

BOMBAY CO-OPERATIVE RECORDS SERIES

No. II

PROCEEDINGS

OF THE

CO-OPERATIVE DEPARTMENTAL CONFERENCE

HELD AT

POONA

March 16th and 17th, 1916



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**REPORT OF THE PROCEEDINGS OF THE CO-OPERATIVE
DEPARTMENTAL CONFERENCE HELD IN POONA
ON 16th AND 17th MARCH 1916.**

The Conference met, at 11-30 a. m., on 16th March, in the Council Hall,
Poona.

PRESENT :

- G. F. Keatinge, Esquire, C.I.E., I. C. S., President.
Shrimant Appa Saheb Bahadur Desai Agadi, Honorary Organiser, Dhárwár.
K. B. Ankalgi, Esquire, Honorary Organiser, Dhárwár.
G. G. Bandiwadekar, Esquire, Auditor, C. S., K. D.
W. G. Chirmule, Esquire, B. A., LL.B., Honorary Organiser, Sátára.
Ráo Bahádur G. K. Chitale, Honorary Organiser, Ahmednagar.
G. K. Devdhar, Esquire, M. A., Member, Servants of India Society.
G. H. Desai, Esquire, B.A., Auditor, C. S., N. D.
M. H. Desai, Esquire, B.A., LL.B.
Ráo Bahádur N. L. Desai, Honorary Organiser, Surat.
Ráo Bahádur K. G. Desai, Honorary Organiser, Surat.
M. J. Desai, Esquire, Honorary Organiser, Panch Maháls.
K. B. Desai, Esquire, Honorary Organiser, A'mod.
R. R. Divekar, Esquire, Special Mámlatdár, C. S., S. D.
R. B. Ewbank, Esquire, I. C. S., Registrar, C. S.
Khán Sáheb Saidumia Faizumia, Honorary Organiser, Kaira.
S. D. Garud, Esquire, Honorary Organiser, West Khándesh.
V. H. Gonehalli, Esquire, M. A., Assistant Registrar, C. S.
L. G. Gokhale, Esquire, Auditor, C. S., S. C. D.
K. S. Gore, Esquire, Auditor, C. S., N. C. D.
P. B. Haigh, Esquire, I. C. S., 116th Mahrattas, late Registrar
P. G. Halkatti, Esquire, B.A., LL.B., Honorary Organiser, Bijápur.
C. B. Hooli, Esquire, B.A., Auditor, C. S., S. D.
Ráo Sáheb R. K. Inamati, Honorary Organiser, Dhárwár.
V. S. Jog, Esquire, Honorary Organiser, Sholápur.
Ráo Bahádur G. V. Jogalekar, Deputy Collector, Ahmednagar.
M. S. Kulkarni, Esquire, Honorary Organiser, Dhárwár.
V. B. Kulkarni, Esquire, Honorary Organiser, Dhárwár.
K. R. Kulkarni, Esquire, M.A., Assistant Auditor, C. S., S. D.
J. P. Lakhia, Esquire, Honorary Organiser, Ahmedabad.
Ráo Sáheb A. U. Malji, Honorary Organiser, Broach.
C. V. Mehta, Esquire, Special Officer, Central Bank.
V. L. Mehta, Esquire, Manager, Central Bank.
Sardár G. L. Mirikar, Honorary Organiser, Ahmednagar.
Ráo Sáheb R. G. Naik, Honorary Organiser, Belgaum.
Ráo Sáheb P. N. Pandit, Honorary Organiser, Kánara.
D. N. Parashrami, Esquire, Sangamner.
G. K. Patel, Esquire, Honorary Organiser, Kaira.
D. A. Patel, Esquire, Special Mámlatdár, C. S., N. D.
Ráo Sáheb T. J. Pitre, Honorary Organiser, Sholápur.

- R. N. Rajadnya, Esquire, Islámpur.
 Mansing Raising, Esquire, Assistant Auditor, N. D.
 R. M. Sane, Esquire, Honorary Organiser, Sholápur.
 V. K. Sanjanwalla, Honorary Organiser, Thána.
 K. D. Sethna, Esquire, Auditor, C. S., Bombay.
 Ráo Sáheb S. S. Talamki, Esquire, B.A., LL.B., Bombay.
 M. R. Tarkunde, Esquire, B.A., LL.B., Honorary Organiser, Poona.
 Shrimant Tendulkar, Honorary Organiser, Kolaba.
 Sir Vithaldas Thackersey, Kt., Director, Central Bank.
 L. V. Tikekar, Esquire, Weaving Expert, Sholápur.
 Prof. Todd, Nottingham, England.
 V. B. Vaidya, Esquire, Special Mámlatdár, C. S., C. D.

I.—OPENING ADDRESS.

Mr. G. F. KEATINGE, C. I. E., I. C. S., Director of Agriculture and Co-operative Societies, presided, and, in opening the proceedings, said :—

In welcoming you all here to-day I wish to express my special thanks to the non-official members who have placed their valuable time at our disposal, and have come to Poona in this very hot weather to assist us with their advice. In the early days of the co-operative movement in this Presidency the great object was to make a start, to bring into existence, and to nurse into stability a number of Primary Societies; and it was natural that at that stage the deliberations of the conferences should have been mainly concerned with the practical details and difficulties of the Primary Societies. At a later stage the problem which confronted us was to secure outside capital for such Societies as had given evidence of their stability and capacity for managing their affairs in a businesslike way. This led to the formation of the Central bank, to the great benefit of the movement, providing thereby an access to the money market of Bombay, and bringing home for the first time to substantial Societies an idea of the vast possibilities that lay before the present movement. The increase in the number and size of Societies then went steadily forward, and many of the more enterprising co-operators began to turn their attention to co-operative schemes other than those of a purely credit nature, and the conferences held in recent years have been largely concerned with the discussion of co-operative purchase and sale Societies, building and insurance Societies, etc. In this direction there is an enormous field for the energies of all who will work in it, and the benefits that can be secured by this means are almost unlimited; but it is not primarily about such matters that we are met to consult to-day. We have now reached a definite stage in connection with Credit Societies which makes it very necessary for us to take careful stock of our progress, and to lay down well-considered lines for future development. We now have scattered over our Presidency, roughly speaking, a thousand Societies controlling a crore of rupees. We may thus claim that a substantial basis of co-operative structure has been built. We have the Registrar and his staff controlling this basis, and forming a link between it and the Central Provincial Bank, which latter though a very valuable adjunct can hardly as yet be regarded as an integral part of the edifice. This loose organisation has served us hitherto, but will hardly serve for the development which we may expect in the near future, and it is primarily to design a complete upper structure, consisting of the supervising, controlling, guaranteeing and financing agencies that we are met here to-day. I have said that the time has come when we must devise some means to supplement the controlling and financing activities at present exercised by the Registrar and the Central Provincial Bank, and I may add that the present time is very suitable for considering such schemes, for we have before us the recommendation of the Committee on Co-operation held last year which gives us valuable guidance on a number of questions.

You will notice that you have before you a long programme of agenda and also a note by Mr. Ewbank making suggestions as to the future development of the co-operative movement in this Presidency. I do not wish to express any

detailed views regarding the subjects presented for your consideration, but I should like to say a few words on the most important subjects before us.

First, as regards the proposed Guaranteeing Unions, I believe that most of you will agree that if we can introduce amongst groups of the Primary Societies this element of mutual control and mutual responsibility enabling each Union to give a joint guarantee for its Societies, we shall greatly add to the strength and stability of the whole movement. The effect of this change will be that in future the Unions and not, as in the past, the Primary Societies, will be the basis of the whole system and the unit of administration. Draft by-laws are placed before you, and the matter will be referred to a sub-committee for consideration.

The second matter to which I will refer is the position of the Central Provincial Bank and its future relations with Unions and with district banks. The general feeling is that it may be brought more intimately into the co-operative movement, without weakening its financial position, if its shares are taken up to a steadily increasing extent by the Societies, till the latter gradually acquire a controlling voice at its General Meeting. Apart from this, there seem to be three different lines which the future of the Central Provincial Bank may follow :

If we decide to push to its logical conclusion the principle of centralising the finance and decentralising the supervision we shall go in for small local Unions, each of which will deal direct with the Central Provincial Bank, whose management will be in the hands of financial experts. In this case it will be necessary to extend greatly the resources of the Central Provincial Bank ; and hereafter District Banks, except those now in existence, will not be encouraged.

A second possible course would be to make a bid for local capital in the districts. Such capital exists, we want it, and believe that we can tap it. Some district banks already exist, and suggestions for the formation of new banks of this nature have been received from Khándesh, Poona, Belgaum and Dhárwár. The chief defect of this scheme, as compared with the first one, is that the financial ability available in the districts for the management of such banks will not be so great as in Bombay. If we follow this line and develop district banks, without linking them up in some way with the Central Provincial Bank, the effect will presumably be to oust the Central Provincial Bank to a great degree from operations in certain tracts, and to confine its dealings to long-term loans which the district banks cannot touch, and to general business in tracts where District Banks have not been established.

There is however a third course, by which we may avail ourselves more fully of the services of both the Central Provincial Bank and of the District Banks, and that is by encouraging the formation of District Banks and inducing the Bombay Central Bank to assume more fully the functions of a Provincial Bank. If this can be done the Bombay Central Bank would not only finance long-term loans, but would provide District Banks with fluid resources as part of their working capital by agreeing to discount promissory notes backed by the District Banks, and by exercising a beneficent and general control over the whole movement.

Well, gentlemen, it is in order to ask your advice on such matters that this Conference is called to-day. You will notice that it is somewhat different from former Conferences. The former Conferences have been provincial ones to which a large number of persons interested in the subject were invited. This Conference is of a departmental nature, to which only Honorary Organisers, members of the staff, and representatives of the Bombay Central Bank have been invited. The numbers have been cut down on this occasion, partly with a view to economy and partly because it was thought that a Conference of not more than sixty persons would be more suitable than a very large body to come to definite conclusions on the difficult problems by which we are faced. The best method of procedure will be to ask the Registrar to read out one by one the items on the agenda paper. We hope to profit greatly by your advice and assistance to-day.

II.—POSITION OF THE BOMBAY CENTRAL CO-OPERATIVE BANK : HOW TO MAKE IT MORE CO-OPERATIVE.

(I) Proposals for the compulsory purchase of shares by Societies.

"It is desirable that primary and other Societies should take shares in the Bombay Central Co-operative Bank and that some system should be adopted of requiring Societies compulsorily to take shares in that Bank."

This resolution was moved by the Registrar who urged that it was of prime importance that the institution at the head of the movement should be genuinely co-operative, firstly to prevent its profits from passing out of the movement in the form of dividends to private shareholders, secondly to give societies a voice in the control of the movement which a financing agency inevitably exercises, and thirdly as a check on a Board which might be alien to the movement and refuse to give due value to the kind of security which societies can offer. The Registrar explained in detail how a system of shares held by societies might be introduced.

RAO SAHEB NAIK (BELGAUM) expressed the opinion that every society whose capital was Rs. 1,000 or more should buy one share and said that he was encouraging the societies in his district to do so.

RAO SAHEB PANDIT (KA'NARA), supporting the resolution, said that some societies in his district had already taken shares in the Central Bank and that other societies were willing to take shares in it.

SIR VITHALDAS THACKERSEY, representing the Central Bank, welcomed the resolution and said that he had suggested at an informal meeting that the societies might be compelled to buy shares, but there was a fear in some quarters that this might lead to fictitious transactions. The shares of the Central Bank were sold in the ordinary market. The Directors of the Central Bank accepted the suggestion that societies should have more voice in the management of the Bank. As regards the unlimited issue of shares to Societies, he thought that the result of it might not always be good. The societies might take advantage of the market fluctuations, buying and selling shares as suited them. He, therefore, suggested special societies' shares issuable to an unlimited extent, so that the shares would not go in the open market, but remain the property of the society as long as it existed. He explained that long-term loans could be given only when there were long-term deposits. The privilege of the 4 per cent. guaranteed debentures, on which they had depended so much as a source of capital had proved unavailing, as these debentures had not been brought under the operations of the Trusts Act. The result was that the only money they could attract, namely, trust funds, could not be got hold of by the Bank. Therefore, there was no alternative but to grant short-term loans. Even so, they were issuing for the purchase of cattle loans extending over two years. Loans for the redemption of old debts were out of question at present. Referring to the representation of primary societies on the Bank's directorate, he said that the Bank was prepared to go even further than what the societies hoped. The Bank encouraged the election of persons interested and connected with societies in Bombay on the directorate and he quoted Mr. DEVDHAR'S election as an instance.

RAO BAHADUR CHITALE (AHMEDNAGAR) deprecated short term-loans which cut at the root of the whole system. It was inconceivable to think that a small society could repay its capital every year with its small resources. He urged that a society's reserve fund should consist of non-saleable shares and be invested in a general fund, enabling other and poorer societies to claim a share of this capital. He thought the reserves should go to build up a separate bank and be utilized to support the societies.

The PRESIDENT said there was little doubt that of the two they preferred long-term loans to short-term ones, but the question for the present was rather one of practicability than of preference and was not quite germane to the subject under discussion.

The resolution was passed without further discussion.

(2) Representation of societies on the Directorate.

" Special representation for share-holding societies on the directorate of the Bombay Central Co-operative Bank is for the present impracticable, but may be considered later on. For the present Mr. G. K. DEVDHAR may be regarded as the representative of such societies".

This resolution was moved by the Registrar.

RAO BAHADUR CHITALE (AHMEDNAGAR) suggested that the Registrar should be an ex-officio director of the Central Bank.

The Registrar, in reply, pointed out that this was unnecessary owing to the veto he already possessed on all loans granted by the Central Bank, but suggested that the Assistant Registrar might if necessary be elected a director.

The resolution was passed unanimously.

(3) Alterations in method of assessing and granting credits to societies.

" The credit of individual members should be assessed by societies under two heads—current agricultural expenses and other purposes; and the credit of societies as a whole assessed under the same two heads. The Bombay Central Co-operative Bank should give up assessing the credit of individual societies and should confine itself to assessing the credit of Unions where they exist."

The REGISTRAR, in introducing this resolution, referred to the following para. in his Note on " Suggestion for the Future Development of the Co-operative System in the Bombay Presidency :—

" The working of this system may be greatly facilitated by another practice recommended by the Committee on Co-operation. Firstly, the Union should every year fix the maximum amount which each of its societies may raise by loans or deposits from any outside source in the course of the year, the limit being fixed in the light of the character and earning capacity of the members and the total property possessed by them. Next, each Society should fix the maximum amount which each member will require to borrow from it for current agricultural expenses (termed his maximum normal credit), and in addition should report separately what sum it is likely to require (within the limit fixed above) for abnormal expenditure, e. g., paying off old debts, building new wells, etc. The Union will then know what demands are likely to be made upon it and at what seasons, and may arrange accordingly. Probably it will be found possible for the Union to arrange cash credits in favour of "A" societies and perhaps some others with the Central Bank to the extent of the total maximum normal credits of their members, but abnormal loans will always need to be specially examined by the Union Committee before recommendation. By this process the grant of loans can be greatly expedited. In the recovery of loans the Union Committee being on the spot and financially interested is capable of being of great assistance to the financing institution. In return for its services it is suggested that a certain percentage of the net profits of a Provincial or District Bank, after paying a dividend of 6 per cent., might be assigned to a Union as a contribution towards the upkeep of its staff".

The REGISTRAR suggested that these methods should be introduced, and the resolution was passed after some explanations.

(4) Special facilities for accepting surplus funds or providing fluid resource.

" District Central Banks should take pro-notes from primary societies in their own districts and should have the power of discounting them with the Bombay Provincial Bank for the purpose of providing themselves with fluid resource. The standard of fluid resource laid down in paragraph 155 of the report of the Committee on Co-operation is impossibly high and would make it impossible to work any Central Bank at a profit, unless some very favourable system of opening cash credits can be discovered and introduced."

In moving this resolution the Registrar gave it as his view that fluid resource was not needed in agricultural primary societies. The standard set up by the Committee on Co-operation for Central Banks was impossibly high and such that no Bank could live up to it. If fluid resource was to be insisted on a much more elastic standard must be found than that suggested. He advocated the

introduction of pro-notes which were better than bonds, because they were negotiable. Pro-notes differed from bonds in being payable on demand and free from conditions and always concerned with sums of money. Though this system should not be made applicable to every district at once; it should be introduced wherever possible. District Banks should be able to take pro-notes from primary societies in their own districts and should have the power of discounting them with the Provincial Bank for the purpose of providing fluid resources.

SIR VITHALDAS THACKERSEY was unable to commit himself; but he thought the principle of using pro-notes would receive consideration from the Central Bank directorate, although he was sure the latter was not prepared to take the responsibility in present circumstances of discounting these notes.

PROFESSOR TODD said that the requirements of the Committee as to the amount of the fluid resource to be held by a Central Bank had rather staggered him. Certainly, no ordinary joint-stock Bank could pass such a test, because they held only a very small proportion of their total deposit liabilities in cash or in the form of reserve at the Bank of England, which was absolutely equivalent to cash; and only a comparatively small proportion in gilt-edged securities. They employed as much as they thought safe on discounts of bills and advances on stock-exchange securities and other readily realisable assets. The remainder of their funds was employed as call money in Lombard Street. Co-operative Banks had, he took it, no such investments open to them and the only way in which they could comply with the requirements of the Committee was by substituting cash credits for cash, a method which, he need hardly say, was not always practicable.

- The resolution was carried unanimously.

(5) Proposals for the employment of the triennial rebate now due to societies.

"Primary Societies should be advised to leave the rebate due from the Bombay Central Co-operative Bank lying at the credit of such societies as fixed deposits in that Bank and to use the income accruing on such deposits towards the expenses of maintaining a supervising staff either employed under Unions or in such other ways as may be devised."

The Registrar-referred to the agreement between the Central Bank and the Secretary of State, in which after declaring a dividend of not less than 6 per cent. the Central Bank was bound to refund to borrowing societies half of the surplus profits of the Bank. He pointed out that at present Rs. 16,000 were lying in the Bank as rebate due to societies, and suggested that this money should be invested with the Bank at 7 per cent. and that Unions should be free to draw interest on this money towards meeting the cost of maintaining their supervising staff. In cases where Unions were not formed, this interest should be allowed to accumulate, until they were formed.

RAO BAHADUR CHITALE (AHMEDNAGAR) suggested that the reserve funds and this rebate, if invested with the Bank, would be available for nursing primary societies, to whom loans extending over ten years might be given as initial capital.

The PRESIDENT pointed out that the investment of the reserve fund in shares was a side issue and did not affect the resolution. They were concerned with the disposal of the rebate money.

SIR VITHALDAS THACKERSEY agreed that a special rate of 7 per cent. should be paid on the rebate, because that was the rate at which the Bank lent to societies.

After some discussion, the words "primary societies should be induced to invest the rebate" were substituted for words "primary societies should be advised to leave the rebate" in the original resolution.

The revised resolution was then passed.

(6) The following resolution not appearing on the agenda was moved by SIR VITHALDAS THACKERSEY and passed:—

"In order to enable the Bombay Central Co-operative Bank to dispose of their debentures and thus to enable them to give long-term loans to rural societies

for the redemption of old debt and for land improvement, the debentures of the Bank, the interest on which is guaranteed by the Secretary of State, should be included in the securities recognised under the Trust Act. This resolution should be recommended to the Government of India through the Bombay Government."

He explained in detail the dilemma with which the Central Bank is now faced. [See para. II (1).]

The resolution was carried unanimously.

III.—GUARANTEEING UNIONS.

The consideration of this subject was postponed till next day, the model by-laws of Guaranteeing Unions prepared by the Registrar being referred for report to a Sub-Committee which met at 8-30 a. m. on the following morning in the Council Hall under the chairmanship of the Registrar.

IV.—DISTRICT BANKS.

(1) What amendments in their constitution are desirable ?

"Central Banks and Banking Unions should aim at ultimately discontinuing the grant of loans to individual members, and should start, if necessary, separate urban banks for granting such loans and should transfer a portion of their capital, if necessary, to such new institutions."

In introducing this resolution, the Registrar referred to para. 9 in his Note before the Conference, which ran as follows :—

"With regard to the District Central Banks, it seems imperative to propose some radical alterations, if they are to rival the success of similar institutions in other parts of India. In the first place, it is essential that they should discontinue loans to their individual members, a separate urban society being formed to undertake this part of their functions. Secondly, societies borrowing from them should be required to take up shares in a manner similar to that proposed in the preceding paragraph, thus gradually obtaining predominance in the general meeting. A difficulty will be experienced in defining the separate spheres of the Provincial and District Bank, but at first it will be enough if societies are left free to elect to which they will affiliate themselves and are required to deal with one or the other, but not with both. As societies secure the controlling voice on both institutions, the interest of both will coincide far more closely than at present, and the obstacles that have up to the present prevented the two institutions from arriving at a working agreement may be expected to vanish. When this point is reached these banks may rely even more entirely on the local agencies that we are about to discuss for assessing and guaranteeing credit than the Provincial Bank can do, because the board of management will bring local knowledge and experience to bear on all recommendations received from them. Where such agencies come into existence the District Banks will probably be able to dispense altogether with an inspecting staff, contributing instead, in some manner to be subsequently arranged, to the cost of the supervising staff maintained by these agencies, and relying on the members of their own Committee to examine and judge the work which these agencies may be called upon to carry on. In order to secure a prompter compliance with any applications for loans that may reach them, District Central Banks should be advised to arrange cash credits in their own favour with the Provincial Bank or with other large financing institutions, and might grant reasonable cash credits to well-established local societies in whose integrity the local knowledge of their directors gives them confidence. I am aware that these suggestions may seem sketchy and leave many difficulties unsolved but I am here trying only to indicate a general line of development to be aimed at, and am sure that if once the directors of such banks can be convinced that this is the most feasible direction in which to progress they are quite capable of overcoming by themselves any difficulties they may meet in the process."

RAO BAHADUR CHITALE (AHMEDNAGAR) was doubtful if practical effect could be given to this resolution. By-laws could be amended, but if the change were introduced at once it would mean inconvenience and hardship to banks already formed. If they split up banks into two branches, namely, one for societies and the other for individuals, he doubted if the management could remain the same. He thought that unless urban communities were given sufficient inducement to

remain in district banks the capital wanted for lending to societies would not be forthcoming.

RAO SAHEB TALMAKI (BOMBAY) thought that people might be induced to form new societies, gradually resigning their membership in district banks.

MR. GARUD (KHANDESH) said that the words "District Banks should work by preference with societies without prejudice to individuals" might be added to the (original) resolution.

RAO SAHEB NAIK (BELGAUM) thought the resolution aimed at separating central financing institutions from urban societies and opposed MR. GARUD'S suggestion.

MR. DEVDHAR (BOMBAY) pointed out that in the Punjab there were mixed banks, but they lent money only to societies and worked without friction.

RAO BAHADUR KHANDUBHAI DESAI (SURAT) said that the class of people who borrowed were not depositors, and in his own district bank he felt there would be no difficulty in attracting funds even after stopping loans to individuals. He thought that district banks might stop further loans to individuals, and that if loans were to be given it should be for a very short time, so that funds might be available when required for societies. He supported the resolution as it provided ample scope for gradually converting existing district banks into central financing institutions.

As there seemed to be differences of opinion on the point, the President read paragraph 139 of the report of the Committee on Co-operation before putting the resolution to the vote.

The resolution was then passed.

(2) Measures necessary to prevent overlapping of finance by District Banks and the Central Bank.

"Unions may be left to elect whether they should obtain loans from their local Central Bank or the Bombay Central Co-operative Bank, but must be loyal to whatever financing agency they choose."

The REGISTRAR, in introducing the resolution, urged the desirability of Unions affiliating themselves to their local Central Bank or to the Bombay Central Bank. But once the choice was made, Unions should be loyal to the Bank to which they affiliated themselves and should deal with that Bank only.

MR. SANE (BARSII) pointed out some practical difficulties, mentioning one recent instance in which an urgent loan was advanced by the Barsii Bank to a society which had already borrowed from the Bombay Central Bank. Had this not been done, the society would have been put to great inconvenience.

The resolution was passed after it was pointed out that independent societies were not affected by the resolution, but only societies affiliated to Unions.

(3) Provision of fluid resource.

"No definite standard can be laid down for the amount of fluid resource to be maintained by Central Banks. It should depend on the nature of deposits. The standard laid down by the Committee on Co-operation is impossible."

The resolution was introduced by the Registrar.

SIR VITHALDAS THAKERSEY said that if credit could be had with good banks there was no necessity for having a large fluid resource. It was the kind of deposit and the nature of the business which determined the fluid resource. If deposits came from unknown sources and their withdrawal was uncertain, then there must be some reserve of fluid resource.

The resolution was passed unanimously.

(4) Prohibition of accepting their own shares as security for loans.

The REGISTRAR remarked that some banks granted loans to societies on the security of their own shares and that such hypothecation of shares meant a reduction of security to depositors in the banks. Further, if members mortgaged their shares in banks as security for their loans from the banks, it reduced their guarantee capital by so much and there was risk to the people who placed deposits in them. He therefore proposed to prohibit this practice by submitting a rule to Government under the Act.

The principle of prohibiting the hypothecation of their own shares as security for loans to societies was accepted unanimously.

V.—AUDIT.

(1) Suggestions for the improvement of the present methods or form of memo.

There was no discussion on this point, as the Registrar explained that the present form of audit memo. was being reconsidered by the Department.

(2) How far should societies now and ultimately be expected to bear the expense of their own audit? Primary audit and super-audit.

The REGISTRAR pointed out that the Committee on Co-operation recommended that societies should pay for their audit. He said that some societies were too poor to bear the whole cost of their audit, but at the same time there should be a definite limit to expenditure looked for from Government in the matter.

MR. DEVDHAR (BOMBAY) suggested that the question was a very important one and should be referred to a Sub-Committee who should sit the following morning and go into details, submitting a definite resolution to the Conference next day. The following Committee was therefore appointed:—

Rao Bahadur Desai, Rao Bahadur Chitale, Rao Bahadur Joglekar, Rao Saheb Talmaki, Mr. Gonehalli, Mr. Sane, and Mr. Devdhar.

VI.—PRIMARY SOCIETIES.

(1) Policy of restricting development mainly to Union areas.

“The energies of Organisers should be directed mainly towards developing societies in Union areas, except in the case of specially backward or impoverished classes or tracts, or where sufficient alternative agencies are not available for training new societies, or until additional controlling staff is provided by Government. The need of additional controlling staff is strongly recommended by this Conference.”

The REGISTRAR, in introducing the subject, said that the number of societies was increasing to such an extent that the Department would soon not be able to cope with the work. There were Honorary Organisers and other persons creating societies in remote places that required control and constant supervision. The resolution aimed at preventing societies being started in places out of touch with expert supervision and the starting of them in future only in Union areas.

RAO BAHADUR KHANDUBHAI DESAI (SURAT) accepted the principle of selective registration, but suggested that special exceptions should be made to meet the need of poor people beyond Union areas.

SIR VITHALDAS THACKERSEY said that he understood that the restricting of the formation of new societies to Union areas only was meant to save the Registrar and his staff this extra supervision, and if it were so he did not think it sufficient argument to discourage the formation of societies from springing up anywhere. He did not doubt that the Registrar and his staff were overworked, but believed that Government was quite willing to give additional staff, if necessary. Therefore, rather than restrict the formation of new societies, they should approach Government on the question of creating extra Registrars and staff.

The PRESIDENT explained that it was with the object of bringing about greater concentration of work that the restriction was proposed. In his opinion such restriction would help to put the movement on a sounder basis.

RAO BAHADUR CHITALE (AHMEDNAGAR) agreed with the principle, remarking that in his frank opinion he knew of managing committees at present existing that were not of the calibre wanted. He preferred a few societies with good management to a large number without it.

MR. DEVDHAR (BOMBAY) deprecated any action which would stand in the way of the formation of new societies.

The resolution in the above form was then put and passed unanimously.

(2) Is it advisable to institute shares or compulsory deposits?

"It is very necessary to build up the owned capital of a society. It may be obtained by compulsory deposits deducted from loans to members, under careful supervision to ensure that the transaction is genuine, or by a rebate on punctual repayments of interest credited as fixed deposits in the members' accounts. The introduction of shares in unlimited societies is deprecated. With the object of obtaining owned capital, lending rates may be raised, provided that they are not raised above market rates."

The REGISTRAR explained that one method of creating capital was by widening the margin between borrowing and lending rates of interest. Compulsory deposits by which a borrower was required to deposit some percentage of money borrowed was another means, and a third was that adopted by MR. DEVDHAR in Bombay, namely, that of requiring members to deposit a small amount out of their earnings every month.

MR. DEVDHAR (BOMBAY) doubted if people would join societies if rates of interest were enhanced. He suggested the deduction of 10 per cent. from loans as compulsory deposits at a preferential rate of interest, if necessary, in order to collect owned capital.

MR. GOKHALE (AUDITOR) quoted an instance of the Mhaisgaon society in the Sholapur District, where he said 10 per cent. was being deducted from the amount borrowed by members and credited as deposits, and the scheme was working well.

MR. CHIRMULE (SA'TA'RA) believed that 10 per cent. was too much for poor people to pay, remarking that the amounts deducted from loans at 6 per cent. were actually accumulating in his society at Sata'ra and that with the payments thus made shares were being gradually taken by members. He believed that this method was the best way of creating owned capital.

RAO BAHADUR KHANDUBHAI DESAI (SURAT) feared that if this method was adopted a bad impression would be created. Co-operative societies had hitherto made a good impression on the minds of the people by lowering the rates of interest on loans and by other good principles and he did not think they ought to introduce anything which might savour of the methods of ordinary *sowcars*.

SIR VITHALDAS THACKERSEY was for enhancing the rate of interest on loans, and expressed the view that they might raise it from 9 to 12 per cent., the difference going to the credit of the individual rather than to increase the reserve fund of the society.

The resolution was then put and passed.

(3) Limitation of area from which primary societies may accept deposits.

"Where primary societies belong to Unions they should not take loans or deposits from outside the Union area except through or with the permission of the Union. Where there are no Unions they should not take loans or deposits from outside their own taluka except from a financing institution or with the Registrar's permission."

The REGISTRAR pointed out that when Guaranteeing Unions were formed no society in the area covered by them would be at liberty to borrow beyond the area without the Union's consent. In areas where there were no Unions, societies would not be allowed to borrow beyond their taluka except from a financing institution, because rural societies were even in the best cases incapable of managing a large capital.

MR. SANE (BA'RSI) feared that this would prevent buried money from coming in as deposits and so being fruitful as investment. He said that in his own town one individual had raked up Rs. 25,000 from the ground and was anxious to invest it profitably in societies. If the area of investment were restricted, the money would not find employment outside the restricted area.

The resolution in the above form was then put and passed.

(4) Suggestions for improving present systems of arbitration and liquidation.

(a) "It is desirable that the dues of cancelled societies should be made recoverable as arrears of land revenue." Proposed by MR. GUNVANTRAI DESAI and carried unanimously.

(b) "It is desirable that orders of liquidators should be made presentable to Civil Courts by registered post instead of by personal application or through a pleader."

MR. VAIDYA (SPECIAL MAMLATDAR) said that when property was to be attached through a Civil Court, there was considerable delay. In one case the judgment-debtor actually removed his own crop to an adjoining field and it could not be attached. He therefore thought that recoveries might be promptly made through the agency of the Revenue department.

The REGISTRAR pointed out the recommendation on this point made by the Committee on Co-operation in paragraph 87 of their report.

MR. DESAI (AUDITOR) mentioned cases where liquidation decrees had to be presented to the Sub-Judge in person or through a pleader, and pointed out the delay and inconvenience attaching to such a procedure.

The above resolutions were then passed unanimously.

(5) Do primary societies need any fluid resource?

SIR VITHALDAS THACKERSEY pointed out that the standard imposed by the Committee on Co-operation was impossibly high.

The Conference accepted the conclusion that the capital of rural societies being small and their depositors as a rule local men, their deposits could be regarded as genuinely co-operative deposits, and did not require any fluid resource for their repayment.

(6) Limitation of members to 100 and of membership to one village.

"The membership of primary societies cannot be limited to 100. But the principle 'one village, one credit society' may be generally accepted provided that in large villages separate sub-committees are appointed for sub-areas with power to make recommendations on loan applications: and in very small villages, a group of adjoining villages may be permitted to combine in a single society."

The REGISTRAR pointed out instances in the Central and other Provinces where there were rules restricting the number of members in a society to a maximum of one hundred, but he believed that in the populous villages of this Presidency it would not be possible to keep to this limit. He accepted the principle of "one society, one village" as generally convenient. This principle was inconsistent with the limitation of 100 members.

MR. KULKARNI (GADAG) referred to the possibility of overlapping if there were two societies in one village. It would be difficult to find out whether a member applying for admission was already a member of another society in the

same village. He said that it was undesirable that one person should belong to several societies at a time. The principle of "one village, one society" might be adopted by the Conference. He did not wish to restrict the membership in societies provided sub-committees, sufficiently in touch with a wide membership, were appointed to make recommendations. For small villages where a sufficient number of members could not be secured for a society, the grouping of several such villages into a single society would be very convenient.

The resolution was then passed.

(7) Can societies be of more use in distributing and recovering takavi?
There were no suggestions and the matter was not discussed?

(8) Should urban share societies be encouraged? How can societies with limited liability best be financed and supervised?

This question was omitted.

The Conference at this stage adjourned till next day.

SECOND DAY.

The Conference reassembled at one o'clock on Friday, MR. KEATINGE again presiding.

The Sub-Committee appointed to consider the question of the levy of an audit-rate upon societies had met earlier in the morning and submitted the following resolutions for consideration by the Conference:—

"(1) That a stage has not yet been reached in the development of the movement in this Presidency when the primary societies could be charged, without prejudice to their growth, audit fees by Government.

(2) That a full and thorough annual Government audit is very necessary and very desirable in the interests of the advancement of the movement in order to ensure the confidence of the investing public until its progress justifies the audit being taken over and managed by the societies themselves, in consonance with the fundamental principle of self-help in co-operation.

(3) (a) That Government audit should be free, in the case of primary societies with unlimited liability.

(b) That it should be free in the case of primary societies with limited liability for the period of first five years.

(4) That in the case of primary societies with limited liability, after five years of their existence, a graduated scale of audit fees to be paid by them, not exceeding 20 per cent. of the expenditure incurred by Government in that behalf, should be fixed, the remainder being borne by Government."

Note.—This does not apply to societies that have a capital of Rs. 50,000 or exceeding that amount, with regard to which orders have been already passed by Government.

MR. DEVDHAR (BOMBAY) moving the resolutions explained that the Sub-Committee in arriving at its decision had considered two important basic principles, namely:—

(1) the present position of the co-operative movement in the Presidency, and

(2) the fact that they were starting self-supporting Unions which at this stage were necessary for control and supervision.

He urged that they ought to distinguish between audit and supervision. The Sub-Committee thought the yearly Government audit was essential but

needed to be supplemented. Supervision was needed and this might be done by starting Unions and taxing societies in various ways, but to ask primary societies to pay for Government audit as well would be an additional and undesirable burden. Governments in other Presidencies spent more on audit than in Bombay. Co-operation would not go on without assistance from Government. In European countries help was freely given, in the form of a state contribution, to the expense of audit. At this stage, therefore, they were not prepared to accept the principle that the whole cost of audit should be paid by primary societies. Even share societies in their earlier stages were unable to bear such cost. In unlimited societies a reserve fund must be built up and this would be impossible in a great many cases if the audit costs were levied. On the other hand limited societies with share capital might be asked to contribute after five years, but the contribution should then be very small. The opinion of the Committee was that it should not be more than 20 per cent., Government paying the remainder.

MR. GONEHALLI (ASSISTANT REGISTRAR) said that the question of audit was a very important one. It was necessary that the societies should be taught to rely more and more on themselves, for everything including audit. It was suggested that the time had not come when the societies could pay for their own audit. In making the recommendations now before the Conference, the Sub-Committee should therefore be careful and emphasise the principle of self-help as regards audit. The Conference should now consider the Sub-Committee's recommendations very carefully before coming to a definite conclusion in the matter. It might be that if primary societies were gradually made to bear the cost of their own audit; it would perhaps be more beneficial to their growth in the long run, than their entire dependence upon Government for their audit.

The PRESIDENT thereupon pointed out the question really was who should pay for the audit. The funds which Government could sanction every year for the purpose of auditing societies depended upon several considerations. The amount of money available for the purpose being fixed, the Registrar would be compelled to stop starting new societies. If societies were to increase, it was proper that they should arrange for their own audit or contribute towards the cost in that behalf.

The REGISTRAR while acknowledging the ability and moderation with which Mr. Devdhar had presented his case pointed out that if Government were to bear the entire cost of audit, it meant a large increase of subordinate Government staff, as societies multiplied. In the interests of the rural population, it was certainly undesirable to overrun the countryside with a large army of subordinate officials of the Department. The Registrar suggested that Government should be responsible for the superaudit and societies for their own primary audit.

RAO BAHADUR CHITALE (AHMEDNAGAR) described the distinction between primary and superaudit as something no ordinary person would understand and suggested the bringing in of a third interested party to undertake the audit. Funds for this purpose would probably be forthcoming from the Central Bank or District Banks.

The REGISTRAR suggested the following amendment to the Sub-Committee's resolution :—

"That Government should lay down the maximum standard on which it will provide a staff at the public expense for the audit of primary societies and should institute a rule empowering the Registrar to levy an audit rate for the expenses of the audit of societies in areas where their number exceeds the powers of the maximum staff admissible."

MR. DEVDHAR (BOMBAY) showed how compared with other provinces the staff maintained in this Presidency was inadequate. He advocated a stricter, closer and more frequent audit and proposed that instead of restricting the number of auditors to districts it should be proportionate to the number of societies.

The amendment was lost and the Sub-Committee's resolutions were carried.

(9) Guaranteeing Unions (I), (II) and (III).

"The model bylaws of Guaranteeing Unions as amended by the Sub-Committee and revised may be accepted and introduced. The adoption of Guaranteeing Unions as administrative unit is approved."

The REGISTRAR speaking on the subject said that these bylaws were prepared on the Burma model and copies were before the Conference. They had been discussed in detail by the Sub-Committee earlier in the morning and had been accepted by representatives both of the Central Bank and of Societies.

The resolution was then passed unanimously.

VII.—NON-CREDIT AGRICULTURAL SOCIETIES.

(1) In what particular directions should experiments first be pushed on?

"In the opinion of this Conference, societies for the purchase of agricultural requisites, for marketing agricultural produce, for improving the milk supplies of towns and cities and for improving the breeding of cattle should be started in suitable places; but attempts may also be made to start other types of non-credit agricultural societies, wherever possible."

MR. GONEHALLI (ASSISTANT REGISTRAR) in introducing the subject said that the increased interest in non-credit co-operation was plainly shown in recent Conferences. He mentioned several papers on different types of co-operation read at the last Conference and described the various types of societies formed in several districts in the Presidency. In recommending the formation of non-credit societies, he pointed out that agriculturists lost heavily in buying their requisites, such as seed, manure, implements, etc., and that they also lost as producers in marketing their agricultural produce, such as cotton, wheat, etc. He therefore suggested the establishment of societies for purchasing requisites and marketing produce on commission. The rayats by joining the proposed purchase and sale societies could provide themselves with their own dalals, namely, the managing committees of their societies and thus protect themselves against the malpractices of those who were at present simply ruining the rayats.

Apart from purchase and sale societies, Mr. Gonehalli recommended the establishment of dairy societies for improving the condition of Gowlis and supplying pure milk to the towns and cities and of cattle breeding societies for improving the breeding of cattle in villages, which was in a deplorable condition at present.

RAO SAHEB NAIK (BELGAUM) said that in his district he had found the people willing to start non-credit agricultural societies. He however suggested that these new types of societies should be established in those places only where men who could manage them came forward.

RAO SAHEB PANDIT (KA'NARA) referred to the Sirsi Totgars' Purchase and Sale Society which had recently started the selling of supari, pepper, etc., on the Baramati system of selling gul co-operatively. Owing to plague at Sirsi the business could not be started on a large scale, as had been contemplated. But the other day they sold supari by the auction system and the members got two annas more per maund than in the bazar, and this had given encouragement to others to join the society. He looked upon the society as a step in the direction of improving the agricultural industry of the tract near Sirsi and they hoped to show better results next season. He urged that non-credit agricultural societies for purchasing agricultural requisites and marketing agricultural produce should be started wherever practicable, because they brought more benefit to the rayats than ordinary credit societies.

RAO BAHADUR CHITALE (AHMEDNAGAR) said that the question of small economic holdings was a factor affecting the economic position of the agriculturist essentially and unless it were solved, the starting of non-credit societies alone would not bring about the complete improvement of the agricultural classes. He referred to the recent debate in the Bombay Legislative Council on the question of economic holdings and suggested that co-operative societies should

try to work out a scheme for creating small economic holdings for their members. Government had pointed out that the social reformer had a good deal to do before they could promote any legislation. In Rao Bahadur Chitale's opinion, co-operative societies, which were certainly engaged in one important type of practical social reform work, should take up the suggestion of Government and work out schemes for providing their members with small economic holdings.

The PRESIDENT said the Hindu law was the chief difficulty in the way of removing uneconomic small holdings; and in fact, while this law existed there could be no finality to the question. He believed that non-credit societies could be worked with advantage, although the question was extremely complex. He agreed with Rao Saheb Naik in believing that unless men were found to devote their entire time to these societies success would be remote.

MR. GONEHALLI then moved the resolution, but before putting it to the Conference, replied to Rao Bahadur Chitale by saying that non-credit types of co-operation were not to effect a millenium. However, by organising the different branches of the agricultural industry on a co-operative basis, much relief could be afforded to agriculturists.

As regards RAO BAHADUR CHITALE'S special suggestion to constitute small economic holdings through the agency of Co-operative Societies, Mr. Gonehalli instanced what was done in Italy. There were three types of land societies in Italy. In the first type, the society hired the land in its corporate capacity, divided it into suitable holdings and sublet them to its members. The advantage to the members of this type of society was a reduction in the rent to be paid by each, which the society secured by negotiating with the landlord and making itself responsible for the payment of rent. In the second type, the society hired the land, divided into suitable holdings and not only sublet them to members, but also maintained labour-saving machinery and gave its use for hire to the members. In the third type of society, the land was not only hired by the society but cultivated jointly by all the members. Mr. Gonehalli thought it practicable for some societies in the Presidency to hire lands from big land-owners, subdivide them into small economic holdings and sublet them to their members. If any gentlemen wished to work out a scheme of this kind in a suitable locality, the Assistant Registrar would co-operate with them readily.

The resolution was then carried.

(2) Should agricultural organisations be annexes of credit societies or wholly identified, or wholly independent?

"In the opinion of this Conference non-credit agricultural organisations should be independent of credit societies."

MR. GONEHALLI remarked that in the case of credit societies the Conference had already accepted the principle of "one society, one village." Under section 4 of the Act, agricultural credit societies had to accept unlimited liability. Non-credit societies were suitable for larger areas and required groups of villages to be included in them to make them successful. Their liability must, therefore, be limited, and the capital should be collected by shares. Profits must be divided in the shape of dividend, rebate and bonus. Unless these principles were introduced, non-credit societies would not be popular. Further, if non-credit societies were joined to credit societies the management would not be effective, as interest on the part of the Committee would be divided between the credit and non-credit branches.

MR. SANE (BA'RSI) said that if members in credit societies were also to act as members in non-credit societies he did not understand the advantage in separating the two types of societies.

The REGISTRAR pointed out that the difficulty of admitting credit business in societies of the non-credit type, such as dairy societies, purchase societies, manure societies, etc., was that the membership would be scattered and it would be impossible to keep in close touch with the members, which was the main safeguard in credit societies.

The resolution was then passed.

VIII—RULES UNDER ACT, PRIVILEGES AND WORKING SYSTEM OF THE DEPARTMENT,

“ Rules should be introduced empowering auditors to require the attendance of particular members of any society at the time of audit and empowering liquidators to require the presence of defaulters at the time of their proceedings.”

MR. G. N. DESAI (AUDITOR), describing his experience, added that if the rules suggested were made by Government it would greatly facilitate the work of auditors and liquidators.

The resolution was then passed.

This concluded the agenda.

SIR VITHALDAS THACKERSEY, in proposing a hearty vote of thanks to the President, said that Mr. Keatinge was a very busy officer and it could not have been an easy matter for him to get away in order to preside over their deliberations, and they were very grateful for the two whole days he had spent on their account. He also thanked the Registrar.

The PRESIDENT, in reply, congratulated the Conference on the way it had got through the programme of business. The debates had shown not only that they had a large practical experience in these matters, but that they had a desire to get at the bottom of things, and moreover, to get there as quickly as possible. He regretted the absence from their deliberations of the Honourable Mr. Lalubhai Samaldas, especially as it was through a domestic bereavement. He would like to add just a word. There had been some difference of opinion on the subject of District Banks, and again as to whether or not they should encourage the formation of societies outside Union areas. He thought that on these matters the important thing was to arrive at general principles, and afterwards on occasions of urgent necessity these principles might be departed from.

The REGISTRAR, on behalf of himself and his Department, thanked SIR VITHALDAS for his kind remarks. Before the business on the agenda could come before the Conference a great deal of preparatory work had been necessary and this had been disposed of by means of the excellent help given by his staff. He wished to thank all of them for coming to take part in the Conference, especially in such hot weather. They were very glad to see with them three representatives of the Central Bank—SIR VITHALDAS THACKERSEY, MR. DEVDHAR and MR. CHUNILAL MEHTA. These were very busy men, and they were very pleased that they had been able to come. The Conference then came to an end.

APPENDIX I.

List of Resolutions passed at the Conference.

Items on Agenda.	Resolutions.
I	Recorded.
II	<ol style="list-style-type: none"> <li data-bbox="398 461 1374 574">1. It is desirable that primary and other societies should take shares in the Bombay Central Co-operative Bank, and that some system should be adopted of requiring societies compulsorily to take shares in that Bank. <li data-bbox="398 587 1374 725">2. Special representation for share-holding societies on the directorate of the Bombay Central Co-operative Bank is for the present impracticable but may be considered later on. For the present Mr. G. K. Devdhar may be regarded as the special representative of such societies. <li data-bbox="398 738 1374 927">3. The credit of individual members should be assessed by primary societies under two heads: current agricultural expenses, and other purposes; and the credit of primary societies as a whole assessed under the same two heads. The Bombay Central Co-operative Bank should give up assessing the credit of individual societies, and should confine itself to assessing the credit of Unions where they exist. <li data-bbox="398 939 1374 1191">4. District Central Banks should take pro-notes from primary societies in their own districts and should have the power of discounting them with the Bombay Provincial Bank for the purpose of providing themselves with fluid resource. The standard of fluid resource laid down in paragraph 155 of the Report on the Committee on Co-operation is impossibly high, and would make it impossible to work any Central Bank at a profit, unless some very favourable system of opening cash credits can be discovered and introduced. <li data-bbox="398 1204 1374 1368">5. Primary societies should be induced to invest the rebate due from the Bombay Central Co-operative Bank lying at the credit of such societies as fixed deposits in that Bank and to use the income accruing on such deposits towards the expenses of maintaining a supervising staff either employed under Unions or in such other ways as may be devised. <li data-bbox="398 1380 1374 1607">6. In order to enable the Bombay Central Co-operative Bank to dispose of their debentures and thus to enable them to give long-term loans to rural societies for the redemption of old debt and for land improvement, the debentures of the Bank, the interest on which is guaranteed by the Secretary of State, should be included in the securities recognized under the Trust Act. This resolution should be communicated to the Government of India through the Bombay Government.
III	The Model by-laws of Guaranteeing Unions as amended by the Sub-Committee and revised may be accepted and introduced. The adoption of Guaranteeing Unions as administrative units is approved.
IV	<ol style="list-style-type: none"> <li data-bbox="398 1746 1374 1884">1. Central Banks and Banking Unions should aim at ultimately discontinuing the grant of loans to individual members, and should start, if necessary, separate urban banks for granting such loans and should transfer a portion of their capital, if necessary, to such new institutions. <li data-bbox="398 1897 1374 2010">2. Unions may be left to elect whether they should obtain loans from their local Central Bank or the Bombay Central Co-operative Bank, but must be loyal to whatever financing agency they choose. <li data-bbox="398 2023 1374 2124">3. No definite standard can be laid down for the amount of fluid resource to be maintained by Central Banks. It should depend on the nature of deposits. The standard laid down by the Committee on Co-operation is impossible.
	4. Accepted.
V	<ol style="list-style-type: none"> <li data-bbox="398 2174 740 2199">1. No suggestions. <li data-bbox="398 2212 1374 2300">2. (1) A stage has not yet been reached in the development of the movement in this Presidency when the primary societies could be charged, without prejudice to their growth, audit fees by Government.

- (2) A full and thorough annual Government audit is very necessary and very desirable in the interests of the advancement of the movement in order to ensure the confidence of the investing public, until its progress justifies the audit being taken over and managed by the societies themselves, in consonance with the fundamental principle of self-help in Co-operation.
- (3) (a) Government audit should be free in the case of primary societies with unlimited liability.
- (b) It should be free in the case of primary societies with limited liability for the period of first five years.
- (4) In the case of primary societies with limited liability, after five years of their existence, a graduated scale of audit fees, not exceeding 20 per cent. of the expenditure incurred by Government in that behalf, should be fixed, the remainder being borne by Government.
- Note.*—This does not apply to societies that have a capital of Rs. 50,000 or exceeding that amount, with regard to which orders have been already passed by Government.
- VI
1. The energies of organisers should be directed mainly towards developing societies in Union areas, except in the case of specially backward or impoverished classes or tracts, or where sufficient alternative agencies are not available for training new societies, or until additional controlling staff is provided by Government. The need of additional controlling staff is strongly recommended by this Conference.
 2. It is very necessary to build up the owned capital of a Society. It may be obtained by compulsory deposits deducted from loans to members, under careful supervision to ensure that the transaction is genuine, or by a rebate on punctual repayments of interest credited as fixed deposits in the members' accounts. The introduction of shares in unlimited societies is deprecated. With the object of obtaining owned capital, lending rates may be raised, provided that they are not raised above market rates.
 3. Where primary societies belong to Unions they should not take loans or deposits from outside the Union area except through or with the permission of the Union. Where there are no Unions they should not take loans or deposits from outside their own taluka except from a financing institution or with the Registrar's permission.
 4. (a) It is desirable that the dues of cancelled societies should be made recoverable as arrears of land revenue.
 - (b) It is desirable that orders of liquidators should be made presentable to Civil Courts by registered post instead of personal application or through a pleader.
 5. No resolution.
 6. The membership of primary societies cannot be limited to 100. But the principle "one village, one credit society" may be generally accepted, provided that in large villages separate sub-committees are appointed for sub-areas with power to make recommendations on loan applications; and in very small villages, a group of adjoining villages may be permitted to combine in a single society.
 7. No suggestions.
 8. Omitted.
- VII
1. In the opinion of this Conference, societies for the purchase of agricultural requisites, for marketing agricultural produce, for improving the milk-supplies of towns and cities and for improving the breeding of cattle should be started in suitable places; and attempts may also be made to start other types of non-credit agricultural societies, wherever possible.
 2. In the opinion of this Conference non-credit agricultural organisations should be independent of credit societies.
- VIII
- Rules should be introduced empowering auditors to require the attendance of particular members of any society at the time of audit and empowering liquidators to require the presence of defaulters at the time of their proceedings.

APPENDIX II.

Suggestions for the future development of the Co-operative System in the Bombay Presidency.

Any attempt to indicate the lines on which co-operation should develop in this Presidency must start not from the experience of European countries or from broad generalizations applicable to the whole of India, but from the concrete economic position of the Presidency itself and the existing organisation of co-operation, so far as it has been evolved up to date. The most practical method of procedure will be to consider how far the present co-operative organization of the Presidency is suited to local conditions and capable of expansion to meet a growing demand, and then after discovering its deficiencies to attempt with the help of the report of the Committee on Co-operation in India, and of the recorded experience of other countries, to suggest the methods by which the defects can best be remedied and the omissions made good. This paper will therefore begin by indicating the main faults of the present organization, taking its merits for granted, and will then proceed to discuss the possible remedies in broad outline, leaving details for subsequent consideration.

2. At the head of the Co-operative System in this Presidency stands the Bombay Central Co-operative Bank. The functions of a true Provincial Bank may be described summarily as—

- (a) Financial; *i. e.*, the provision of funds to societies which are unable to meet all their needs from capital obtained locally, and the balancing of the excess or idle funds of any particular society by lending them to other societies, or using them profitably in short-term commercial loans, and
- (b) Supervisional; *i. e.*, the right and duty of inspecting societies that have borrowed from them and of exercising, where necessary, a general control over the use they make of their funds in the interests of the movement as a whole.

3. With regard to its financial functions, we have in this Presidency good reason to congratulate ourselves on the existence of the Bombay Central Co-operative Bank. Owing to its guarantee from the Government of Bombay and its strong directorate it has been able to obtain funds at extremely low rates, and to advance adequate loans to all applicant societies for reasonably long periods. Its main defect is that its shares are almost entirely held by individuals who have nothing to do with co-operation directly and are mainly concerned with realising their dividends, instead of by societies whose interest as borrowers as well as members is to keep the working expenses and lending rate as low as possible. In practice since the maximum rates chargeable on loans and payable as dividend have been fixed by the agreement of the Bank with the Secretary of State, there is no possibility of the shareholders exploiting the societies for their own benefit. At the same time, owing to its present constitution, the profits, when distributed as dividend, pass out of the movement instead of going to swell the reserves of the Bank's constituent societies. The same defect of constitution makes the bank less directly familiar with local needs and to that extent less valuable as a balancing centre. It also tends to make it less inclined to serve the interests of societies by offering them specially favourable terms on their reserve funds or surplus deposits entrusted to it, since its main object is to raise its working capital on the most favourable terms possible to itself without regard to the source from which it is drawn.

4. For the purpose of exercising supervision and control, the bank is not on the whole suitably constituted. It is in this branch of its functions that the unrepresentative character of its membership is the greatest inconvenience. If the bank itself largely consisted of societies, or their representatives, then it could logically rely on the advice and recommendations of supervising agencies controlled by and answerable to such societies, because the societies concerned in the success of the bank would be the same as those which were responsible for seeing that the supervising agencies did their work satisfactorily and honestly, and it would be recognised that any loss caused by the failure of supervising agencies would through their membership in the central bank ultimately affect all the societies constituting or controlling such agencies. At present such agencies in making their recommendations are irresponsible; and the central bank itself can scarcely be regarded as a really integral part of the provincial system. It has therefore to rely on its own independent and quasi-official enquiry staff and on the reports of the Registrar. The method is expensive, is not capable of indefinite expansion, and affords only an outside view of the working of any particular society, although every experienced co-operator is aware that such a view may be misleading, and that it needs local knowledge to see below the figures in the account books and to form a fair judgment of the real character of a society's management.

5. A few district central banks have come into existence in the Presidency. Their chief value is that they tap fresh supplies of local capital and make them available for the use of the movement, that they afford an opening whereby local gentlemen of influence and public spirit can take part in the promotion and guidance of co-operation in their district, and

that they provide an independent supervisory agency on the spot in place of a remote board in Bombay. The system has proved very valuable in many other provinces, and in upper India the district bank has become the cardinal feature in the whole organization; but in this Presidency their progress has not been striking except in one or two cases, and the reason is that they are not constituted in a way that commends them greatly to primary societies. The following criticisms might be made on the constitutions of most of them :—

- (a) They use their funds in lending to individual members as well as to societies. This is because most of them have developed from urban societies. But the two classes of loan business are essentially different; the security offered by a society differs materially from that offered by an individual; a different type of committee is needed for sanctioning individual loans and societies' loans; the interests of the two sections of borrowers are apt to conflict; different agencies are required for supervising the use and recovery of the two classes of loans.
- (b) In order to secure the true co-operative ideal, societies borrowing from district banks should be shareholders in them and should ultimately control the general meeting, though their representatives need not necessarily form a majority of the Managing Committee. Unless this is secured there is a grave risk that individual members will look primarily to their own interests, and that societies will be called on to pay higher rates on loans and will receive less supervision than is desirable.
- (c) At present the inspectors employed by Central Banks work as officials outside and above the societies they inspect. When these societies secure a dominating position on Central Banks, they will feel that the inspectors are their own employees, retained by themselves for their own benefit.
- (d) As a rule their funds are insufficient to meet all the calls made on them by the societies of their district. They have not arranged cash credits either with the provincial bank or with joint stock banks in their neighbourhood, by which they may make certain of a reserve to meet urgent demands either by societies for necessary loans or by depositors for withdrawals.

6. The primary societies of this Presidency are on the whole in a satisfactory condition and in many points can challenge comparison with the best rural societies in any other part of India. For instance, no less than 20 per cent. of their total liabilities consists of local deposits, and this implies thrift in the village, taps and makes available an entirely new source of capital, forms good lying money, and creates in the depositors a keen and direct interest in the good management of the society. Of course every co-operator is aware of many lamentable exceptions to the general high standard, and could point to a variety of reasons for the faults that occur. But here it is proposed only to indicate those faults which seem to spring from flaws in the general co-operative system as distinguished from those produced by special local conditions. They may be stated somewhat as follows :—

- (a) Primary societies have not yet combined for mutual supervision and control, nor do they show any great inclination to do so. In fact, the independent character of many classes of the peasantry is reflected in the independent views of most of the best societies. They do not yet feel the need and value of mutual consultation, support and supervision. Entire reliance is placed on the outside supervision of the Government staff and of honorary organizers. But Government will soon decline to pay for such supervising staff. Also, if the societies combined to maintain their own supervisors, they would probably take a more living interest in their work, firstly because they would be answerable to themselves and not to a remote and abstract entity called Government, and secondly because it is human to value more what one pays for than what one receives gratuitously.
- (b) Akin to this defect is the lack of sufficient and suitable agencies for teaching the principles and safeguards of co-operation to societies after they have been once formed. Simple people need to have the rules and dogmas of co-operation constantly drummed into their heads till they understand them. Inefficiency and failure is more often due to ignorance and misunderstanding than to deliberate dishonesty.
- (c) Connected with defects (a) and (b) is the lack of any automatic arrangement for the spread of new societies and their proper organization. Without undervaluing the help received from honorary organizers, who have done much more in this Presidency than in any other in India, it must be recognised that they are not themselves directly responsible for the success of the societies which they organize. If an organization agency were made to feel such responsibility, its work would not cease but begin with the registration of a society, and it would make a point of teaching, training and even controlling new societies until they could be trusted to stand alone.
- (d) Societies are gravely inconvenienced by the lack of any system for financing them promptly as needs arise. At present even a district bank takes about one month to

grant a loan, and the provincial banks can rarely advance it within two months of the date of application. The only remedies that suggest themselves are either a local agency to assess credit and recommend loans, which at the same time commands the confidence of the provincial banks, or some system under which the credits allowable to every society are fixed at the beginning of the year and the societies are free to draw money within the limits of the credits without further question.

- (e) In many places, even when co-operative principles generally are understood, there is no competent agency available in the neighbourhood for writing up accounts and maintaining all the records in a systematic way.

7. It is a thankless task to criticize and blacken a system on which not only I myself but innumerable other workers have spent so much time and trouble. But if we are to abandon a policy of *laissez faire*, which will never create a consistent and coherent co-operative structure, and to attempt to think out the main lines on which ideally we should like to see development proceed and to adumbrate the goal at which we are aiming, we must first bring our societies to the touchstone of co-operative principle and financial efficiency and find out where they are wanting. We must diagnose the disease before prescribing the remedy. This I have tried to do, and there now remains the much more difficult and debatable problem of prescribing remedies that will be both effective and acceptable to the main body of co-operators. They need at present only be indicated in broad outline, leaving details for later decision. Though they will be discussed in the same order as has been followed in advancing criticisms, it should be remembered that their main object is to weld the whole movement into a single logical system, and that the reforms suggested at each stage should be considered in connection with those proposed at the other stages.

8. In the case of the Bombay Central Co-operative Bank we have found that its main defects, both from a financial and supervisory point of view, arise from its non-representative character. It is most important that societies should have a direct interest in it and should also have before them the prospect of ultimately securing a dominating voice at the general meeting of shareholders, though the current management can best be left to a directorate of competent and well-known business men. To secure this without modifying the agreement with the Secretary of State the simplest course appears to be to ask the Directors to agree to issue shares to an indefinite extent to registered societies only at par, abandoning all attempts to enhance their capital value, and perhaps under certain strict limitations redeeming shares held by individuals at par in the event of their value falling as a result of this policy to a discount. This plan would furnish the Bank with a growing amount of unwithdrawable share capital available for its business, would avoid the inconvenience of floating fresh blocks of share capital on the market at inopportune moments, and would give societies a gradually growing interest in its management. Such shares might be deducted by the Bank from all future loans advanced to societies and a rule might be laid down prescribing the number of shares which societies should be required to hold in proportion to their borrowings. The shares would be paid for almost unconsciously by societies in the instalments by which they repay their loans. Perhaps shareholding societies might be empowered to elect separately one or two representatives on the Board of Directors. Some such system as this by gradually reducing individual shareholders to a minority would slowly eliminate the defects mentioned in paragraph 3 and would to some extent mitigate the difficulties mentioned in paragraph 4. The main remedy for the latter, however, evidently lies in the creation of some local agency, on which by reason of the value of its guarantee the Central Bank is able to place reliance, with the function of assessing the credit of primary societies and recommending loans. The question of forming such agencies, correlative on the one hand to the Provincial or District Central Banks and on the other to the primary societies, will be discussed when we come to primary societies. With regard to minor matters, the Bank may fairly be asked to make special arrangements for receiving and balancing surplus funds held by registered societies and to grant cash credits more freely to first class societies backed by guaranteeing agencies. The question of devoting a portion of the surplus profits remaining after the dividend has been paid to the support of the staff of the unions may also be considered.

9. With regard to District Central Banks, it seems imperative to propose some radical alterations, if they are to rival the success of similar institutions in other parts of India. In the first place, it is essential that they should discontinue loans to their individual members, a separate urban society being formed to undertake this part of their functions. Secondly, societies borrowing from them should be required to take up shares in a manner similar to that proposed in the preceding paragraph, thus gradually obtaining predominance in the general meeting. A difficulty will be experienced in defining the separate spheres of the Provincial and District Bank, but at first it will be enough if societies are left free to elect to which they will affiliate themselves and are required to deal with one or the other but not with both. As societies secure the controlling voice on both institutions, the interests of both will coincide far more closely than at present, and the obstacles that have up to the present prevented the two institutions from arriving at a working agreement may be expected to

vanish. When this point is reached these banks may rely even more entirely on the local agencies that we are about to discuss for assessing and guaranteeing credit than the provincial bank can do, because the board of management will bring local knowledge and experience to bear on all recommendations received from them. Where such agencies come into existence the district banks will probably be able to dispense altogether with an inspecting staff, contributing instead in some manner to be subsequently arranged to the cost of the supervising staff maintained by these agencies, and relying on the members of their own committee to examine and judge the work which these agencies may be called upon to carry on. In order to secure a prompter compliance with any applications for loans that may reach them, district central banks should be advised to arrange cash credits in their own favour with the Provincial Bank or with other large financing institutions, and might grant reasonable cash credits to well-established local societies in whose integrity the local knowledge of their directors gives them confidence. I am aware that these suggestions may seem sketchy and leave many difficulties unsolved, but I am here trying only to indicate a general line of development to be aimed at, and am sure that if once the directors of such banks can be convinced that this is the most feasible direction in which to progress they are quite capable of overcoming by themselves any difficulties they may meet in the process.

10. This brings us to the difficulties felt in connection with primary societies which have been enumerated in paragraph 6. They arise, firstly, from the lack of suitable agencies for training and supervising primary societies so as to improve their management and consequently their credit, and, secondly, from the lack of a convenient and reliable method of assessing their credit and presenting it to the higher financing institutions in a manner acceptable to them. After my visit to Burma, during which I inspected a number of Mr. English's guaranteeing unions, I am strongly of opinion that similar unions are feasible in this Presidency and would if successful not only solve the problems with which we are at present faced, but in the end prove the keystone of a genuinely democratic and co-operative system. My arguments will be best understood if I describe the main features of these institutions as they exist in Burma. Burma unions are not themselves financing bodies. Their main objects are, firstly, to supervise and control their constituent societies, and, secondly, to recommend loan applications to the provincial or district banks and to guarantee all loans given on their recommendation. In pursuance of their first object they maintain a union clerk on Rs. 5 to Rs. 15 per month to write up the union accounts and to travel round the societies training their secretaries and correcting their accounts. Such clerks are maintained by an annual contribution to the union varying from 4 annas to 12 annas per cent. on the working capital of each society as declared at the end of the previous year. Five to ten neighbouring unions also contribute to maintain jointly an inspector on about Rs. 50 whose business it is to visit societies, to correct their faults on the spot, and to submit inspection notes to the union committee for their information. Members of the union committee are also assigned groups of societies which they are expected to visit and guide. The information obtained through these three agencies is used by the union as a basis both for issuing regulations and instructions for the guidance of member societies, and for valuing and assessing the credit which may fairly be allowed to each society. The second object of the union is attained by the rule that member societies must apply for loans through the union, which scrutinizes each application, revises it if necessary, and recommends the amount finally passed to the provincial bank, at the same time in its corporate capacity guaranteeing to make up any default in repayment. This guarantee prevents rash recommendations and implies the liability of each society to make up the default of any society recommended by the union, their liability not being unlimited but limited to the amount of money borrowed by each of them through the union in the previous year. With these functions it is evident that the societies composing the union and guaranteeing each other's borrowings must be thoroughly acquainted with each other and in a position to watch each other's working. The area covered by the union must be small and the members of societies comprised not excessive. In Burma the radius of a union area never exceeds 8 miles, and the number of societies varies from 5 to 35 and averages 17. The union is controlled by a General Meeting composed of 2 delegates from each constituent society, who are liable to a fine for non-attendance, and is managed by a working committee consisting of the chairmen and vice-chairmen of all affiliated societies. Loans are sent direct from the provincial bank to the borrowing society and do not pass through the union.

11. Such in brief is the system which has proved extraordinarily successful in Burma. The conditions of this Presidency suggest that with necessary modifications it might be made equally successful here. If such a supervisory and guaranteeing agency were forthwith created in most parts of the Presidency, let us consider the services which it might be expected to perform, firstly, towards Provincial and District Banks, and, secondly, towards the primary societies themselves.

- (1) Towards the Provincial and District Banks. A financing agency desires chiefly to be satisfied that its loans are well-secured and not misused. These unions are well-adapted to meet this need, because their local knowledge and their sense of responsibility, quickened by the liability attaching to their recommendations, will make them hesitate to recommend any loans to societies whom they are unable to trust. The Provincial

and District Banks will be spared the expense of making separate enquiries in each case through their own staff, and it will be enough if in the former case a single enquiry officer is retained to travel from union to union and report independently to the Central Bank on their working, and if in the case of District Banks the directors themselves keep in personal touch with the union Committee. So long as the societies are not strongly represented on the Committees of their financing institutions, the ultimate sanctioning of loans is not under their own general control, and it will be logical if until that stage is reached the unions assume liability for their recommendations to the extent of half any default that may occur only. The Central Bank which finally decides on loan applications in light of the auditor's classification (A, B, C, or D) and the Registrar's report as well as the union's recommendation, may reasonably be expected to undertake the other half.

The working of this system may be greatly facilitated by another practice recommended by the Committee on Co-operation. Firstly, the union

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should every year fix the maximum amount which each of its societies may raise by loans or deposits from any outside source in the course of the year, the limit being fixed in light of the character and earning capacity of the members and the total property possessed by them. Next, each society should fix the maximum amount which each member will require to borrow from it for current agricultural expenses (termed his maximum normal credit), and in addition should report separately what sum it is likely to require (within the limit fixed above) for abnormal expenditure, e. g., paying off old debts, building new wells, etc. The Union will then know what demands are likely to be made upon it and at what seasons, and may arrange accordingly. Probably it will be found possible for the union to arrange cash credits in favour of "A" societies and perhaps some others with the Central Bank to the extent of the total maximum normal credits of their members, but abnormal loans will always need to be specially examined by the Union Committee before recommendation. By this process the grant of loans can be greatly expedited. In the recovery of loans the Union Committee being on the spot and financially interested is capable of being of great assistance to the financing institution. In return for its services it is suggested that a certain percentage of the net profits of a Provincial or District Bank, after paying a dividend of 6 per cent., might be assigned to a Union as a contribution towards the upkeep of its staff.

- (2) Towards the primary societies. There is scarcely any limit to the good which an active and well managed union could do to the societies affiliated to it. It serves to focus their activities, to stimulate a healthy rivalry in well-doing and by mutual discussion and comparison of experiences to keep alive the interest of co-operators. Its warnings, being the warnings of friends and neighbours, will carry great weight with peccant societies. It is on the spot and its staff is constantly at hand to explain difficulties, to reiterate the principles of co-operation, to teach the members and to train the committee and secretary. Its responsibility for all loans recommended by it will stir it up to keep a close and critical eye on the working of all debtor societies. Its supervision will not be indifferent and impersonal but lively and animated by a sense of the risk of slackness. The existence of a union will concentrate effort. Scattered societies will no longer be registered. Instead, societies would radiate from existing centres and be formed within their own areas by the unions which would be responsible for their success. With the growth of clusters of societies in limited areas, supervision will be greatly facilitated, and it will be possible to insist on a higher standard both of enquiry and training before registration and of teaching and supervision after it.

12. These in my judgment are in bare outline the lines along which any efforts to systematize co-operation and to perfect its organization should proceed. Already this paper has reached an undue length, and there are numerous points in which improvements are possible and to which no reference has been made. But at the present stage it would merely confuse issues if I were to detail a number of minor and non-essential reforms the introduction of which must depend on circumstances and need not be forced. Those who care to quarry in the report of the Committee on Co-operation may discover and think out most of these for themselves. But first we must face the fundamental questions of structure and organization, and having finally determined on the system to be adopted may then at our leisure introduce gradually such ancillary improvements as may seem practicable.

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*Bolton Rectory, Cumberland.
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