

# CO-OPERATIVE SOCIETIES

IN THE

## UNITED PROVINCES

BY

S. H. FREMANTLE, I.C.S.

SIXTH EDITION

Revised by

P. M. KHAREGAT, I.C.S.,

Registrar



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## CHAPTER I.

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### INTRODUCTORY REMARKS.

1. *Introduction.*—The large majority of the people in the United Provinces are agriculturists; they work hard in their fields from morning till night and nature is bountiful, giving them two crops a year; yet they are not able to house, to clothe or even to feed themselves adequately. This state of affairs naturally reacts on their health, and constant illnesses serve further to impoverish them; and their miserable plight prevents them from educating themselves and thereby learning to discover or to adopt methods for increasing their earning capacity. The agriculturist in fact finds himself in a vicious circle; his poverty prevents him from looking after his health or improving his mind; and his bad health and ignorance help to keep him poor or make him poorer. Every one realizes that an improvement in his physical, mental and economic condition (his "tan, man, dhan") is essential; but how is this to be effected?

Co-operation supplies the answer to this question. It recognizes that the regeneration and uplift of the people must come not from without but from within; and it attempts to utilize certain inherent moral forces, to attain this object. Co-operation, in fact, tries to better the condition of the people, by means of organized and united action, based on honesty, thrift and self-help. This co-operative idea of joint action is nothing new to India, and is particularly suited to the "genius of the people." In ordinary village life co-operation and combination play a considerable part. Cultivators of neighbouring fields constantly co-operate for ploughing and irrigating their land, for cutting of sugarcane and other crops, and for many similar purposes. Co-operation is thus, in a sense, indigenous to the country, and Indian peasants can hardly live without co-operating with each other. But their actions are usually sporadic and disjointed, and they do not always realize the importance of loyalty and honesty in their joint dealings with each other. What is wanted, therefore, is a systematized and organized form of co-operation, which could help the villagers to co-operate with each other with greater confidence and in more important ways than they have been doing in the past, so that they may be able to better their own condition.

The actual form that co-operative activity takes, of course, varies according to circumstances and requirements; but usually the problem

is first tackled from the economic side; and then advantage is taken of any improvement in the economic condition of the people, for the betterment of their physical and mental conditions as well. Institutions for the prevention of waste and encouragement of thrift are the commonest and simplest type of co-operative activity; these institutions also aim at supplying money to agriculturists at a reasonable rate of interest or giving them cheaper credit, the methods adopted for this purpose will, therefore, be outlined in some detail in Chapter II.

But co-operation is not merely cheap money-lending, as many people imagine. Cheaper credit is not an end in itself; it is a means to an end. The agriculturist cannot better his condition, unless he utilizes the credit he gets for a productive purpose; he must use the money obtained by him for agricultural improvements, and he must adopt improved methods of cultivation for increasing his income from the land; in other words he must take up better farming. Again, if the agriculturist is not in a position to arrange for the sale of his produce at a reasonable price, all his efforts might be in vain, and others might take the fruit of his labours; better business arrangements are, therefore, very necessary. Further, the development of his mind and the improvement of the physical conditions in which he lives, or better living as it is called, would naturally add to his ability to assimilate and apply all useful new knowledge and help to increase his efficiency and his income. In fact, co-operation through cheaper credit is only a step to lead on to co-operation for better farming, for better business and for better living. These developments of co-operative activity will, therefore, be dealt with briefly in Chapter III.

A movement such as co-operation which aims at the welfare of the people, must have the active support and help of all, officials and non-officials alike. Chapter IV will, therefore, show what steps Government have taken to help in this work, and how other institutions and individuals, official and non-official, can help in furthering co-operation and improving the condition of the people.

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## CHAPTER II.

### AGRICULTURAL CREDIT SOCIETIES.

2. *The agriculturist and his needs.*—The greatest need of the agriculturist is money; he must have money for the purchase of seed, of manure, and of bullocks, for paying hired labour, for irrigation and for many other similar expenses. Then again, the zamindar or landowner

has to pay a certain sum as land revenue to the Government. In the United Provinces there are some big landlords who own large tracts, but the majority of them only own small fractional shares in villages. These zamindars themselves cultivate only about 20 per cent. of the land which they own; the rest is all let out to tenants who have to pay a fixed annual rent to the landlords. Some of these tenants have occupancy that is hereditary but non-transferable rights, while others are only life tenants. Unfortunately these tenants have in most places to pay, in addition to the recognized rent, various extra sums from time to time, and more particularly if a tenant wishes to extend his cultivation he has often to pay a large sum as *nazrana* for the privilege of being given the extra piece of land to cultivate; but so great in most cases, is the pressure on the soil and the hunger for land that even this is usually cheerfully paid, irrespective of the consequences. But the result is that the tenant agriculturist, unless he is an occupancy tenant and has his hereditary fields, incurs a heavy load of debt before he can start any cultivation. If the crops happen to be good, he can manage to pay his rent and gradually to discharge his other liabilities. But if they have been damaged by floods or drought, frost or hail, he may have to borrow even to pay the rent; and if the rent is not paid by a fixed date, he is liable to be ejected; so he has got to sell his crops as soon as possible, and cannot afford to hold them up for a better market. Then again, heavy expenses have to be incurred now and again for sickness and for death, for marriages and for pilgrimages. So that however sparingly the agriculturist—whether a tenant or a petty zamindar—may live, he is almost always heavily in debt, and the rate of interest he has to pay only helps to sink him further in the mire: The usual rate of interest on agricultural loans is half an anna in the rupee per month or  $37\frac{1}{2}$  per cent. per year. This rate is increased in the case of some of the poorer cultivators, until sometimes as much as an anna a month is charged. The reason for these high rates of interest lies partly in the necessity of the borrower who has to take the money, no matter what interest may be demanded, and partly in the inferiority of the security offered. The money-lender fears that in many cases he may lose the principal of his loans, and so attempts to insure himself by obtaining as large a return as possible in the way of interest. Occasionally the money-lender refuses to advance at all except with the proviso of a certain amount of grain being delivered at harvest in addition to the return of his money, or a condition for the sale of produce at a low price is inserted in the bond. In such cases the rate of interest works out to a very high figure, and if the interest is not paid in any one year, it is added to the principal and the borrower sinks further and further into debt. The money-lender who is usually himself an uneducated and short-sighted



individual, encourages this tendency towards borrowing; because he thinks he will ultimately either acquire himself by mortgage and sale the property of the small zamindar or be in the position that the tenant cultivates the land, but he himself takes all the produce thereof, thus reducing the agriculturist practically to the position of a serf. On the other hand, however, it cannot be denied that the advantage is not all one-sided; very often the money-lender suffers heavy losses; and on his death his son, unless he happens to be a strong man, finds that he cannot recover even half his dues. But the viciousness of the system lies in the fact that the honest man suffers most, while the dishonest one, who will not repay, stands to gain. Co-operation supplies a remedy for this unfortunate state of affairs, both for the agriculturist and for the money-lender.

3. *A co-operative credit society.*—What the money-lender requires is some security for the return of the money that he lends out and what the agriculturist wants is the supply of the necessary money for his ordinary agricultural needs at a reasonable rate of interest. Now the rate of interest charged on loans varies, as is well known and for reasons which are obvious, in accordance with the security offered by the investment. The security of Government, which controls the revenue of the country, being unquestioned, it is able to borrow money at  $4\frac{1}{2}$  to 5 per cent. The larger municipalities can obtain loans at  $5\frac{1}{2}$  to 6 per cent. They have to pay more because the security they offer is not quite so good as Government security. A large landowner, borrowing on the security of his property, can obtain money at 8 or 9 per cent. A smaller zamindar may get loans on the security of his smaller property at 12 to 15 per cent. per annum. The substantial cultivator who desires a loan will probably have to pay at least two rupees per month, or 24 per cent. per annum. The ordinary agriculturist has to pay  $37\frac{1}{2}$  per cent. or even more.

Now it is clear that, where 10 or 12 men become jointly and severally responsible for a loan, the security that they offer is better than the sum of the securities which each of them could offer, were they to borrow separately. If they borrowed separately, the principal might in one or two cases prove irrecoverable. Where they borrowed jointly, if one borrower fails to pay up the amount of his loan, the creditor can recover from the remainder. Thus if a certain number of men, who know each other, join together and form themselves into an organization called a co-operative credit society, and pledge their joint security, they can obtain credit on more favourable terms than they can obtain singly on the individual security of each. Such an organization or society is registered as a corporate body under the Co-operative Societies Act by

the Registrar (an officer appointed by Government for the purpose), and can get cheaper and easier credit; the lender gains, because he has greater security; and the borrower has to pay a lower rate of interest.

Experience, however, shows that the mere provision of cheap credit, unless at the same time the people are educated to a proper knowledge of its use, tends to make them more indebted and is, therefore, of very doubtful benefit. A man who owes Rs. 1,000 at 12½ per cent. is in many ways worse off than one who owes Rs. 500 at 25 per cent., unless he has used the money for a productive purpose. An improvement in the facilities of borrowing is likely to result in grave danger and great waste, if it does not enable the borrowers to discharge their other debts and to save against a rainy day. The second function, therefore, of a co-operative credit society may be said to be the exercise of such control over the loans to its members as may discourage improvident borrowing, while making full provision for real wants. Such a society has also a third function, viz., to teach industrious but improvident persons how, by the exercise of thrift and self-denial and business-like habits, gradually to accumulate capital, sufficient for all the ordinary needs of production. Lastly, the necessity of a spirit of self-help and of mutual help in such a society must never be lost sight of. Co-operative credit is not free and unrestricted credit, but combined and controlled credit which acts as an educative and disciplinary agent. To put it another way, a true co-operative credit society not only provides cheaper credit, but also aims at encouraging thrift and at preventing improvidence, and exercising control over expenditure. The efficiency of a society may be judged by the extent to which the latter functions are recognized, and by the success which has been obtained in carrying them out.

A credit society, then, is an organized combination or union of individuals, based on honesty, thrift and self-help, for the purpose of improving their economic condition. It aims at supplying money to the members at a cheaper rate of interest than they can get individually. It insists that this money should be taken only for real needs and, preferably, for a productive purpose, and sees that the money so taken is utilized by the borrower for the purpose for which it is given; and it realizes the money promptly when it falls due. In its early days it arranges to borrow money from outside to lend to its members; but its real aim is to encourage thrift among them to such an extent, that they may, in the course of a few years be enabled to collect their own capital, which could then be lent out to such of them as need it, in accordance with their real requirements. As Luzatti puts it, a credit society has to become the savings bank of the poor for lending to the poor. The borrower himself becomes one of the lenders; he supplies the money

he needs to himself at a low rate of interest for a productive purpose, and thereby improves his own condition. The idea is a very attractive one; and so let us now examine the constitution and working of a co-operative credit society in some detail and see how it can perform its main functions and attain its various objects.

4. *Unlimited liability.*—The system of joint responsibility on which a society is based is well understood by villagers as it is enforced by Government in the case of takavi advances to groups of borrowers, and in theory even the joint owners of a mahal of a village are jointly responsible for the land revenue payable to Government. Further, the law lays down that all credit societies for agriculturists should be based on the principle of unlimited liability; that is to say, all the members of such a society are jointly and severally liable to the extent of the whole of the property owned by them for the debts of the society. This principle, though it does to a certain extent prevent the wealthier men from becoming members of a society, is a very sound one for the ordinary village society; for on the one hand the people from whom the society borrows money will have greater confidence in it and will lend to it at comparatively low rates of interest, and on the other it will compel caution, both in the enrolment of members and in the granting of loans, and induce the members to prevent misutilization of loans by others. The principle of joint responsibility and unlimited liability must be very clearly explained to each and every member before he joins a society.

5. *Members of a society.*—Owing to the enforcement of this principle one of the most important points to see, in connexion with a co-operative credit society for agriculturists, is that the men enlisted are such as can, and will, pay back, at the proper time, the money that is advanced to them, otherwise the other members might have to pay on behalf of the defaulters. The members must, therefore, be careful not to admit to their society anyone who is not a thoroughly good and reliable man, they should only include such persons as are wholly acceptable to all, as persons for whose honest dealings they are willing to be responsible. As Mazzini says, good men can make bad organization good; but bad men will have a bad effect on even the best organization. Persons whose reputation is bad should, therefore, be rigorously excluded, while an attempt should be made to include as many of the good men of the village as possible. The criterion by which a man should be judged is not his wealth or status, but his reputation for honesty. The reputation of a man can often be ascertained from non-official gentlemen of the neighbourhood, such as the local landlord or the village money-lender; but in the end it is the rest of the members who have to decide whether they will take the responsibility for admitting

a man or not; they should never admit a man whom they do not know intimately or whom they are not prepared to trust completely, no matter what his position in life. In fact experience shows that default is much more frequently caused by recusancy than by poverty and that, whatever the cause, persons of the lower castes are better at repaying their loans promptly than those occupying a higher position in life.

No one set of people in a society should be in a position to dominate the others; hence there is a distinct advantage if all the persons who form the society are more or less of the same social status. Patwaris, chaukidars, karindas of landlords and other similar persons who are accustomed to exercising arbitrary authority over the villagers should, therefore, never be included. Then again, habitual litigants who squander their money in law suits, or who help to create troubles to suit their own ends, and other undesirable persons of that kind should be rigorously excluded—unless there is some hope of their reforming by joining the society. In order to prevent the inclusion in a society of undesirable persons, the usual practice is to insist that no new member may be enlisted unless he is approved by at least two-thirds of the existing members; the majority would naturally not admit anyone, unless they know him more or less intimately and there is some bond of union between him and them. In other words all the members should either be men of the same caste living in villages not far apart, in cases where the caste tie is still strong; or the men should belong to the same village; if the members do not know one another intimately the sense of joint responsibility will be absent.

6. *Area of work of a society.*—In the beginning of co-operative work in these provinces "patti" or "affiliated" societies were formed, embracing a number of neighbouring villages, and were managed by landlords or prominent local gentlemen of position and education. It is true that such societies could borrow with less difficulty than small societies of poor men. But several very grave defects soon made themselves felt. The most serious was that the members did not all know one another, and consequently undesirable persons were admitted and members did not see that all loans taken by their fellows were properly utilized and they did not exert mutual pressure for the punctual repayment of loans. Again, the villagers very often considered that the society was a proprietary business of the gentleman who managed it and, therefore, they did not look upon it as their own concern. Consequently if the promoter died or left the locality, or ceased to take an interest in the affairs of the society, it naturally collapsed at once. On the other hand in many places more than one society was organized in the village, when it was found that the village was divided into separate and antagonistic

parties; but the result was only to perpetuate and accentuate differences which it is desirable to reconcile; in such cases it is much better to postpone all attempts to form a society till the people have learnt to combine. There is no reason why they should not do so. Some village banks in Ireland contain both Protestants and Roman Catholics and the bye-laws contain a provision that the president should be chosen alternately from one and the other community and that when the president is of one community the vice-president must be of the other. Until the people can learn to unite and sink their minor differences for the general good, there can be no co-operation; and where this cannot be done, it is best to avoid forming co-operative societies.

From experience gained there is no doubt that the ideal system in rural tracts is one village, one society. This is also the practice in most European countries. The society takes its place among the other institutions of the village, and its management is a useful lesson in the exercise of responsibility and self-help. It has been found that in real village societies the members take a great deal of interest and there are many useful developments. For example, the society evinces a practical interest in the sanitation and the primary education of the village, organizes charitable and medical relief, and wields a powerful influence for general social welfare. Besides this, the society takes up agricultural improvement, arranges for the supply of pure seed and introduction of new crops, and enables the members to sell their produce jointly to a big merchant at favourable rates. In the words of a former Lieutenant-Governor "the co-operative movement unites the village community, or at least all the best elements in it, upon the old and only permanent basis of common interest and mutual aid."

As a rule, therefore, in organizing a society for agriculturists, the village (or revenue mauza) is taken as the area of operations, and every attempt is made to include all the good and reliable men of the village in the society which thus becomes strong and self-reliant.

In short the principle of one village, one society, should, as far as possible, be adhered to. There would, of course, be exceptions. When villages are very small and cannot provide efficient management, more extensive limits may have to be allowed, but it is only in very exceptional cases that members should live more than one or two miles from the office of the society. In very large villages, especially those with outlying hamlets, there is no objection to having separate societies in one revenue village on a geographical basis so as to reduce the inconvenience for the members living in distant hamlets. Again, as already mentioned, where the caste tie is strong, there may be separate caste societies. On the

whole, however, ordinarily there should only be one society in one village.

7. *Administration—General meetings.*—Suitable residents of a village, men who know and trust each other and who have accepted the principle of joint responsibility and unlimited liability, having been enlisted as members of a society, the next step is to get them to understand that they must manage their own affairs themselves, and this work cannot be done for them by others. The members must learn to regard the society as their own concern; in fact, the supreme authority in a society is a general meeting of all the members, subject only to the control of the Registrar. Accordingly, a general meeting of the members should be held at least once a month (or more often if occasion requires), preferably on a fixed day and at a fixed hour, whether there is business or not; if there is no other business, the condition of the crops of each member should be seen to, and the general, economic and social welfare of the people discussed; the Act, rules and byelaws may be studied, as also co-operative or agricultural or other useful literature. The proceedings of the meetings should be recorded in the simple vernacular of the village, and in such a way that what is written would be easily intelligible to all who have taken part in the meeting. These meetings must, of course, be real and not merely on paper, as unfortunately happens only too often at present.

Apart from these monthly meetings, there should at least once a year, be an annual general meeting, at which the year's transactions and the pecuniary results obtained could be laid intelligibly before the members, in order to help them to understand exactly what has been happening and so to stimulate their interest in the society. Whenever possible such an annual general meeting should be attended by a raiis, or other honorary worker of the neighbourhood, so as to ensure publicity and help to create an intelligent interest in the society, on the part of both members and other residents of the village.

8. *Administration—The panchayat.*—At the annual general meeting, the members elect a committee or panchayat, consisting usually of five members, for the transaction of the ordinary routine business of the society on their behalf. This panchayat should be truly representative of the members, representing different castes and interests. The members of the panchayat hold office for only one year, but they can be re-elected in a subsequent year. It is, however, desirable that one or two new men should get into the panchayat every year, because then only can all the capable members of the society get some business training; abuses are likely to creep in and vested interests to arise, if the same men continue on the panchayat year after year.

One member of the panchayat, usually the most influential among them, is elected as sarpanch, or president; here again, it is advisable, for similar reasons, to elect a new sarpanch after four or five years. The sarpanch usually acts also as treasurer; but it is better to appoint a separate treasurer, whenever a suitable man is available for the purpose.

The panchayat has definite duties and responsibilities. It acts on behalf of the society in all its ordinary dealings, and is the representative of the society, so far as its external affairs are concerned, and the manager of the society's internal affairs. It is the panchayat which has to arrange for the borrowing of money from outside and its lending to the members; on its business-like management depends the good name and credit of the society. It is its particular duty to see that money borrowed is repaid at the proper time, that money lent out to the members is recovered from them when it falls due, that money is not advanced for unnecessary expenses or denied for necessities, and that money given is used for the purpose for which it was meant. An efficient panchayat wields a great deal of moral influence for the welfare of its members.

The panchayat must not, of course, leave its own work to the sarpanch or any one else; a very dangerous situation arises if power is concentrated in the hands of one man. In some cases he might misuse that power in order to benefit himself or his friends. Even if he uses it well, the result must be that he alone, being regarded as responsible for the work of the society, will be considered interested in its success; borrowers will not feel that the society is their own, and will not, therefore, regard it as incumbent on them to repay their loans as a duty they owe to themselves. If the sarpanch happens to be a man of great local influence and energetic habits, he may succeed in recovering the loans; if he has not these qualities, default will undoubtedly occur; and if, having these qualities, he dies or leaves the neighbourhood, the society will very probably have to cease work. Hence the extreme importance of the panchayat and the members doing their share of the work. A society cannot fulfil its functions completely unless all the members, and particularly the panchayat, take an interest in its affairs, are aware of what is going on in the society, and take a real part in its administration.

9. *Administration—The secretary.*—If the members are apathetic and leave everything to the panchayat, the latter in turn have a tendency to throw the work on the shoulders of either the sarpanch or of its own staff, paid or honorary. A society must have a secretary for recording its proceedings, keeping its accounts, and so forth. The best

thing is, of course, to induce a literate member to take up this work honorarily, or on promise of a small annual bonus or honorarium. The standard of literacy demanded for this work is not high; all that is needed is that the secretary should be able to write out the proceedings of meetings in the local dialect, and record all payments made and amounts received in the account books of the society. In cases in which there is no member who can do this work, some other literate person in the village (other than the patwari), say, the son or brother of a member, may be asked to do it without pay or on a small remuneration; failing that the village school teacher might be requested to take up the work, and steps taken in the meanwhile to train some two or three suitable people in the village.

In the past the difficulty used to be solved by the appointment of a paid secretary or munshi for each group of ten or twelve societies; these group secretaries still continue in the majority of places and get from Rs. 12 to Rs. 20 per month as pay from a "Secretary Pay Fund" towards which each society contributes a certain sum annually. These group secretaries are supposed to be the employees of the societies, and the authority, entrusted with the management of the Secretary Pay Fund, is directed to consult the wishes of the panchayats regarding their appointment, dismissal, etc. The duties of these secretaries are carefully laid down; they are not members of the societies and are not allowed to handle money or to take any part in the distribution or realization of loans, and have to attend on certain fixed days simply in order to record the transactions of the societies. Experience has, however, shown that these group secretaries have become not the servants but the masters of the societies which they are supposed to serve, and have in practice been doing everything they are not supposed to do. Hence for the present the policy is to do away with these group secretaries, wherever possible, replacing them by teacher or member secretaries. It has also been found that if the group secretary is removed from one society but stays on in another adjoining society, he invariably manages to corrupt his successor; hence it is essential to carry out this work of replacing the group secretary not by sporadic action here and there, but by intensive propaganda and training in each group or circle, followed by the complete removal of the group secretary when the members or other village people have learnt enough to be able to take up the work.

Whether the work of keeping accounts is entrusted to a group secretary or to a member secretary, the responsibility for seeing that he does his work honestly and efficiently must remain with the panchayat and the members. It is absolutely necessary for every member to see that the amount of money he receives or repays is correctly entered in



the books; for this purpose every member is given a "pass-book" in which the necessary entries are made; he must keep this pass-book himself and read or have read out to him by some independent person, every entry made when he pays or receives money. The panchayat must take similar precautions in the case of all money it receives or remits on behalf of the society.

10. *Maximum and normal credit.*—It has been explained that the panchayat acts as the representative of a society for borrowing money; it is obvious, however, that it cannot discharge this function efficiently, until it knows what the requirements of the society as a whole are. The first step for it, therefore, is to ascertain what property is owned by each member, so that it can gauge what his real needs are and decide to what extent he can profitably utilize a loan given to him. In other words, they must find out the *haisiyat* or status of each member and get the secretary to note the facts in a register maintained for the purpose; it would show details, with regard to each member respecting the land owned or held by him, the rental, the cattle he possesses, any other valuable property, such as trees, jewels, etc., the amount of old debts and so forth. The help of the *patwari* may, under the orders of the Board of Revenue, be requisitioned in making the entries on payment of a small fee of one anna per member, and the register should be carefully rewritten every year, to embody all changes that may have occurred.

A full consideration of all the items recorded in this register, together with the personal knowledge possessed by the panchayat and the members, should enable them to assess the "maximum credit" of each of the members; that is, after taking into consideration the value of the land and other property owned by a member, and his honesty and reliability and his needs, to fix a maximum limit to which he can be advanced a loan; in addition his "normal credit" has also to be fixed, that is the amount of loan that he would ordinarily be advanced, so as to meet his normal requirements.

The fixing of these normal and maximum credits is a very important matter. On the one hand if the figure is too high, a member might receive more loans than he needs, and might squander the money and repayment might become difficult; if on the other hand it is too low the money would not suffice for what is necessary and the member would be forced to borrow from outside. Hence great care has to be exercised in assessing the *haisiyat* of members, and fixing their maximum and normal credits. The figures would, of course, have to be revised from year to year as the condition of the members changes. There is a marked tendency to fix these credits in a mechanical manner; this

is to be deprecated; it should be to a large extent a personal matter, based on mutual knowledge and trust, in which adequate allowance is made for the honesty and reliability of the members. The basis of co-operation is "the capitalization of honesty"; an honest and reliable man can safely be given more money than one who is not entirely trustworthy or business-like, provided, of course, he really needs the money.

Having in this way assessed the credit of each individual member, the panchayat is now in a position to work out the credit of the society as a whole, and to know the maximum and the normal amounts required by the society for lending to the members. It must then take steps for raising the necessary money. This money can be obtained by a society both from its own members and from outsiders, or outside agencies which possess money.

11. *Shares in a society.*—It will doubtless be thought that a society can hardly raise any money from its own members, as they are the very persons who are in need of money. But the aim of a co-operative society is to get all the money that it requires from its members; and it attempts to do this gradually by developing in them a habit of thrift or saving. At harvest time, every cultivator has something to spare; he makes a large number of payments then, and he can hardly feel it if he subscribes a small amount for himself as well and places it with his society. In this way a member is enabled gradually to accumulate a little money of his own, which he would never otherwise be able to do, and the society is able to get some money, which keeps on increasing every half year. So great are the advantages of this system, that a co-operative society now makes such saving a compulsory measure for every one of its members.

The usual method adopted by a society in this province is to insist on every member, when he joins the society, purchasing a certain number of "shares" in it, in accordance with his status or *haisiyat*. The value of a share is Rs. 20, and in very poor localities Rs. 10; each share is payable in ten years or twenty half-yearly instalments of one rupee (or 8 annas in the case of ten rupee shares); the half-yearly instalment is so small that even the poorest cultivator feels no hardship in paying this amount at the time of harvest. A cultivator who is better off may purchase more shares; paying Rs. 2 or Rs. 3, or even more every harvest; in some districts he takes as many shares as he has ploughs; in others, one share is taken for every Rs. 50 paid as rent, or for every Rs. 50 fixed as normal credit. The more shares he purchases, the better both for him and for his society.

The share purchased by a member in a society is, of course, his own property, but it is subject to certain restrictions. Unlike a share

in a joint stock company, it is not transferable to another individual; this restriction is essential in order to prevent an undesirable person becoming a member of a society merely by purchasing a share. Then again the share in a co-operative society is not immediately withdrawable; it cannot be repaid to the shareholder so long as he continues a member, and he can only get it back two years after he leaves a society; this provision is intended to prevent sudden and ill-considered resignations by members, simply in order to get back the money at once. Further, a share is heritable, but with certain reservations; every member has to nominate one heir to whom his share money can be repaid in case he dies; this nomination is recorded in a register and usually bears the signature of two witnesses, and any alteration must be duly signed; having only one heir nominated in this way, saves the society from unnecessary litigation in case of disputes. Moreover the heir of a member is not entitled to become a member; he must be formally elected by a majority as provided in the byelaws of the society; if he is so elected, the share money of the deceased member will be transferred to his account; if not, he will only be entitled to a refund of the share money already paid, on the expiry of two years after the member's death. Lastly, these shares carry no dividend for ten years; that is to say, no interest is paid on the share instalments, till after ten years when the shares are fully paid up; thereafter a dividend limited to 10 per cent. may be distributed, provided the society works at a profit and has got enough money for paying this dividend.

It is partly owing to the non-payment of any dividend for ten years that members do not always appreciate the advantages of these share payments; they have a tendency to regard them simply as extra interest. But even so, the amount of share instalment is much less than what the cultivator saves in interest every half year borrowing for his requirements from his society at a reasonable rate instead of the high rates he was accustomed to pay to the village money-lender. The real objects of these share payments and their advantages to the members themselves have, however, to be carefully explained to them; and the distribution of dividend in societies which have worked successfully for more than ten years often encourages not only the members of that society, but of neighbouring societies as well.

By means of these half-yearly share payments the members accumulate a certain amount of money of their own for ten years; which they could hardly have done otherwise; thereafter they keep on getting every year a dividend of 10 per cent. (provided, of course, the society works properly); that is to say they get annually the same amount that they used to pay yearly as their share instalments. The advantages to

them individually are obvious. In addition, they derive certain advantages collectively as members of their society. Each member becomes a shareholder in the society and so comes to understand that he is really interested in the success of the concern; he must realize that part of the money lent out to him is his own and that of his fellow members, and that, therefore, he must, in his own interest, see to the proper management and working of the society. Moreover the society is able to accumulate its own money at a fairly rapid rate; the capital it obtains every half year by way of share instalments rises quickly because compound interest is mounting up on these instalments. Thus supposing 50 shares of Rs. 20 are taken up payable by half-yearly instalments of one rupee, and supposing the average rate of interest gained by lending out the money amongst members is 10 per cent., then in ten years' time the society will own a capital of over Rs. 1,600. When the society owns a large capital of its own, it will be necessary to borrow a much smaller sum from outside and then the members, if they choose to do so, will be able to reduce the rate of interest to be paid by those of them who borrow. Moreover outsiders will also lend money to the society at a lower rate of interest than otherwise. It is, therefore, highly desirable for a society to build up in this way a large capital of its own and it is the duty of every member, in his own interest, to help in the process.

The only disadvantage of the share system is, that the discontinuance of the share instalments after ten years discourages thrift, just when there is the best opportunity for encouraging it. Hence some system of compulsory deposits whether in cash or in kind has to be devised, after the expiry of the ten years, to meet the situation.

12. *Deposits by members.*—It would, of course, be better and more truly co-operative if thrift could be encouraged as a voluntary action and without compulsion. Every member has to be encouraged to deposit his surplus money with the society when he does not want it. It is, of course, true that the majority of members will be such as will want loans, and so can hardly be expected ordinarily to have surplus money; but even these probably find that they have an appreciable balance in hand just after they have sold their crops; and the society should encourage them to deposit this money with itself and draw it out when it is needed instead of wasting it or spending it on unnecessary and unproductive objects. A co-operative society must try to build up its capital from these small deposits and shares of its own members as far as practicable. The ultimate aim must be for a village society to be financed by the share capital of members and their accumulated savings. In fact a society must become a village bank, in which the members should deposit all the money that they receive from whatever source and

at whatever time; and they should obtain from the bank whatever money they require from time to time as their needs arise. It is only when a credit society fulfils this function that it can be said to be really successful.

13. *Loans from Government.*—In its early days a society will, of course, not get much by way of deposits from its members, and its share capital will also be a very small amount. It must, therefore, make arrangements for getting loans or deposits from outside sources. It will doubtless be asked, why does not Government, with its ample resources, provide whatever money is necessary. The best authorities are, however, agreed that State aid in the form of money for co-operative societies is to be deprecated as far as possible. In India, it is specially dangerous. The obvious result of Government financing the societies would be that they would be regarded as a department of Government; and its officers would be expected to assist in the recovery of loans and even in their distribution. The members would never learn to control and manage their societies themselves, nor would they regard them as their own; they would not acquire business-like habits, or try to do their own share of the work; in fact there would be no co-operation in the true sense of the term. As has been remarked "The only effective way to help any man is to help him to help himself." The object of co-operation is to teach people to do things for themselves, and not to do it for them.

Besides, the supply of Government money at a low rate of interest as a normal measure has a tendency to demoralize a society. In such a case it has no inducement to raise money or to encourage thrift; it continues to expect that capital will be raised for it on easy terms, and disinclines it to pay the fair rate of interest demanded in the local market. Moreover abuses such as those in connexion with takavi are likely to creep in. The only sound method of encouraging co-operative societies is to let them raise their own capital and manage their own affairs, subject only to general guidance and help, save, of course, in exceptional circumstances.

14. *Deposits from individuals.*—A co-operative society can best raise the money it requires by tapping local deposits and inducing the gentry or money-lenders of the neighbourhood to deposit money with the society. This does not mean that friends and neighbours should be asked to give doles of money as a free gift; but there is no reason why a money-lender should not lend money to a society, instead of lending it to separate individuals. It is true he would not get such a high rate of interest, but his money would be much safer; he could get interest regularly at 9 per cent. or whatever other figure is fixed,

and would be sure of getting back the whole of his principal. Further, he may attach to this loan such conditions as appear sufficient to ensure its safety. He may stipulate for the money to be repaid after a fixed period; or he may ask that it should be paid back to him within six months of his demanding the money. A loan advanced on these terms is called a "deposit". Moreover he may well have the right to be present at all meetings of the panchayat, to satisfy himself that his money is being usefully laid out. His advice will, no doubt, be readily listened to, but he should guard himself carefully against monopolizing or even taking a prominent part in the actual management of the society; for if he does so, the sense of responsibility of the members will be greatly lessened, and they will very likely leave it to him to recover his money as best he may.

The society, on its part, must learn to manage its own affairs in an efficient and business-like manner, so as to inspire confidence and induce local residents to deposit their money with it. For instance, it must make adequate arrangements for repaying the deposit money when it falls due, and for paying the interest regularly on the fixed date. In this way it can increase its own credit; and the greater the confidence and feeling of security local investors would have in the society, the lower would be the rate of interest it would have to pay to them and, therefore, the lower could become the rate of interest at which the members borrow from their society.

15. *Deposits through unions.*—In order, further, to encourage investors to deposit their money with societies, a certain number of neighbouring societies often form themselves into a supervising union, that is to say a body is constituted from amongst the representatives of the societies, which is responsible for supervising the work of each society and seeing that it does its work properly and manages its affairs in a manner that is financially sound, thereby giving greater confidence to an investor. Or again, this may develop into a guaranteeing union, in which every society which is a member of the union, would be responsible for the outside debts of every other society belonging to the union; this would compel the union to exercise still greater supervision, and would afford greater security to the investor; if he fails to recover his money from one society he can do so from another.

16. *Loans from central societies.*—There would, however, still be many cases in which a small society might not be able to raise all the money that it needs, especially in the early days of its existence. Local money-lenders might decline to have anything to do with it; and it would not be easy for a society in an outlying village to get into direct touch with other investors, who are found largely in towns; moreover the latter

would naturally be shy of placing their money in the hands of a society about which they do not know very much. Hence a certain number of neighbouring societies often form themselves into a separate institution, called a banking union, which on the one hand itself raises money from the investing public, and on the other advances it to societies in accordance with their needs and requirements. It is assigned a definite area of operations, usually one particular town, together with an area within a radius of seven or eight miles from the office of the union. Every society within this area, desiring a loan from the union, has to become affiliated to it or, in simpler language, become a member of the union.

A society which becomes a member of a banking union has to purchase a certain number of shares therein. The normal value of a share is usually Rs. 100, but only Rs. 25 are called up or payable, and that, too, by ten half-yearly instalments. The balance of Rs. 75 remains as reserve liability, which may be called up in an emergency. The liability of a shareholding society is limited to the nominal value of the shares held by it in the union, that is to say, if the union has to be dissolved, a member of the society could not, in order to discharge the debts of the union, be called upon to pay anything over and above the amount it owes to the union, and the full value of the shares purchased by it therein. A society purchases shares in the union in accordance with the amount of loan it is likely to require, the general practice being that a society can obtain a loan up to eight times the called-up value of the shares purchased by it in the union. Care must be taken to see that the value of the shares payable every half year by a society to the union is well below the amount which the society itself receives from its own members in shares, otherwise the society would work at a loss.

The management of a banking union is in the hands of a Board of Directors, elected by representatives of the shareholding societies from amongst themselves. Occasionally, however, one or two additional gentlemen of the neighbourhood who take an interest in the movement are co-opted as members of the Board, to help the latter in managing the affairs of the union.

Very often banking unions go a step further and allow private individuals to purchase shares as well; in such cases the society members are called ordinary shareholders, and the individual gentlemen who have purchased shares either as an investment or to support the co-operative movement in the locality, are called preference shareholders; they are entitled to dividends on their shares out of the profits first, and it is only if there are surplus profits that any dividend can be given to the ordinary shareholders; the dividend is, therefore, usually limited to

7 per cent. An institution having two classes of shareholders like this is called a central bank. Its management is in the hands of a Board of Directors, which is representative of both kinds of shareholders in suitable proportions. A central bank has a tendency to fall into the hands of the individual shareholders, the representatives of societies being usually less educated; but it is financially stronger and does not differ materially from a banking union in any other particular.

A central bank, situated at the head-quarters of a district, is called a district bank. It has the whole district as its area of operations, except those portions already assigned to other central banks or banking unions. District banks are more favourably situated for the raising of money, and are often able to finance other central banks in the district. Their disadvantage is that their management usually falls into the hands of townspeople who do not always see to the interests of the societies; moreover they are often very far away from the societies, and this causes inconvenience to both. Central banks add to the convenience of the societies and serve more or less the same purpose as branches of district banks. Where there are no such central banks, or banking unions cannot be formed, district banks often entrust part of their work, viz. their dealings with their societies, to honorary workers in the interior of the district; these are known as agencies and are, in fact, the rudiments of branch banks; their accounts are, of course, incorporated with those of the district banks themselves. They confine themselves to advancing money to societies and receiving it from them, on behalf of the district banks; they do not raise any money themselves from investors.

Whatever money is required by societies has to be advanced to them by the bank or banking union of which they are members. These institutions, known collectively as central societies, as distinguished from the ordinary village or primary societies, find it fairly easy to attract money from investors. They get a certain amount from shares, but that is not enough and they have to raise "deposits"; investors deposit their money with these central societies for a fixed period and are entitled to withdraw it on the expiry of that period or they may have the right to withdraw it on so many months' notice. Again, these central societies can issue debentures, or they can borrow money from some big joint stock banks which do not care to lend except in fairly large sums. Or they can borrow from other central societies which have spare money; owing to local conditions, some of these institutions are able to raise money more easily than others and are, therefore, in a position to lend to the latter. Investments in these central societies are perfectly safe (as will be explained further in paragraph 25) and



most district banks can now obtain as much money as they want without much difficulty at 6 or 7 per cent.

This money they lend out to smaller central banks or banking unions at 8 or 9 per cent., and to primary societies at 12 per cent. It will be noticed that there is a fairly wide margin between the rate at which a central society borrows and that at which it lends to primary societies. There are several reasons for this. The central society has to provide against possible losses, caused by some societies not paying their dues; it is usually prepared to reduce the rate of interest in the case of a society which is always punctual and business-like; but it has to keep a larger amount of money than it would otherwise have to do, because of the unpunctuality and dilatory habits of others, and create a suitable fund for meeting bad and doubtful debts. Then again, central societies often have idle money with them on which they get no interest, though they have to pay interest to the depositors; thus some societies repay their money in June and do not take fresh loans till September for the rabi sowings; this is exactly what a society should do in its own interest, drawing money only when it is wanted and repaying it as soon as practicable, so as to decrease the amount of interest payable and encourage habits of thrift and saving. But a central society cannot always follow the same policy; it can only return deposits which it does not want when they fall due and not before the due date; if it resorts to the device of raising deposits for very short periods, it may find that it cannot get the money when it wants it. Hence a central society has not only to keep sufficient liquid cover to be able to pay back deposits when they fall due; but it often finds it advisable to take money as deposit whenever it is available, irrespective of its immediate needs, and try to find some other outlet for this money when it is not wanted by its affiliated societies. Failing such an arrangement, it is apt to be left with idle money for some months in the year, and this will naturally affect its profits. A central society must, of course, make enough profits to enable it to pay reasonable dividends to the shareholders. Then again, it must be able to set apart a certain sum of money to strengthen its reserves so as to ensure financial stability. Nor must it forget to create other funds of a beneficent nature for the social amelioration of its affiliated societies. At the same time the central society must maintain an adequate staff for supervising and training the societies so as to ensure that the money it advances to them is safe. All these charges are met from the difference in the rates between borrowing by the central society and lending to the primary societies.

In former times some central banks used to lend money direct to individual shareholders, on the ground that they were members of the bank; they thereby eliminated the intermediate primary societies and either tried to add to their own profits or to lend money to the individual at the same rate as they would lend to a society, thus enabling the shareholder to get money at a slightly lower rate of interest. But they have found that this is not good business; because in the case of a central bank the members do not know one another very well, and the Directors cannot judge whether a loan is really needed or will be properly spent. They have, therefore, now closed this kind of business. If individual members require loans, they can easily form small societies to be financed by the central bank. A central society now lends money only to a primary society which is a member thereof.

A primary society which desires to borrow money from a central society has, of course, to satisfy the latter that its money will be safe and will be promptly repaid when it falls due. The panchayat of the society which wants the loan ascertains in the first instance (as will be explained further in paragraphs 17 to 19) how much money each of the members should be advanced, and in what instalments he would be able to pay it back; in accordance with these figures, it submits its requirements to the central society concerned, stating how much money it is prepared to repay at each harvest; the latter, after seeing that the demand is within the normal credit fixed for the society and satisfying itself by making such further enquiries as it may consider necessary, sanctions the loan and pays it to the panchayat which is responsible for the distribution of the loan to the members. The panchayat executes, on behalf of its society, a promote for the amount received. Similarly, when the money falls due, it is the panchayat which repays the money to the central society, after collecting it from the members. The panchayat when borrowing or repaying money in this way is often put to great inconvenience, having to go over and over again to the office of the central society for the purpose. Accordingly Government have recently undertaken to refund three-fourths of the money-order fee paid by a society if money is remitted that way through the post office. This should prove a great boon to many societies.

17. *Loans to members.*—A co-operative society, having obtained the necessary money, has to arrange to lend it out to its own members. Any member who wants a loan must apply either in writing or orally to the panchayat of the society, stating the amount that he wants, and the object for which he wants it. The panchayat will consult the *haisiyat* register and make a full enquiry as to whether the loan is

needed or not. The amount of loan advanced must depend partly on the status of the member who wants it, and partly on the object for which he needs it. For instance, if a man wants a loan for payment of rent, the *haisiyat* register will show what amount of rent he has to pay every season; but the panchayat must find out why the man cannot pay his rent by selling the crop harvested by him or whether it is desirable for him to hold back his grain in the hope of better prices. In giving loans the panchayat should remember that the real and reasonable needs of a member should be met in full. The tendency towards rigidity and inelasticity should be guarded against. Thus, if a man requires Rs. 40 to buy a bullock and has no money of his own, it is not good policy to give him Rs. 20 and compel him to borrow Rs. 20 from an outside mahajan. Once a member joins a society, he should borrow no money from outside without the definite permission of the society. Such permission should be given only in exceptional cases. On the one hand, therefore, the panchayat must not give so little that it would not suffice for the needs of the member; on the other it should not give so much that the money will be squandered in unproductive ways.

18 *Objects of loans.*—In most European countries loans are only advanced for productive purposes and as a general rule this restriction is sound, but in India, where social obligations compel the expenditure of large sums on family ceremonies, little interest is taken in a society providing funds for productive purposes only, and in which the borrower, who requires a loan for a marriage in his family, is refused accommodation. It was also felt that expenditure on family ceremonies being admittedly necessary, the provision of funds, through a co-operative credit society, might have a good effect in restricting the tendency to expenditure beyond a man's status, and recent experience shows that in many cases this result has been actually attained. Loans then may be given for unproductive as well as for productive objects, provided that the object is to effect an economy, and the amount of the loan demanded is reasonable. Among other permissible objects of loans, is the repayment of old debt. But in the earlier days of a society, when capital is scarce and no experience of punctuality of repayments has been gained, it is as well to restrict loans to directly productive objects—such as the digging of wells, the purchase of bullocks, implements and seeds, the payment of labour for irrigation and weeding of crops. It is also permissible to advance a loan to a cultivator for payment of rent on the security of his produce, provided that the loan is repaid when he sells the produce. But in any other case the payment of rent is not, as a rule, a proper object for borrowing. Rent should be paid from the

proceeds of the crop and not by borrowing money in the hope of repaying from the crop of the following year. It may sometimes be justifiable, in case of short crops, to help tenants who are pressed to pay their rent, but it should be distinctly recognized that the loan is allowed only in special circumstances and will not be given in ordinary seasons. Loans for the payment of arrears of rent should be treated in the same way as loans for the repayment of old debts. It is above all things necessary that the object of every loan given should be carefully recorded. It is also essential in co-operative societies that care be taken to see that a loan is applied to the purpose for which it is granted. In European societies there is a special body of men—the committee of supervisors—charged with this duty, and in the case of the larger societies this example might well be followed in India. Ordinarily this point, viz. whether the borrowers have properly utilized the loans, should be considered at the monthly meeting in the presence of all attending members. The members of the panchayat should also make careful enquiries on the point. In the case of the majority of loans which are given for seed and the expenses of cultivation, at the proper season, it is generally found that they are applied to these purposes. When larger sums are given for purchase of cattle or for repayment of old debts the matter assumes special importance, and in such cases enquiries should be invariably made and if the loan is found to have been misused it should be recalled.

19. *Instalments of loans.*—In all cases the panchayat would fix certain instalments for the repayment of the loan, in accordance with the object for which it has been advanced. The principle is to fix the conditions of repayment so that the borrower may be able to meet his engagements without incurring debt elsewhere, or without wasting money which could be devoted towards repayment of his debt to the society. A loan advanced for productive purposes should naturally be repaid from the produce raised with its assistance. Thus loans for seed or expenses of cultivation should be repaid from the crop and the date of repayment should, therefore, be fixed to correspond with the seasons at which the crops are cut. For the larger loans granted for purchase of bullocks, for repayment of debt, or for family ceremonies no definite term can be laid down; but ordinary loans for bullocks are made repayable in four six monthly instalments while loans for the repayment of debt are also usually recoverable in four or six half-yearly instalments; loans for marriages may be recovered from the *neota* or by instalments. A very long term of instalment should be discouraged, because in such cases the borrower sometimes does not pay off his debt

even when he is able to do so. Moreover if a man has many instalments due against him, the society may not give him further loans even when he is urgently in need of the same. In fact, societies should so arrange the instalments as to try and recover the money at the earliest date from the crops, without causing any hardship to the borrower; for instance, small amounts granted for purchase of cattle, etc. may be recovered from the proceeds of the next crop instead of granting four instalments. Societies should not endeavour to save trouble in account-keeping by granting loans for six or twelve months without considering whether the date fixed for repayment is otherwise suitable; the instalments should be fixed in accordance with the income that is likely to accrue from the crops sown or likely to be sown; for instance, in a village where sugarcane is sown extensively, the date for repayment may be in January or February, and in cases where the kharif crop is of little importance, the khârif instalment should be a small one, and the rabi instalment correspondingly larger. In short, the fixing of instalments should not become a mechanical and thoughtless process; punctual repayment depends, to some extent, on the suitability of the instalments fixed.

20. *Repayment of loans.*—Punctuality in the repayment of loans should be insisted on from the first. If this is done, the habit of punctuality will be easily acquired and loans will come in of themselves on due dates but if unpunctuality is allowed at first it will be very difficult subsequently to enforce regular habits, and it will only be possible to recover loans by the exercise of constant pressure. It is the duty of the borrowing member to repay the loan himself, the panchayat reminding him when necessary. The work of recovery should on no account be left to the secretary. Again, repayments should be genuine and not mere paper transactions; the practice of showing recoveries and fresh advances in the books, though no money has actually been repaid or advanced, at the same time getting the member to execute a fresh promote in order merely to show good recoveries on paper, should not be tolerated. The equally pernicious system of inducing or forcing a member to borrow from a local money-lender in order to repay the loan due to the society should also not be allowed. These devices invariably react harmfully on the society itself, and within a very few years bring about its ruin. Repayments must, in all cases, be made from the income derived from the crops or other similar sources, if the society is to fulfil its objects and continue to flourish. If, owing to some unforeseen or unavoidable causes, a member is unable to repay an instalment when it falls due, a postponement of the principal loan may be allowed, though payment of

the interest should be insisted on as far as possible. Every case of postponement needs careful scrutiny; if it is given freely, every one has a tendency to ask for it, and demoralization sets in. Moreover, a postponement usually entails a double payment at the next harvest, which is often a very difficult matter. This device should, therefore, only be adopted when a member, who is usually prompt in repayment, has been suddenly deprived of his capacity to pay back his loan owing to some unforeseen calamity, from which he is likely to recover if given time and a helping hand.

21. *Interest on loans.*—Ordinarily, however, a member who borrows from his society should be able to repay his loan punctually when it falls due. He must not forget that he has to pay a much lower rate of interest to the society than what he would have had to pay to the village money-lender had he borrowed from him. The usual rate at which societies advance money to their members is 15 per cent. as against 37½ per cent. charged by the mahajan. This is a very convenient rate for the purposes of account-keeping, as it works out to one anna monthly on each Rs. 5 advanced, and the interest due can, therefore, be easily calculated even by an uneducated person. In the older societies, which have accumulated their own capital, this rate of interest is gradually reduced to 12 per cent. or 9 per cent., as the case may be, and sometimes even 6 per cent. This prospect of reducing the rate of interest by honest and prompt dealings needs to be emphasized and often proves a great attraction, and helps in securing prompt repayments.

22. *Sureties for loans.*—In order, further, to ensure the recovery of the loan at the proper time, one or two sureties should, as a general rule, be demanded from every applicant for a loan. At first sight it might appear unnecessary to demand further security than that provided by the joint liability of all the members, but it is as well to have one or two persons besides the borrower more directly responsible for the loan than the general body of the members. Such persons will probably take care to see that the amount and the purpose of the loan is reasonable, and it is their duty to watch that it is actually applied to the purpose for which it is given. If, owing to imprisonment, illness or death, without adult male heirs the borrower is incapacitated from discharging his debt, the sureties may take charge of his affairs (and have, in some cases, done so) in order to protect themselves and satisfy the demands of the society. Sureties must be clearly explained their duties and responsibilities, and should not regard their enlistment as a mere formality which begins and ends with the signing of a piece

of paper. It must be made clear to them that if the money is not recovered from the borrower, they will be primarily responsible for the repayment.

23. *Arbitration, liquidation and reorganization.*—Before, however, enforcing the responsibility of a surety; it is advisable to make every effort to recover the money from the defaulter himself with the aid of the surety. If a loan is not repaid when it falls due, and there are no grounds for postponement, the default is obviously due to recusancy and prompt action should be taken at once. The society should first try to use its moral influence with the defaulter. Failing that, it may apply to the Registrar for arbitration as regards the amount in dispute, the necessary resolution is passed by the society and sent to the Registrar who will appoint arbitrators; these gentlemen will either go to the village or send for the defaulter and the panchayat to some neighbouring town, and after examining the records, and hearing what the defaulter has to say, pass an order against the defaulter for the amount payable. Thereafter the defaulter must again be pressed to pay up his dues, and if he still refuses, he should be expelled and the decree executed against him, either through the civil court or on application through the Registrar, to the Collector, as arrears of land revenue.

In cases in which a large number of members default or the members mismanage their own affairs, the Registrar is empowered to cancel the registration of the society and liquidate it; this means that the society ceases to exist as a corporate body and a liquidator is appointed whose duty it is to recover the money due to the society by the defaulters. If he cannot recover the money himself, he may apply to the Collector through the Registrar to do so on his behalf, as arrears of land revenue. From the money recovered by him he must first pay off the money due by the society to outsiders; the joint liability of the members may have to be enforced to enable him to do so; but ordinarily this would not be necessary; he would be able to recover the money payable to outsiders from the defaulters themselves. If he recovers more money from them, it would be used for paying off the money due to the ex-members for their shares and deposits; and if there is still a surplus, as there very often is, it would be spent on some work of public utility in the village.

The process of liquidation is a drastic one, but it is only resorted to in the last instance; it is essential for preserving the good name of the movement, for assuring the safety of the money due to outsiders, and for preventing the contagion of default spreading from one society to its neighbour. A society is audited every year by a Government auditor, and if he finds that any particular society is in a bad way, he makes

a special report about it; efforts are then made to redeem and reorganize the society and in the majority of cases these meet with success and liquidation does not become necessary. For, ordinarily in a society, at first only a few men default; and it is only if no action is taken against them that the contagion spreads to others and default becomes general. It is, therefore, essential to sort out the bad members, expel them and make them pay up their dues as soon as possible; the good members have then to be encouraged to pay their dues, fresh instalments being fixed for them, where necessary. If the pecuniary loss to the society from the irrecoverable debts of the bad members or from those who have died or gone away leaving no property is not very great and can be met by the society from its own funds, it is usually possible to get the society to work again in an efficient manner.

24. *The reserve fund.*—This brings out the importance of every society having a certain amount of money in reserve, for meeting bad debts, which will occasionally arise even in the best managed societies owing to unforeseen deaths or calamities. As a society tries to teach its members to provide against a rainy day, it must take similar precautions itself. This end is largely secured in a co-operative credit society by its very constitution. The society pays no dividend on shares for ten years; but the share money is lent out to the members on interest; hence it must make profits which increase from year to year as the share capital increases, and these are credited to a reserve fund. There is also a small margin between the rate of interest at which a society borrows from a central society and that at which it advances loans to its members; the resulting profits also go to swell the reserve fund. This fund is at the disposal of the society and may, with the sanction of the Registrar, be used to wipe off unforeseen bad debts.

Ordinarily this reserve fund has another and a better use. It is just lent out to the members; it, therefore, accumulates at compound interest, and enables the society rapidly to accumulate its own money and become financially independent of all outside help. The reserve fund, and the share money together form the owned capital of a society; and every society aims at increasing its owned capital steadily, until it can meet all the requirements of its members from its own resources. In fact every society has to become a village bank.

25. *The safety of investments.*—The owned capital of a society also acts as a buffer between the society and its outside creditors, such as a central society. The larger the owned capital, the greater the difference between the assets of the society (i.e. what it has, and what it has to get from its members) and its liabilities to outsiders; so that even if a certain



number of members default, and do not pay the society, the latter may still be in a position to pay back its outside borrowings. The greater the owned capital the more the security for the lender.

Central societies are still safer, for they have got a fairly large share capital of their own, and they rapidly build up a substantial reserve fund from their profits. The reserve fund of a central society is separately invested in Government paper, or in some large bank with the approval of the Registrar. Most central societies create additional funds for meeting bad debts, depreciation on investments in securities and other similar purposes. Further, they are usually managed by an efficient Board of Directors, in which many of the prominent and influential gentlemen of the district take part.

It will thus be seen that investments in co-operative societies are safe on account of a variety of reasons. By their very constitution default should rarely take place; even when it does, there is a wide margin between the assets and the liabilities. The amount due from an individual member of a primary society may be recovered, if necessary, as arrears of land revenue, first from the defaulter, next from his surety, and failing that from any other member of the society, so as to enable it to discharge at least its outside debts. What greater security can any investment offer?

26. *Supervision.*—It is sad to reflect that, in some cases, it has been this very sense of security which has brought about the ruin of a society. Panchayats, believing that the money is safe, have become apathetic, and human weaknesses have naturally asserted themselves. Outside investors, like banks, have also often not bothered to look after the societies adequately; and though their money has been usually safe, the societies have not flourished. In fact, experience has shown that if a primary society is to work well it should be properly looked after or supervised; it needs to be carefully watched and educated for years, there being grave dangers of its making mistakes and going wrong. Suitable arrangements have, therefore, to be made for the proper instruction of the members and for supervision by some person who has had a certain amount of training in the methods and principles of co-operative banking. The business is a technical one, and even educated persons cannot properly understand it without previous training and experience. Many societies established in the early days of the movement without instruction of members or subsequent supervision have failed to work and have had to be dissolved.

Accordingly it is now an established principle that societies should only be formed where properly trained supervision is available. This

can be supplied in various ways. A public-spirited gentleman can send one of his relations or dependants to learn the work and subsequently to instruct and control the societies under his own supervision. This has been done in several instances with satisfactory results. Or, the central bank to which the society is affiliated, may employ a paid supervisor, trained by the Co-operative Department; this work of supervision has in the past few years been left almost entirely to the paid employees of central societies, on the ground that it was to the interest of the central societies themselves to see that the primary societies worked well. More recently, however, another school of thought has arisen which, while recognizing that the directors of central banks should inspect and advise their primary societies, holds that supervision and education should be separated from finance and both should not be in the hands of the same institution; on the ground that the financing authority has a tendency to pay too much attention to the immediate financial aspects of the transactions and to neglect supervision. Hence it is now proposed to entrust the work of supervision to a representative committee largely elected by banks, both banks and Government contributing equal amounts to the funds of the committee to enable it to maintain and look after the work of the supervisors.

Under whatever control supervisors may work, the chief essential is that they should go to the societies as friends of the members, and gain their confidence; then, and then only, will they be in a position to help and guide the members aright. They must on no account neglect the work of supervision, education and training. This work cannot be done by means of lectures to the members, followed by an oral examination, as is sometimes attempted; a supervisor must gain the confidence and trust of the members; then, and then only, will they listen to him and follow his advice. He has to train the members of the societies to become more business-like, so as to increase their own credit-worthiness. The members have to be helped to realize that by delay and default they only injure the lenders in themselves; and once they grasp that it is to their own interest to be prompt in repayment, they will naturally improve in their financial dealings with the banks also. The whole secret of success of a co-operative credit society lies in honesty and promptness, and it rests with the supervisor to bring out these qualities by constant training and explanation. The supervisor who regards himself merely as a loan collector can rarely succeed for long even in that part of his work and is a menace to the bank under which he is working; for repayments will only be made promptly by members who realize their own responsibilities, and those societies which understand co-operative principles; a mere loan collector without any powers can never

collect the money, except with the goodwill and co-operation of those from whom it is due. Primary societies can only depend for their collections on the honesty and reliability of their members, and central societies are dependant entirely on the stability of their primary societies.

Realizing the extreme importance of training and supervision, both for the societies and for the banks, Government are not only giving a large sum of money for the maintenance of supervisors, but are providing an adequate staff of auditors, inspectors and Assistant Registrars to help and advise the societies so that the public may have full confidence in them. The idea is that every society should be thoroughly audited at least once every year by the auditor, while the inspector has to see to the proper working of the whole co-operative machinery, and be the guide, philosopher and friend of the members of the societies, working under the general guidance and instructions of the Assistant Registrars.

27. *Organization and general working of societies.*—Having now completed our survey of the constitution and method of work of an agricultural credit society, let us briefly recapitulate the steps that have to be taken to organize a society, and to enable it to work successfully. In the old days it was necessary to send out an organizer in order to prevail on villagers to form these societies, but we have now nearly 6,000 such societies scattered all over the province, and new societies are only being formed where there is a genuine and spontaneous demand for them. Where such a demand exists, the supervisor or inspector makes the necessary enquiries; he ascertains whether the village itself is suitable and situated in a locality which is not inaccessible, and where supervision will not be unduly difficult, so that the education and training of the members might not be neglected. Next he sees whether the proposed members all belong to the village and are enterprising and enjoy a reputation for honesty; whether they thoroughly understand the basic principles of joint responsibility and unlimited liability on which a society is to work and accept them. The proposed members must definitely undertake the responsibility of distributing and collecting loans themselves, and of keeping the accounts of their society. They must understand that their society has to deal with outsiders as a corporate body, raising money and arranging to repay it at the proper time to the lender; and that at the same time it will have to arrange to advance suitable amounts to each of its members in accordance with his needs, to see that the money is properly utilized and not squandered or wasted, to fix appropriate instalments for repayment and to recover these instalments when they fall due.

Accordingly a *haisiyat* statement should be prepared, and the normal and maximum credit of each member ascertained and fixed. A suitable panchayat should be elected from amongst the proposed members for carrying on the ordinary business of the society. At the same time proper arrangements should be made for the supply of capital, which is usually done by affiliating the society to some central or district bank in the neighbourhood. Thereafter bye-laws or rules should be drawn up for the internal regulation of the affairs of the society and approved by the proposed members; after which an application will be made to the Registrar for the registration of the society (copies of model byelaws and prescribed forms of application can be obtained from the Registrar's office at Lucknow).

A registration certificate will be sent, when a society is registered, and the society can start work by opening the account registers and collecting the first instalments of share money. Loans can then be taken from the bank to which the society is affiliated, and issued to members in accordance with the principles already laid down. Loans must be granted for a definite object and repaid when that object is attained, suitable instalments being fixed for the purpose. Punctuality must be insisted on both for the payment of share money and for the repayment of loans. If a loan is not repaid when it falls due, prompt action should at once be taken and the defaulter suitably dealt with. If the society works in a business-like manner for a few years, it will steadily accumulate a large reserve fund and owned capital, until it becomes financially independent; the society will, in fact, become the village bank, and meet all the requirements of its members without outside borrowing, supplying them the money they need at a low rate of interest, and encouraging them to improve their economic condition still further by taking up productive schemes and agricultural improvements.

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### CHAPTER III.

#### OTHER FORMS OF CO-OPERATIVE ACTIVITY.

28. *Co-operation in agriculture.*—Institutions for obtaining credit are the first and simplest forms of the co-operative movement. When people have once learnt to combine for the taking of loans, they understand better how to combine for other purposes. Next to money, the chief need of the agriculturist is good seed; the supply of pure seed to members is, therefore, one of the most important things for a co-operative society; the ordinary country seed used in most tracts has deteriorated considerably, and the result is that more seed has to be sown and yet

the crops are poor; the members borrow the seed from local dealers paying *sawai* or even *deorhi*, and have to take whatever they can get, bad seed being mixed with the rest so as to increase the weight; as sometimes nearly half the seed supplied is such that it cannot germinate, the rate of interest even at *sawai* works out at a fairly high figure. Hence the society must arrange for the purchase or storage of pure seed; it can do so more easily and at less cost than an individual cultivator.

The next step is to introduce such improved machinery and methods of tillage as are recommended by the Agricultural Department; in some cases every member of a society binds himself to adopt such improvements as are accepted by the general meeting of the society, and is fined if he fails to do so. Before any improvement can be generally adopted, it is necessary to show practically that it is feasible and profitable; hence it is necessary to make arrangements for experiment and demonstration in the village. This can be done in various ways. Sometimes some more enterprising member takes up this work himself, the Agricultural Department giving every possible help in the trials; at others the society itself takes one or two plots on rent and tries new crops such as ground-nut, Java cane, white flowered cotton, etc., and improved methods of cultivation; in such cases the society might either sub-let to an individual on certain definite conditions as to the seed to be sown and the methods to be adopted and the distribution of the produce, or it may do the work itself, all the members contributing towards the labour of men and cattle, no single member thus running any undue risk.

Then again a society can purchase improved machinery such as cane-mills, seed-drills, rice-hulling machines, etc., and let them out to members. It can also arrange for manure on a large scale, and thereby get it more cheaply. In the matter of purchase of plough cattle and also of milch cows and buffaloes there are many advantages in concerted action by a whole society. In most parts of the country there is a scarcity of good bulls; a society can jointly purchase and keep a bull. Irrigation facilities can also be improved by a society; wells can be deepened by boring and tube-wells constructed, proper arrangements being made for the distribution of water. Yet another form of activity is to consolidate the holdings of cultivators by mutual agreement; it is much easier to arrange for irrigation and manure in compact blocks and to look after them generally, than it is in the case of scattered plots; hence consolidation helps to lead to better farming.

In the disposal of agricultural produce also, a society can be very useful. If the grain can be supplied properly cleaned and graded, and

in sufficiently large quantities, big dealers and large purchasers (like jails) will buy directly from the societies, and cultivators will get better prices; but in this kind of work, much care and business knowledge are required, and it is recommended only to societies, every member of which is absolutely reliable and which has enough money and experience to make the necessary arrangements for grading and cleaning. For communities like ahirs and ghosis also, co-operative societies are very useful, specially where they supply milk or manufacture *ghi* for consumption in towns. By forming societies with adequate supervision they can guarantee the purity of their produce, and also effect economies in expenses.

29. *Co-operation among the industrial classes.*—The United Provinces have long been famous for certain kinds of cottage industries; hand-loom-weaving and leather-making are to be found on an extensive scale throughout the province, while the brassware of Moradabad, the silks of Benares, the calico-printing of Farrukhabad, the marble work of Agra, and the embroidery of Lucknow have a world-wide reputation. But these industries are showing a tendency to decline, owing to competition with machine-made articles and to the ignorance of the manufacturers of the ever-changing demands of the market. Another great difficulty is that most of the Indian artisans are terribly poor and the system under which they are supplied with raw material and with funds by middlemen, who frequently take from them the finished product at an inadequate price, is incompatible with any improvement in their condition. Their poverty, too, prevents them from adopting more efficient tools and instruments such as improved hand-looms. The first step in their case, as in that of agriculturists, is to arrange for suitable credit facilities.

These credit societies for artisans are in some ways, very similar to those for agriculturists; there is the same principle of joint responsibility so as to exclude all undesirable or doubtful characters, the same insistence on the necessity of having persons who know and trust each other, the same system of share payments and the same method of administration through an elected panchayat. Loans are advanced in the same way, but care has to be taken to fix suitable instalments; the turnover in the case of these manufacturers being more rapid, the "ugahi" system is usually found the best in these cases, viz., Rs. 11 or Rs. 11-4-0 are advanced and made repayable in 12 monthly instalments of rupee one each; in the case of articles in which the turnover is not so rapid such as durries, longer instalments of 3 or 4 months may be fixed; while in the case of vegetable sellers and ekka drivers even weekly instalments have been found to be too long and recoveries may have to be made from day

to day. If suitable instalments are fixed there should be no difficulty about repaying the money at the proper time.

The provision of credit alone will not, however, solve the difficulties of the artisans: They often have to pay exorbitant prices for their raw material and it is, therefore, necessary to make arrangements to enable them to get the required articles of a good quality at a reasonable price and without unnecessary delay, just as it is essential to supply agriculturists with good seed at the proper time. This aim can best be attained by forming a co-operative society for the purchase and sale of the raw material, which could place orders in bulk for its requirements; such a store can supply the needs of a group of societies for artisans.

But the real difficulty in the case of artisans is the sale of their finished products. Sometimes the articles produced can find no sale at all; at others, they can be sold at a fair price at the proper season, if the artisan can afford to wait till then; but that is just what he cannot do owing to his poverty, and the result is that he has to sell the goods to some one who will pay him little more than the cost price, store it for a time and then sell it at a profit. Hence the necessity for having some sort of organization which would, on the one hand, obtain orders for the artisan and guide him in the manufacture of such articles as can be readily disposed of, and, on the other, advance him money on the security of the article manufactured, up to a certain percentage of its value, so as to enable him to carry on and wait till the proper time for selling his goods. Of course a transaction like that is not free from risk and good business management is required; but there are some societies in the province for production and sale which are working quite well, and there appears to be no reason why similar work should not be done successfully for a group of societies. Sound business management and constant supervision, together with a certain amount of technical advice, are necessary to make co-operation successful among cottage industrialists.

30. *Co-operation among employees.*—At first sight it might be thought that there can be little scope for co-operative activity among salary-earners or employees; but there are two types of societies particularly suitable for this class of people. Credit societies of limited liability appear to be particularly advantageous for them: the difference between these and unlimited liability credit societies is simply that one person is responsible for the debts of others only up to the limit of the value of his shares, and not to the extent of the whole of his property. Salary-earners being in receipt of a fixed income, there is much greater

security for the money advanced, which can often be recovered at the source at the time of paying the monthly wages. Such societies, therefore, rapidly accumulate big funds and rarely need to borrow from outside. They enable those who need money to borrow it on favourable terms and to repay it in easy instalments; they are very successful in the case of the employees of large firms and Government departments, provided those occupying higher positions do not monopolize the management or the loans. Thrift societies are also successful in the case of salary-earners; each member sets apart a small sum every month which is suitably invested and in course of time becomes a pretty useful amount; these societies have proved attractive to district board school teachers in some places, and help to enlist their interest and sympathy in the cause of co-operation.

31. *Co-operation among consumers or stores.*—Societies of employees often like to run a store for the supply of their daily needs, so that they may get articles of good quality; more often a body of consumers, whether employees or not, start "stores" for their own use. These stores or consumers' societies, or purchase and sale societies as they are sometimes called, ascertain the wishes of the members, and obtain such articles as would be ordinarily wanted by them. They do not confine their dealings to members, but deal with non-members as well, for, the larger the amount of work they can do the more cheaply can they obtain the articles required and the greater the profit, which can be distributed in the form of a bonus to the members. These general stores can never be successful unless they are properly managed and looked after; they cannot be allowed to drift along and should be placed in charge of an experienced man of business who understands trade and trade conditions; they should be under the general control of the members and be run principally for the members, but the management should not be entrusted entirely to amateurs. These societies sometimes have shares, and at others entrance fees, and occasionally both. Credit dealings have to be avoided as far as possible, but that often proves difficult in the case of salary-earners; hence a deposit system is often successfully adopted, by which a member deposits a certain sum of money with the society, and purchases made by him are credited against his deposit; when it is exhausted a fresh deposit is made. The importance of a spirit of loyalty in dealing with their own society has to be emphasized in these cases; people often fail to realize that though an article may be obtainable more cheaply elsewhere it may not be quite pure or reliable, and they have to be educated to the fact that they should not grudge an occasional higher price for the certainty of getting an article which can be depended upon.



32. *Co-operation for better living.*—Consumers societies aim at supplying good articles at a reasonable price. The next step is to see to the health of the people through better sanitation and better housing. Here again, there is a great field for co-operative activity both in towns and in villages. The sanitary conditions in which most of the people live are deplorable, and a few elementary precautions, if adopted by all, might often result in the prevention of an epidemic and the saving of many lives; a co-operative organization is the best means for doing this. Ill-ventilated and badly constructed huts are also responsible for a great deal of sickness and misery, and a housing society aims at the construction of suitable dwellings on sanitary lines, and for the maintenance of hygienic conditions after construction; incidentally, the cost of building is considerably lowered if people unite in this way to build houses.

In addition to economic advantages and physical benefits, co-operation also attends to the mental and moral improvement of the people; in fact the two go hand in hand and without education, other benefits cannot be secured or appreciated in full, persons being often content with an extremely low standard of living and not having even the desire for anything better and, therefore, no incentive to work. In a sense, co-operation itself is education, but there are also societies for adults who wish to acquire education, not merely reading and writing, but the general broadening of their mental horizon. The difficulty is not so much to induce people to form such societies, as to find suitable, inspiring and enthusiastic teachers, who can understand how to attract and to teach adults—which is a far more difficult task than the teaching of children. The rate of progress made by adults varies considerably, hence their teaching has to be largely individual. In most cases two or three days a week in the evenings are fixed, and the teacher reads out the Ramayana or other work of national or historical interest; the actual teaching in reading and writing occupies only a small part of the time, the rest being devoted to talks on general subjects of particular interest to the people concerned. Adult school societies in this form become just evening gatherings of the people, not for gossip but for instruction.

Yet another form of co-operative activity is in the social sphere; one of its aims is the preservation or recreation of the old village community, in which all the inhabitants form a common brotherhood with common interests, acting for the mutual benefit of all. Such a society or community might go in for social improvements such as the prevention of drinking or of waste of money in connexion with ceremonies; each member of such a society binds himself by its byelaws to observe

a maximum limit for particular kinds of expenditure, and is liable to fine if he fails to observe these restrictions. Similarly, the members may agree not to go to court to settle disputes of a civil nature without the sanction of their society, so as to prevent waste of money in litigation. Again, they may organize group-singing and dramatic performances, which are in themselves joint or co-operative enterprises, and these would make life itself more attractive and more enjoyable.

This reorganization of the communal life of the village on a modern basis is known as rural reconstruction. Societies for this purpose aim at the simultaneous development of all these varied co-operative activities in certain specified areas; they attempt by education and propaganda at making "the village area as a unit in the same way as a city has been treated as a unit and made the subject of municipal administration", with a view to improve not only the economic condition of the people by better farming and better business methods, but at the same time to better the conditions in which they live, physically, mentally and socially.

Whatever form co-operative activity may take, its moral aspect can never be lost sight of, and must be constantly emphasized; co-operation can only be founded on a spirit of unity and loyalty and honesty, on self-help and mutual help; and these qualities have to be insisted upon at every stage of its development and in every form of its activity.

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## CHAPTER IV.

### ASSISTANCE TO CO-OPERATIVE SOCIETIES.

33. *Assistance from Government.*—As co-operation can be of such immense benefit to the people, it will naturally be asked as to what steps are being taken both by Government and by the public to spread co-operation in the province. It was Government which, as far back as 1904, realizing the usefulness of co-operative credit societies, passed an Act laying down how they might be constituted, registered and managed; and how they might be dissolved, if unsuccessful. As a result of experience gained, a new Act was passed in 1912 with many improvements, and is still in force. The Government has also given special privileges to co-operative societies, which are detailed below :—

- (1) Exemption from income-tax, stamp duty on documents, and registration fees.
- (2) Exemption from attachment in court of the amount subscribed to a society by a member (share money, etc.).

- (3) A first claim on crops and fodder raised with money lent by the society and on cattle, machinery, and implements as also manufactured articles made out of raw materials similarly purchased.
- (4) Permission to open a public account in the nearest post office savings bank.
- (5) The privilege to certain societies of keeping their strong boxes in Government treasuries, sub-treasuries and police stations.
- (6) The recoveries of dues of liquidated societies or arbitration decrees as arrears of land revenue.
- (7) The privilege of remitting money by remittance transfer receipt in certain cases.
- (8) The refund of three-fourths of the money order commission paid in making payments to or by societies.
- (9) Large grants in the beginning for loans to societies on easy terms; these grants have now been exhausted in the case of agricultural credit societies and have all been repaid and replaced by funds raised in the open market. But grants are still made for the encouragement of societies of cottage industrialists, adult education, etc.
- (10) The services of a Registrar, several Deputy and Assistant Registrars, and a large staff of inspectors to help and advise the societies, and of auditors to audit their accounts yearly so that the public may have full confidence in them; also of specially qualified industrial inspectors for encouraging cottage industries.
- (11) Permission to its officers to assist in the management of banks and other institutions formed to encourage and control the spread of the co-operative movement; their willing help has been of the utmost value to these institutions.

34. *Assistance from district officers.*—In this connexion it may not be amiss to mention the many ways in which district officers and other Government officials can, and do, render help to the co-operative movement. District officers are the chairmen of almost all the district banks in the province, while many of the sub-divisional officers preside over other central banks; they are not there as financial experts but as administrative officers, and without their help and advice in administrative matters, the successful management and working of many banks would be extremely difficult, if not impossible. Similarly, officers of the Co-operative Department working in the district cannot get on without

the assistance of the district officer and have to work under his supervisory control; he sees that they attend to their work properly, keeping his administrative eye on them and their doings. Then again the district officer is the local co-ordinating authority, for the various activities of the different Government and semi-Government departments; co-operation cannot thrive without the assistance of the agricultural, educational, industrial, public health and veterinary departments, and the help of the district and municipal boards, and it is the district officer who can arrange for real constructive work by co-ordinating and guiding all these varied activities. Further, in many cases after liquidation a big surplus is left which should be spent on works of public utility in the villages; the district officer and his assistants can be very helpful in finding a really suitable use for the money and seeing that it is properly utilized. His aid in recovering money from defaulters as arrears of land revenue on the request of the Co-operative Department is invaluable; if money due from recalcitrant defaulters cannot be or is not recovered, even honest men would be tempted to turn defaulters. In certain districts very small amounts have to be paid as land revenue by a large number of people and they are naturally greatly inconvenienced, the old system of payment through the lambardar having practically disappeared; the district officer can, in a few such cases, make arrangements for the payment of land revenue in a lump sum by societies of small zamindars, instead of each individual member paying separately; he may accept such payment either from the society or from the bank to which the society is affiliated. The advancing of takavi for agricultural improvements such as wells or for improved seed to societies instead of to individuals has distinct advantages. District officers when out in camp can greatly encourage these societies by inspecting them; the object being partly to see that the staff are doing their share of the work and partly to help the society members to take up and carry out some useful constructive work. For instance, they might help the members in framing a scheme for the liquidation of their old debts, in inducing them to take up improved agricultural methods, or to adopt resolutions for the curtailment of unnecessary expenses, or to undertake some sanitary improvements, or to go in for education both for themselves and their children; they might be able to suggest to them some subsidiary industry, they might take up conveniently in their spare time, or to prevail on them to take some definite action for the improvement of the breed of their cattle; and so forth. In order to do successfully some constructive or creative work of this kind, they might find it convenient to encourage good sarpanches or panches by sending for them for *mulākāt* or by conferring small honours on them such as the giving of gun licences, or the appointing of selected society panchayats as village

panchayats under the Village Panchayat Act. Again, they can assist with their advice those who seek to avail themselves of the benefits of co-operation and put them in touch with officers of the Co-operative Department for the purpose. Above all, they can enlist the interest and support of men of wealth and influence, as also of the Court of Wards, to help and further the cause of co-operation; a little lead from the district officer in this direction often goes a long way.

35. *Assistance from non-officials.*—Though it is true that ultimately co-operation must be managed by the co-operators themselves, the help of influential and educated men is indispensable, both for financing and for supervising and encouraging the movement; in fact it might fairly be said that without the active assistance of public-spirited honorary workers, co-operation could hardly exist in the province. The educated public realize the great possibilities of the movement for the welfare of the country, but co-operation needs not only their passive sympathy but their active assistance in a great many ways.

The financial help that is often required by co-operative societies is not in the form of grants or doles, but of investment of money in co-operative institutions at a fair and reasonable rate of interest. These can take the form of shares or deposits in central banks; such investments are perfectly safe, and they are lucrative, as 6 or 7 per cent is usually paid. Or, again, individuals wishing to assist can lend money themselves direct to village societies at 8 or 9 per cent or guarantee a loan at similar interest to societies in which they are interested. But financial assistance alone is not enough. Experience has shown that efficient societies cannot be formed simply by providing a loan, furnishing a set of bye-laws and leaving the people to themselves. Until the principles and methods of working of societies are better known, it is absolutely necessary that there should be some one constantly present who has sufficient education to be able to acquaint himself with and to appreciate the accepted principles and methods of working, and is willing to exercise some control in the initial stages. As the members themselves acquire this knowledge the organizer himself may very well gradually retire from direct control, and leave the management of the affairs of the society to the members. But it will be long before a society will be able to stand alone. Most aid can, perhaps, be afforded by retired civil and military officers who are staying at their homes, and are in receipt of a pension. Their training enables them to appreciate the objects of Government in forwarding the movement and the accepted principles of co-operation, while they have the necessary local influence and the leisure to enable them to control the society in its initial stages. It is by the co-operation of these gentlemen that the best results should be produced.

Then again, public-spirited gentlemen, whether living in towns or in villages, can act as directors of central societies and as such supervise the work of the rural societies; the services of honorary organizers, who would visit the societies in their villages and give them advice and assistance, would be invaluable; provided they themselves have understood the principles of co-operation, they could do a great deal of propaganda work. They could assist in explaining the advantages of united action for purposes of improvements in sanitation and prevention of disease, they could expound the benefits of education and so induce adults to go in for it themselves and to send their children to school; in fact they could help in the rural reconstruction work and particularly in making one or two villages models for others.

Zamindars and the Court of Wards estates could also help considerably in the same direction. They might even go further and place improved seed and other agricultural improvements more easily at the disposal of societies. They might aid in the creation of facilities for irrigation, e.g. by contributing towards the construction of wells, or the digging of tanks which have become silted up, and so on; again they can encourage the consolidation of holdings, so as to improve the condition of the tenants. Further, they can help the tenants to hold up their produce for a certain period in cases of necessity, by not insisting on the immediate payment of rent and allowing them a little extra time for the purpose, acting, of course, in consultation with the society. They can also make arrangements for the payment of the rent to themselves direct by the society on behalf of the members, instead of each member paying separately; this would save both parties a great deal of unnecessary trouble. The bigger landlords, who cannot on account of other work do the whole of the supervision work themselves, might contribute towards the maintenance of supervisors for the societies; while the endowment of a trust to promote a spirit of fellowship and brotherhood, through co-operation, as has been done by Sir Horace Plunkett in England, may be commended to the wealthy; it is as noble and useful an object as can be found for the purpose.

36. *Assistance from district boards and other departments.*—Co-operators aim at the amelioration of the condition of the people, and that is also one of the chief aims of district boards; the two should, therefore, work in collaboration wherever possible. In particular they should co-operate in spreading adult education, in organizing thrift societies for teachers and getting them generally interested in co-operation, and in allowing the teachers to work as secretaries of co-operative societies when other arrangements cannot be made. It is the village

school which has to become the centre of the communal life of the village, and the school teacher must naturally become the local representative of co-operation and train the boys in the correct principles of life and of honest and united action from their early days.

Development in sanitation also depends, to a large extent, on the co-operation of the district board and the Health Department with the local societies; more useful work can be done by vaccinators and inspectors working in societies than by merely preaching to unorganized villagers who will not listen.

Again, village societies can hardly go in for better housing or improvement of communications or arboriculture without the assistance of the district board officials; their sub-overseers could be very helpful in framing estimates and seeing that the work is properly carried out.

The veterinary assistants who work under district boards can also do a great deal of useful work among co-operative societies, if they work systematically in consultation with the local co-operative inspector.

Without the constant help and guidance of the Agricultural Department, no progress in co-operation is possible in the rural tracts, nor can improved agriculture spread in the country adequately, except with the help of co-operative societies; the closest possible co-operation is, therefore, required between these two. And similar remarks apply to the Department of Industries for the development of cottage industries. In short, the various activities have to be co-ordinated and the motto "all for each and each for all" acted upon.

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## CHAPTER V.

### CONCLUDING REMARKS.

37. *Conclusion.*—In conclusion, a few passages may be quoted from the speech of Sir James (now Lord) Meston when opening the fifth Provincial Co-operative Conference at Lucknow in 1912: "Co-operative credit is, in my view, not only a great financial and economic, but also a great social force. We hear often complaints of the decay of the old village community in Northern India, one of the most ancient and durable sociological phenomena in the world. Modern influences have at last begun to sap it; and many efforts have been suggested for restoring it, the revival of the village panchayat; the bolstering up of the lambardar; the encouragement of the mukhya, and so on. We

have seen disappointing results from most of these attempts; but in the co-operative movement we have a new cementing power. It unites the village community, or at least all the best elements in it, upon the old and only permanent basis of common interest and mutual aid. I need not tell you with what deep satisfaction the Government of this country looks forward to the development of this spirit of mutual help and confidence and how whole-hearted will be its support to all your work in this direction.

“With no less gratification do we regard the more direct result of your work in its financial and economic aspects. In an old country like India there is nothing that so utterly paralyses all progress as waste. The mainspring of your movement, gentlemen, is the prevention of waste. In India, unfortunately, you find waste everywhere. Mental energy is wasted on useless squabbles, when it is needed for patriotic advancement. Capital is wasted in hoard and in unproductive uses, when it is urgently wanted for arousing the industrial power of India. Agricultural wealth is wasted because the savings of the people do not go back into the land. The natural frugality of the rural population is wasted because there is no means of storing its results, and thrift is thus discouraged. The whole social system contains, among much that is noble and praiseworthy, that vicious circle of waste which handicaps progress and leads to much needless poverty. It is to eradicate this canker from the body politic that is your hope; and I have every confidence that the co-operative movement will be, in time, one of our most effective remedies. You look forward to the time when the cultivator, freed from crushing debt, will be able to conserve the fruits of his labour, and thus be prepared against the vicissitudes of the seasons. The mass of agricultural wealth will simultaneously be strengthened as the rural population will be able to put more money into the land in the shape of good seed, better fertilizers, and regular fallows. The professional money-lender, instead of being, as I am afraid he sometimes is, an enemy will, in time, become your friend: for he will get good security and a rapid turnover at moderate interest, instead of the risk, he now runs, and the extortionate terms which he often imposes. His capital in place of being sunk in property, which he is frequently unwilling to acquire and unable to manage, will be set free for investment in industrial enterprise, or in your central banks. The hoards of the richer landholders, instead of lying infructuous, will similarly be brought into action. And thus the surplus resources of the land, and of your indigenous trades and crafts, will, in time, be available to feed the crying financial needs of India. From national thrift will grow up the material



for great national industries, for more railways and canals, more looms and forges, greater comfort, healthier homes. All this may be an ideal of the distant future; but your labours are bringing it nearer. Every step that you take, with care and judgement, in fostering the genuine co-operative spirit, is a step towards bringing India into line with the great producing countries of the world.

“And, as labour is sweetened by the hope of reward, I wish to assure you that the work of those who genuinely throw themselves into this movement will not be overlooked or forgotten. It will have its ultimate reward, I hope, in the grateful memory of a prosperous people. But in the meantime the Government of this province, so long as I am associated with it, will watch the disinterested toilers in this field, and regard their services with the same favour as it regards the work of all good citizens, in the tasks of municipal or district board activity, of education or sanitation, of charity or loyalty. They will have deserved well of their country, and thus will have deserved well of Government.”

The need for non-official workers was also emphasized by Sir William Marris who remarked when opening the Provincial Co-operative Conference at Fatehgarh in 1927: “In acknowledge gratefully that much valuable work has been done by honorary workers. But the movement wants more men, and still more men; men imbued with the missionary spirit and prepared to spend a good deal of their time for the public good. I say to you that unless such rural leaders are forthcoming, men capable of taking hold of the commonest problems, of working them out to a practical solution and of convincing the people by actual demonstration, the uplifting of the masses is bound to be grievously delayed. No doubt Government can do much: I hope that its resources will grow, and that it will do even more than it has done. But the task is beyond the unaided capacity of any Government. The main power of the movement must be gathered in the districts and not generated at and diffused from headquarters. It is true that economic leadership may seem an unexciting pursuit. It lacks the glamour of more spectacular activities. But it is not on that account less valuable and enduring work. We have a large number of landlords in this province, and to them in the first place I renew the appeal to come forward to help in this immense and worthy work of rural reconstruction. But I appeal to all men of position and enlightenment who understand and sympathize with the needs of the villager. If such volunteers are to be of the fullest value they may themselves have to be trained, and certainly they will have to put in earnest and sustained work. But surely the cause is well worth the effort. With officials

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and non-officials working together in the same great cause for the welfare of the people, training them to be their own saviours, to help themselves and to help each other, developing the co-operative movement until it depends on itself for its driving force and provides its own propaganda, and uplifting the moral, the mental and the material condition of the people, I see no reason why this great province which has many homely sources of strength peculiar to itself should not, in course of time, take its place as all-round the foremost province in India".

THE END.

The Registrar of Co-operative Societies, United Provinces, Lucknow, will be glad to give at any time advice and assistance to enquirers about co-operative matters in the United Provinces.