutions 1652 and 5986 of February 20, and June 27, 1913, Revenue Department). This exemption applies to all stamps on receipts, cheques, bonds, etc., but not to Court-fee stamps.

Exemption from stamp duty.

(18) *Income-tax.*

37. The profits of registered co-operative societies and dividends or other payments received by members of such societies on account of profits are exempted from Income-tax under Government Resolutions 1652 and 5986 of February 20, and June 27, 1913, Revenue Department. This exemption does not extend to the interest on securities held by co-operative societies. This portion of their income is chargeable under Government Resolution 8406 of August 29, 1916, Revenue Department, with income-tax under Part III of the second schedule of the Income Tax Act.

(19) *Use of the term "Co-operative".*

38. Under section 47 of the Act, no society not registered under the Co-operative Societies Act may carry on business under a name of which the word "Co-operative" forms part without the sanction of Government. If any member of any society notices any such shop or bank, it is his duty in the interests of the movement to report it to the Registrar for further action. This provision does not apply to the following societies which were using the term "Co-operative" as part of their trade name before March 1, 1912:—

District.	Name of exempted institution.
<i>Gujarat—</i>	
Kaira ..	(1) Nadiad Swadeshi Sahayakari (Co-operative) Mandali, Limited.
Broach ..	(1) British India Co-operative Insurance and Banking Company, Limited.
Surat ..	(1) The Hindustan Co-operative Insurance Company, Limited, Kanpith, Surat. (2) The Pardi Co-operative Stores.
<i>Deccan—</i>	
East Khandesh ..	(1) Co-operative Society Store, Jalgaon. (2) Bhusaval Railway Co-operative Society, Limited.
Poona ..	(1) Lonavala Co-operative Stores, Lonavala. (2) Co-operative Society for Men and Middle Classes, Poona City. (3) Co-operative Stores, in Budhwar Peth, Poona City. (4) Hindustan Co-operative Insurance Office, Poona City.
West Khandesh ..	(1) Dhulia Co-operative Society.

- Nasik .. (1) The Railway Co-operative Stores, Igatpuri.
 (2) The Malegaon Swadeshi Co-operative Trading Company, Limited.
 (3) The Railway Co-operative Stores, Manmad.
 (4) The Co-operative Swadeshi Trading Company, Limited, Nasik City.
- Sholapur .. (1) The Sholapur Co-operative Society.
 (2) Shri Ekvichari Sahayakari (Co-operative) Sanstha, Limited.
- Satara .. (1) Hindustan Co-operative Life Insurance Company, Limited, Calcutta.
 (2) Panchgani Co-operative Stores and Pharmacy.
- Karnatak—*
- Belgaum .. (1) Belgaum Co-operative Stores Company, Gokak.
 (2) Belgaum Co-operative Stores Company, Gokak Falls.
- Dharwar .. (1) M. and S. M. Railway Co-operative Stores, Dharwar.
 (2) M. and S. M. Railway Co-operative Stores, Hubli.
 (3) Wholesale Co-operative Stores, Dharwar.
 (4) Garag Co-operative Ginning Company.
- Town and Island of Bombay .. (1) Army and Navy Co-operative Society, Limited.
 (2) Bombay Swadeshi Co-operative Stores Company, Limited.
 (3) Hind Co-operative Stores, Limited.
 (4) Indian National Co-operative Society, Limited.
 (5) Indian Co-operative Navigation and Trading Company, Limited.
 (6) Indian Co-operative Stores Company, Limited.
 (7) Hindustan Co-operative Insurance Society, Limited.
 (8) Goan Co-operative Society.
 (9) Byculla Co-operative Stores.
 (10) Colaba Co-operative Stores.
 (11) The Royal Co-operative Stores.
 (12) The Devi Annapurna Co-operative Society Limited
- Sind—*
- Karachi .. (1) Co-operative Stores.
 (2) Sind Juvenile Co-operative Society.
- Hyderabad .. (1) Sind Juvenile Co-operative Society.
 (2) Sind Co-operative Medical Stores.
- Sukkur .. (1) Railway Co-operative Stores.

(20) Schools and School-masters.

39. The following Rules have been issued by the Director of Public Instruction under his No. 9702, dated October 4th, 1916, regulating the relations of District Local Board Schools and rural Co-operative Societies :—

- (1) A village school-master may, with the permission of the Deputy Educational Inspector of the District, become Secretary of a registered Co-operative Society, if there are no literate persons in the locality capable of discharging these duties and if it is found that the interest of the Society concerned can be promoted only by the school-master taking up these duties, provided however that the school itself does not thereby suffer.
- (2) A school-building may be used out of school hours or on holidays for holding general meetings of the Co-operative Societies, on condition that any damage to the building or to the furniture is made good by the Society.
- (3) School-masters may be allowed to take part in such general meetings or in conferences, provided that this does not interfere with their legitimate duties.
- (4) A school-master may be a member of such a Society and make deposits in it. He cannot, however, become a member of the managing committee of such a Society without the sanction of the Deputy Educational Inspector.

(21) Redemption of old Debt.

40. No definite rules of procedure are laid down besides those contained in the by-laws (see Chapter V, by-law 37). As a rule societies are advised not to begin work by redeeming the old debts of members, firstly because they have not yet acquired experience and do not know which of their members will prove honest and punctual repayers, secondly because if they lock all their capital up in long-term loans, they will have no funds to meet urgent current demands, and the members will therefore have to resort again to the sowkars, and thirdly because for this purpose they need funds which will be left in their hands for at least 5 years, and these are most difficult to obtain at the outset. For the first year or two, societies are advised to advance loans for 1 or 2 years only for the current expenses of their members. When they learn which of them are most trustworthy, they should pick out half a

dozen for redemption, and after carefully examining the books of the sowkars, and securing such reductions in the claims as are possible, should pay them off; and then as instalments are recovered should proceed to liquidate other debts, care being taken to select the most thrifty and trustworthy members before the unthrifty and unpunctual. Societies must be cautious not to use loans or deposits fixed with them for one year in advances for 5 years to their members. They must obtain long-term loans for this purpose from the public or some Central Bank. As a rule Central Banks will give preference to societies classed as A at the audit.

(22) *Compulsory Deposits.*

41. The system of requiring compulsory deposits in agricultural societies has not been adopted generally in this Presidency. But in cases where the people wish to try the system and local conditions seem favourable, the following model by-law is suggested for adoption:—

“Every member shall deposit in the society at least Rs. 5 per year for each plough owned by him. If the member himself fails to pay the amount at harvest time, it may be deducted by the Managing Committee from the next loan sanctioned to him. Such compulsory deposits shall not be withdrawable except after 10 years or on death or with the special approval of the Managing Committee to meet domestic difficulties or on resignation. The rate of interest shall be $6\frac{1}{2}$ per cent.”

(23) *Security Bonds for Co-operative Employees.*

42. All societies with a working capital exceeding Rs. 30,000 are advised to take security bonds from their secretaries and cashiers in the following form. The amounts of security recommended are as follows:—

	Rs.
Officers on Rs. 75 and upwards	1,000
“ on Rs. 50 to Rs. 75	600
“ on Rs. 25 to Rs. 50	400
“ on less than Rs. 25	150

Two sureties of known respectability and solvency should be required in each case. An officer, if he so desires, might deposit security in cash or Government promissory notes in lieu of giving sureties. The security bonds of all officers should be sent by registered post to the Registrar for custody in his office safe, and copies should be retained by the Society for reference. Mortgages on houses or land should not be accepted as security.

Draft Form of Security Bond.

I _____ son of _____ resident of _____ in taluka _____ District _____, in consideration of my appointment as _____ of the _____ Co-operative Society, ^{Ltd.} Unltd., do hereby covenant for myself, my heirs, my executors and assigns with the _____ Co-operative Society, ^{Ltd.} Unltd., and its successors in interest and assigns that I will obediently, faithfully, and diligently fulfil all the duties of the said office; that I will adhere strictly to such Rules as may from time to time be enjoined by the Directors of the said _____ Co-operative Society, ^{Ltd.} Unltd., for my guidance or be imposed on me under Act II of 1912; that I will not falsify, embezzle, steal, misappropriate, damage, or otherwise make away with any accounts, books, papers, stores, funds and the like that may come into my hands in the course of my employment under the _____ Co-operative Society, ^{Ltd.} Unltd., or any of its affiliated societies. If I fail to fulfil any of the above stipulations or if through any carelessness or negligence of mine or otherwise any of the said accounts, books, papers, stores, funds and the like are falsified, embezzled, stolen, misappropriated, damaged, or otherwise made away with out of my custody and charge or if the _____ Co-operative Society, ^{Ltd.} Unltd., or any of its affiliated societies is subjected to loss in any way; or if from my office as _____ I derive or endeavour to derive any advantage other than the pay or other allowances which I am entitled to get, then as a penalty for such breach or breaches, on simple declaration to that effect made by the Directors of the _____ Co-operative Society, ^{Ltd.} Unltd., subject to an appeal to the Registrar, Co-operative Societies, Bombay Presidency, I bind myself, my heirs, executors, and assigns to pay to the _____ Co-operative Society, ^{Ltd.} Unltd., on its own behalf or on behalf of any of its affiliated societies the sum of Rs. _____. I hereby further covenant that in case the said amount shall be found insufficient to cover any loss or damage or the like incurred through me in contravention of this bond, it shall be lawful for the _____ Co-operative Society, ^{Ltd.} Unltd., its successors and assigns to attach and appropriate by sale or otherwise any moneys or other property of any kind of which I may be possessed or to which I am or may be or may become at any time

entitled in further satisfaction of such loss, damage and the like. I further covenant that this bond shall commence to have effect from the date on which it is signed by me and shall continue in force until I have received a formal discharge of all liabilities and have also received back this bond duly cancelled.

Dated _____

(Signature) _____

Principal.

We the undersigned do hereby declare ourselves sureties for the above named _____ and agree that should he fail to abide by any of the terms of the above bond, we bind ourselves or heirs, executors and assigns jointly and severally to forfeit to the _____ Co-operative Society, ^{Ltd.}/_{Unltd.}, on its own behalf or on behalf of any of its affiliated societies the sum of Rs. _____ on simple declaration to that effect made by the Directors of the _____ Co-operative Society, ^{Ltd.}/_{Unltd.}, subject to an appeal to the Registrar, Co-operative Societies, Bombay Presidency.

Witnesses—

1. _____
2. _____

Date _____

Signatures—

- Surety _____
 Surety _____

(24) Grants for Charitable purposes.

43. After carrying one-fourth of the net profits in any year to reserve, a Society may under section 34 of the Act contribute an amount not exceeding 10 per cent. of the remainder with the sanction of the Registrar to any charitable purpose as defined in section 2 of the Charitable Endowments Act (VI of 1890). The definition is as follows:—
 “Charitable purpose includes relief of the poor, education, medical relief, and the advancement of any other object of general public utility but does not include a purpose which relates exclusively to religious teaching or worship.”

(25) Telegraphic Address.

44. The headquarters of the Registrar are at Poona, and his telegraphic address is “Co-operation, Poona”. The telegraphic address

of the Assistant Registrars is "Credit," Dharwar, Poona, or Hyderabad (Sind) as the case may be. The telegraphic address of the Bombay Central Co-operative Bank is "Farmerbank," Bombay.

(26) *Loans from Government.*

45. Government are prepared to grant loans to Co-operative Dairy Societies under Government Order No. 5204, dated the 30th April 1918, Revenue Department, and to Weavers' Societies under Government Resolution No. 1505, dated the 12th May 1917, Revenue Department, and to societies among peculiarly backward communities under Government Resolution No. 10409, dated the 27th August 1917, Revenue Department, and to Societies situated in Sind so long as the movement in that province remains in its infancy.

The Rules under which Government loans are advanced to Co-operative Societies were published in Government Resolution No. 3025, dated the 25th March 1911, Revenue Department, and are as follows :—

1. (1) The maximum loan payable to any society is Rs. 2,000. The loan may be paid in more than one instalment, but all payments shall be made in even fifties of rupees.
- (2) Loans to societies the liability of whose members is limited, shall be granted, only under special circumstances and with the special sanction of Government.
2. (1) The amount lent to a society shall not (without the sanction of the Government of India) exceed the amount of capital subscribed or deposited by the members which is not repayable by the society within five years from the date of subscription or deposit.
- (2) The fact of such capital being already lent out to its members by the society shall not disqualify the society for a loan.
- (3) Where the liability of the members is limited by shares, only paid up shares shall be taken into account for the purposes of this rule.
3. (1) Loans may be free of interest for three years after the date of registration and after the expiry of that period will bear interest ordinarily at $6\frac{1}{4}$ per cent. per annum.

- (2) Repayment shall be ordinarily by annual instalments, which may not exceed twenty without the special sanction of Government.
4. A society requiring a loan shall submit to the Registrar of Co-operative Societies an application in the Form A annexed to these rules.
5. When the Registrar sanctions a loan his sanction shall be recorded in the Form B appended to these Rules.
6. (1) When the order in the Form B directs payment to be made by the Registrar, a copy of it shall be sent to the Society and another copy to the Accountant General.
- (2) When the order in Form B directs payment to be made by an officer other than the Registrar, in addition to the copies prescribed in sub-clause (1), a copy shall be sent to the officer by whom payment is to be made, and if such officer is the officer in charge of a sub-treasury/treasury, such copy shall be sent through the Collector.
7. (1) Payment shall be made by the officer by whom payment is directed to be made to the persons authorised to receive the payment on their appearing before him and executing an agreement in Form C in triplicate.
- (2) One copy of the agreement shall be recorded in the treasury or sub-treasury at which repayment is to be made, one copy shall be forwarded to the Accountant General for record and one shall be recorded by the Registrar.
- (3) The Registrar may himself draw, or may authorise any Assistant or Deputy Collector to draw, on an abstract bill, the amount of the loan for disbursement to the society. A copy of the Registrar's order of sanction should accompany the abstract bill.
8. The Registrar may, if sufficient cause is shown, suspend the payment of any instalment of principal, if the interest due is paid. The result of such suspension will be to postpone that instalment and all subsequent instalments for one instalment period. The Registrar's order of suspension shall be communicated to the Treasury officer of the District and the Accountant General without delay.

9. If any instalment is completely repaid more than one month before due date, the Society will be entitled to such reduction in the amount of the last instalment as the Accountant General may determine.
10. (1) In the event of an instalment of a loan not being fully repaid on due date, compound interest at $9\frac{3}{4}$ per cent. per annum to date of payment shall be recoverable on the amount overdue, unless the Registrar by special order exempts the society from this liability.
(2) It shall be the duty of the Officer in charge of a treasury or sub-treasury to give prompt notice to the Registrar of default in repayment of an instalment.

FORM A.

Form of Application of Authorisation to the Post Master General.

To

The Post Master General,
Bombay.

Sir,

We, the undersigned, being the Secretary and the Members of the Managing Committee of the undermentioned Co-operative Credit Society, apply for permission to open a Postal Savings Bank account in the name of the society at the _____ Post office.

* The name of the society is _____

* Its registered address is _____

* The objects of the society are _____

* The funds are raised in one or more of the following ways :—

(a) _____

(b) _____

(c) _____

(d) _____

(e) _____

† The account will be operated upon by _____ the Secretary, and by _____ and _____ two Members of the Committee. When the Secretary or one of these two

* These entries should be filled in from by-laws of the society.

† Here enter the names of persons selected and authorized by the Committee to operate the account.

Members is changed, intimation will be given to the Post Office and the required documents furnished through the Registrar.

Signatures—

- * (1) _____
 (2) _____
 (3) _____
 (4) _____
 (5) _____
 (6) _____
 (7) _____
 (8) _____
 (9) _____
 (10) _____ Secretary.

Through—

The Registrar, Co-operative Credit Societies,

Bombay Presidency.

As the signatures of the Members of the Committee signing the application to the Post Master General are often illegible, the names should be written legibly in this form, which should accompany the application :—

- | | | |
|--|---|----------|
| Members selected
for operation of
account. | { | 1. _____ |
| | | 2. _____ |
| Secretary .. | | 3. _____ |
| All Members of the
Committee. | { | 1. _____ |
| | | 2. _____ |
| | | 3. _____ |
| | | 4. _____ |
| | | 5. _____ |
| | | 6. _____ |
| | | 7. _____ |
| | | 8. _____ |
| | | 9. _____ |

* The application should be signed by all Members of the Committee and Secretary.

FORM A (1).

Savings Bank Index Card.

Entries to be filled up in English by the Post Office.

	Head Office
	Account No.

Member	}	Name _____
		Occupation _____
		Residence _____
Member	}	Name _____
		Occupation _____
		Residence _____
Secretary	}	Name _____
		Occupation _____
		Residence _____

FORM B (2).

Form of Declaration.

(To be signed by the Secretary and the two selected Members.)

We hereby declare that the Post Office Savings Bank Rules have been read $\frac{by}{to}$ us, and that we accept them as binding upon us.

We have opened this account with a first deposit of Rupees (in words) _____ and have received a Pass Book in which this sum is acknowledged.

We understand that if at any time our account is transferred to a Sub or Branch Post Office, we ought to receive for every deposit made at the Sub or Branch Office a separate acknowledgment by post stamped by the Head Office, the name of which is shown on the cover of our Pass Book.

The _____ 191 .

Member (1) _____

Member (2) _____

Secretary (3) _____

CHAPTER XXII.

ARBITRATION.

Reference to Arbitration.—A Society should not refer cases of default to arbitration wholesale as soon as loans become overdue. It is the duty of the Managing Committee first to call up the defaulters to enquire into the reasons of their failure to pay, and, if necessary, to grant an extension of the whole or part of the loans, to warn them and their sureties personally of their obligation to make repayment according to the bond, and to bring the pressure of public opinion to bear on slack or dishonest members as described in Chapter VIII. If these measures are found ineffective, the case should be sent up to the Registrar with a request that he will appoint an arbitrator and refer the case to him. The Rules may be found in Chapter III—Rules 29 to 36.

Note.—Under Government Notification Nos. 9436 and 1154, dated 30-9-1916, and 30-1-1917, R. D., the Assistant Registrars, C. D., and S. D., exercise all the powers of the Registrar for the purposes of these Rules.

2. *Application to the Registrar.*—A Society which has decided to refer a case of dispute to arbitration should apply to the Registrar or Assistant Registrar in charge and should attach to its application—

- (1) a resolution of the Managing Committee deciding that the case should be referred to arbitration, giving a brief statement of the steps taken to effect recovery from the defaulter, the full names and addresses of the defaulter and his sureties and mentioning whether the sureties are members of the Society or not; and whether the principal and sureties are alive, or if dead, the names of their heirs;
- (2) the bond of the defaulter in original;
- (3) a copy of the khata of the defaulter certified as correct by an officer of the Society;
- (4) a statement of the nature and amount of the Society's claim which may be drawn up in the form of Annex I (printed copies of this form are not issued);
- (5) a note stating the name of any educated and generally respected local gentleman, not a member of the Society, whom the Committee would recommend for appointment as arbitrator. In the case of Union Societies a Union committee member should be preferred;
- (6) a note stating that the name of the person who would be appointed by the Society to represent it before the arbitrator.

In making its application to the Registrar or the Assistant Registrar in charge a Committee should remember that when the sureties are not themselves members of the Society, they cannot be dealt with under the arbitration rules. Unless, therefore, it is confident that the whole sum can be recovered from the property of the principal, it would be well advised, in cases where sureties are non-members, to file a suit in the Civil Court instead of proceeding by way of arbitration. In this connection the Committee should note that under section 43 of the Indian Contract Act (IX of 1872) as interpreted by the Bombay High Court (*Lukhamidas v. Purshottam*, I. L. R. 6 Bom. 700) if a claim were made against the principal only under the arbitration rules, and the consequent award were forwarded to a Court for execution and thereby converted into a decree, any subsequent action against sureties, who were non-members, would be barred.

3. Under Government Notification No. 6401, dated 27th June 1916, published on page 1372 of the *Bombay Government Gazette* dated 29th June 1916, Part I, the awards of arbitrators in all disputes to which Co-operative Societies in the Bombay Presidency are parties, are exempted from the duty leviable under the Indian Stamp Act and may be written on plain unstamped paper.

4. *Proceedings of the Arbitrator.*—The arbitrator, on receiving from the Registrar his order of appointment, the papers mentioned in the preceding paragraph and the necessary forms of summons, will issue the summonses by registered post or through Mamlatdar or the Mahalkari of the taluka or mahal to the representative of the Society and to the other parties to appear on such date as he may fix before him at some place either at or very close to the village or town in which the Society is situated. If any parties fail to appear, when duly summoned, the case may be decided against them in default. As arbitration cases are usually disposed of on the spot, no provision has been made for paying travelling expenses to either of the parties or their witnesses. The summons issued should be in the accompanying form (Annex II). After noting the evidence very briefly, the arbitrator will draw up his award of which a model form is appended (Annex III). The reasons for the award should be recorded separately and not included in the award itself. The arbitrator should remember that it is for him to decide the disputed point only which has been referred to him. If a debtor admits a claim and asks for instalments it is his business to award the claim and to leave the Managing Committee to fix instalments as a

matter of grace. The terms of the award should be communicated to the defendants at once, and the fact that this has been done should be briefly noted by the arbitrator on the bottom of the award. The whole record of the case in original should then be forwarded by post to the Registrar or Assistant Registrar in charge for further action.

5. *Execution.*—The Registrar or Assistant Registrar will keep the papers in his office until the period allowed for appeal has expired and will then forward the original award to the Chairman of the Society with instructions that it should be executed forthwith. He will also inform the Chairman of the number and date of the notification in the *Government Gazette* under which the appointment of the arbitrator was published. The Chairman should prepare and present to the nearest Civil Court, having jurisdiction, an application for execution which should be drawn up in the form attached as Annex IV. This application should bear an 8 annas Court Fee Stamp, or if for an amount of less than Rs. 50 a one anna stamp and should be accompanied by the original award. If for any reason the Society wishes to keep the original award in its possession, it should obtain from the Registrar or arbitrator and attach a certified copy of the award bearing an 8 annas Court Fee Stamp, if the amount involved is Rs. 50 or less, and otherwise a Rupee 1 Court Fee Stamp. The application for execution should also be accompanied by process fees on the scale prescribed in Chapter XI of the High Court Circulars. The rules there given are very elaborate, but, subject to some exceptions, may be summed up as follows :—

- (a) If the award be for Rs. 50 or less—
 - (i) for notice on a single defendant—annas 4 ;
 - (ii) for simultaneous notice on additional defendants residing in same village—annas 2.
- (b) If the award is for sums between Rs. 50 and 500—
 - (i) for notice on a single defendant—annas 12 ;
 - (ii) for simultaneous notice on additional defendants in same village—annas 6.
- (c) In other cases—
 - (i) for notice on a single defendant—Rs. 1-8-0 ;
 - (ii) for simultaneous notice on additional defendants in same village—Re. 0-12-0.
- (d) When the above processes have to be re-issued in case of non-service, half fees only are levied.

When an application for execution of an award is not successful in recovering the full amount, and there subsequently appears a chance of recovering the balance outstanding, the Society must make a fresh application and pay all the fees again. The application for execution must be presented to the Court by a duly authorised representative of the Society or by a pleader retained for this special purpose. If any due is written off finally as irrecoverable, the Registrar or Assistant Registrar in charge should be informed of the fact.

ANNEX I.

Statement showing disputed claims of the Co-operative Credit Society against its members referred to the arbitration of the Registrar, Co-operative Societies, under Managing Committee's Resolution No. dated

1	2	3	4	Repayments.		Amount now overdue.		9	10	11
				Principal.	Interest.	Principal.	Interest.			

ANNEX II.

Summons to Witness or Defendant.

IN THE COURT OF ARBITRATOR MR. _____

Address _____

Arbitration Case No. _____ of 191 .

PLAINTIFF: _____

against

DEFENDANT: _____

To _____

Whereas your attendance is required in the above suit, you are hereby required (personally) to appear before this Court at _____ on the _____ day of _____ 191 , at _____ o'clock in the forenoon and to bring with you _____

If you fail to comply with this order without lawful excuse, you will be subject to the consequences of non-attendance laid down in the rules under Act II of 1912 and the case may be decided against you in your absence.*

Arbitrator.

Dated

191

* These words are to be omitted when summoning witnesses.

ANNEX III.

Award.

Arbitration Case No. _____ of 191 .

PLAINTIFF : _____

versus

DEPENDANT : _____

Claim—Rs.

Whereas in pursuance of an order of reference dated _____ made by the Registrar of Co-operative Societies, Bombay Presidency, under Rule No. 30 of the rules framed by Government under section 43 of Act No. II of 1912 (the Co-operative Societies Rules, 1918), a dispute between the above parties touching the above claim has been referred to me for determination.

Now, I having summoned the parties and duly considered the matter referred to me, do hereby order, for reasons separately recorded, that

and that interest on the amount so awarded shall run at the rate of _____ per cent. until the debt is satisfied.

Dated _____ day of _____ 191 .

Arbitrator.

Note.—The terms of this award were orally communicated to the parties by the arbitrator on _____.

Arbitrator.

ANNEX IV.

Application for execution.

IN THE COURT OF _____

I _____ on behalf of the _____ Co-operative Society, holder of an award by an arbitrator appointed by the Registrar of Co-operative Societies under the Co-operative Societies Rules, 1918, made under section 43 of the Act II of 1912, hereby apply for execution of the award herein below set forth :—

1. Names of parties—

(a) Plaintiff : _____

(b) Defendant : _____

2. Date of award.

3. Whether any appeal has been preferred from the award.

4. Whether any payment or adjustment has been made subsequently to the award.

5. Previous applications for execution, if any, with date and result.

6. Amount with interest due on the award.

7. Against whom to be executed.

8. Manner in which the assistance of the Court is required (*for instance, I pray that the total amount of Rs. _____ together with interest on the principal sum up to date of payment and the costs of taking out this execution, be realised by attachment and sale of defendants' moveable property as per annexed list and paid to me*).

The appointment of the arbitrator was notified on page _____ of the *Bombay Government Gazette*, Part I, dated _____.

I declare that what is stated herein is true to the best of my knowledge and belief.

Dated

191 . . .

(Signed)

Authorised representative of
the _____ Co-operative Society.

CHAPTER XXIII.

LIQUIDATION.

The Rules that govern the process of liquidation are Rules 37 and 38 in Chapter III. The powers of the liquidator are contained in section 42 of the Co-operative Societies Act (Chapter II).

2. A liquidator should take charge of the books and cash balance of a cancelled society as quickly as possible after his appointment and must post a notice in the *chora* and publish an advertisement in a local paper under Rule 37 (2) calling for the submission of claims against the cancelled society within two months. But he should not take any further action until the period of two months prescribed for appeal under section 39 (2) of the Act has expired. He should deposit the cash balance at once in the manner prescribed in Rule 37 (8) and should apply to the Post Master General through the Registrar to have the public account opened on behalf of the Society in the Post Office Savings Bank, transferred to his name.

3. After the period both of his notice and of appeal has expired he should proceed as prescribed in Rules 37 (3) and (4). A liquidator is required to keep a full written record of his proceedings, and should pass a separate written order at each stage of his proceedings. His first step should be to ascertain what liabilities the Society has to meet in the form of shares, deposits, etc., and to record a general finding on this point, adding in what order each class of liabilities is to be met from the recoveries. In doing this he should, as far as possible, extinguish without further discussion such liabilities as are possible by setting off shares and deposits held by members against their outstanding loans, and by paying off deposits, which ordinarily rank first among the liabilities, from the cash balance on hand or from any recoveries that he is able to make on the spot. Entrance fees are part of the Reserve Fund and are under no circumstances to be treated as liabilities to be refunded.

4. After ascertaining the total outstanding liabilities of the Society including the accumulated reserve fund, the liquidator will proceed to decide how they are to be met by the members. He should record separate written orders in the case of each contributory member stating the amount due on the date of the order with interest and the rate at which interest will continue to run until the date of recovery, and stating very briefly the ground for his decision (*i.e.*, usually ledger

account and number and date of bond). He should also add about 5 per cent. to meet the costs of the liquidation. In assessing the contribution recoverable from each member of an unlimited society, he should be guided by the opinion expressed by the Legal Remembrancer in his No. 2825 of November 15th, 1918.

The distinction between limited and unlimited co-operative societies has reference to the liability of members for payment of the debts of the society when the society is wound up. In the case of an unlimited society each member is jointly and severally liable without limit. But the liquidator would, I think, ordinarily endeavour to settle the contributions so far as possible on a basis of equal payments, and would raise the amount of calls in case where it was improbable that one or more particular members were likely to be able to pay.

5. The written proceedings, the finding about liabilities, and the separate orders against contributory members should then be sent by registered post to the Registrar or the Assistant Registrar in charge, who will not ordinarily go into the merits of such order but will simply see that the proceedings have been properly held and are in legal form and that the liabilities are being met in the proper order. The account books and records of the cancelled societies need not be sent but will remain in charge of the liquidator.

6. After the proceedings and orders are received back from the Registrar duly approved, the liquidator will send a notice to each member stating the total amount due from him and calling on him to pay it up within a specified period and warning him that in the event of non-compliance the order will be enforced in the manner prescribed under section 42 (5) of the Act. The liquidator will also do his best personally to collect the money when he visits the village. If several sums remain uncollected at the end of the specified period and the liquidator thinks that they cannot be realised without recourse to the Civil Court, he should approach a suitable pleader and find out on what terms he will undertake to secure execution. Before the terms are agreed to and the fee paid the approval of the Registrar, or the Assistant Registrar in charge, should be obtained. The liquidator should provide the pleader with all necessary information to enable him to fill up the standard form of application for execution.

If the liquidator is doubtful as to whether any particular due is recoverable, he may arrange a compromise with the debtor and then report the matter to the Registrar or the Assistant Registrar in charge, stating the circumstances of the case for approval.

7. The expenses of liquidation will ordinarily be met from the cash on hand with the liquidator at any moment and will be covered by an extra charge of 5 per cent. on all debtors, who fail to clear off their debts at the first visit of the liquidator before separate written orders are passed by him. The liquidator will keep an account of his expenditure in connection with the liquidation with the vouchers and will submit it to the Registrar for approval on the termination of proceedings. If he desires a fee for his services he should apply to the Registrar to fix it at the beginning of the liquidation.

8. A quarterly progress report in the attached form is to be submitted to the office of the Registrar or the Assistant Registrar in charge, within 15 days of the end of each quarter of the year.

9. Where one of the liabilities of a cancelled society is a loan from Government, the liquidator will of course recover it under section 44 of the Act. He will be well advised to pick out the most recalcitrant of the defaulters and to draw up a list showing the sums due from so many of them as may be necessary to cover the amount of the Government loan with interest up to date. He should then address a letter to the Collector of the district asking him to recover these dues, as arrears of land revenue and should forward it through the Registrar, who will verify the amount of the Government loan outstanding before sending it on.

10. The powers of a liquidator to enforce the attendance of witnesses under Rules 37 (10) and 38 are very considerable. As far as possible he should hold his proceedings in the village itself and try to cause as little inconvenience as possible to the members unless they are deliberately obstructive and disobliging.

11. A final meeting should be held under Rules 37 (12) and (13) at which the liquidator will preside *ex officio*. He will inform the members what were the liabilities and how they have been met, he will explain the reasons why the society failed, and finally will inform the meeting what surplus remains on hand after meeting all expenses and liabilities. Ordinarily this surplus should be not far short of the whole

of the reserve fund. But if expenses were high and several unfavourable compromises were effected, the surplus may be very small. Moreover, trifling debts which the liquidator has been unable to recover and which are not worth recovering through the Court, or bad debts which cannot be recovered in full should ordinarily be set off against the surplus assets, commonly known as the reserve fund. If this has been done it should be explained clearly at the final General Meeting. A vote should be taken as to the object to which the balance should be assigned as prescribed in Rule 37 (13). In this connection a reference is invited to para. 43 of Chapter XXI.

12. After the final General Meeting the liquidator will forward all the books and records of the cancelled Society and all his own papers and proceedings by Railway parcel to the Registrar together with his expenses account and a report of the proceedings of the meeting, showing how the balance had been disposed of and attaching the receipt of the person to whom it was handed over.

Liquidators' Quarterly Progress Report.

Name of Society
Date of cancellation
Quarter ending

				Rs. a. p.	Rs. a. p.
A.—Opening Cash Balance—					
(1) in hand		
(2) in bank		
B.—Realizations during quarter—					
(1) loans collected		
(2) investments called in		
(3) sale of dead-stock, etc.		
(4) miscellaneous		
Cash Total				..	
C.—Paid out during Quarter—					
(1) loans repaid with interest—					
(a) Government		
(b) Other		
(2) deposits repaid with interest		
(3) shares refunded		
(4) salaries and other outstanding debts of the Society		
(5) expenses of liquidation		
(6) legal expenses		
(7) miscellaneous		
Cash Total Paid Out				..	
Balance—					
(1) in hand		
(2) in bank		
D.—Remaining Assets—					
(1) loans outstanding		
(2) investments		
(3) value of dead-stock, etc.		
(4) miscellaneous		
Total				..	
E.—Remaining Liabilities—					
(1) deposits repayable		
(2) loans repayable—					
(a) Government		
(b) Others		
(3) shares repayable		
(4) salaries		
(5) miscellaneous debts		
Total				..	

Forwarded to the Registrar, Co-operative Societies, Poona.

Dated

Liquidator,
Co-operative Society.

CHAPTER XXIV.

PRIVILEGES OF CO-OPERATIVE SOCIETIES.

The following is a list of the special privileges conceded to Co-operative Societies registered under Act II of 1912 :—

1. Free annual audit for all societies with a capital of less than Rs. 50,000 by the staff of the Registrar (section 17 of Act II of 1912).
2. Prior claim over other creditors to enforce recovery of the Society's demands in certain cases (section 19 of Act II of 1912).
3. Shares or interest of members not liable to attachment by a court of justice (section 21 of Act II of 1912).
4. Copies of accounts, certified by any officer of the Society, admissible as evidence in Courts (section 26 of Act II of 1912 and Rule 14 of the Co-operative Societies Rules, 1918).
5. Exemption from Income Tax (section 28 of Act II of 1912 and Government Resolutions Nos. 1652 and 5986 of February 20th and June 27th, 1913, Revenue Department, respectively).
6. Exemption from Stamp Duty (section 28 of Act II of 1912 and Government of India Notification No. 683-F., dated December 28th, 1912: see Government Resolutions Nos. 1652 and 5986 of February 20th and June 27th, 1913, Revenue Department, respectively).
7. Exemption from fees payable under the Registration Act (section 28 of Act II of 1912 and Government Resolution No. 5818 of June 24th, 1914, Revenue Department).
8. Exclusive use of the term "Co-operative" (section 47 of Act II of 1912).
9. Remittance Transfer Receipts obtainable at par for remittance between Societies or branches of Societies (Civil Account Code section 143B—9 and Government Resolution No. 4197 of October-9th, 1914, Revenue Department, and 5588 of June 10th, 1911, Revenue Department). Money may be paid in at a Sub-treasury and the Remittance Transfer Receipt sent direct to the payee from the Huzur treasury (Government Resolution No. 353, dated January 13th, 1914, Revenue Department). Remittances from Bombay may be made payable at mofussil sub-treasuries (Government Resolution No. 3907, dated April 25th, 1913, Revenue Department).

10. Refund of three-quarters of the money order commission on remittances by postal money orders between societies and their financing agents or wholesale purveyors (Government Resolution No. 5099 of May 16th, 1916, Revenue Department).

11. Exemption from the Deccan Agriculturalists' Relief Act except from sections 2 and 21 (Bombay Act I of 1912).

12. Postal Savings Bank facilities.

(a) Societies may open public accounts [Post Office Savings Bank Rules, section 42 (b)].

(b) Head and Sub-post-masters may open such accounts at once in anticipation of sanction (Letters Nos. 30496 and 449 Camp, dated December 23rd, 1904, and May 4, 1907, respectively from the Post-Master General to the Registrar).

(c) Societies may withdraw sums up to Rs. 3,000 from their accounts on three days' notice at all headquarter post offices and on seven days' notice from other post offices and sums up to Rs. 10,000 from all post offices on ten days' notice (Post-Master General's letter No. 15 dated August 1st, 1913).

13. Summary method of Liquidation (Chapter XXIII).

14. Deposit of strong boxes in Government Treasuries in certain cases (Government Resolution No. 7135 dated September 4, 1905, Revenue Department).

15. Compulsory arbitration in lieu of resort to Civil Courts (see Chapter XXII).

16. Supply of account forms from Government Press at cost price (Chapter XXVII).

CHAPTER XXV.

INSPECTION AND AUDIT.

Staff engaged in Inspection and Audit.—The Head of the Department is the Registrar in whom vest all the legal powers of control over individual co-operative societies that are conferred by the Act. He is responsible for seeing that every society is annually audited, that the audit memos. are attended to, and that new or mismanaged societies receive sufficient inspection, training and advice to give them a fair chance of improving. Under the Registrar are Assistant Registrars who exercise all the powers of a Registrar under the Act except those contained in sections 9, 11, 29 (2), 32 (1) (d), 39 and 42. For the purposes of audit a staff of auditors and assistant auditors are employed who are empowered under section 17 of the Act to have access to all the books and records of every registered society in their charge. In certain districts they are assisted by sub-auditors with power to audit the accounts of certain classes of small societies. For the purposes of remedying the defects brought to light by the auditors, training and helping weak societies, and organizing new ones, a large body of unofficial Honorary Organisers are employed. They give their services free and merely receive their travelling expenses from Government. For special types of societies special supervisors are engaged. Weaving expert assistants attend to the weavers' societies. Several agricultural organisers are engaged in supervising dairies, manure societies, cotton sale societies, cattle-breeding societies and so forth.— These officers inspect but do not audit.

(A) *Inspection.*

2. *Object of Inspection.*—The object of inspection (or supervision as it is termed by the Committee on Co-operation) is to ascertain the general scope of a society with a view to suggesting improvements and extensions, to examine the accounts in order to see that they are properly written and do not reveal any undesirable transactions, and generally to stimulate the working of a society by well-grounded encouragement or censure. Inspection should always be made at the society's office, in the village or town to which the society belongs. Inspecting officers should not suggest changes unless they have first familiarized themselves with co-operative principles. The majority of rural societies

need constant instructions on the most elementary points before they really grasp them, and inspecting officers should not be afraid of repeating the lessons summed up in the ten main points (Chapter IV) and of explaining the duties of the Managing Committee and of the Secretary too often.

3. *Lines of Inspection.*—An inspecting officer will soon form his own idea of how to inspect a society, and lay down for himself the lines of enquiry by which he can best help societies to improve. The following are some of the main points that should be attended to :—

- (1) Do the Committee members know what they are about? Do they understand where the money comes from, how it should be used, and who is responsible for it?
- (2) Do the ordinary members understand the ten main points?
- (3) Are loans given for proper purposes? Are the periods fixed so as to make instalments repayable out of outturn and at convenient seasons?
- (4) Is the society doing anything to encourage thrift? Can it secure any more local deposits? If not, why not?
- (5) Is the society of real use to the people? Does it lend money promptly at the time when it is wanted? Are its rates substantially lower than the sawkars? Has it improved the condition of the people?
- (6) What about indebtedness? Is the society doing all that it can to relieve it?
- (7) Is the society forecasting its receipts and recoveries intelligently? Does it report its needs to the Central Bank in good time so as to receive the loan at the time when it is wanted? Are its recoveries dated so as to fit in with the date on which repayment to the Central Bank is due?
- (8) Does the society belong to a Union? Are its delegates taking a practical interest in the Union?
- (9) Are there any factions in the village? Are they interfering with the working of the Society? Can they be removed?
- (10) Does the Committee meet regularly? Ascertain whether its proceedings are businesslike and fair to all classes of members.

Are the Committee members sawkars themselves? Are they borrowing excessive loans for their own use?

- (11) Are recoveries punctual? If not, what can be done to improve them? Is arbitration desirable?
- (12) Are deposits repaid punctually when their terms mature? Has the Committee made any arrangements to ensure this?
- (13) Do the members know what the Reserve fund is and what its object is?
- (14) Are the Committee members and Secretary fairly well educated? and if not, can any better educated persons be persuaded to join the society and serve on the Committee?

Most of these points relate mainly to rural societies. It is not generally possible to examine urban societies equally closely. But the same general co-operative principles apply, and pains should be taken to see that the Directors or the Committee members have themselves got a firm grasp of them.

An inspecting officer should always demand to see the cash balance of a society and verify it by actual counting and comparison with the cash book. If the treasurer or secretary is unable to produce it, his explanation should be recorded at once in his own handwriting in the cash book, and he should be given time not exceeding 14 days to produce it. If he does not produce it within that period or if it is a second offence, the case should be reported to the Registrar for arranging a prosecution.

(B) *Audit.*

4. *Responsibility for Audit.*—Section 17 (1) of the Act prescribes that every society shall be audited at least once a year by the Registrar or some person authorised by him. Notifications authorising officers under this section to make audit within specified areas are published from time to time in the *Government Gazette*. Every auditor is held responsible for seeing that all societies situated in his charge have been audited in the course of the calendar year, except (1) societies which are not working, and (2) societies registered later than July 1st in the same year, and he is required to submit a report on December 15th to the Registrar showing what societies, if any, remain unaudited and what action it is proposed to take with regard to them.

5. *Time and place of Audit.*—Audit should be made at the registered office of society. The Audit memo. should be sent through the Assistant Registrar if the society audited is in his charge. The auditor should bear in mind the need of teaching Secretaries how to fill up the Annual Returns, and should, as far as possible, reserve the societies which are incapable of filling up their Annual Returns for audit during the last quarter of the year. It will be noted that the statistics included in the form of Audit memo. may be used for the purpose of filling up the Annual Returns in the cases where a society fails to send in its Balance sheets. This fact does not however exempt auditors from seeing that such balance sheets are duly drawn up by the secretary at the time of his next visit.

6. *Scope of Audit.*—In section 17 (2) of the Act it is laid down that audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. Also of course it includes a complete check of the society's accounts which should extend back to the last date of the previous audit. All figures checked by the auditor should be ticked with a green pencil, and by the Inspector with a blue one. The audit should extend beyond the bare requirements of the Act and should embrace an enquiry into all the circumstances which determine the general position of a society. For instance, he should see that loans are made fairly, for proper periods and objects, and on adequate security, and that the Committee, officers, and ordinary members understand and attend to their duties and responsibilities.

7. *Liability of Auditor.*—The personal liability of auditors under the Co-operative Societies Act is the same as that attaching to the auditors of commercial concerns under the ordinary civil law. The auditor is liable for any damage sustained by means of falsification which might have been discovered by the exercise of reasonable care and skill in the performance of audit. In the case of Leeds Estate Company *versus* the auditors, responsibility was fixed on the auditors for dividends paid out of capital. In the case of Bank of Burma *versus* the auditors, it was held that auditors were *de facto* officers of the Bank, and as such are liable along with the Directors to make good losses arising through their negligence or fraud.

8. *Classification and Conclusion.*—At the conclusion of the audit a society should be classified as A good, B fair, C poor, or D bad, according to its general character (*see* Chapter XXI, para. 31). A meeting of the Committee should always be called, and all the defects brought to

light at audit carefully explained to them. They should be informed of their classification and told exactly what action they must take if they wish to be promoted to a higher class. The duty of an auditor is remedial as well as critical, and a good officer will always do his best not merely to find fault with a society but to put it on right lines, to teach the Secretary and Committee what is expected of them, and to settle factious disputes before leaving the place. He should also seize the opportunity to persuade societies to take part in common co-operative activities, *e. g.*, to subscribe to some vernacular or English Co-operative Magazine, to take a share in the Central Bank, to send its Secretary to the Annual Training Class, or to subscribe to the Central Co-operative Institute.

9. *Audit Memo.*—The auditor will make his report within seven days of the audit to the Registrar in the following form and will always at the same time furnish a vernacular copy of it to the society audited. If the society is affiliated to a Guaranteeing Union the vernacular copy should be sent through the Chairman of that Union. This copy should be carefully preserved on the society's record :—

Audit Memo.

Serial Number of Audit Memo.	Classification Letter—
Date of Registration of Society.	Name of Society—
Date on which Audit was completed.	Taluka— District—

1. From what date up to what date has the audit now been made ?

2. Have any important points in the last audit memo. been neglected by the Society ?

3. Does the Society possess a copy of the Act, the rules and its own by-laws ?

4. Is the Society affiliated to any Central Bank or Union ? If so, which ? Have the necessary fees, if any, been paid ?

5. (1) Have new members been duly admitted and enrolled? Are there written applications in order?

(2) Does the Cash Book show that all members have paid their entrance fees? How many defaulters are there?

(3) Have the nominations, if any, made under rule 12 been duly entered?

(4) Are resignations in order? Are any due to dissatisfaction with Society?

6. (1) Do all entries in the Deposit Account correspond with the Cash Book?

Have withdrawals been duly attested?

(2) Verify the calculation of interest on amounts shown in the Deposit Account in at least ten cases. Do the payments shown in the Interest Account correspond with the Cash Book? Are receipts forthcoming for payments of interest on deposits? Are such payments made punctually?

7. What is the limit fixed in the by-laws for the Society's borrowings? Has it been exceeded?

8. (1) Compare the amounts of loans shown in the Register of Loans with the entries in the Cash Book. Has the limit for loans prescribed in the by-laws been exceeded in any case?

(2) What is the total amount of the maximum normal credit fixed by the Society for its current needs ?

(3) What is the total loaned out to members of the Managing Committee ?

(4) What is the total loaned for periods in excess of one year ?

(5) Are Bonds in order, and registered where necessary, and do they correspond with the Register of Loans ? Are the sureties alive ?

(6) Are loans used for the purposes for which they are granted ? Test ten cases.

(7) Are repayments punctual ? When extensions are given, are they granted for valid reasons after proper enquiry ?

9. (a) Prepare a list under section 17 (2) of the Act showing outstanding debts overdue for more than one month, without permission of the Managing Committee :—

Name of Defaulter.	Date on which Payment was due.	Amount overdue.		Causes of non-payment and
		Principal.	Interest.	

(b) Are any instalments overdue to any Financing Institution? If so, how much and since when?

(c) Has the Society obtained arbitrator's awards against persistent defaulters? and if so, have they been duly presented to the Civil Court for execution?

10. (1) Does the Loan Account correspond with the Register of Loans?

(2) Is the interest and penal interest shown in the Loan Account correctly calculated? Test at least ten cases.

(3) Do the repayments shown in the Loan Account correspond with entries in the Cash Book?

11. (1) Count the cash in hand and sign the Cash Book. Are daily balances correctly struck?

(2) Is the Cash Book signed regularly by the Chairman? Has an unduly large balance been kept on hand for an unnecessarily long period? If so, what is the explanation of the Managing Committee?

(3) If a Society keeps a current account with any financing institution, or village shroff, make sure that it is written up to date.

12. What is the total profit earned in the previous year?

How was it distributed between—	Rs.
(1) Reserve Fund ..	
(2) Bonus to office-holders ..	
(3) Dividends ..	
(4) Contributions to charitable purposes ..	
(5) Carried forward ..	
Total ..	

13. Compare the Expenses Account with the Cash Book and the vouchers. Note any objectionable items and the authority for them.

14. Where the Pass Books are in use, compare them with the Share Register, the Loan Account, the Deposit Account and the Interest Account. Are they in order?

15. See that any securities or scrip held by the Society are in order and its Bank Pass Book is upto date.

Has interest on such securities been duly collected?

16. (1) Has any breach of the law, rules or by-laws occurred?

Have any amendments been made without due sanction?

(2) What is the date of the last General Meeting?

(3) How many committee meetings have been held since the last audit and are minutes duly recorded?

17. In cases of debt redemption, has model by-law 37 been observed ?

Are the cancelled bonds of the sowkar forthcoming on the Society's record ?

18. General remarks and suggestions by the auditor.

*Supplementary Questions for
Share Societies only.*

19. (1) Do the receipts of shares and debentures shown in the Share and Debenture Registers correspond to the entries in the Cash Book ?

(2) Have certificates been issued for all shares and debentures subscribed ?

(3) What rate of dividend was last declared ?

(4) Give a list of all dividends unpaid at the last audit which still remain unpaid at the present audit. Give the reason of the delay.

(5) Are payments of dividend on shares and debentures shown in the Dividend and Interest Accounts for all shares and debentures that have been issued ?

(6) Are any instalments from shares or debenture holders overdue for payment ? What action is being taken ?

(7) Has the reserve fund been invested as prescribed in rule 26 ?

Assets.		Liabilities.	
Description.	Rs.	Description.	Rs.
Cash in hand ..		Loans and Deposits held from—	
Cash in Bank (plus interest due) ..		(1) Members ..	
Value of investments ..		(2) Non-members ..	
Loans due—		(3) Societies ..	
(a) From individuals (of which Rs. are overdue) ..		(4) Provincial or Central Banks ..	
(b) From Banks and Societies ..		(5) Government ..	
Value of Dead Stock ..		Share Capital paid up ..	
Other items ..		Reserve Fund ..	
		Unpaid Salaries ..	
		Other items ..	
		Total ..	
		Surplus assets ..	
		GRAND TOTAL ..	

Number of Members—

Extract from Receipts and Expenditure Account.

Receipts.		Expenditure.	
Description.	Rs.	Description.	Rs.
Loans and deposits made since last audit by—		Loans and deposits recovered since last audit from—	
(1) Individuals ..		(1) Individuals ..	
(2) Central Banks ..		(2) Banks and Societies ..	
(3) Primary Societies ..		Purchase of Member's produce ..	
Sale of goods to members ..		Cost of Management ..	

Date

Auditor.

CHAPTER XXVI.

ACCOUNT FORMS AND ANNUAL RETURNS.

I.—Account Forms.

1. The account forms which must be maintained by every Society are enumerated in rule 13 (1) of the Co-operative Societies Rules, 1918. The forms prescribed below are recommended for adoption, firstly because they are known from experience to be convenient in use, secondly because they are so designed that the annual returns required by the Government of India can readily be filled up from them, and thirdly because they are kept in print in all the vernaculars and can be obtained cheaply in the manner described in Chapter XXVII. If any Society, however, wishes to design its own forms, there is no objection to its doing so. It must only be remembered that the Registrar will require all the forms to be maintained that have been prescribed by Government and in such a manner as to furnish all the items needed for the annual Receipts and Disbursements, Assets and Liabilities, and Profit and Loss statements. Special types of Societies, not concerned with credit, will of course need special account forms.

2. FORM I.

Model Form I.

Register of Members.

Serial No.	Date of admission.	Date of payment of entrance fee.	Full name of member.	Address.	Occupation.	Full name and address of heir nominated by him.	Signature or thumb-mark of member.	Date of cessation of membership.	Remarks.
1	2	3	4	5	6	7	8	9	10

Column 2 shows the date of the resolution by which the Managing Committee admitted the member. Column 3 shows the date of payment

of entrance fee, corresponding with an entry in the cash book. Column 4 should contain the member's name, father's name, and surname. Column 5 should show the name of the member's village, and in towns the name of his street, and number of his house. Column 6 should show his chief occupation, when he has more than one. Column 7 contains the name of the heir of any member who may wish to nominate one under section 22 of the Act and rule 19 of the Rules. Nomination is not compulsory. Column 8 should, where possible, be filled up in the presence of the Managing Committee. The signature is valuable evidence of membership and should always be taken at the time of admission. Column 9 shows the date of the expulsion, death or resignation of a member, whose name should be then cancelled in ink.

3. FORM II.

Model Form II.

Cash Book.

Receipts.					Payments.				
Date.	Number in ledger account.	Name of payer.	On what account.	Amount.	Date.	Number of ledger account.	Name of payee.	On what account.	Amount.
1	2	3	4	5	6	7	8	9	10
				Rs. a. p.					Rs. a. p.

Every sum received or paid out by a Society must at the time of the transaction be at once entered in the Cash book. It is the most important of all accounts, and it is the business of the Chairman and other members of the Managing Committee frequently to check it, verify the balance in the hands of the Secretary, and to sign it in token of correctness. The balance should be struck on every day on which any transaction has occurred, and it is a safeguard if the total is noted in words as well as figures. As far as possible all payments should be made by the Secretary in the presence of some member of the Managing Committee. All items will appear in some other account

as well as the Cash book, but columns 2 and 7 should be left blank when there is no entry in the Ledger. In the case of miscellaneous expenses the number of the voucher should be noted in column 9.

Societies which have good secretaries will find the Columnar Cash Book convenient. It saves the necessity of maintaining separate interest accounts and expenses accounts. The form is not printed and maintained as a standard form, but the following model is recommended:—

FORM II—(ALTERNATIVE).

Columnar Cash Book.

RECEIPTS.									
Date.	Particulars.	Share money and entrance fees.	Deposits received.	Loans repaid by members.	Interest received.	Outside loans received.	Miscellaneous income.	Previous balance.	Total.
1	2	3	4	5	6	7	8	9	10

EXPENDITURE.											
Date.	Particulars.	Cash paid on account of purchases.	Shares refunded.	Deposits withdrawn.	Interest and Dividend paid.	Salaries and Wages.	Contingencies.	Loan advanced.	Other payments.	Total expenditure.	Closing Balance
11	12	13	14	15	16	17	18	19	20	21	22

4. FORM III.

Model Form III.

Loan Register.

Serial No.	Date.	Name of borrower.	Amount advanced.	Sureties or Securities.	Object of loan.	Date or dates when repayment is due.	Principal due.	Date or dates of actual repayment.	Principal repaid.	Remarks
1	2	3	4	5	6	7	8	9	10	11
	1	Nana Bajirao Jagdale.	Rs. 40	Govind Balkrishna & Bal Sakharan.	Repair his house.	6-4-1912 6-10-1912 6-4-1913 6-10-1913	Rs a. p. 10 0 0 10 0 0 10 0 0 10 0 0	7-4-1912 3-6-1912 6-10-1912 11-7-1913 21-10-1913 5-1-1914	Rs a. p. 10 0 0 2 0 0 8 0 0 1 0 0 7 0 0 12 0 0	

The first seven columns should be filled up as soon as the loan is made from the original bond. The serial number of the ledger account should be noted in column 2 underneath the borrower's name. The amount of the loan should be shown in either column 3 or 4, not in both, and the name of the sureties or the survey numbers mortgaged should be noted in the remarks column. When the loan is repayable by instalments, the due dates should be noted below each other in column 6 as shown in the model entry, and the amount of principal due on each date should be shown on column 7 without interest. Columns 8 and 9 will correspond with the cash book and ledger, but will show only repayments of principal without interest. The use of columns 6, 7, 8 and 9 is to show at a glance the amount of arrears for the purposes of the annual returns. Three or four lines should be left blank between each serial entry to allow for extra instalments of repayment, as the actual number is never certain.

5. FORM IV.

Model Form IV.

Member's Ledger Account.

Name of Member—Nana B. Jagdale.

Ledger No. _____

Date.	Number in loan Register.	Principal amount borrowed or debited.	Amount repaid or credited.			Balance of principal due after each transaction.	Details of calculation of interest.			Remarks.
			Principal.	Interest.	Total.		Principal due.	Months.	Amount of interest.	
1	2	3	4	5	6	7	8	9	10	11
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	
6-10-1911 ..	1	40 0 0	..	..	..	40 0 0	..	..	..
7-4-1912	10 0 0	1 14 0	11 14 0	30 0 0	40 0 0	6	1 14 0	
8-6-1912	2 0 0	..	2 0 0	28 0 0	..	..	..
6-10-1912	8 0 0	1 6 0	9 6 0	20 0 0	30 0 0	6	1 6 0	6 pios re- mitted owing to prep a- ment of Rs. 2.
11-7-1913	1 0 0	1 6 0	2 6 0	19 0 0	20 0 0	9	1 6 0	
21-10-1913	7 0 0	0 8 0	7 8 0	12 0 0	10 0 0	3	0 8 0	
5-1-1914	12 0 0	0 6 0	12 0 0	..	12 0 0	3	0 6 0	Penal rate charged.

Columns 1, 2 and 3 should be filled up at the same time as columns 1 to 6 of Form III from the original bond. The manner in which the model entry in Form III will appear in Form IV is shown above. The date of every transaction must be shown in column 1 and lines made in those columns which are to remain blank. All repayments should be credited firstly to interest due as shown in column 5 and secondly to repayment of principal shown in column 4. If a special rate of interest or penal interest is charged, it should be noted in the remark column. Column 7 will show how much principal is due after each transaction and must always be filled up, even when the repayment is only of interest. Columns 8, 9 and 10 will show the method in which the interest shown in column 5 has been calculated.

6. FORM V.

Model Form V.

Loan and Deposit Account.

Name of Depositor or Lender _____ No. _____

Date.	Rate of interest.	Fixed deposits or loans.				Current and Savings Deposits.			Signatures.
		Amount.	When repayable.	Withdrawals.	Balance.	Amount.	Withdrawals.	Balance.	
1	2	3	4	5	6	7	8	9	10

All loans borrowed from the Central Bank, other financing institutions, or private persons, and all fixed deposits whether from member or non-members will be entered in columns 3 to 6. Current deposits are kept quite separately in columns 7 to 9. The rate of interest (column 2) will be filled in only when amounts are received, and not when withdrawn. When an amount is repayable by instalments, as is the case with Government loans, the total amount lent should be entered in one entry in column 3, and all the dates of the instalments should be noted one below another in column 4. The balance in column 6 or 9 should be struck after every transaction. The signature of the depositor should be taken in column 10 on every deposit or withdrawal. When interest on deposits accrues, it may either be paid to the depositor in cash or credited to him as a current deposit in column 7, pending further directions from him.

7. FORM VI.

Model Form VI.

Interest Account.

Receipts.				Payments.				
Date.	Name of payer.	Number of ledger account.	Amount.	Date.	Name of payee.	Number in Share Register or Deposit account.	Amount.	
							Interest.	Dividend.
1	2	3	4	5	6	7	8	9

The amount of interest received shown in column 4 will agree with the total shown in column 5 of the member's ledger account. Interest paid on deposits and loans will be calculated once or twice a year under orders of the Committee on the Loan and Deposit Account, and payments whether made in cash or by adjustment as fresh deposits must be entered in columns 5 to 8. The amount of dividend payable on shares will be approved at the annual general meeting and should then be calculated with the help of the Share Register and noted in column 9. Where convenient, the amount of dividend may be shown as current deposit in the Loan and Deposit Register instead of being paid in cash. Dividend includes any bonus distributed among members out of the profits of the year.

8. FORM VII.

Model Form VII.

Expense Account.

Date.	Serial Number of Voucher.	On what account.	Amount paid.
1	2	3	4
			Rs. a. p.

All expenses should be approved by the Committee and for each one a voucher should be forthcoming.

9. FORM VIII.

Model Form VIII.

Investment Account.

Name of Bank, Company or Society _____

Date.	Amount deposited or invested.	Interest earned.	Amount withdrawn or sold out.	Balance after each transaction.
1	2	3	4	5
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.

This account should be maintained for information when the Society deposits with a private banker or any firm that does not supply him with a pass-book. He may be asked to initial each entry. All investments should be shown in this form. There is no need to show transactions with the Post Office Savings Bank, as the sums deposited in it are shown in a separate pass-book and being regarded as part of the cash balance of the Society, are carried forward from day to day in the Cash book.

- 10. FORM IX.

Model Form IX.

Member's Pass Book.

Front page —

CO-OPERATIVE CREDIT SOCIETY, ^{UNLIMITED.}_{LIMITED.}*Pass-Book.*

Name of Member _____
 Occupation _____
 Address _____
 Number of Ledger Account _____
 Number of Member's Register _____

Pages 2 and 3—

Loan Account.

Ledger No _____

Dr.

Cr.

Date.	Amount lent.	Date of instalment in repayment.	Amount due.		Date of repayment.	Principal repaid.	Interest repaid.		Signature.
			Principal.	Interest.			Ordinary.	Penal.	
1	2	3	4	5	6	7	8	9	10
	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.	Rs. a. p.	

Page 4—

Deposits.

Date.	Rate of interest.	Fixed deposits.				Current deposits and savings.			Signature.
		Amount deposited.	When repayable.	With- draws.	Balance.	Amount deposited.	With- draws.	Balance.	
1	2	3	4	5	6	7	8	9	10
		Rs. a. p.		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	

Pass-books are to remain in the charge of members and not of the Secretary. In columns 3, 4 and 5 of the loan account the instalments are to be copied one below another from the original agreement, and to be entered up at the time when an advance is made. Columns 7, 8 and 9 should be entered up from the ledger account at the time of every repayment. The Secretary should attest every transaction by his signature in column 10. Pass-books should always be supplied free to members at the cost of the Society; except in cases where they are lost through carelessness. The member should then pay for the new passbook.

The deposit account is a copy of the loan and deposit account maintained by the Society, the only difference being that while the member signs in column 10 of the Society's account, the Secretary signs in column 10 of the member's account.

In Societies where pass-books are not used, separate written acknowledgments should be given by the Secretary for every payment made to the Society.

Model Forms X and XI.

II. FORM X.

Minute Book of General Meetings.

FORM XI.

Minute Book of Committee Meetings.

Blank note-books are most convenient for maintaining these two forms.

12. Certain additional forms are prescribed for Societies which issue shares. They are not required by the ordinary agricultural Societies.

Model Form XII.

FORM XII.

Share Register.

Nominal value of a Share is Rs. _____

Date of issue.	Name, Father's name, Surname and residence of shareholder.	Serial numbers of shares held.	Date of payment on allotment.	Amount paid on allotment.	Date of payment of 2nd call.	Amount paid on 2nd call.	Serial number in Share Transfer Register.	Remarks.
1	2	3	4	5	6	7	8	9

Column 1 will correspond with the date shown on the share Certificate. In column 3 serial numbers should be shown singly one below another, except when shares are small in value and it is convenient to enter them in blocks of 5 or 10. When, as often happens, there are more than two calls an inset leaf should be added in the middle of the form reproducing columns 6 and 7 as often as may be necessary.

13. FORM XIII.

Model Form XIII.

Share Transfer Register.

Serial Transfer number.	Number of Share Certificate.	Name of Member making transfer.	Date.	Name of Member to whom transferred.	Number and date of resolution of Committee approving transfer.
1	2	3	4	5	6

No transfer should be sanctioned by the Committee until the transfer fee has been paid, and in cases where the transferee is not a member, until he has been elected and paid his entrance fee. Transfers resulting from death and heirship as well as sale should be recorded.

Model Form XIV.

14. FORM XIV.

SHARE CERTIFICATE.

_____ Co-OPERATIVE
SOCIETY, LIMITED.

Serial No. _____

Date of issue _____

Nominal amount of Share Rs. _____

Amount paid up—

Rs. 1st call— 2nd call— 3rd call—

Name of holder _____

Address _____

Chairman, Managing Committee.

Member, Managing Committee.

Secretary.

SHARE CERTIFICATE.

_____ Co-OPERATIVE
SOCIETY, LIMITED.

Serial No. _____

Date of issue _____

Nominal amount of Share Rs. _____

Amount paid up—

Rs. 1st call— 2nd call— 3rd call—

Name of holder _____

Address _____

Chairman, Managing Committee.

Member, Managing Committee.

Secretary.

As each call is paid up the share certificates should be produced in order that the fact may be noted on it under the initials of the Secretary. A separate certificate should be issued for each share, or when they are small in value for each block of 5 or 10. On transfer the share certificate should be surrendered and a fresh certificate will be issued in the name of the new holder bearing the original number. Share certificates should be stamped with the Society's seal.

II.—Annual Returns.

Under rule 18 of the Co-operative Societies Rules, 1918, all Societies are bound to prepare balance sheets showing the Profit and Loss, Receipts and Expenditure, and Assets and Liabilities for the previous year ending March 31st. These balance sheets must be sent to the Auditor of the Division before April 20th each year, and must be submitted in the accompanying forms which have been prescribed to meet the needs of the Government of India.

2. These balance sheets differ from those in use among joint-stock Banks and Companies because they do not take account of interest earned, but not received, and interest payable but not paid by the Society. The reason of this omission is firstly to simplify the returns, so that they can be filled up without much difficulty by people who are not well educated, and secondly so as to bring home to societies that "earned interest" is not quite the same thing as "realized interest" and to check any tendency to distribute profits which only exist on paper. This system will not affect unlimited Societies, which carry all their profits to reserve, except in reducing their nominal profit for the first year. It might, however, seriously affect limited Societies which aim at paying a regular dividend to their shareholders, and would be unwilling to reduce the rate for one year. They are, therefore, at liberty to add the following items in Statements II and III if they wish to do so after reading paragraph 160 of the Report of the Committee on Co-operation.

Statement II—

Assets.—

- Interest due from members, Societies and Banks up to March 31st—
- (a) Earned in previous years.
 - (b) Earned in current year.

Liabilities.—

- Interest due by the Society on loans and deposits up to March 31st—
- (a) On account of previous years.
 - (b) On account of current year.

Statement III—

Receipts.—

Interest earned during the year, but not realized.

Expenditure.—

Interest due to depositors and other creditors for the year.

All limited societies, which find no difficulty in preparing their annual returns, are advised to add these columns. All Societies which do not add them are advised to announce at the Annual General Meeting whether any part of the interest payable by the Society on deposits, etc., is still unpaid, in order that there may be no misunderstanding as to the net amount of profit actually realised.

3. *Statement I.—Receipts.*—Column 1 is for limited share Societies only and should be filled up from the Share Register. Columns 2 and 3 should be filled up from the Loan Ledger and Deposit Account. Column 4 should be extracted from the Interest Account. Column 5 should include the price of pass-books sold to members, but if anything is sold to non-members it should be noted in 6 (b). All uncertain items may be shown under 6 (d). All transactions pertaining to the year and appearing in the Cash Book must appear in Statement I.

4. *Statement I.—Disbursements.*—The grand total including the closing balance should be equal to the grand total of the Receipts. The opening balance in column 7 must be the same as the closing balance of the previous year in column 19. Column 8 may be entered up from the Share Register, and columns 9 and 10 from the Loan and Deposit Account. Column 11 can be filled up from the Loan Register, and 12 from the Interest Account and Ledger Account. Column 13 refers only to dividends paid out in the course of the year on shares, and should be left blank by unlimited societies. Columns 14 and 15 are intended for Distributive and Weavers' Societies only. Dead-stock required for a society's office should be shown in column 17 (c), not 15. Column 16 should be filled up from the Expenses Account or Cash Book. Column 18 refers to the amount carried to reserve in the preceding April and not to the profits of the year just closed. An appendix is added which should show exactly how the profits of the previous year were distributed.

5. *Statement II.—Assets and Liabilities.*—Column 1 is the same as the closing balance in Statement I. Column 2 should be filled up from the Investment Account, the market value of the investments being ascertained from the newspapers or otherwise. Columns 3 and 4 may be found by adding up the balances of the Loan Ledger Accounts and verified by adding columns 3 and 4 of Statement II in the previous year to column 11 (a) and (b) of Statement I for the current year and deducting column 3 (a) and (b) from the total. Only amounts overdue for more than a month need be shown as overdue in agricultural societies. In non-agricultural societies, loans need not be entered as arrears unless they have been overdue for two months. Arrears can best be ascertained from the Loan Register. Column 7 can be ascertained by adding up the balances of the Deposit and Loan Ledger Accounts and verified by adding column 7 of the previous year to column 2 of Statement I or the current year and deducting columns 9 and 10 of Statement I. Column 8 is derived from the Share Register, and column 9 from the Dividend Distribution Register. Column 12 does not include the sum carried to reserve immediately after the year has been closed. The grand totals of assets and liabilities must coincide. Column 13 ought to agree with the Profit or Loss shown in Statement III. The profit of the Society is calculated only on interest actually earned and received. This saves the labour of calculating interest due on outstanding accounts for the previous year and for the current year. In the case of limited liability societies that distribute dividends, it is not safe to underestimate liabilities and, therefore, full interest must be calculated on loans and deposits and inserted after item 7 even though it is still undisbursed before the net profit available for distribution is arrived at. This provision need not be observed by unlimited societies.

6. *Statement III.—Profit and Loss.*—The balance sheet refers only to profit earned and realised. Column 1 corresponds with column 4 of Statement I; column 2 is intended for societies concerned with purchase and sale. Column 3 can be made up from the Cash Book and in the case of 3 (b) from the Member's Register. Column 4 corresponds with column 12 of Statement I. Column 5 (a) may be verified by deducting the total of columns 9, 10 and 11 of Statement II of the previous year from columns 13, 14 and 16 of Statement I for the current year, due allowance being made for any undistributed dividend carried forward for a second year in succession; (b) corresponds to columns 10 and 11 of Statement II. Columns 6 and 7 must be settled by resolutions

of the Managing Committee. Column 9 will correspond with column 13 of Statement II.

7. Statement IV is only intended for societies engaged in purchase and sale. Unions and Central Banks will fill up separate returns and need not comply with this circular.

Name of Society— { District—
Taluka—

Number of members on March 31st—

Rate of Dividend last paid on shares—

Average rate of interest paid on fixed deposits—

Rate of interest charged on loans issued by the Society—

STATEMENT I.

Receipts and Disbursements Account.

<i>Receipts—</i>	<i>Rs.</i>	<i>p</i>
(1) Sale of Shares	..	..
(2) Loans and Deposits borrowed—		
(a) from members	..	..
(b) from non-members	..	..
(c) from other Societies	..	..
(d) from Government	..	..
(e) from Central Banks	..	..
(3) Repayment of loans—		
(a) by members	..	..
(b) by Societies or Banks	..	..
(4) Interest received by Society	..	..
(5) Sale of goods to members	..	..
(6) Miscellaneous Income—		
(a) entrance fees and donations	..	..
(b) sale of goods to non-members	..	..
(c) subscriptions	..	..
(d) other items	..	..
	Total	..

(7) Opening balance—		
(a) in cash	..	..
(b) in Bank	..	..
	Grand Total	..

	Rs.	s.	p.
<i>Disbursements—</i>			
(8) Shares surrendered or withdrawn	..		
(9) Deposits withdrawn	..		
(10) Loans repaid to—			
(a) Government	..		
(b) Central Banks	..		
(c) others	..		
(11) Loans advanced—			
(a) to members	..		
(b) to Banks and Societies	..		
(12) Interest paid on loans and deposits	..		
(13) Dividend paid on shares	..		
(14) Bonus distributed among members	..		
(15) Stock bought—			
(1) members' produce	..		
(2) other stock	..		
(16) Salaries, contingencies and other costs of management	..		
(17) Other items—			
(a) charitable purposes	..		
(b) refunds	..		
(c) miscellaneous	..		
(18) Carried to reserve from profits of previous year	..		
	Total	..	_____
(19) Closing Balance—			
(1) in cash	..		
(2) in Bank	..		
	Grand Total	..	_____

APPENDIX.

Distribution of Profits.

	Rs.	s.	p.
Net profit at close of previous year—			
Distribution—			
(1) Reserve Fund	..		
(2) Bonus to Office Holders	..		
(3) Dividends	..		
(4) Contributions to charitable purposes	..		
(5) Carried forward	..		
(6) Miscellaneous	..		

STATEMENT II.
Assets and Liability Account.

		Rs. a. p.
<i>Assets—</i>		
(1) Cash in hand and bank	..	
(2) Value of investments (current market price)	..	
(3) Loans due from individuals—	..	
(a) are overdue for more than one month)	..	
(4) Loans due from Societies and Banks	..	
(5) Estimated value of stock in hand	..	
(6) Other items	..	
	Total	..
<i>Liabilities—</i>		
(7) Loans and deposits due to—		
(a) members	..	
(b) non-members	..	
(c) societies	..	
(d) Provincial or Central Banks	..	
(e) Government	..	
(8) Paid up share Capital	..	
(9) Bonus and Dividend on shares (due on preceding March 31st and still unpaid)	..	
(10) Pay, allowances and bonus of staff (due on March 31st and still unpaid)	..	
(11) Contingencies and miscellaneous (unpaid)	..	
(12) Reserve fund—	..	
(1) In the Society's business	..	
(2) Separately invested	..	
	Total	..
(13) Balance of Profit or Loss	..	
	Grand Total	..

STATEMENT III.
Profit and Loss Account.

<i>Receipts—</i>		
(1) Interest actually received on loans and investments	..	
(2) Gross Profit on sales of stock	..	
(3) Other items—		
(a) commission earned	..	
(b) entrance fees and donations	..	
(c) value of books, stock, etc.	..	
(d) miscellaneous	..	
	Total	..
<i>Expenditure—</i>		
(4) Interest paid	..	
(5) Contingency, salaries, etc.—		
(a) paid	..	
(b) due at end of year	..	
(6) Depreciation of stock	..	
(7) Bad debts written off	..	
(8) Other items	..	
	Total	..
(9) Profit or Loss Balance	..	
	Grand Total	..

STATEMENT IV.

[Supplementary form to be filled up by Societies engaged in Purchase or Sale.]

Trading Account.

<i>Debit—</i>	Rs.	<i>Credit—</i>	Rs.
(1) Value of stock of goods at beginning of year ..		(1) Total sales during the year ..	
(2) Total purchases during the year.		(2) Value of stock at close of year ..	
(3) Gross Trading Profit ..			

The above balance sheets accurately show the present state of the Society's affairs.

Date _____

Signatures—

Chairman.

Member of Managing Committee.

Secretary.

CHAPTER XXVII.

LIST OF STANDARD FORMS AND LEAFLETS OBTAINABLE FROM THE REGISTRAR.

Government have conceded to Co-operative Societies the right of having all account forms ordinarily used by them printed at cost price by the Yeravda Prison Press, Poona. Chairmen of Societies are requested carefully to forecast their annual requirements and to apply to the Registrar in the month of *August* stating the serial numbers of the Forms they will require during the next year as shown in the accompanying schedule, the quantity of each that should be supplied, and the name and address of the person to whom they are to be sent. The Registrar, after scrutinizing the indents, will forward them to the Press, and request the Press to supply the forms direct to Societies by V. P. P. The following forms are kept in stock. Their prices are shown at pre-war rates; but are subject to enhancement on account of war conditions.

Serial No. of Form.	Name of Form.	Language.	Price.		Per
			Rs.	a. p.	
C. C. S. 1	Application for membership.	English ..	0	9 0	100 copies.
" 2	Do. ..	Gujarati ..	0	3 0	Do.
" 3	Do. ..	Marathi ..	0	2 6	Do.
" 4	Do. ..	Kanarese ..	0	3 0	Do.
" 5	Applications for loans.	English ..	9	6 6	Do.
" 6	Do. ..	Gujarati ..	0	3 0	Do.
" 7	Do. ..	Marathi ..	0	3 0	Do.
" 8	Do. ..	Kanarese ..	0	3 0	Do.
" 9	Bond for repayment of loan.	English ..	0	10 0	Do.
" 10	Do. ..	Gujarati ..	0	3 0	Do.
" 11	Do. ..	Marathi ..	0	3 0	Do.
" 12	Do. ..	Kanarese ..	0	3 0	Do.
" 13	Simple Mortgage Bond for loan.	English ..			
" 14	Do. ..	Gujarati ..	0	5 6	Do.
" 15	Do. ..	Marathi ..	0	5 6	Do.
" 16	Do. ..	Kanarese ..	0	5 6	Do.
" 17	Possessory Mortgage Bond for loan.	English ..			
" 18	Do. ..	Gujarati ..	0	7 6	Do.
" 19	Do. ..	Marathi ..	0	8 0	Do.
" 20	Do. ..	Kanarese ..	0	7 6	Do.

Serial No. of Form.	Name of Form.	Language.	Price.		Per
			Rs.	a. p.	
C. C. S. 21	Lease from Society to Mortgagor.	English ..	1	15 0	100 copies.
" 22	Do. ..	Gujarati ..	0	8 0	Do.
" 23	Do. ..	Marathi ..	0	8 6	Do.
" 24	Do. ..	Kanarese ..	0	8 0	Do.
" 25	Bond for loans between Societies.	English ..	1	5 6	Do.
" 26	Register of members..	English ..	1	6 0	Do.
" 27	Do. ..	Gujarati ..	1	0 0	Do.
" 28	Do. ..	Marathi ..	1	0 0	Do.
" 29	Do. ..	Kanarese ..	1	0 0	Do.
" 30	Society's Cash Book..	English ..	1	6 0	Do.
" 31	Do. ..	Gujarati ..	0	13 6	Do.
" 32	Do. ..	Marathi ..	0	13 6	Do.
" 33	Do. ..	Kanarese ..	0	13 6	Do.
" 34	Loan Register ..	English ..	1	6 6	Do.
" 35	Do. ..	Gujarati ..	0	7 0	Do.
" 36	Do. ..	Marathi ..	0	14 0	Do.
" 37	Do. ..	Kanarese ..	0	14 0	Do.
" 38	Member's Ledger Account.	English ..	0	9 0	Do.
" 39	Do. ..	Gujarati ..	0	5 6	Do.
" 40	Do. ..	Marathi ..	0	5 6	Do.
" 41	Do. ..	Kanarese ..	0	5 6	Do.
" 42	Loan and Deposit Account.	English ..	0	10 6	Do.
" 43	Do. ..	Gujarati ..	0	7 0	Do.
" 44	Do. ..	Marathi ..	0	7 6	Do.
" 45	Do. ..	Kanarese ..	0	7 6	Do.
" 46	Interest Account ..	English ..	0	14 6	Do.
" 47	Do. ..	Gujarati ..	0	7 6	Do.
" 48	Do. ..	Marathi ..	0	7 6	Do.
" 49	Do. ..	Kanarese ..	0	7 6	Do.
" 50	Expense Account ..	English ..	0	15 6	Do.
" 51	Do. ..	Gujarati ..	0	8 0	Do.
" 52	Do. ..	Marathi ..	0	8 0	Do.
" 53	Do. ..	Kanarese ..	0	8 0	Do.
" 54	Investment Account..	English ..	0	10 0	Do.
" 55	Member's Pass Book..	English ..	0	0 6	Per book.
" 56	Do. ..	Gujarati ..	0	0 6	Do.
" 57	Do. ..	Marathi ..	0	0 6	Do.
" 58	Do. ..	Kanarese ..	0	0 6	Do.

Serial No. of Form.	Name of Form.	Language.	Price.	Per
C. C. S. 59	Share Register ..	English ..	Rs. a. p. 0 12 6	100 copies.
" 60	Do. ..	Gujarati ..	0 6 6	Do.
" 61	Do. ..	Marathi ..	0 6 6	Do.
" 62	Do. ..	Kanarese ..	0 7 0	Do.
" 63	Share Transfer Register.	English ..	1 4 0	Do.
" 64	Do. ..	Gujarati ..	0 8 0	Do.
" 65	Do. ..	Marathi ..	0 14 0	Do.
" 66	Do. ..	Kanarese ..	0 9 0	Do.
" 67	Share Certificate ..	English ..	0 7 0	Per book.
" 68	Do. ..	Gujarati ..	0 6 6	Do.
" 69	Do. ..	Marathi ..	0 6 6	Do.
" 70	Do. ..	Kanarese ..	0 6 6	Do.
" 71	Forecast of Members' needs.	Marathi ..	0 9 0	100 copies.
" 72	Do. ..	Gujarati ..	0 9 0	Do.
" 73	Do. ..	Kanarese ..	0 9 0	Do.
" 74	Forecast of Societies' needs.	Marathi ..	0 10 6	Do.
" 75	Do. ..	Gujarati ..	0 10 6	Do.
" 76	Do. ..	Kanarese ..	0 10 6	Do.

The above forms are also available in Sindhi but the prices had not been determined at the time of going to press.

2. Under section 16 of the Co-operative Societies Act II of 1912, every registered Society is bound to keep a copy of the Act on its record, available for the use of members. The Act can be obtained from the Auditors or by V. P. P. from the Manager, Government Central Book Depot, Poona, at the following rates :—

Act II of 1912	Language	Rs. s. p.	Per copy.
"	English ..	0 6 6	"
"	Gujarati ..	0 3 0	"
"	Marathi ..	0 3 0	"
"	Kanarese ..	0 4 0	"

3. In addition to these forms, the Registrar keeps a certain amount of useful propagandist literature in stock in his office and is prepared to supply copies free to *bonâ fide* enquirers. A list of such literature is attached :—

Name of form.	Subject.	Language.
C. D. S. 13	Application for Registration of Society.	English.
" 14	Do.	Marathi.
" 15	Do.	Gujarati.
" 16	Do.	Kanarese.

Name of form.	Subject.	Language.
Jantri	Table for calculating interest.	English and all Vernaculars.
Leaflet A.	Organisation of Societies with Unlimited liability.	English and all Vernaculars.
" B.	How to advance loans to members.	English and all Vernaculars.
" C.	Points in the Management of Co-operative Societies.	English and all Vernaculars.
" D.	Accounts.	English and all Vernaculars.
" E.	Co-operative Seed Societies.	English and all Vernaculars.
" F.	Co-operative Weaving Societies.	English and all Vernaculars.
" G.	District Central Banks.	English only.
" H.	Societies with Limited Liability.	English and all Vernaculars.
" J.	Co-operative Stores Societies.	English and all Vernaculars.
" K.	Instructions to Liquidators.	English only.
" L.	Manure supplying Societies.	English only.
" M.	Annual Returns, Forms and Instructions.	English and all Vernaculars.
" N.	Credit Societies for Salary Earners.	English only.
" O.	Privileges of Co-operative Societies.	English and all Vernaculars.
" P.	Co-operative Grain Banks.	English and all Vernaculars.
" Q.	Co-operative Cattle Insurance Societies.	English and all Vernaculars.
" R.	Hints on the Organization of Credit Societies.	English and all Vernaculars.
" S.	List of Forms for Sale with Prices.	English and all Vernaculars.
" T.	Instructions for Arbitrators.	English and all Vernaculars.
" U.	Co-operative Housing Societies.	English only.
" V.	Co-operative Cattle Breeding Societies.	English and all Vernaculars.
" W.	Guaranteeing Unions.	English and all Vernaculars.
" X.	Inspection and Audit.	English only.
" Y.	How to obtain loans from Central Banks.	English and all Vernaculars.
" Z.	Co-operative Dairies	English and all Vernaculars.
" AA	Standing Orders to Officers of the Co-operative Department.	English.
" BB	Societies for Factory Workers.	English, Marathi, Gujarati.
" CC	Departmental Instructions to Honorary Organisers.	English.
" DD	Co-operative Implement Owning Societies.	English and all Vernaculars.
Rules under Act II of 1912.	Copy of all the Rules made by Government under the Act.	English and all Vernaculars.
Circular No. 2.	Form of application for opening a Public Account in the Postal Savings Bank.	English and all Vernaculars.
	Form of Inspection Note for the use of Unions	English and all Vernaculars.

CHAPTER XXVIII.

GOVERNMENT SERVANTS AND THE CO-OPERATIVE MOVEMENT.

The principles that should govern the attitude of District Officers and Government servants generally towards the Co-operative movement are fully discussed in paragraphs 183 to 190 of the Report of the Committee on Co-operation in India. District Officers are invited to remember that Co-operative Societies constitute a new factor in the Administration which cannot be disregarded and are requested to "keep in the closest touch with them, neither allowing them to languish for want of sympathy nor develop in undesirable directions through want of vigilance". The points on which District Officers might usefully make enquiries at their visits to societies are fully detailed in Chapter XXV, Part A—Inspection. The account books which they would probably find most convenient to inspect are the Register of Loans, and the Annual Returns, Statement II—Assets, and Liabilities. The encouragement or censure of a responsible district officer carries very great weight with the members of societies and may have a determining effect on their future. It is however important to bear in mind that societies are not State Institutions and stand apart from the ordinary routine of business. As the whole risk of the society attaches to the members, they should be allowed to decide all internal questions for themselves, so long as they conform to their by-laws. Advice and warning should be given to them freely, but direct orders should not be passed, except possibly in the case of very weak societies which are obviously incapable of managing their own affairs. It is better that they should make mistakes, for if they are afraid to make mistakes, they will never develop and learn to manage their own business properly.

2. Before inspecting societies, it is desirable that officers should read chapters I, IV, V and VIII of this Manual in order that they may not tender advice, which might not be in accordance with the principles of co-operation. Inspections by officers lower in rank than Mamlatdars are deprecated, as it has been found that they often give societies a good deal of trouble without compensating advantage. As societies are not official institutions, it is inadvisable that the members should be summoned *en bloc* to a camp or kacherry some miles away in order that an inspection may be recorded, and indeed even in the village itself care should be taken not to cause unnecessary trouble to the members or the Committee.

3. A summary of the Government Servants' Conduct Rules, in so far as they relate to co-operative societies, was issued under Government Resolution No. 11723, dated 18th December 1911, Revenue Department, and is as follows :—

A. The question of investments or deposits by Government servants in Co-operative Credit Societies is covered by the following rules :—

- (1) A Government servant who, not being a native of India, is a member of the Indian Civil Service or a military officer, or holds any office ordinarily held by members of the Indian Civil Service or by military officers, shall not make investments or place deposits in Co-operative Credit Societies registered under Act X of 1904 or Act II of 1912 within the province in which he is employed or within any province with the administration of which he is concerned, whether such employment or concern is permanent or temporary.

[Rule 11, proviso (a), read with paragraph 2 of rule 9.]

- (2) A native of India who is a member of the Indian Civil Service or holds any office ordinarily reserved for members of the Indian Civil Service, and any Government servant belonging to the Provincial Civil Service or who is a Head Accountant or avar karkun, may continue to hold any investments or deposits in Co-operative Credit Societies registered under Act X of 1904 or Act II of 1912 held by him at the time of his entry into Government service, and may thereafter acquire such investments or deposits by succession, inheritance or bequest, or with the previous sanction of Government or such heads of Departments as may be specially empowered by Government in this behalf, by gift, or by investment or deposit of his own monies.

He will however be liable to be debarred from employment within the district or other local limits within which a Co-operative Credit Society in which he holds investments or deposits exists.

[Rule 11, proviso (b), read with paragraphs 3 and 4 of rule 9 and Government Resolution No. 2565, dated 11th March 1907, Revenue Department. (Mamlatdars are now members of the Provincial Civil Service).]

- (3) All other classes of Government servants shall be at liberty to make investments or place deposits in Co-operative Credit Societies registered under Act X of 1904 or Act II of 1912 unless such investment or deposit gives him a private interest in matters with which his public duties are connected.

[Rule 11, proviso (c).]

- (4) Rules 1 to 3 are subject to any general or special restrictions or relaxations made or permitted by the Local Government.

B. The question of Government servants taking part in the organisation or management of Co-operative Credit Societies is covered by the following rule :—

- (1) A Gazetted Officer, whether on leave or in private service, may under the general or special sanction of Government take part in the management of a Co-operative Credit Society registered under Act X of 1904 or Act II of 1912. No restriction has, in ordinary circumstances, been placed on other Government servants in this respect.

[Rule 13.]

4. In modification of rule B (1), all Gazetted officers have been allowed to take part in the promotion and management of co-operative societies confined entirely to persons in Government service under Government Resolution No. 58 of January 5th, 1915, Revenue Department.

5. The power to sanction, in the case of Government servants of all Departments serving within their jurisdictions, the acquisition of investments or deposits in co-operative societies by gift or by investment or deposit of their own monies under rule A (2) has been delegated by Government to the Commissioner in Sind and the Commissioners of Divisions under Government Resolution No. 7167 of August 1st, 1914, Revenue Department; and under Government Resolution No. 58 of January 5th, 1915, Revenue Department, Government permit Government servants of every class to make investments or place deposits in co-operative societies confined entirely to Government servants and in Co-operative Central Banks situated in the Bombay Presidency, without special sanction.

6. Under Government Resolution No. 2977 of April 16th, 1913, General Department, it has been laid down that rule 7 of the

Government Servants' Conduct Rules is not intended to prevent clerks from standing as surety to each other for loans obtained from Co-operative Credit Societies.

7. Government servants may obtain house-building advances under article 136 of the Civil Account Code up to the limit of 12 months' salary for the purpose of joining co-operative building societies under G. R. 164 of Jan. 16, 1917, F. D., and G. O. 14336 of Nov. 27, 1917, R. D.

8. Under circular No. 43 issued by the Registrar no member of the Co-operative Department (with the exception of peons) is permitted to deposit, lend, or invest funds in registered co-operative societies, or to take any loan from them on behalf of himself or his family, or to stand as surety for any person borrowing from such societies without the express sanction of the Registrar in writing. For these officers, a separate Co-operative Departmental Fund has been established.

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.

APPENDIX III.

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

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 6½ per cent. and were compelled to borrow the same money from their societies at 9½ 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.

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2003-04

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