

# PROCEEDINGS

OF THE

## CO-OPERATIVE CONFERENCE

HELD IN

### BOMBAY

DECEMBER 15-18, 1908.

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REPORT ON THE PROCEEDINGS OF THE CO-OPERATIVE CONFERENCE HELD IN BOMBAY FROM 15th TO 18th DECEMBER 1908.

The Conference of officials and non-officials, the latter representing a number of Co-operative Credit Societies in the three divisions of the Presidency proper, met at 4 p. m. on Tuesday the 15th December 1908 at the Council Hall, Secretariat, Bombay.

*Present :*

His Excellency the Right Hon'ble Sir George Sydenham Clarke, G.C.M.G., G.C.I.E., Governor of Bombay (presiding).

The Hon'ble Mr. J. W. P. Muir Mackenzie, C.S.I., I. C. S., M.R.A.C., Member of Council.

The Hon'ble Mr. J. L. Jenkins, C.S.I., I. C. S., Member of Council.

The Hon'ble Mr. R. A. Lamb, C.I.E., I. C. S., Chief Secretary to Government.

L. Robertson, Esquire, I. C. S., Private Secretary to His Excellency the Governor.

J. McNeill, Esquire, I. C. S., Collector of Ahmednagar.

G. F. Keatinge, Esquire, I. C. S., Director of Agriculture and of Co-operative Credit Societies, Bombay Presidency.

P. J. Mead, Esquire, I. C. S., formerly Director of Agriculture and of Co-operative Credit Societies, now on special duty at Bombay.

C. S. Campbell, Esquire, I. C. S., Registrar of Co-operative Credit Societies (now on leave).

R. G. Gordon, Esquire, I. C. S., Superintendent, Land Records and Registration, Northern Division.

Mr. Bulakhi Bapuji Trivedi, Huzúr Deputy Collector, Kaira.

Mr. Saiyad F. A. Edroos, District Deputy Collector, Broach.

Mr. V. N. Sathaye, District Deputy Collector, Dhárwár.

Mr. V. B. Mardhekar, District Deputy Collector, Bijápur.

Mr. Narbadashanker H. Mehta, Mámlatdár, Daskroi, Ahmedabad.

Mr. Y. V. Ranadive, Mámlatdár, Panvel, Kolába.

Mr. N. G. Nadgir, Mámlatdár, Sindgi, Bijápur.

Mr. G. V. Joglekar, Registrar, Co-operative Credit Societies, Bombay Presidency, Poona.

*Non-officials.*

The Hon'ble Sir Vithaldas D. Thackersey, Chairman, Bombay Urban Co-operative Credit Society, Bombay.

Mr. A. B. Desai, Honorary Organizer, Co-operative Credit Societies Southern Division, Belgaum.

Ráo Bahádur K. N. Bhangaonkar, Honorary Organizer, Co-operative Credit Societies, Khándesh, Dhulia.

Ráo Bahádur Motilal Chunilal, Honorary Organizer, Co-operative Credit Societies, Gujarát, Broach.

Ráo Bahádur Khandubhai G. Desai, Retired Executive Engineer, Surat.

Khán Bahádur B. E. Modi, Retired Deputy Collector, Surat.

Mr. R. Stanley Reed, Editor, *Times of India*, Bombay.

Mr. Shivaji Ramchandra Kulkarni, Honorary Organizer, Co-operative Credit Societies, Dhárwár District, Malsamudra.

Mr. Fakirappa Godchi, Chairman, Kanginhal Co-operative Credit Society.  
Mr. Govind Timaji Kulkarni, Chairman, Chikhandigol Co-operative Credit Society.

Mr. Saidumia Fejumia, Chairman, Kaira Co-operative Credit Society.

Mr. Waghji Amarsing, Chairman, Bakrol Visalpur Co-operative Credit Society.

Mr. J. E. Vaz, Secretary, All India Brotherhood Co-operative Credit Society, Manmád.

Mr. R. M. Sane, Chairman, Bársi Co-operative Credit Society.

Mr. V. M. Herlekar, Chairman, Southern Marátha Co-operative Credit Society, Dhárwár.

Mr. V. B. Natu, Chairman, Belgaum Pioneer Co-operative Credit Society.

Mr. R. K. Inamati, Chairman, Annigeri Co-operative Credit Society.

Mr. A. J. Deshpande, Chairman, Muddebihal Co-operative Credit Society.

Mr. Tribhovandas Mangaldas, Chairman, Hindu Urban Co-operative Credit Society, Bombay.

Mr. K. Anandrao, Chairman, Shamrao Vithal Co-operative Credit Society, Bombay.

Mr. Vazir Patel, Chairman, Bodwad Co-operative Credit Society.

The following also attended some of the sittings :—

Mr. R. O. Whitenack, Director of Commerce and Industries, Baroda State.

G. S. Curtis, Esquire, I. O. S., Director of Land Records and Inspector-General of Registration, Poona.

Revd. Father A. Seither, S.J., St. Xavier's College, Bombay.

His Excellency the Governor in opening the proceedings said :—

Gentlemen, I come to meet you today because the object of this Conference is in my opinion of vital importance to the greatest industry of the Presidency and to the large number of people who depend wholly upon that industry. Anything that can be done to help the cultivators will benefit the whole community.

The idea of co-operation among workers for purposes of mutual benefit has for some time appealed to the imagination of earnest men in Western countries, where it has been steadily developed in various directions and with varying success. That it is gaining ground is certain, and as it is based on the great principle of self-help there can be no doubt that it will grow in strength with the years and will assist in solving the difficult problems which confront modern civilization. The best of all methods of helping others is to show them how to help themselves and thus to develop self-reliance, personal dignity and other qualities which go to the making of a vigorous and prosperous people. This is the aim of the Co-operative Societies which we have met together to promote. I hope that Conferences like this, at which representative men, official and non-official, from the three divisions of the Presidency, who have taken an active interest in the co-operative movement can meet for serious discussion, will become systematic and periodic.

The subjects on your agenda paper include matters of the utmost importance to the success of the co-operative movement, and I am certain that their free discussion by men, who have had practical experience of working societies, will surely lead to results of practical benefit.

Measured by statistics the position of the movement at the end of June last may be summed up as follows :—The number of societies actually registered was 145, 46 being urban and 99 rural societies, distributed over 15 districts. Taking all the societies together, I find that the members' list numbers 8,477, the working capital amounts to Rs. 3,69,880, and the net profit on working for the year is Rs. 15,327, or nearly 4½ per cent, while the balance of assets over liabilities appears to be Rs. 14,836, of which Rs. 7,936 is in the reserve fund.

Considering that the movement is still in its infancy, these figures show that the co-operative idea has taken a considerable hold in many parts of the Presidency, and they prove that the principle of co-operation can be successfully applied in Indian conditions to some of the problems of credit. Whether the movement can be so extended as to enable us to deal with the great question of agricultural credit in the Presidency as a whole, whether the further step of establishing banks to finance the young societies can now be taken, and whether Indian conditions may modify the practice of Western countries in this respect—these and other important matters will, I trust, become clearer as the result of your deliberations. I will only say that one of the very saddest features in the life of our Presidency is the heavy, and, I fear, growing indebtedness of the cultivators. I can assure you that I have given most anxious thought to this grave evil, so difficult to remedy because of its magnitude and wide extent. In the spread of the co-operative credit movement, I see the dawn of a hope that in time the present burdens may be mitigated and the position of the cultivator may be placed on a sounder financial basis. I wish to take this opportunity of publicly thanking all those gentlemen who have lent their services as Honorary Organizers. They deserve the highest praise both at the hands of Government and of the people of the Presidency, and the success already attained has been due in a great measure to their efforts; but Government and the people need many more such patriotic helpers. Mr. Campbell has aptly pointed out in one of his reports that “it is persons we want.” The co-operative movement to be permanently and widely successful must be a spontaneous growth having its roots in the mind of our rural population. Government can and will assist by all means in its power; but we cannot create the forces which are required to spread the movement throughout the many thousands of villages in the Presidency.

The idea of co-operation is not difficult to grasp, and experience has shown that the cultivators can understand the principles when they are properly explained, and that the local credit institutions which it is our object to establish can be efficiently worked by the villagers themselves. These are encouraging facts and they constitute a striking proof of the natural intelligence of the rural population. The Registrar in one of his reports mentions the names of village societies in remote parts of the Presidency that can be quoted as shining examples of success. Here therefore lies a wide field of good work for patriotic Indians who possess the advantages of education and who are prepared to enter on the task with the spirit of self-sacrifice which true patriotism demands. Rapid and striking results cannot be immediately expected; but if the workers in this field of public beneficence are sufficiently numerous, we may hope for progress at an accelerating speed. One society successfully established in a neighbourhood will form a new centre from which a knowledge of the benefits of co-operation will spread by natural process, while the formation of many societies under the pressure of an artificial stimulus would only result in discredit and disappointment.

What we most require, therefore, is a band of educated volunteers who will undertake to move about in the parts of the country where they are best known, explaining the principles of co-operation and assisting the growth of societies. At first they must themselves be learners; but Mr. Campbell, to whom and to Mr. McNeill, the first Registrar, the people of this Presidency owe a debt of gratitude, will always be willing to explain the principles and the working of societies to all earnest inquirers. In time also we shall have a considerable literature, which the Government will try to disseminate, and which will show alike what has been done and what may be accomplished by the greatest of human agencies—the willing work of devoted men.

It has been sometimes said that certain symptoms in the life of India, which we deplore, are due to the energies which education has awakened and which, finding no adequate outlay in the public services or in other spheres of useful activities, tend to expand themselves unworthily. I do not know of any better object to which educated Indians having some leisure at their disposal could devote their energies than the furtherance of the co-operative movement.

I earnestly appeal for help from all true patriots, all who wish to raise the lives and promote the well-being of their fellow citizens, all who prefer beneficent action to idle or mischievous talk. Practical work for the good of others

is the secret of the only true happiness, and those who will give their time and thoughts to a movement directed to the welfare of the patient cultivators of the Presidency will reap an abundant and a lasting reward.

I hope you will excuse me if I do not remain at your sittings as I could have wished. I shall read all the papers which are read and shall watch anxiously for the conclusions at which you will arrive, and I hope they will be clear, definite and unanimous. Especially are we anxious to know your views on the question of co-operative banks in which Mr. Lalubhai Samaldas takes such an active interest.

His Excellency then withdrew and the Conference adjourned to the next day.

—

*Wednesday, 16th. December 1908.*

On the Conference reassembling at 11-30 a. m. the chair was taken by the Hon'ble Mr. R. A. Lamb, C.I.E., I. C. S.

The Chairman then called on Mr. G. V. Joglekar, Registrar, Co-operative Credit Societies, to read his note on the first subject in the programme, *viz.* "How far should the 'Co-operative Credit' movement offer a solution to Deccan indebtedness?"

Mr. Joglekar having read his note, *vide* Appendix I, Mr. Campbell in taking up the discussion, observed that he gathered from the paper that there was no doubt the co-operative movement did offer a legitimate solution through Societies, but he asked how far should the Registrar encourage such Societies, and to what extent the Honorary Organizers should help the formation of banks, in places where indebtedness was heavy. Was it truer to the "Co-operative" spirit and ideals to advance most where debt was least? Or, is the Registrar justified in espousing the cause of a Deccani debtor?

The Hon'ble Sir Vithaldas D. Thackersey said that there was no need so far as he understood either for the Registrar or the Honorary Organizers to stop the work of these Societies, simply because they had no cash. He understood that whenever there was property in excess of indebtedness, there was credit enough to the extent of the margin left, on whose strength Co-operative Credit Societies might easily lend or borrow. What he felt was that the paper was really an introduction to his own scheme for the formation of a Central Co-operative Bank for the financing of the Co-operative Credit Societies; a subject that was coming up for discussion the next day.

Mr. Campbell asked whether it was to be understood that property in excess of debt was the only credit which should qualify for the formation of a Co-operative Credit Society, and whether without property there could not be credit at all: and how it would be possible to obtain exact information about the surplus credit mentioned by Sir Vithaldas. Did Sir Vithaldas mean to say that his Central Bank or the body of generous persons in Bombay which he led would lend money on the credit (*viz.* the margin left) of land in places where there was indebtedness.

The Hon'ble Sir Vithaldas replied 'yes, if credit is realisable'.

Mr. McNeill quoted several instances of high rates of interest and agreed that Co-operative Credit Societies with the help of the Central Banks would undoubtedly be the only salvation under the present circumstances.

Mr. Campbell understood that Mr. McNeill justified the Registrar in espousing the debtors' cause!

Mr. A. B. Desai said that Societies must be formed of persons who have expressed a desire to have them and when the people so desire to have them, we need not look for property as the only qualification.

Mr. Herlekar advocated preaching, approaching, and inducing poor people to join and form Societies rather than wait till they themselves came and said that they wanted them.

Rao Babádur Motilal said that Societies, where there was no want among the members, did and might finance other registered Societies as at present.

The savkar had already ceased to exist to any dangerous extent and Co-operative Credit Societies ought to be and should form the only source of capital for financing agricultural operations, the cost of which had recently become enormously high.

Khán Bahádur Modi said among other things that the Central Bank would be the only salvation at present.

Mr. Natu said that in his opinion workers were the chief want. There was too much money in the mofussil to want a Central Bank. If 6 per cent. were assured, money would pour in to any extent. Although 2½ per cent. is often quoted in mortgage and other bonds, still the savkars, to his knowledge, scarcely got more than 6 or 7 per cent. There was much exaggeration often made in estimating profits of the savkars and he was to his mind often unnecessarily maligned. Education of the masses and working classes he would advocate most, to solve the problem of indebtedness.

Mr. Edroos suggested the financing of existing Societies, but advised against touching people too far involved in debt without ascertaining their habits and ability to repay.

Mr. Sathaye thought that Central Banks were wanted in the Deccan to a greater extent at least in the beginning. Savkars' sympathies would be gradually enlisted when the help of the Central Banks would not be so much needed. The Record of Rights would be a good aid to ascertain the exact extent of the liabilities of indebted cultivators.

Mr. Sane thought that the suspension of the Deccan Agriculturists' Relief Act, at least so far as Co-operative Credit Societies were concerned, might prove beneficial. Fear of proper recovery deters the savkars. In the case of Societies there would be no fear of oppression. The effect of the Deccan Agriculturists' Relief Act has been only to demoralize the debtors.

Mr. Bulakhidas said that the Central Bank would solve the problem.

Mr. Narbadashanker supported Mr. Bulakhidas in his view.

Mr. Campbell said that so many issues had sprung up in the course of the discussion that it was better to put up before the meeting some specific proposition for adoption.

The Conference then unanimously resolved to pass an "ad interim" resolution as follows:—

That this Conference is of opinion that the Co-operative Credit movement offers one of the best solutions to Deccan indebtedness.

The Chairman then thanked the members for the healthy discussion that had ensued on the subject and suggested that the resolution be adopted by the Conference as a temporary result of the discussion, and be taken as a tentative conclusion pending final discussion of the form the several resolutions will take, with which the Conference will deal later.

The Chairman then referred to the printed paper already circulated on subject No. 2 "How can redemption of debt best be arranged for?" vide Appendix II, and asked Mr. McNeill to add such further remarks as he may have to make.

Mr. McNeill after alluding to the printed paper added that the establishment of a Central Credit agency would facilitate the execution of the scheme. The registration offices showed that the rate of interest on mortgages varied from 6 to 37½ per cent. in the Deccan and the majority of debtors paid 18 per cent. and upwards. He did not suggest that the scheme be introduced at once on a very large scale. What he earnestly desired was that the scheme should be given a trial on a small scale, and then its operation extended with the experience gained, if it was found to be beneficial.

Mr. Natu was of opinion that the subject was a very thorny one and required much consideration. He had, in the course of his profession, ample opportunities of knowing the savkars and he could say that they hardly ever



recovered 18 per cent. or higher rates of interest as quoted in the bonds and that they did not deserve the harsh words that were often used of them.

In reply Mr. McNeill observed that that may be Mr. Natu's local experience, but so far as he knew, the money-lenders in the Deccan did get the rates quoted in the bonds. Besides in many cases 25 to 50 per cent. of the nominal advance is not in fact paid to the debtor and the nominal rate recorded in bonds is lower than the real rate.

Mr. A. B. Desai observed that subject to the condition that the Co-operative Credit Societies Act will require amendment, the scheme was in his opinion perfect and direct liquidation a good measure. With the guarantee of 6 or even 5 per cent. the first part of the scheme would be workable. As regards the second part, he feared it was a question whether a Taluka Bank could be organized with only  $3\frac{1}{2}$  per cent. guarantee. This could however be done, provided Sections 15, 17 and 18 of the Act were amended, process of compulsory (summary) recovery adopted, and exemption from the application of the Deccan Agriculturists' Relief Act secured.

Ráo Bahádur Motilal said that large funds were needed for this scheme. As to the sources from which they should come, he would suggest that Government should take up the work and Central Societies should join hands with them. The only difficulty would be the rate of interest. Openings for investment in other ways having recently increased, money could not be had cheaper at present; and this was because money can earn better interest elsewhere. He would offer higher rate of interest to depositors, say 6 per cent., and then it would be possible to attract money. The Central Bank should finance rural Societies at  $7\frac{1}{2}$  per cent. and the rural should have a low margin consistent with the charges of management. The tagai advances might also be made through the rural Co-operative Credit Societies instead of individuals as at present. He then dealt at some length upon the difficulty attending the procedure laid down for the advance of tagai. In his opinion the advantages of granting tagai through the Societies were that the advances would be available early, timely and easily. He thought that the amendment of the Act regarding recovery of dues was essential. He however reserved the point to be discussed later, when it was to come up as a separate item.

Mr. Campbell asked what staff would be required to work out the scheme.

Mr. McNeill replied one inspecting officer and two clerks. The Record of Rights and an inquiry into the local circumstances would be enough.

Mr. Campbell asked how Mr. McNeill proposed to make recoveries.

Mr. McNeill replied that the borrower became a tenant under the scheme. The difficulties of recovery would not be experienced as regards these debts because the lending Societies would have the same rights and legal facilities as superior holders.

Mr. Horlekar said that instead of Government themselves becoming creditors, he would like to see ryots approached through a Society and then the evil would be minimized. Government help would demoralize and would cause a relapse, as the debtor would again and again expect relief on getting into fresh debts. He would expect villages to show their worth for combining (co-operation), and then relieve them. He would not relieve them of their debts without a spontaneous effort on their part.

Mr. Sathaye asked for time being given to think over the matter. It was an important scheme not easily digested at one reading. He thought it was not the intention of Government to get hold of lands as mortgagors; and it was in his opinion too much to ask Government to guarantee 6 per cent. seeing that Government did not pay more than  $3\frac{1}{2}$  on their debts. A syndicate of capitalists might therefore be formed, the first part of the scheme might be dropped, and the second part adopted.

Mr. McNeill observed that if the second part only were adopted, there would be no guarantee as to the persons to whom Societies would lend money and on what security. Unless there was some official enquiry, Government would not accept the responsibility of interest. He added that Government interference was not an essential part of the scheme. It was brought in to

attract capital. Savkars would never come in first and the scheme would fall, unless Government initiated it in some shape. It was not prudent to wait till the people asked for it. He would recommend that a commencement be made so that people might gradually come in. He must, however, clear one thing. It was said there would be trouble unless Societies obtained special facilities of recovery. He then read a passage from his paper and said that in case of default the Mámlatdár would have jurisdiction and the Civil Court need not be made use of.

Mr. A. B. Desai said that he would ask one point. Suppose there was failure and the possession of the debtor's holding could not be got; were they to go to the Civil Court to obtain it?

Mr. McNeill would not guarantee that the Mámlatdár could give possession, but the revenue authorities would prevent removal of produce.

Mr. Herlekar pointed out that the old Mámlatdárs' Courts Act was already amended and possession could not be always obtained.

Ráo Bahádur Bhangonkar said that they could not get possession except through the Civil Courts.

Mr. McNeill said that the mere fact of liquidation of debts would not prevent relapse. It was not proposed that they should lend unless there was first class security &c.

Mr. Campbell said that the experiment then would be to liquidate such debts as could be extinguished within a period of 20 years, and asked whether there would be any clause to prevent reinvolvement of the debtor in fresh debts.

Mr. McNeill replied that it would not be desirable to make special restrictions a necessary part of the scheme. He would ask those present whether, supposing the scheme was otherwise unobjectionable, they could get committees to work.

Mr. Herlekar said yes, if Government gave them power of summary recovery.

Mr. A. B. Desai concurred.

Mr. Sathaye said if Government guaranteed 3½ per cent. there would be no difficulty.

Mr. Mardhekar inquired whether they could not ask Bombay Urban or similar Societies to lend.

Mr. McNeill remarked that it was not antagonistic to the Central Co-operative Credit Societies. The work had better be done through the Central Societies and local capital supplemented by outside capital.

*The Chairman.*—Can you the Southern Maráthas and Gujarát representatives say that you can form good committees?

Ráo Bahádur Motilal said that Gujarát was not so much indebted as the Deccan.

Ráo Bahádur Khandubhai G. Desai said that they were forming the Surat District Union and they would act as a central bank. It would not be large like that of Sir Vithaldas; but if they could commend confidence, they hoped to raise a good deal from their district savings in addition to their own two lacs. The scheme was only yet in embryo. They would however try and one of their objects being to lend to rural Societies they might also take up liquidation of debts, and organize Táluka Societies and form committees having local and accurate knowledge. If the matter was properly explained, it would be quite easy in Surat, Kaira and other districts to form Táluka Societies. But he could confidently say so only with regard to Surat. Nevertheless they could not of course pay off everybody's debts; they must select cases.

Mr. A. B. Desai suggested that it would be better to amend the scheme if Mr. McNeill had no objection, as good Táluka Societies would not be formed as easily as the Village Societies.

Mr. Campbell asked whether Village Societies would not be an equally good medium as the Táluka ones.

Mr. McNeill replied that unless he found village societies were able and willing to redeem debts within a reasonable time, he would be slow to amend his scheme.

Mr. Herlekar desired that there should be some provision for preventing relapse.

Mr. McNeill read out the last 3 lines of the penultimate paragraph of his note and observed that while he would personally like to have the ryot's right of alienation restricted his credit with private agencies would in fact be restricted while a society held a first mortgage on his land.

Mr. Campbell asked what there was to prevent reborrowing during liquidation and after the first debt was liquidated. They might put the scheme this way :—

Government is to release so many individuals each from his one particular debt, now existing.

But who is to look after these individuals ?

Mr. McNeill said that he wished some measures should be taken by which an organization would be formed to liquidate rapidly and not at distant periods of 10 years.

Mr. Herlekar certified that if Government gave his Society money in excess of Rs. 2,000 by removing the restriction, he could arrange for the liquidation of debt through his Society.

Ráo Bahádur Khandubhai G. Desai said he approved of the scheme.

Ráo Bahádur Bhangaonkar declared that as far as Khándesh was concerned they would have it.

Mr. Sane thought that so far as Sholápur was concerned he might say that this scheme was necessary to make co-operation successful. Initial help ought to proceed from Government and there ought to be no misunderstanding on the subject. It was necessary so far as the Deccan was concerned, and the scheme was a good one.

Ráo Bahádur Motilal approved of the two points in the scheme, *viz*, (1) an officer like the Talukdari Settlement Officer to adjudge payments, and (2) the institution of local Panchayats.

Mr. Campbell inquired whether it would not be better to lay it down that all Government help for redemption of old debts should find its way through Co-operative Credit Societies established and to be established.

Mr. Herlekar supported Mr. Campbell's suggestion. He nevertheless deprecated Government help (agency). In his opinion one must try to get rid of debts oneself through a Society. This would not be possible if the scheme were worked through a Government agency. Co-operative Credit Societies would treat clients leniently for money, while Government would rigorously exact recovery.

Mr. McNeill said he had no objection to Mr. Campbell's proposition as long as it was not made absolute and exclusive. The scheme contemplated that Government should initiate action and assist Co-operative Societies to work effectively as debt redemption agencies. People would willingly come into a society if their debts were paid off, but during the experimental stage let it not be compulsory upon a man to enter into a Society for that purpose. No Government officer could do without the village Panch for enquiry. In response to Mr. Herlekar's objection he said his idea of using Government money was only as a temporary measure until funds could be obtained by local exertions.

Mr. Narbadashanker asked whether lands on restricted tenure would do for security.

Mr. McNeill replied he could not say that it was not security worth having. It might depend on other circumstances.

Mr. Nabadashanker urged that poor people would be very much helped if it was taken.

Mr. McNeill expressed his inability to answer for Government.

Sir Vithaldas observed that the scheme was complicated; but he would like to get one point cleared. Under the scheme the Government would guarantee  $3\frac{1}{2}$  per cent. interest after satisfying themselves that there was full security in the shape of property. So far the Society is benefited. Supposing famine came in and by sale of property the Society could not recover its dues, what, he asked, would be the position of Government and of the Society.

Mr. A. B. Desai opined that Government guarantee would only apply to payment of interest at  $3\frac{1}{2}$  per cent. until liability was cleared.

Sir Vithaldas said, suppose there were 4 solvent people in a Society of 20 persons, and these solvent persons helped the others with small amounts, they would no longer remain in a Society of which the liability was unlimited when larger amounts exceeding a certain limit were involved. They would retire for fear of being totally bankrupt. Government made preliminary enquiries and guaranteed interest. Did it not then undertake responsibility of repayment of borrowed funds? If not, who was responsible, he inquired.

Mr. McNeill explained that the details of the guarantee would have to be carefully settled. What the scheme proposed was a guarantee of payment of interest on the loans *until repayment*, which would extend over 20 years or less. As every loan would be based on a sound mortgage, that would ensure eventual repayment. The Village Societies would be primarily responsible to the Taluka Societies for repayment. People at present joined Societies with unlimited liability and incurred responsibility for large amounts.

Sir Vithaldas replied that that was all very well so far, but when the question of loss came in how could a few solvent people remain in these Societies? They would not have so many tiles to their houses as to get clear of their liability.

Mr. McNeill remarked that the exact form of the guarantee was a question of detail.

Sir Vithaldas thought that Government guarantee went for nothing then. It would look as if Government was willing to take no risk on that point.

Mr. McNeill expressed his willingness that the guarantee should undertake liability to pay " $3\frac{1}{2}$  per cent. until the money is repaid."

Sir Vithaldas remarked that that was equal to no guarantee at all.

Mr. A. B. Desai thought money would be paid in liquidation with due circumspection, and Sir Vithaldas' fears were imaginary. Government should at most extend the periods of repayments. The loss would not be considerable and could easily be borne by the Society.

Sir Vithaldas replied it is forgotten that lands might not fetch even the outlay, and in that case the question was, who would make good the loss.

Mr. A. B. Desai pointed out that the Society of course would have to bear it.

Ráo Bahádúr Bhangaonkar stated that the difficulty as regards advances from Central Banks to rural Societies was met by their projected Society at Dhulia, by making advances for liquidation of debts only on condition that the borrowing Society adopted the by-law for taking landed security in addition to the collective personal credit.

Sir Vithaldas stated it as his opinion that the scheme was faulty on the ground of this responsibility.

The Chairman recommended that the conclusion be reserved for the next day when the other cognate subject would be taken up.

The Conference then adjourned until the next day.

*Thursday, 17th December 1908.*

The Conference again met this morning with the Hon'ble Mr. Muir Mackenzie in the chair, and proceeded to the consideration of the Central Bank scheme as set forth by the Hon'ble Sir Vithaldas, D. Thackersey and Mr. Lalubhai Samaldas, *vide* Appendix III.

Sir Vithaldas rose to make some remarks introductory to a discussion of his paper on a Central Bank. In the course of his remarks, Sir Vithaldas said:—"The resolution adopted yesterday was a fitting introduction to the discussion about my scheme for a Central Bank. The discussion that took place yesterday has satisfied us that a Central Bank is essential for the success of the co-operative movement, and that we cannot afford to carry on the work without outside help; with Mr. McNeill's assistance we had formed a small Central Bank (Bombay Urban Co-operative Credit Society), and collected in a short time Rs. 10,000, for issuing loans to rural Societies. I helped the Society with everything in my power to make it an economical undertaking and the expenses of the concern have hitherto been almost nil, the staff being my private servants, and my own office being at its disposal. But such a state of things could hardly be relied on for a successful business upon a large scale. The experience we have gained has therefore satisfied us that a Central Bank in an authorised form is necessary, rather than the informal Bombay Urban Co-operative Credit Society, which can go on only as long as money can come voluntarily, and there are men willing to work. The scheme coming before you is a joint production of myself and Mr. Lalubhai Samaldas, although it was put forward before the Simla Conference in the latter gentleman's name. I must however submit that objections were raised against this scheme, one being that it was not sufficiently co-operative. Another was raised by Mr. Ramchandra Rao, Registrar of Co-operative Credit Societies, Madras, that the scheme, if carried out, would be destructive to the Madras Central Co-operative Credit Society."

After alluding to these objections Sir Vithaldas added:—"My original scheme is perhaps the only scheme that can succeed. The basis for that was the guarantee by Government for debentures. This is not only granted in Europe and Egypt, but even shareholders are guaranteed  $3\frac{1}{2}$  per cent. in these countries. In India Government is not disposed to give absolute guarantee. To induce them we proposed that shares worth 25 lacs be collected, which should be sufficient security for Government to guarantee four times the value of shares in the shape of debentures. If we restrict business to Co-operative Credit Societies only, we shall want shares of about 5 lacs only and we want Government to guarantee debentures of 20 lacs to be raised as required. Thus the objections to the original scheme will be met.

It is said that lending to Co-operative Credit Societies is safe. If so, and if loans are made through the Registrar, there should be no difficulty for the Government of India to guarantee the debentures. The reason, why the Government guarantee is required, is that the public invests only for 12 months at the outside, while we have to lend out for 10 or 20 years. Therefore to get long-term loans, Government guarantee is necessary. Deposits cannot come when required. They must be seized when available. It is for this reason that we want guaranteed debentures to make our sources for money sure. We are not giving up the old scheme altogether. By and by we shall take up liquidation of loans and other matters, as we gain experience, and expand our funds. In Egypt Government is doing this very thing on its own initiative. If Government is unwilling to guarantee funds *ad libitum*, let them guarantee only the funds requisite for agricultural loans to those who have irrigation. Last year the President told us that: 'The cultivation expenses of sugarcane were only Rs. 380-0-0 or so per acre, while the value of the produce was about Rs. 500-0-0; but borrowed money left hardly any margin to the cultivator.' Government, it is understood, is experimenting at Bárámati and it is hoped that the results will show a good line for investment.

Self-help is often preached here. But in other countries Government helps agriculturists. Let us see in the little book called 'Peoples Banks' how Government helps Societies in Germany, Prussia and other countries."

Sir Vithaldas then read passages in support of his statement and went on to add:—

"I will not waste your time in reading from this little work further, to show how other countries have managed for their Co-operative Credit Societies.

All Governments have taken up the agricultural question seriously and helped them financially. It does not behove the Indian Government to stand aloof and wait till they find their salvation themselves." With this Sir Vithaldas closed his remarks, and offered to explain his scheme further, if anybody had anything more to ask.

Khán Bahádur B. E. Modi said that at the instance of Mr. Chimanlal Trivedi, Auditor, Co-operative Credit Societies, Northern Division, attempts have been made to establish a Co-operative Union for the district of Surat. On the 20th of October last a public meeting was held at Surat to explain the objects of the Union. By-laws were then drafted by Mr. Trivedi and they are now under the consideration of a select committee. Their scheme was generally identical with that sketched out by the Hon'ble Sir Vithaldas, with a few exceptions. In the scheme proposed by Mr. Lalubhai at Simla, it was proposed to allow the proposed bank to carry on general banking business, as well as to advance loans to Village Societies. Sir Vithaldas in his present scheme omits the proposal regarding advances to individuals and regarding general banking business. Their Surat Union omits only the general banking business, and proposes to advance loans to individual cultivators of villages close to Surat as well as to village Societies, and also to the artisans of Surat City. It has also been proposed to try the experiment of supplying stores and of financing, as well as organizing local manufactures. This is of course a very hazardous venture which can be carried out only by experienced directors and managers, and great caution will have to be exercised. The capital will be raised by subscriptions from shareholders, no individual shareholder to subscribe more than Rs. 1,000. Some of them are confident that the capital will be subscribed without any great difficulty, while others are somewhat diffident. Deposits and loans will be taken. Sir Vithaldas thinks that without Government guaranteeing the interest on the loans, people will not advance the loans; their Surat friends are more sanguine; let them make the experiment; if they fail, they will not lose much. He then expressed a hope that in this connection his friend Ráo Bahádur Motilal of Broach would enlighten them regarding his experience of the working of the Society of Broach.

Ráo Bahádur Motilal said he entirely agreed with Sir Vithaldas, and dilated on the merits of a Central Bank. He admitted that they had been unable to invite large funds without a Government guarantee. The hand of Government was necessary to satisfy people, that there was no dishonesty and that proper audit was provided for. Government must also help these Societies with money. He then proceeded to show how the sum of Rs. 85,000, which had already been collected by about 30 Societies in Gujarat, was insufficient. Large funds were needed and Government should put in large funds which they might withdraw gradually. They could not give more than 3½ per cent. dividend. In order to attract capital, he would propose 4½ per cent. guaranteed interest. 6 per cent. on debentures would surely attract a large amount of money. Bombay Society will not have knowledge of the mofussil. Societies must ramify throughout the talukas.

Mr. Sathaye said as Government paid only 3½ per cent. on its own loans, he feared guarantee for a larger rate would be inadvisable. He wanted to know whether the debentures proposed in the scheme would be like the public loans raised by the municipalities and trusts, or only private loans, and further, as these trusts of established reputation already offered 4 per cent., whether these debentures would sell in the market.

Sir Vithaldas replied that they would be public loans. Four per cent. was quite sufficient to attract money.

Mr. McNeill said he did not think Khán Bahádur Modi's scheme was in any way antagonistic to Sir Vithaldas' Central Bank scheme. The formation of Taluka or District Societies would not in any way prejudice the Central Society. In his own experience he had found that one of the great difficulties in starting Village Societies was to get capital. What was wanted was a Central Society which would advance capital to the Village Societies either through the urban Societies or directly.

Khán Bahádur Modi said that he thought Sir Vithaldas' proposal for Government guarantee more reasonable than that of Ráo Bahádur Motilal and he was not against a Central Bank.

Mr. Desai observed that they needed a Central Bank. Experience of working the Co-operative Credit Societies in the Southern Division showed that without financial assistance they could not go on. Money was wanted though how it was to be obtained was yet to be discovered. Mr. McNeill's scheme as well as that of Sir Vithaldas both aimed at the good of the Societies. Mr. McNeill's scheme removed old debts; that of Sir Vithaldas supplied capital for current expenses as well as old debts. The rates proposed in both the schemes were and could be well assimilated in order to get at a reasonable mean. The question was whether guarantee would be given by Government. He would also add to it the grant of the power of summary recovery. Both the schemes were good and emanated from the highest authorities on co-operative matters and therefore they commended themselves highly to him for adoption.

Mr. Gordon stated that in his experience a Central Bank was not a necessity. He had had eight Societies in his charge and it was not money that was wanted. They wanted knowledge. The average cultivator would take any money that came in his way, which was dangerous to his own interests. He would therefore urge that people might first be taught to manage small capital, and then large sums of money might be put into their hands after they had developed habits of thrift and self-help.

Mr. Campbell remarked that the assistance they wanted was both money and education. He did not think the Central Bank could get into touch with Village Banks directly. The Registrar would be their medium. The Registrar would want a medium too before individuals were reached. They had two schemes before them and there was really no antagonism between the two schemes. They both had the object of teaching thrift, self-help, and co-operation.

The Chairman observed that everybody was unanimous that the village Societies required capital and that without a considerable supply of capital, the movement was in danger of coming to a premature end. So far as he understood it, there was nothing to prevent any rural bank from borrowing money in any quarter it pleased, and, therefore, there could be no legal objection on the part of Government or any higher authority to the establishment of a Central Bank. The whole question turned on whether the Central Bank or the District Banks which were going to lend money out, could get together the required capital by the mere attractions of co-operation and the prospects of good returns, or whether they required to be endorsed by a Government guarantee. He did not want to disparage the work of Honorary Organizers. He did not see where they came in with a Central Bank. The latter was a business concern and must have its own net work of agents and branches. As regards state help, he confessed he was ignorant of the facts quoted by Sir Vithaldas. He could not say whether Government guarantee could be obtained. What he wanted to ascertain was why it was wanted.

Sir Vithaldas stated that Mr. Lalubhai and himself were connected with banks. They had tried their best to induce these banks to lend to Co-operative Credit Societies. The Managers refused. When banks could make 6 or 7 per cent. elsewhere, they would be loth to make advances to such Societies. Personally he knew Messrs. Sassoon and Lalubhai were constrained to lend. But they rather lent direct to Societies, for better income than that obtainable for the same amount through a bank. Sir Vithaldas then explained how Government were quite safe as regarded the guarantee applied for. He tried to show how by means of the guarantee, the Central Bank could raise a large amount of loan on the credit of Government, and referred to Khán Bahádur Modi's scheme as in no way militating against his own. He also showed how savkars were naturally opposed to the scheme. If a Central Bank was really to work, it could not go on without cheap money and without the Government guarantee.

Mr. Campbell asked if summary procedure (for recovery of dues) could do away with the necessity for Government guarantee.

Sir Vithaldas replied that no summary procedure was wanted.

Mr. Gordon remarked that they would surely have to provide for losses.

Sir Vithaldas said that he must make himself clearer. By dispensing with summary procedure he did not mean that they would leave alone the defaulters. He meant that they would rather take the risk of going to law and effect recovery in the usual manner. Inevitable losses had already been provided for in the margin of interest charged and paid.

Mr. Sathaye observed that local capital being shy of supply to Co-operative Credit Societies, money from outside was clearly necessary. It must come either from Government or from the Bombay public. Without guarantee money could not come in. Sir Vithaldas had correctly said, that cheap money on Government credit would act as a corrective on local rates of interest. Government guarantee appeared therefore absolutely necessary.

At the suggestion of the Chairman, Mr. Herlekar assisted by Mr. Sathaye explained in Kánarese to purely vernacular-knowing visitors the points in the debate.

Mr. A. B. Desai said that Government guarantee was necessary. They did not want their paper-money. (His remarks about summary procedure were overruled.) He summed up by saying that the question of summary procedure was not so much for Central or Táluka Banks. A Village Bank would need it to make the whole machinery work.

Ráo Bahádur Khandubhai G. Desai thought that without the Government guarantee the scheme would have to be given up.

The following resolution was then laid before the Conference and unani-  
mously passed:—

That this Conference supports the scheme for a Central Financing Society placed before it by the Honourable Sir Vithaldas D. Thackersey and is of opinion that a Central Bank is necessary to finance local Societies and that capital cannot be attracted at reasonable rates unless Government gives some such guarantee as is proposed.

Mr. Campbell's paper, *vide* Appendix V, was then taken as read and the Chairman called on him to make such additional remarks as he chose, to open the discussion.

Mr. Campbell, dealing first with Registration Law, in the course of his remarks observed that Co-operative Credit Societies might be exempted from the Registration of their documents and from the operation of the Deccan Agriculturists' Relief Act.

Mr. McNeill gave his experience about registration of mortgage bonds, which was good in his opinion for protecting mutual interests and said that he would not do away with registration.

Mr. Desai observed that they could not get rid of an independent record such as that afforded by registration. In Societies, bonds were often left blank. There was no fraud, but there was carelessness. An independent record might, therefore, be welcomed in registration.

Mr. Sane said that the provisions as to registration in the Deccan Agriculturists' Relief Act were applicable only to four districts and that other districts were free from its operation as regards registration.

Mr. Deshpande observed that the fees charged on registration might be dispensed with; but was thereupon assured by Mr. Curtis that a circular exempting Societies and members from fees had already been issued.

Mr. Sane said that Mr. McNeill was of opinion that doing away with registration might do harm. Although fees were remitted considerable trouble was involved in going to the registration office, &c. Registration might be done away with altogether. The certificate of a Village Registrar drawing Rs. 20 per mensem could scarcely be more authentic than the records of a Society.

Khán Bahádur Modi said registration is necessary for our Societies too. A special Registrar might be appointed to get it effected.

Ráo Bahádur Bhangonkar said money bonds in Societies need not be registered. But mortgage bonds involving land must be registered.



Mr. Curtis then observed that there were two systems of registration, one of mortgage-deeds, and the other of money bonds. The former was compulsory under the Transfer of Property Act and it was imperatively necessary that registration should continue. Registration, he said, had its origin in Germany where the main success of the co-operative system was due to the perfection of registration. If a document was registered it was indexed and these indices were useful to intending purchasers to see whether the property was encumbered or not. Regarding the registration of money bonds, he said there was a volume of opinion from legal authorities who were not in favour of their compulsory registration. He then said that many facilities had been placed in the way of Societies. All documents registered on their behalf were exempted from fees and they were allowed to register printed documents. As regards identification, he said, they were doing their best to multiply registration offices, still they could not avoid long journeys. In Germany and Switzerland the common practice was to have a photograph taken of the borrowers. In England, however, that was not the practice yet. Photos now-a-days could be obtained at a surprisingly cheap rate. If such a custom were adopted and also the system of taking thumb impressions as was done in France, he said there would be no risk whatever. He would advise the members of Societies to take extracts from the Record of Rights to make their title undisputed. It was difficult to recover money from common or joint property. Shares should, therefore, be carefully noted in the Record of Rights.

Mr. Campbell asked if the compulsion to register all agricultural bonds could be removed.

Mr. Curtis :—Yes.

Mr. Campbell then questioned the differentiation of leases for, under and over a year, &c.

Mr. Curtis said that the procedure would be revised to make it harmonious with that in other Presidencies.

Mr. Campbell then, proceeding to the part of the subject dealing with Civil Procedure, read extracts from Mr. McNeill's paper and quoted from Sir F. Nicholson regarding cheap money, etc., and said that Societies had been left much to themselves as regards their form and institution, and in other matters. They would want more powers, and these might be granted. Summary procedure for recovery of loans would ensure local capital. The good working, too, secured thereby would produce good habits, such as punctuality etc. Summary power of recovery was required for central or other such banks. Government countenanced it for public and communal dues and for private rents. Tagai was governed by summary procedure; why should Societies be refused when they specially asked for it? It was merely a means to an end. Principles of co-operation were not touched. Present procedure was tedious, expensive, and discouraging. Why, he suggested, should Government deter while initiating? Or, why oppose the voluntary contract of private enterprise? Summary procedure is wanted: is it also necessary; to preserve present and enable future Societies?

The Chairman then asked the Conference to remember that this was a matter which would require considerable argument to carry through, as, at the last Simla Conference, it was noted that, when the Co-operative Credit Societies Act was passed, Sir Denzil Ibbetson had declared against the power of summary recovery. That was the view of the Government of India, and it had always adhered to it. It was obvious that a summary procedure was safer and more expeditious than the present one of going to Civil Courts. But they would have to show with concrete instances under what difficulties they were labouring in respect of recovering the loans. If there were no such difficulties existing at present they would have to state what grounds there were for supposing that they would have such difficulties in future. It was not enough to say that they had such summary procedure in Egypt. There were objections, and it was very necessary that they should show Government fully what were the difficulties they experienced in going to Civil Courts. It was all very well to talk about the Courts' delay, but if the transactions of the Societies were

carefully conducted, there should be very little need for them to resort to Civil Courts. They should see whether their difficulties could not be overcome.

Khán Bahádur Modi said summary power ought to be given to meet future difficulties. At least procedure for recovery must be made easier. If summary power is given, its existence will suffice. There would be no occasion to exercise it.

Mr. Edroos made remarks in support.

Mr. Sane thought if the Deccan Agriculturists' Relief Act were suspended it would be a modest substitute for summary procedure, and this might, perhaps, be granted. The application of special laws being removed, the operations of Civil Procedure would be smoother.

Mr. Gordon remarked that summary power would destroy the private character of Co-operative Credit Societies.

Mr. Herlekar said he would not ask for recovery similar to that of land revenue. If recovery was effected as in assistance cases it would do. Societies generally took personal securities which increased the difficulty of serving summonses etc. Expenses had to be incurred first by Societies and they added to the debtor's burdens. At present Mámlatdárs advised members to pay in their dues and thus unofficially expedited recovery. But this could not go on for ever. Summary power was not an antidote to insolvency. But it saved tardy procedure.

Mr. Sathaye said that concrete instances being wanted, he would supply one, viz. that of Chikhandigol. The operation took nearly one year and cost the Society Rs. 27, including various expenses for attendance of officers of Societies, etc. The costs granted by the Court were only Rs. 10, the remainder was a loss to the Society, plus a loss of interest for the year. It might be said that the loan was indiscreet. (The speaker in reply to the Honourable Mr. Muir Mackenzie said that only Rs. 30 of the principal had been recovered.) The instance illustrated the difficulty of recovering dues. Even in starting, people wanted summary procedure to be induced to join in a Society. The dread of a Civil Court was a great deterrent to people from joining, the trouble involved and delay caused being proverbially great. Some concession was therefore required. The mere removal of the operation of the Deccan Agriculturists' Relief Act was not sufficient. He concurred in Mr. Herlekar's remark that Mámlatdár's assistance was necessary.

Ráo Bahádur Motilal cited another case in Beach District and dilated upon the tardiness and the trouble involved in the ordinary procedure of the Civil Law and urged simplification. He also stated that the absence of such simple procedure impeded the formation of new Societies.

Mr. Deshpande said cases requiring summary power must be few. It would be oppressive in the same way as the *sávkárs*. Unless the feelings of the people were touched by love and co-operation, no measure could succeed. He then stated that in his own Society he had no difficulty in recovery.

Mr. Campbell to Mr. Deshpande:—"Have you any arrears?"

Mr. Deshpande:—Yes; but on account of famine postponement has been granted.

Mr. McNeill then said that they had heard arguments for, and against, summary procedure. What Mr. Sathaye complained of showed up one side rightly; while the absence of suits was due to the selection exercised in establishing Societies. Something was required, however, and he did not think it could demoralize the people. In simplifying the procedure for recovery he did not see how Government could consider it to be officializing Societies.

Mr. Campbell observed that he had already said in his note (which he read) that if there was to be any official procedure at all for recovery, they should not be asked to adopt ordinary Government procedure, such as that of a Civil Court. If Government procedure was required, then it should be made expeditious. It is the present formal and heavy Civil Court procedure that

governmentalizes! We want to be left to ourselves as much as possible. Sāvkar's could not complain. They were not barred from the privilege of a summary recovery made conditional on clear accounts of which it was a corollary, and should be made a premium.

Mr. R. C. Whitenack, Director of Commerce and Industries in the Baroda State, said that summary procedure already existed in H. H. the Gaikwar's dominions for some years. Indiscreet loans were unavoidable under such procedure. But the existence of an instrument which can dispossess a borrower of his property summarily actually tended to make him honest; and this, he said, had reduced arrears.

Mr. Herlekar then moved the following resolution :—

That the registration of simple bonds executed by members of Co-operative Societies in favour of such Societies is both unnecessary and troublesome as adequate security can be obtained by careful internal administration; and that in the opinion of this Conference it is necessary that Co-operative Credit Societies should be empowered to recover debts due by members by a mere summary procedure than that of the ordinary Civil Courts.

The resolution was carried unanimously.

The Conference then adjourned till the next day.

*Friday, 18th December 1908.*

The Conference reassembled again this day at 11 a.m., the Hon'ble Mr. Muir Mackenzie presiding.

Mr. G. V. Joglekar's note on subject No. 4 "How far and with what restrictions (to prevent demoralization) is it sound to hold out generally or individually promises of loans from Government?" was taken as read, *vide* Appendix IV.

After Mr. Campbell had outlined the main points in the note and opened the discussion, Mr. McNeill said that one of the main advantages of Government giving loans to Co-operative Credit Societies was that it inspired confidence in the people. As the Government were advancing money, the people would take an interest in the business of the Societies and see that they were properly conducted. So far as he could gather from conversation with those interested in the formation of Societies, it was very desirable that as long as the movement was in its infancy, they should adopt this among other methods of inspiring confidence in the people. Mr. McNeill further suggested that Government should make tagai advances to the members of the Society on the latter's standing security for them. Such an arrangement would be of assistance to the Government in recovering the tagai. There would be a saving of time and trouble in the taking of agreements. Inquiry would also be thereby facilitated.

Mr. Sathaye said that he had something to do with the organization of Societies in Gadag taluka. Wherever he preached, the people claimed Government help. They would not come forward without it. The Government grant to the rural Societies was more in the nature of a concession than of a loan in as much as Government did not charge any interest for the first three years, and the interest afterwards charged was only 4 per cent. As to the question whether this grant should be given under certain restrictions, in his opinion the ordinary rule should be that no grant be given unless some contribution was made by the people. Without some such restriction it was not likely that there would be any self-help on the part of the people. As regarded loans given by Government as tagai, he thought the object of giving tagai was not only to help people with funds to carry on their business, but also to see that the money was applied to proper objects. He thought if tagai grants were given to the Society there would be greater chance of misapplication of the money, than was the case at present, because in a rural Society people could easily combine to prevent detection by Government. He was of opinion that Government should continue the present system of giving tagai to individual holders or

give it on the joint-bond system to the rural communities, but tagai should have nothing to do with the Co-operative Societies.

Ráo Bahádúr Bhangaonkar wished that the present practice of calculating the period of freedom from interest, *viz.* three years from the date of registration, should be given up. He would like to see it calculated from the date of payment, as under existing conditions a part of the period of freedom was generally lost owing to the difficulty experienced in collecting funds.

Ráo Bahádúr Khandubhai G. Desai said that the Government grant was looked upon by the people as a concession and not as a source of capital. The concession should not be withdrawn at once but should be continued for 3 years. It was the rule that it should be equal to the amount of capital raised by a Society. In the present wording he would suggest an addition so as to cover the grant in excess of capital raised in order to prevent book-adjustment, which required to be stopped. Prohibition to invest capital, before it was fully collected, would stop the practice. Behind this too there would be cheating but it could not be helped as he feared it was impossible to stop every irregularity. In his opinion the *sávkár's* money might be counted as capital as there was complete safety for Government money, the right of recovery being, in the case of Government, prior to all others.

Mr. Deshpande was of opinion that the period of freedom might count from the date of payment as suggested by Ráo Bahádúr Bhangaonkar.

The Chairman said Government would like to have a free and unbiased expression of opinion from the Conference about what had been called concession, and concessionary terms, in respect of giving loans without interest for the first three years, and then charging low interest. He could not see that that was necessary to produce confidence or attract capital. The only use of the concession seemed to him to be to encourage the Societies in their infancy. But he failed to see why Government should advance money to the Society when it could get a plentiful supply of capital outside. It did not seem to him to be quite business-like that such movements, which were conducted on business principles, should depend upon the charity of Government. The sooner charity ceases, the earlier would Societies grow more healthy.

Ráo Bahádúr Motilal said there were two kinds of Societies, *viz.*, urban and rural. In his opinion it would not be a good policy to withdraw the promise already so widely circulated. He thought it was necessary to give due notice from what date the concession would be withdrawn. He pointed out that people become disappointed as in Gujarát, where some distrust already prevailed owing to the Registrar having been unable, owing to the budget provision having been expended to grant state help. He was of opinion that the concession might at least continue in the case of rural Societies.

Mr. Natu said that Government help was necessary only at the outset. He said further that the practice of depending upon Government was common in India. People should be made to stand gradually on their own legs. There would be no harm if Societies were fewer but they should be specimens and should inspire self-help. Freedom from interest was unbusiness-like. In his opinion the expectation of a free grant might be discouraged and state help distributed at a small rate of interest.

Mr. A. B. Desai dissented from Mr. Natu in the withholding of state help. He said the time had not arrived for doing so. Societies had scarcely passed the stage of infancy. They therefore required encouragement in the same manner as students were formerly induced to attend Government schools. The concession was, therefore, in his opinion, absolutely necessary.

Mr. Sane admitted that the concession was unbusiness-like but to withhold it would be leaving 100 beggars to help themselves. He therefore recommended that the concession should continue, the people being poor and unable to go on without it.

Khán Bahádúr Modi said that he agreed that Societies ought to be *bond-fide*. People joined Societies only to obtain larger advances. But in his opinion there was no harm to let them have loans if Societies on the whole were solvent.

Mr. Campbell said the question involved three separate points, *viz.* (a) concessions, (b) restrictions, (c) grant of money, as tagai. Different conditions required different treatment. Circumstances varied in different parts. He therefore recommended that the grant of state-help should not be governed by the rigid rule of the Government advance being proportionate to the amount of capital raised; but that it should be discretionary, and the Registrar should be free to distribute state help according to the merits of each case. He then quoted some extracts as regards the restriction; pointing out that the latest orders of the Supreme Government appeared to advocate some discretion with the Registrar on this very point. He concluded by adding that the people being poor, it was impossible to expect them to raise the necessary funds to secure a fair amount of state help; and questionable to allow them borrow perforce from elsewhere to meet the contingent.

He was willing to leave "concessions" out of the question, one way or the other; and to treat loans from Government to Societies as tagai; and restrict tagai more or less to such loans.

The following resolution was then passed:—

That this Conference is of opinion that (a) Government money is necessary for Societies at this stage; and (b) such money should not be subjected to any absolute restriction of 'equal deposits from the Society.'

The Chairman then asked Mr. McNeill to take up the next subject No. 6 "Could co-operation without further legislation not only redeem the ryot from past debts but attract him sufficiently to prevent relapse?"

Mr. McNeill said that it was announced that he would read a paper on the question, but he had not due notice nor had he any paper ready. He therefore contented himself with giving a short outline of proposals for restricting agriculturists' right of alienating land. He said, it was often asked whether it was not desirable to adopt some means of preventing the ryot once relieved of his debts from relapsing into indebtedness again. What he would propose was that Government be asked to legislate on the model of the Punjab legislation with a view to restricting the ryot's power of alienating his land. In the Punjab the ryot was prevented from selling his land without permission, or from mortgaging or leasing his property for a longer period than twenty years. Apart from minor details a restricting Act in Bombay might differ from the Punjab Act in excluding from the operation of the restrictive provisions persons who, while nominally belonging to agricultural classes, belonged to learned profession, &c. He thought it would be desirable that they should ask Government to take away the ryot's power of practically expropriating himself of his land.

Khán Bahádur Modi approved of the idea of legislation on the subject, but he thought that the period of the lease or mortgage should be ten, instead of twenty years. There should also be some provision for the renewal of leases and mortgages.

Mr. Natu observed that the question had a serious aspect. It could not be dealt with in an off-hand manner. The tenure in the Punjab was different from that in the Deccan. A holder was not a machine to produce a certain quantity every year. He was a man, subject to all the changes of weather and circumstances. It seemed very good to read on paper that the ryot when once rid of debt would go on without it and would not relapse into debt. He was supposed to be a machine without the chance of famine, accident, &c, overtaking him. He was always described as spendthrift and stupid. The subject was vast and had been a topic of discussion for years past. The lands in the Deccan belonged to the ryot who therefore clinged to them closely. The subject should not therefore be discussed at such a short notice.

Mr. Sathayo said that the proposition was not meant to be general and not likely to be a legislation for all men. There would be popular opposition, if it was made general. But if the legislation was modified and only applied in the case of people, who were willing to have resort to the Co-operative Credit Societies for redemption, there would be no harm. He then quoted an instance in Bijápúr in which, under Government management, the estate of a minor was

saved from debt and how the same gentleman afterwards repented that the power of alienation had not once for all been taken away from him, with a view to preventing the estate from falling into another's hands for debts newly incurred.

Mr. Mardhekar suggested that the question be dropped for the present.

The Chairman said what he wanted to know was whether such legislation would meet with popular opposition.

Mr. Herlekar observed that the first question was whether co-operation would suffice to liquidate entirely the previous debt. Restriction of the power of alienation would only result in a refusal on the part of the ryots to have anything to do with a Co-operative Credit Society. Indebtedness might be checked by social ties, but the ryot should have liberty to get a loan on reasonable grounds.

Mr. Sane remarked that if Societies wanted Government to pass a law like that, they would not go on. Restriction would be disliked universally. Indebtedness might have been brought on through stupidity or through circumstances beyond control. Societies however could not expect to do any good through such restriction.

Mr. Campbell said he was against restriction too and suggested that they should proceed to consider subject No. 2 along with subject No. 6 and proposed the following resolution as suitable jointly for both :—

That this Conference is of opinion that redemption of previous debts is of primary importance and that Government assistance is imperative for initiating the experiment on an adequate scale.

Khán Bahádúr Modi seconded the resolution.

Mr. McNeill said that he should like to make one point clear. He did not say that restriction of power to alienate was essential for the working of the scheme. Simple liquidation was undoubtedly desirable as it would do much good.

Sir Vithaldas remarked that he did not see the use of passing a pious resolution like the one before them. No doubt it meant well. Nor was Government ignorant of the hopeless condition of the ryot. What he should like was that the Conference should specifically present Government with measures which would ensure the ryot's salvation, rather than simply suggest, that something ought to be done for his salvation.

Mr. Cambell replied that the Conference was not like a Commission or Committee, to elaborate details. They could hardly be expected to do anything, but accept or reject detailed schemes *en bloc*. Government would understand.

Mr. Desai answered Sir Vithaldas' objection to the scheme and said that if it were passed it would do much good.

The Chairman observed that before the discussion went further, he should like to know whether the Conference wanted the so-called pious resolution or some other of a more practical nature, and did not wish to encourage any more detailed discussion on the subject. Members had better speak on the proposed substantive resolution if they had anything to say.

The resolution was then duly proposed, seconded, and carried unopposed.

The next object for discussion was :—

How can the assistance of non-officials (as Honorary Organizers for instance) best be obtained ?

Ráo Bahádúr Motilal Chunilal gave an outline of the paper which he was to have read. He first gave some account of the movement in Gujrat and urged that there should be as many Societies as possible so that they might be easily accessible to a large number of villages, and that the non-officials should have the guidance of the Mámlatdárs and other officials coming in constant contact with the people.

Ráo Bahádur Khandubhai G. Desai said that the Registrar and auditors while going on tour in tálukas and the villages should enlist the services of people willing and able to become Honorary Organizers.

Mr. Sathaye said that a good selection could also be made by the Collectors from among the District and Táluka Local Board members. It was also suggested that the conferment of titles or some such recognition by Government in the shape of rewards as in the case of village officers of services rendered to Co-operative Credit Societies would induce others to come forward and help in the cause.

Revd. Father A. Seither, S. J., St. Xavier's College, Bombay, asked if one who was not a member of the Conference might make one or two suggestions and receiving permission so to do from the Chairman the Honourable Mr. Muir Mackenzie, he said he had had no actual experience of the working of a Co-operative Credit Society, nor had he any knowledge at first-hand of the special problems and difficulties encountered in the country, which was regarded as the cradle of Co-operative Credit Societies (Germany). He would have liked to have spoken on several points which had been raised during the discussions of the Conference, but he would confine himself to one or two suggestions.

In Germany the people were apt to look on the Government official with a little suspicion, and if he were to go and say that it was the intention of the Government to step in and free the cultivator from the money-lender, the farmer would probably frown and shrug his shoulders and wonder, which was the worse evil. He did not know how far such a feeling existed here, but the non-appearance of the Government official appeared to him advisable. He would further like to suggest that in search for Honorary Organizers gentlemen of the cloth he wore should not be overlooked. It might be said that the Padri Saheb had no business to take part in such work, but he would reply that it was the business of every honest and sympathetic man; it might be said that the Padri Saheb knew nothing about it, but he would reply: "Teach him and give him the necessary knowledge that he might assist." He could point to dozens of the clergy along the Rhine who were among the foremost organizers in the movement, and he thought that when once the clergymen in this country knew what were the aims of Co-operative Credit Societies, they would exert themselves to their very best in their promotion.

The Chairman, after expressing thanks for Father Seither's suggestions, said he had to announce that this concluded the Conference. He hoped that something practical might come out of the Conference, and that as a result of their deliberations they might be able to go beyond the stage of pious opinion. He would like to express, on his own and on Mr. Lamb's behalf, the great pleasure and instruction they had derived from attending the Conference, and he would re-echo His Excellency's wish that such conferences might become systematic and periodic.

Sir Vithaldas Thackersey proposed a hearty vote of thanks to His Excellency the Governor for opening the Conference and placing before them his views on this important movement and to the Hon'ble Mr. Muir Mackenzie and the Hon'ble Mr. Lamb for presiding on the subsequent days and taking such a keen interest in the subjects discussed.

Khán Bahádur B. E. Modi seconded the motion, and after it had been carried, the proceedings terminated.

## APPENDIX I.

*Mr. G. V. Joglekar's note on "How far should the co-operative movement offer a solution to Deccan indebtedness?"*

The subject of Deccan indebtedness is, as everyone knows, not a new one. It has engaged the attention of Government and also the public since the seventies when the Deccan Agriculturists' Relief Act XVII of 1879, India, was passed with the special object of remedying the evil, and staying the transfer of land from the poor ryots into the money-lenders' hands. Much indebtedness is, however, still in evidence and further efforts are urgently needed to ameliorate the condition of the debt-ridden agriculturist.

2. We have not met here to-day to find out and discuss the various causes that have brought on this state of things. This Conference is held in connection with the co-operative movement which has been so kindly inaugurated by the Government of India by passing the Co-operative Credit Societies Act X of 1904, India, and we shall proceed to see what has been achieved up to now and what is our immediate want if the movement is to offer a solution to the evil of indebtedness.

3. No one with average intelligence or sympathy for his neighbours objects to the principles of co-operation which are good beyond the shadow of doubt. In practice, however, they are up to now found to be of very little use in solving the problem of Deccan indebtedness, and that is due to circumstances which differ from those obtaining in Europe. In many a part of this Presidency the movement is yet novel and little understood. In parts where it has, though still in its infant stage, made fair progress, it has not made sufficient impression on the conservative and apathetic general public. It does not yet show sufficiently tangible results so as to move the general body of debtors as well as creditors to take it up and achieve similar results.

4. The general money market is yet cold towards co-operation. The attitude of the public is one of suspense even in places where the movement has spread and shows signs of spreading as in the Karnatic and Gujarát. The Deccan as a whole, is, I may say, as a matter of fact, quite unmoved, though the Sátára District and especially the Sátára Taluka stands out as one having the highest number of co-operative credit societies on its roll in the Presidency. But these are all composed of persons of the poorest class already suffering under the burden of old debts and there seems no practical way of freeing them and their lands, which to them are all in all, from the money-lenders' clutches. They appear to be thrifty and willing to co-operate, but they can scarcely raise any fairly large amount of cash to entitle them to receive government loans of an equal amount, such as is sufficient to start, in a fair way, the business of a village society or bank. Their initial indebtedness comes in the way of their being able to raise funds even on their joint security. It is said that the ultimate object of these societies should be to take over all the debts of members but, in Sátára and such other places, we find that indebtedness comes in the way of the spread of the co-operative movement at the very first step. The societies will have to be helped at the start by outside funds in order to free their members from the pressure of money-lenders and when thus made to stand on their own legs, they can begin a new freer life, the principles of co-operation can then be well instilled into them and the movement can make its march upon the halting, waiting, and watching public in a satisfactory way.

5. The co-operative movement, if rightly understood and properly developed, is sure to be one of the best solutions to Deccan indebtedness. Where the movement has made some progress, signs are not wanting to shew that some societies do take such steps, though at a very slow pace, to tackle this question of indebtedness. Thus Hulkoti, which may be said to be the best model of its type in the Dhárwar District, has put its hand to taking over old debts of their members and paying out the savkars. It has borrowed Rs. 4,000 from the Bombay Urban Society and redeemed thereby the lands of 9 members from savkars' debts ranging from Rs. 200 to Rs. 1,500. Some other societies in the Karnatic have also followed suit and have arranged and are arranging to take over the old debts of a few of their members by funds supplied by the above society and some sympathetic capitalists in Bombay. There are other societies quite ready and willing to put their hands in the business, but I am sorry to find none are yet found willing to advance them the necessary funds and they are required to plod on in their present bad plight. The Badwal Society in the Central Division has also started on this project of the redemption of old debts in individual cases as a beginning, but finds itself handicapped by the paucity of local funds and difficulty of getting them from the outside market.

6. I should not be understood to mean that we have a very rapid progress of the movement in view. The field of operation is vast with the large extent of territory in this Indian continent. The progress will, in any case, be proportionately slow. Pit-falls will have to be carefully avoided. Otherwise they will mar all future prospects of success. The population of the country is mainly agricultural and, if it is to be touched, means must necessarily be found to combat and remove the great obstacle of their indebtedness through



these societies. If we are unable to do this, it is feared the co-operative movement is likely to end in failure, and then make this burden of debt doubly heavier.

7. The societies are intended to help the needy, but the funds on their hands are so short that they cannot sufficiently meet the demand of all the members. The majority of them eagerly join these societies with the evident intention of borrowing at easy interest and thereby freeing themselves from debt, but after some time they find that they are in no better plight, probably sometimes worse. The savkars, who have been supplying their occasional wants, become estranged, and not only refuse to advance further loans, but try to press repayment of all previous debts. This is quite beyond the agriculturists' means and if unfortunately they have to re-seek their help, there can be no question of the savkars dictating harder terms and re-imbursing themselves for their lost custom.

8. At present the village population is mostly divided against itself, between the creditors and debtors, each ranged against the other and trying to eke out what it can from the other by fair means or foul. If rural co-operative societies are financed sufficiently, the feeling of distrust now evident, will surely by and by disappear and both savkars and clients can in time be brought together to stand on a common platform of brotherly love and thus accomplish the salvation of the weaker side.

9. It will not be out of place here to observe that the weavers as a class are generally as debt-ridden and poor as the agriculturists; but they are beginning to find salvation in co-operation though the extent may be small. On going through the results of the working of the Weavers' Union at Dhárwár, we shall find that a number of weavers there have been able, with the help afforded by the society, to clear off a good deal of their debts for which they were paying usurious interest, and in some instances even to purchase shares in excess of the minimum number required to entitle them for membership. In other places, however, want of funds comes in the way of starting their societies.

10. It need not be supposed that ours is the only Presidency feeling this want of capital. If the last year's annual reports of the several provinces in India be read through, it will be seen that the same tale is told in many a province and that fact was prominently brought forth before the late conference held at Simla in October last, though the degree of acuteness might not be as great as it is found to be here. The formation of a central bank for this purpose is therefore a great desideratum and an urgent necessity.

11. If we both officials and non-officials who have gathered here in active sympathy with the cause, are able to devise some means to get over this difficulty, I think we shall not be far off in solving this problem of Deccan indebtedness through these societies.

## APPENDIX II.

### *Mr. J. McNeill's note on "Debt Liquidation."*

An effective scheme for the liquidation of agriculturists' debts in the Bombay Presidency, at least in the Deccan and Karnatik, would be so extraordinarily beneficial, that it is no practical objection to allege the very great difficulties likely to be experienced in elaborating and carrying out the simplest scheme which promised substantial results. A quarter of a century ago, the desirability of attempting to free the agriculturist from his indebtedness was recognized, but the difficulties attending the execution of the methods suggested were not unreasonably regarded as insurmountable. The agricultural history of the last twelve years has accentuated the desirability, while increased wealth and commercial capacity in the large centres, recent legislation, and perhaps also some change in administrative outlook, have removed some of the difficulties. The burden of indebtedness has become so great and the vague feeling of dissatisfaction with Government for withholding either preventive or remedial measures is so widespread that leisurely discussions as to the possibility of finding a practical solution must give place to the formulation of some working scheme.

The indebtedness of a single fertile taluka may amount to thirty lakhs of rupees, and usually this burden of debt carries an average rate of interest of 10 or 12 per cent., the higher rate being more probable in the Deccan. That is, before the cultivators of such a taluka can earn anything for themselves, they must set aside annually upwards of three lakhs of rupees to discharge the interest due on previous borrowings. If the effect of liquidation were to cut down the capital debt by even twenty-five per cent.—a moderate estimate of the reduction obtainable for cash settlement—and if the rate of interest were reduced from an average of 12 per cent. to an uniform 8 per cent. the annual interest charge payable by the cultivators would be reduced by exactly one-half. Taking a taluka's indebtedness at 25 lakhs and the annual interest accruing thereon at 3 lakhs, the reduction would be an immediate gain of 1½ lakhs yearly, the financial effect being more or less equivalent to the complete remission of the land revenue. Under any practical scheme the reduction of interest would be accompanied by the systematic reduction of the principal debt, so that the reduction of annual interest charges would be, though the most striking, by no means the only beneficial result of liquidation. The gain to the cultivators of a whole district in (say) twenty years would amount to crores of rupees apart from gain which cannot be expressed in terms of currency.

It may be postulated that liquidation on a large scale cannot be attempted unless Government either (1) provides the necessary capital, or (2) guarantees the security of private capital advanced for the purpose. The sum required for financing any general scheme is so large that it is hopeless to expect Government to provide the necessary funds, and in any case it is better that Government should not embark on this large banking operation so long as a practical alternative is available. If the State borrowed largely at cheap rates and with the capital so raised displaced the private capital now invested the latter would for a considerable time find no profitable employment and much needless loss and hardship would be occasioned. The passive discontent of the agriculturists would be exchanged for the more active discontent of the rural capitalists. Further, though the State might directly liquidate debts and demoralize existing credit agencies in the process, the provision of further credit must be undertaken by private agencies. It would, therefore, be clearly advantageous to organise private agencies to finance liquidation and to provide current credit during the whole period occupied by the process of liquidation.

With the assistance of a Government guarantee, Taluka Co-operative Credit Societies could, it is believed, be established at once in several districts and within a short time in almost all. The capital would be largely, though seldom wholly, subscribed locally, so that the trouble arising from the wholesale importation of outside capital would not arise. But before organizing these societies and utilising them as financial agencies, it is suggested that Government should acquaint itself with all the practical difficulties of the problem by conducting a preliminary experiment.

In the taluka selected as the field for gaining experience a group of three or four villages should be selected and the intention of Government to liquidate debts declared and fully explained, the benefits being made available to all whose indebtedness could be subjected to a reasonable composition and thereafter extinguished within a period of at most 20 years by the payment of a reasonable fixed annual instalment. The actual liquidation procedure would commence with the ascertainment of the total nominal indebtedness of each applicant landholder, oral statements, being checked by reference to documents, books of account, the Record of Rights, and the Taluka Sub-Registrar's records. With the help of a village panch a detailed account could be prepared and the recognised nominal total reduced by at least *twenty-five* per cent.

Having adjusted the indebtedness of each individual, Government must be prepared to pay down the necessary capital in cash. A mortgage with possession, at 8 per cent., should be taken from the holder or holders, and simultaneously an agreement should be executed by which the land is let to the holder at a fixed annual rent *not exceeding the fair rent of the land at local rates*. The agreement would provide that from the amount so paid the revenue assessment should be deducted and the remainder should be regarded as an aggregate payment of annual interest and of instalment of redemption of principal. It is obvious that the mortgagor owner could not be expected or relied upon to pay more than a tenant who was maintaining himself by cultivating the holding. It is also obvious that in the event of the death of the owner-mortgagor or of his default in payment the land will not secure a large annual payment from another tenant than its fair rent. The capital payment should also not exceed three-fourths of the estimated value of the land. If these rules are adopted and supplemented by a rule restricting liquidation to cases in which the debt can be redeemed in 20 years, the inquiring officer's work will be comparatively simple. Where the difference between the easily ascertainable fair rent and assessment is not sufficient to provide for the repayment of the debt with interest in 20 years, the application should be definitely rejected, subject to any rules which practical experience may suggest regarding the acceptance of collateral security. The limit of 20 years affects merely the preliminary investigation in respect of the security. When owing to bad seasons or other unavoidable causes, a debtor is unable to pay an annual instalment, the period of repayment must be extended.

Having installed the owner as mortgagor tenant, Government should offer to the local money-lenders simple bonds bearing 6 per cent. interest giving priority to those money-lenders whose debts are redeemed. I do not think that this proposal will be criticised on the ground that the new security, an absolute Government guarantee of 6 per cent. will not be sufficiently attractive. It may possibly not attract all local capital at once, but it will attract a sufficient number to provide capital for liquidation as the operations proceed. To set the scheme in motion and overcome initial difficulties, Government might have to be prepared to pay out temporarily up to 2 or 3 lakhs of rupees. As local capital is set free, applications for the bonds from local money-lenders will be forthcoming even if there is delay at the outset. These operations might be carried on until Government had liquidated debts, as adjusted, to the amount of ten or fifteen lakhs in a compact group of villages.

The position of Government is then this:—It is mortgagee of land worth considerably more than the sum advanced thereon. It has special facilities for recovering the instalment of repayment agreed upon. It has issued a limited number of bonds at a high rate of interest to local capitalists but even if these were open to speculative negotiation and even if they could not be redeemed when the grounds of policy underlying the issue ceased to have force, the total value would be too insignificant to affect other Government securities.

If this experimental direct liquidation is not absolutely necessary, it is at least extremely desirable. Before undertaking to guarantee large sums of money advanced by private agencies at

the instance of Government Officers, Government should have first hand practical knowledge of all elements of the problem. It should train the nucleus of an inquiring staff, draw up a set of clear instructions for the guidance of its officers, and endeavour to avert the hostility and secure the good will and active co-operation of the local money-lenders during the experimental stage. Within reasonable limits the better the money-lender is treated in the experiment, the more the staff will learn as to the extent to which the nominal debts can be reduced, as well as regarding the methods by which they may be artificially inflated.

The experimental operations having been completed in a dozen or more villages, the next step suggested in the offer of a Government guarantee of  $3\frac{1}{2}$  per cent. interest on the capital of registered Taluka Co-operative Credit Societies lent out at not exceeding 8 per cent. interest to landowners or 7 per cent. to village Co-operative Societies on the recommendation of the Collector or other officer nominated for the purpose. These Societies might, and no doubt would, subject to the provisions of the sanctioned bylaws, undertake other financial operations at their own risk, but the guarantee would apply only to funds advanced on official recommendation. Of course such recommendations would be preceded by regular inquiry just as in the experimental stage of the operations. There would be this difference, however, that the society's committee and officers would be interested in rendering all practical assistance. The guarantee of  $3\frac{1}{2}$  per cent. would attract capital and competent management, but the anxiety to earn (say) an additional  $3\frac{1}{2}$  per cent. or 7 per cent. in all would stimulate the society's managers to aid the official staff in getting through the maximum of work with the minimum of mistakes. It is by no means improbable that in course of time the need for special inquiries by official agents would disappear as the society's officers would prepare cases and would not ask for a Government guarantee of  $3\frac{1}{2}$  per cent. on a loan unless they thought the transaction would bring in 7 per cent. or more to the society. Scrutiny of cases proposed by a society's officers might in time be substituted for official initiative. The accounts etc., of these societies would, under the Co-operative Credit Societies Act, be subject to official audit and inspection, and the guarantee might be conditional on the observance of the society's approved bylaws including those regarding the recovery of debts. Without a Government guarantee, sufficient capital at sufficiently low rates of interest will not be forthcoming, and the value of the guarantee will be considerably enhanced if each demand for a loan is known to have been preceded by a formal inquiry respecting the borrower's title and his ability to repay the debt with interest, not at  $3\frac{1}{2}$  per cent. but at the society's loan rate. The guarantee alone may suffice later, but not at the commencement of the operations when managing committee and society's officers are still inexperienced. So also from the standpoint of Government it will be preferable at first to guarantee only as regards definite advance lent to individuals on security which has been specifically approved. The question of guaranteeing control over Co-operative Societies in return for a share in the control over the general operations of such societies need not be entered into here. What is now proposed is a guarantee relating to individual approved transactions.

If the Taluka Co-operative Credit Societies are to be recognised financial agencies of the scheme, it is practically necessary that some formal type of constitution should be suggested. The following proposals are submitted for consideration.

Though an invariable rule cannot be laid down, a Taluka might be regarded as the normal area of a Society's operations. The transactions will be numerous enough to occupy a full time staff and the cost of the staff will be a sufficiently small percentage of the net earnings. Local knowledge, local interest, and local management (possibly with outside assistance) will be conspicuous features, and though financial considerations will exercise predominating influence, co-operative ideals will be present, though perhaps in the background. Another strong reason in favour of local management is the constitution of an influential local agency antagonistic to default or repudiation. Liability would of course be limited. The members might consist partly of shareholders and partly of members with more restricted rights (and liabilities). The committee of management might consist of nine (or more) persons of whom six might be chosen by the shareholders, two by the other members, and one by Government. It will be seen that the shareholders are given a substantial majority. One-third of the shareholders' nominees and all the others should be residents of the Taluka. It is believed that if nonresidents may be shareholders and committee members there is more likelihood of attracting capable and wealthy residents of Bombay and other large towns to the direction of such undertakings and of securing the necessary capital. The Government nominee should, if possible, be a nonofficial. The Registrar of Co-operative Credit Societies will in any case audit the accounts and examine the records and proceedings of each society once a year. The nonshareholding member should be represented on the committee. He may do much good and can do no harm.

Such a society would in its own interests try to organise village societies (with unlimited liability) to serve as its agents for the distribution of capital and for the recovery of debts. In the United Provinces, as well as in Europe, the centralization of capital and financial control accompanied by the decentralization of inquiry and immediate financial responsibility has already been introduced. Though the guarantee would be limited to the liquidation of debts, societies would find it profitable to expand their business to meet all credit requirements recognisable by a Co-operative Society. If liquidation is made conditional on the acceptance of

restrictions on land alienation, the provision of ordinary credit by the financing agency becomes almost necessary. The right of storing boxes, etc., in the Táluka Treasury strongroom should be conceded.

Other details of the constitution would be filled in without difficulty. While Táluka societies might be federated into district societies later, it is thought that regarding debt liquidation as the main object in view progress will be more rapid and at least no less secure if independent Táluka Societies are first organised. It may be urged that the main scheme might be launched without the preliminary experiment. Theoretically there is no objection to asking the public to accept and carry out any scheme. Practically there are great objections of which a few may be stated. Firstly, Government is offering a guarantee without knowing to what it is being committed. Secondly, the public will respond less readily without a clear object lesson. The guarantee plus official experience is much more valuable than the simple guarantee. Thirdly, the rural capitalist is not shown clearly that his interests need not suffer, and his hostility is to be deprecated. If the guarantee scheme proves attractive, the rights and liabilities of Government under the direct experimental liquidation can easily be transferred to a Co-operative Credit Society as the bonds issued by Government would be redeemable at par at short notice. The general scheme outlined above will not directly relieve the very deeply involved owner-cultivator. No scheme on commercial, as distinct from purely philanthropic, lines can directly assist him. But there is good reason to believe that by fixing a maximum indebtedness as convertible on a definite security, creditors will be induced to compound on unusually favourable terms where the debtor is on paper insolvent. The adoption of an usurious or harsh attitude by creditors will be discouraged if revenue courts distinguish carefully between fair and unfair rents.

The position of the local money-lender under the scheme is not quite the same as under the preliminary experiment, but there is sufficiently close similarity. If he becomes a shareholder in a Co-operative Society, he will have a Government guarantee up to 3½ per cent. interest on his capital and the practical certainty of earning about 6 per cent., the Society's working being supervised by an officer of Government. The Táluka Society must clearly be able to raise capital outside the Táluka in order to finance operations until the local capitalists realise that their best policy is to come in. The suggested constitution enables them to do so, and the guarantee should attract capital freely. At the same time the proposed management is calculated to ensure a preference to *local share* capital. If there is any difficulty about excluding outside capital and attracting local capital, the local adoption of the methods suggested in the experiment should be effective. Once the liquidation operations are well under way, difficulties about the local subscription of capital will, it is believed, disappear. If the bylaws of Táluka societies limited the amount of loan capital absolutely and proportionately to share capital, and also limited the total amount of share capital issuable to nonresidents the societies could not become mere dependent branches of a large central financial agency working on a Government guarantee. But with provision for preponderating local influence in the management, local interests should in any case predominate. Due regard for outside subscribers of capital is secured by allowing up to 4 members of a committee of nine to be nonresidents. In support of any reasonable proposal, the outside members might count on the support of the local Government nominee so that dangerous financial methods and undertakings of an incompetent staff could not be imposed on them by less experienced and mere short-sighted local committee members.

If these proposals are generally approved, it would be well that the first area of experiment should be a district in which Co-operative Societies are in existence or might be expected to succeed. Government as guarantor and Táluka societies as dividend-earners need have little fear of avoidable default by members of village co-operative societies as the Táluka Society will have a first mortgage on the property of persons who are also debtors of a village society.

In conclusion, the existing difficulties would be reduced almost to vanishing point if the debts owed by members to Co-operative Societies could be recovered by a cheaper and less dilatory processes than is now available, and if the provisions of the Deccan Agriculturists' Relief Act did not apply to the transactions of these societies.

### APPENDIX III.

#### *A Scheme of a Central Financing Society by the Honourable Sir Vishal Das D. Thakersey and Mr. Lalubhai Samaldas.*

The subject of this paper has been present to our minds almost ever since the passing of the Co-operative Credit Societies Act. The need of a Central Financial Agency has been felt in all countries where the movement has gained a footing. We do not think it necessary to establish at length the need for such a Society on the present occasion. The Rural Societies can not have direct access to the money market for various reasons. Their requirements are small. Their credit is not realised by the Joint Stock Banks and the general investing public. They want long term loans at a lower rate of interest than that ordinarily charged by the village savkar.

On the suggestion of Mr. McNeill, first Registrar of Co-operative Credit Societies in this Presidency, we started two years back the Bombay Urban Co-operative Credit Society with this object in view. All the available funds of this Society were readily taken up and now the Society has had to reject several applications from Village Societies owing to the fact that more advances could not be made without enlarging the basis of the Society. Mr. Lalubhai Samaldas and some other gentlemen have individually advanced sums of money to several Village Societies. But this kind of assistance cannot be relied upon. Mr. Carlyle, who presided over the Conference recently held at Simla, said: "The need for sufficient capital to supply all the needs of the members is another point which had been very clearly brought out in many of the reports, and unless this problem is solved the movement was bound to end in ultimate failure. Again, if the Societies were to succeed they must attract outside capital on business terms, and this could not be done if the interest paid were too low."

Sir Vithaldas D. Thakersey had prepared a scheme for a Central Agricultural Bank which was published in the *Times of India* last year. Mr. Lalubhai Samaldas put forward before the Conference of Registrars recently held at Simla, a scheme on the same main lines with a few modifications in the light of criticisms passed on Sir Vithaldas' scheme. We do not think it necessary to reproduce here the schemes as originally put forward and as subsequently modified. The chief objections taken to these schemes, were that they were not absolutely co-operative, that they proposed to make advances to individuals, and that in addition to advancing money to Agricultural Societies and individuals, they proposed to do general banking business.

These objections are not insuperable but [in order to make a start as soon as possible, we have framed a smaller scheme, which is not open to them, and which, we think, will be of very great benefit. In this scheme we omit the proposals regarding advances to individuals and of doing general banking business. The Society will make advances only to Co-operative Credit Societies whose needs are urgent, and to meet which this smaller scheme may be adopted at once, leaving the larger scheme, to which we attach great importance for a fuller discussion as opportunity offers. We are induced to take this course by the further consideration that the successful working of the smaller scheme will pave the way for and be a stepping-stone to the larger. We may add that though the proposed Society is not Co-operative in the sense of being a joint effort of Co-operative Credit Societies, the promoters will be glad to give every encouragement to the more flourishing societies to hold shares and to make deposits in the Central Society from their surpluses. This is the best that can be done at present. Situated as most of them are, it is hopeless to expect them to take the initiative in the organisation and working of a Central Society, such as that proposed by us.

With these observations, we proceed to outline the principal features of the scheme.

(1) The Society to be a Co-operative Urban Society, to be registered under the Co-operative Credit Societies Act, the share capital to be obtained in the open market.

(2) Share capital at present to be 5 lakhs, with power to increase it to 25 lakhs.

(3) The Society to be authorised to issue 4 per cent. debentures to the extent of four times of its paid up capital and reserve fund.

(4) The interest on these debentures to be guaranteed by Government until payment.

(5) Debentures to be repayable at the end of 28 years.

(6) The funds of the Society to be used only for making advances to Co-operative Credit Societies.

(7) The term of advances to be not more than 10 years, liable to renewal at the option of both parties.

(8) Advances to be made only on the recommendation of the Registrars of Co-operative Credit Societies.

(N. B.) This condition is put to ensure greater security to Government, but if Government do not desire it, it may be left out.

(9) The maximum rate of interest charged to Co-operative Credit Societies to be 8 per cent.

(10) Government to have the right of inspecting the books of the Society.

The essential feature of the above scheme is the Government guarantee of the interest on the debentures. This is indispensable, until at any rate till the investing public has gained sufficient experience of the working of the Society to feel confidence in the safety of moneys lent to Co-operative Credit Societies. Such a guarantee is absolutely necessary to attract capital to the project. It alone will enable the Central Society to get sufficient funds to finance the village societies at a rate of interest at which they can profitably borrow from it. Again, our experience, and that of every body who has studied the subject of the organisation of rural credit, has been if loans are to be of any use to agriculturists they should be long term loans. The investing public usually do not make deposits for a longer term than 12 months and it is obvious that it is not sound finance to borrow money for twelve months and lend it for 10 years as the Malras Central Urban Bank is understood to be doing. Such an arrangement may lead to the collapse of the society at any moment. It should never be forgotten that the rural societies to which the money is advanced, are, as a rule, not very regular in their repayments, while the Central Society will have to repay its deposits on the due date.

It may be pointed out that the security that Government have for their guarantee, is ample. We have no objection to the receipts and other documents being placed in such custody as Government may approve. As the Government guarantee will be limited to a loan of not more than four times the subscribed capital and reserve fund of the society, there will be a margin of 20 per cent. which must be regarded as ample security in case of any untoward circumstance.

As Co-operative Bank business has been proved by experience to be very safe and steady, it is believed that Government will not hesitate to give this guarantee which is essential to the success of our scheme.

#### APPENDIX IV.

*Mr. G. V. Joglekar's note on "How far and with what restrictions (to prevent demoralization) is it sound to hold out generally or individually promises of loans from Government?"*

The co-operative movement is of very recent growth. It has not yet sufficiently caught on. It is still in the initial or experimental stage. Demonstration is certainly needed of its benefits. Much new ground is still to be broken. The general money market is yet cold and indifferent. Government assistance therefore at this stage is indispensable. It is sometimes said that Government help is demoralizing. It may, if too liberal in its scope. But if it is permitted under due limitations or restrictions, there is to my mind very little danger of its having a demoralizing effect. It cannot demoralize, simply because it comes from the paternal Government. If Co-operative Credit Societies have to be financially assisted at the initial stage by outside capital, then it matters very little whether the capital comes from Government or some bank and private capitalists. In my humble opinion at least the fact, that the initial loan is obtained from Government, is sure to prevent demoralization. Government help is viewed with a certain awe and respect and is likely to make the people self-reliant and thrifty. If Government funds are likely to have a demoralizing effect, there is almost the same danger, if funds are procured from private capital. Government help is a sort of official guarantee of the soundness of the cause and solvency of the Society, and if that is taken away, the cause is sure to suffer. The movement is meant to help the needy and it matters little wherofrom comes the help, whether from public or private funds, and demoralization is not likely to occur if some limitations or restrictions are placed on such help. In practice it is everyone's experience that one who obtains money by his own exertions, really knows its value, and is not likely to become demoralized by its flow; while one who gets it as a legacy, is ignorant of the toil that has been bestowed on its acquisition and is unmindful in its expenditure. We often see cases of heirs of wealthy men turning out spendthrift. Restrictions or limitations therefore have an educative influence of their own, and in this light their existence ought not to frighten us, if they can be made so elastic as to suit special needs and local circumstances.

2. With these preliminary observations it will be well I think to consider the several restrictions that are now placed on the grant of Government loans. They are:—

- (1) The loan is not to exceed Rs. 2,000.
- (2) The loan is to be advanced in even fifties of rupees.
- (3) The Society must collect from its own resources actual capital in hand to an equal amount to be lent by Government.

3. As to No. 1, I beg to think that Rs. 2,000 is a fairly substantial help to a rural society of agriculturists for whom the societies are primarily meant to be established. The needs of a rural Society are generally far higher than Rs. 2,000 and I do not think the limit is so great as to have any demoralizing influence.

4. No. 2 requires no comment as it causes very little inconvenience.

5. The third restriction is one on which opinion is likely to be divided. It has been put down evidently with the intention of calling forth an earnest of people's interest and of encouraging habits of thrift and principles of self-help.

6. From my experience, which, I admit, is short, I believe that some limitation of the kind is essentially needed though I should say that its rigid terms ought to be made somewhat elastic. Spurious collections if shown in accounts or actually produced for the time with a view to securing the Government grant ought to be deprecated. There must be honesty in the dealings or transactions that are undertaken. In some cases sums are credited as deposits and debited as loans without even the semblance of an inquiry into the need of the man (a depositor and a debtor) for whom this is done. The Society proposes to start with a dishonest practice evidently adopted to entitle it to secure the full Government grant. It may be argued that the borrowers may have a credit for and be worth a larger amount. We must not however look at the transaction as one of simple credit. There the entries stand and can be used as a regular money transaction. One of the principles of the co-operative movement is the creation of honesty. If dishonesty is practised at the very start, it is difficult to conceive that similar

practices will not be adopted afterwards. The transactions must be above reproach; but as long as the needs of the depositing borrowers are not at all looked into by the Society, and proportionate relief allowed, we cannot hope to approach the essential ideals of co-operation. One fraudulent transaction is sure to beget another and we cannot know where they may end.

7. As a practical example as to how dishonesty begets dishonesty it may not be out of place to note that formerly we could come across a number of debtors who thought it a sin to deny responsibility of repayment of debts even when there was no document in support or when they were time-barred; but with the law of limitation sufficiently known, we find the debtors refusing repayment as soon as they are sure that the claim is time-barred. Formerly word was quite sufficient, but now even registered documents are of less avail. The result has been that creditors became distrustful of the debtors' honesty and tried to reimburse themselves by fraudulent practices and the result on the whole has been quite the reverse of desirable. If sound principles of the co-operative credit movement are to be followed, we must give no shelter or support to such spurious transactions.

8. It should also be observed that mere production of actual cash made for the time only is not desirable. An instance was recently discovered, in which the people of a village desirous of having a society, contracted with a savkar to produce the cash for verification with a secret understanding with him that it may be taken away when the Society secures registration and the Government grant. Such practices ought not to be permitted, and care is being taken to see to this. If they begin in dishonesty, they cannot be expected to prosper.

9. The real need of infant Societies is of funds. It does not matter who supplies them. They resort to these devices because, I think, the rule is rather rigid and inflexible. If the rigidity is removed and the limitation of capital being raised equal in amount to the Government grant or loan required, is made elastic, the effect is likely to be wholesome. The societies are supposed to help the poor and needy but honest people, not primarily those who can afford to save or deposit fairly large amounts. It is beyond the means of ordinary agriculturists, at least in the Deccan districts, to collect capital sufficiently large to enable them to start business and to make it paying so as to form a reserve fund. If the capital is too small, there is no hope for them to make it paying. If encouragement is to be given them, the equal proportion now prescribed needs revision in the light of actual experience. What that proportion may be, whether it should be 1 to 3 or 1 to 4 between the Societies' capital and Government loan, I leave it to the Conference to discuss. I do not believe that it would at all do to take away the restriction altogether. If we do so, there will be no incentive left to work and try to grasp at the main principles of co-operation. The trouble taken in raising capital has its own educative influence in that the villagers will know the real value of the concession of the Government grant much better than if it were quite unalloyed with any such limitation or restriction.

10. It may perhaps be argued that Government loans are not found quite necessary to a large extent in other provinces. Circumstances are different in different provinces. Uniformity in the restrictions may be maintained if circumstances are also uniform. But we shall find that even in our presidency they are varying in the three different divisions, *viz.*, Gujarat, Deccan and Karnatic. Capital is easily collected in Gujarat. The rates of interest are also lower than in the other two divisions. In Karnatic some exertions are needed to raise capital, but in the Deccan, efforts are not fruitful, and the capital obtained is too little. Help to the needy poor is the avowed object of Co-operative Credit Societies, but the rigidity of this condition makes it impossible for them to get any substantial assistance. It goes most to those who can better afford to raise the necessary capital and therefore need it the less. As an earnest some portion of the total capital (including Government loan) with which they propose to start business, ought to be raised by them. Such collection has an educative influence of its own, but it need not necessarily be half of the total as at present.

11. Tagai loans are granted to help the needy agriculturists with a view to save them from the burden of usurious interest which they otherwise have to pay to the savkar. We advance them on the security of person or property after satisfying ourselves of their solvency and value. The same might be done when advancing loans to really poor societies. Their collective worth or credit may be estimated (this has become simpler by the preparation of the record of rights) and help granted up to its one-third, on condition that they collect a fifth of the total capital including Government loan with which they propose to start business.

#### APPENDIX V.

*Mr. C. S. Campbell's Note on "Question of summary-procedure for the recovery of co-operative societies' dues."*

1. The question is a large one with different sides, and must be dealt with somewhat in bits.

Perhaps, to begin with, one might examine the term "summary-procedure," and all it may contain, more specifically.

Then one may deal directly with the two main bodies of objectionists.

Lastly, one might add any positive side or point remaining still untouched.

The subject is not a new one; as may be seen, *inter alia*, from the Government of India's letter No. 830—30-3, dated 29th May 1906, to the Punjab Government (copy sent to Local Governments). But I am dealing with the matter in a way independently and after experience.

2. "Summary-procedure" may be said simply to include any or more than one of the following:—

- (1) decision of original decree by Revenue authority,
- (2) execution of Civil (or Revenue) decree by Revenue process,
- (3) decision of original decrees by the Society itself,
- (4) execution of Civil (or its own) decree by the Society itself.

In the case of (3) and (4), of course, the words may appear to be used somewhat loosely. "Arbitration" and "Decision by Panch", however, are easily understood. "Execution" in such case might find its sanction, its reference and its record with the Registrar; the specific officer specially appointed by Government to see justice done and to protect individual and communal interests. However, to avoid complication and unnecessary disagreement over minor points, we may take it that "summary-procedure" means certainly—execution by a summary process as opposed to the process of a Civil-Court; and possibly also decision of decree in a summary as opposed to Civil procedure.

3. Now, it is instructive to note the readiness with which the mind dissociates any Civil procedure from anything like expedition. To "go to law (civil)" and to "go to man's long home" may be almost equivalent with some people. Assuredly life for many, after proceedings are begun, cannot easily run again as smoothly as before. All the time the law is proceeding bitterness is being bred and fostered. Wise advice was that deprecated resort to extraneous law when brotherly arbitration was so more natural (or spiritual). In a word, Civil law (I use the words loosely in a comprehensive sense) is terribly heavy, moves slowly, and is all-absorbing. It is a veritable behemoth, drinking up a river and hasting not. It is a creature made to remedy a terrible evil—namely the absence of fair play (to say nothing of brotherly feeling) between citizens of the same city. It has its use then; and its ugliness may add thereto.

4. But, what if the ugliness be more threatening to the injured than the injuring? What if the rich fraud, the cruel task-master, finds this monster beautifully in keeping with his own methods; ever ready to tread out the only breath he has himself left, because it is against his religion to take life? When it is a matter of distinguishing between individual and individual the complex centralized Governments of to-day find a task almost if not quite beyond them. Then why not adopt a method that at once settles the matter by substituting local knowledge for central intelligence?

5. "Summary," then, is to be anything "on the spot," as opposed to an extraneous something that takes long in coming.

6. Now, it is noticeable that Government having found Civil law necessary to meet an evil, have also found further action necessary to expedite procedure. It is Government to whom honour is due both for the process and the expedition. Then, why treat as something strange the application by Government of one course to one case and another to another? We forget, perhaps, that the simpler preceded the complex; and the old is often better than the new. It is the mixture that does the mischief. It is the honour of Government to distinguish and divide; and to grant or withhold a privilege, to check the evil and encourage the good.

7. But who, I ask, is to be the champion of an experimental Society, to face the bugbear of civil proceedings as they now are; and weary himself physically and mentally, spend and be spent, in trying to bring a traitor to justice; not criminal justice unfortunately, but civil; with the bare possibility that the Society will not lose on the whole proceedings? This is to recompense the altruistic individual for all his trouble.

8. To talk about the Society suing as a whole is unpractical from beginning to end. It is mere theorizing. We shall never get any forwarder in true co-operation if we do not call things by their proper names and face facts apart from their usual soft clothing. Who is to pay the bailiff? Who is to pay the Vakil's extra-fee, not included in the costs? Who is to pay the travelling expenses to and from the Court? Who is to pay the "batta" of the Society's representative, who hangs on the legal adviser from day to day waiting to be told that a seal is necessary, a further signature required, some entry still to be made; and other things may-be? Fortunately perhaps cases may become so frequent (when delinquents see how little their loss compared to the Society's and how convenient to gain time) that Vakils and Courts will be familiar with Co-operative law and the special privileges allowed to Societies. Vakils will have no need then to charge their "extra" fee due to the novelty of the case. Nor will Courts need to postpone for further information. But the bailiff? No novelty, no familiarity, will shake his equilibrium. Does he always ask for money? Oh, no. But if you don't give, you find



his visits unexpected and inconvenient; and it may take months to get him right. He has business elsewhere. Now, who in a Society is to be responsible for seeing the bailiff through? Further, who will do it a second time who has already done it once? Perhaps the answer is that he won't need to, the little Society having already succumbed to the first case.

9. The two main bodies of objectionists (that is those who object to the grant of summary-procedure for Co-operative Societies) are, we may say, (if only for the sake of argument) those who object on general grounds and those who object on "co-operative" grounds.

10. In the first class I conclude all who deprecate special legislation, all who do not favour privileges but would have one law for all, all who shrink from granting a special favour because others will ask the same.

I cannot help thinking that a point of view starting on these lines will end finally by logical procedure in negation of Government altogether. I am not of course concerned in the least with mere political problems here. I only introduce the subject for my particular purpose, and would point out that what has been written above may show that it is the discretion of substitution or application, of restitution or adjustment, that is claimed in this case for Government: not arbitrary creation.

11. But to be concise, one may say that this whole point of view turns on a consideration of the present money-lending class. Give the savkar his due of course; but don't yield to him at the expense of others: don't give the monopoly to a system that favours him, while refusing the extension of a sister system that merely treats him in company with others. We must remember—it is not a new system. "Summary-procedure" pervades the administration of India. And where it prevails things run smoothly, where it is not wheels become terribly clogged.

12. But, it is argued, (and now-a-days much weight is given to such misleading arguments)—if you give to one others will ask. Let them. Oh, but we must then give to them too. Why? Or, we shall have to go into intricate details to extricate ourselves from the charge of favouritism. Yes, it is that modern catchword "favouritism" that does all the mischief. Surely it is one of the highest privileges of Government to favour the good and disfavour the evil. The answer then to those who ask because others have been given is easy—we have given to them because they conform to the good of the community, you may have the same when you do likewise. Certainly, in the case under consideration it may readily be said to the savkar—your ways are selfish but Societies' not so: you are welcome to their privileges when you conform to their methods.

13. The other, the "Co-operative," objection is perhaps more subtle; less easy to see through and overcome. It is sound too, if not pressed too far. Pampering is always dangerous for a child; and a spoilt child is notorious. Even to take much notice of young people may spoil them. And it goes hard with young plants outside if kept too long in the hot-house. But, on the other hand, children and plants die without care; and grown-ups too for that matter. As the constitution so should the treatment be. And I would venture to say that "summary-procedure" is the most natural and logical procedure for Co-operative Societies from beginning to end; there is no forced or unnatural growth necessarily involved in it. I would suggest further that as "Co-operation" has proved the logical conclusion of all attempts to settle the agricultural question of debt, so is "summary-procedure" the only logical conclusion (not inclusion) of all the legislation that has been aimed at the release of the farmer from the trammels of civil law. It is too big a matter for this short memo. to trace the steps taken in India to defend the poor man from those, the rich, whose burden the Civil Courts made law. It may suffice to mention "registration," with its complicated impositions, as an obvious exemplification of the expedients employed to protect the poor and check the avaricious. Now, the expedient was good; but as things move on its place is taken in part by a new registration; the registration of Societies, whereby the rich suffers equally with the poor if either play false. The old registration clashes with the new, and is a mere burden if imposed upon it. To lighten the burden Government have kindly released the fees. Surely with the fees the burden should fall to the ground. It is as though one said to a Society—you are doing exactly what we wanted to remedy defects, and the very thing for which we had to devise the more cumbersome system of registration: but we must trouble you still to conform to the old regime, though we let you off the payment therefor. But we cannot let them off the expenses incidently incurred in connection with the frequent visits to a distant (physically and morally) sub-registrar. One sub-registrar, logically enough, seems to have thought no fee no registration. He forgot evidently that registration was not made for him but for the Civil Court above. And in fact we may leave "registration" for its solution in the solving of the all-absorbing Civil Court problem.

14. If there is one thing, not principle, that Co-operation wants more than another, it is—truth. Legal fictions, social glamour, political politenesses are useless and worse than useless to it. Arguments not based on fact, suppositions untrue to experience, intentions not realized, and utopian theories that await a millenium, have little place in the Co-operative world. Judgment by results not principles, by works not preaching, is what Co-operation needs. People, true people, who will do, not only say, or write, is what it wants. Persons, genuine characters, not masked, is its desideratum. Then, why magnify legal sentiment, or political aphorisms, or suppositional principles at the expense of the genuine and just

convenience of persons, acting in consonance with those above and those below? Government has two processes to offer—one tedious, the other expeditious. Why not simply lay down the circumstances under which the former will apply and those (including Co-operative Societies) under which the latter? The question is already assuming definite shape in connection with Banks, like "the Egyptian." Moreover, the Co-operative Act itself (X of 1904) brings it pointedly to the front in its Section 26. How can we then still look upon it as a grave innovation in co-operative principles? It is a matter of expedience, not principle. The Civil Court may continue to loom in the distance, if reference thereto be still sought. The Society, presumably, knows its business best.

15. But, say some, the essence of a Society is brotherly feeling, and better that the Society be in its grave (or never come to birth) than be tainted with the poison of help from above. I may be excused if I express my humble opinion that, as far as the Bombay Presidency is concerned, such opinions belong to those only who have taken no active part in actual existing Societies or in the organisation of new ones. I have myself, too, studied Wolff and Co-operative literature carefully; I have followed out the system in theory and practice; and I cannot see, granted India, anything whatever to make one think that the assistance of Government coming through a special expedient rather than through the usual long-process would be detrimental to the co-operation of a Society. On the contrary, the opposite I think might, and still may if not remedied, hold good. Wolff is very strong against Government patronizing—with money. We are already doing that, and he is watching. We must beware surely of straining at a gnat and swallowing a camel. It is almost as though one argued (after reading some treatise on the "family," or "patriarchal life," or the like) that as the "family" should obviously be based on piety, therefore no provision against impiety was required. People forget perhaps that both the Patriarchal and the Panch systems had to deal with impiety (because they dealt with human beings), but had the remedy in themselves. Now it is being said—the son should not be a thief (this is theory); if he is, the father is welcome to go to a Court of law; he must not be allowed to punish the boy himself because it would militate against the brotherly-love on which the family depends. As a matter of fact, as with the family so with the Society, it is that forced reference without, due to enforced disabilities within, that breaks up an establishment, perhaps irreparably. No utopian theorists or milleniumizing idealists have yet managed to prevent offences coming. Nor will a Co-operative Act, Co-operative Rules, nor even rigid by-laws and elections ever do so. This is what I mean when I say that Co-operation needs facts not theories, it deals with persons not principles.

16. It remains only to close with a few more general remarks. We have found the "savkar" system as a whole bad; we have tried a Government system of "tagai", but that has only proved partial. The indebtedness of the farmer has gone on. We have introduced Co-operative Credit Societies: we find them work; we find them even setting about doing that we have never done, namely, the redemption of old debts. They have what the savkars have not, namely, clear accounts; they aim at a cheap rate of interest for loans; they encourage thrift, self-help, friendly feelings, social discipline. They have in view a wholesale improvement of the soil (only acceptable to the cultivator when its encumbrance is removed), and friendly intercourse in the market and life generally. In fine, the co-operative movement is bent on releasing the land from its present debt and improving it so as to pay the cost now and to pay its own way to increasing prosperity in future. The Society does not rise up in arms against the savkar, does not declare him an enemy in any way, does not forbid his existence; on the other hand, it asks his assistance; it offers terms of equality with others; or if he prefers to remain outside it offers self as a humble borrower. Are we then going to listen to the savkar when he says—you never gave me the special privilege of summary-procedure? If he were honest he might add in—that I might make merry with my fellow-savkars, or by myself. The savkar, the man who keeps no accounts or false ones, who cares nothing for the land and less for its people, except with the love of a parasite, in whose dictionary the words "mercy"—"morality"—"modesty" are all found under the head—"money"? I think of a class, not individuals. Anyhow, has the profession of money-lending any object in view but its own gain; and that a very individual gain? Whereas the Society by profession is bound to help the people and improve the land; it may or may not make much for itself, but that much is for all, not for one. The less a Society helps people generally the less true is it to its profession, the less a savkar is kindly the more he may make out of his profession.

Are we then going to allow the savkar say—you ask me to give up my high rates and lend at smaller to or through your Society: but I can recover my dues more easily than you: I sue alone, and knowing the Court, and having the money; it is part of my work: but you, you are too clumsy to sue, too ignorant as a whole, too busy with your other (proper) work: suing is part of my trade and my principles; suing spoils your trade and offends your principles: thank you, I prefer my own business—?

17. Again, why double our procedures; why have double registration, why double audit? Surely Government Audit, by a specially appointed Registrar, to vouch for the correctness of a due is sufficient "decision" to satisfy all the requirements of a decree; even a public one, when it is remembered that the dealings are professionally "inter pares"? Surely the proceedings of a village society are as intelligible to the public generally as the intricacies of an Urban Court?

18. Another thing we may introduce into our consideration is the necessity for strengthening our Societies against attacks in the village. We have seen how the savkar might afford to laugh at them. What of the village-officers? It is by no means a foregone conclusion that those magnates will be members. The very principles of co-operation almost forbid one, or both, or all. The old Maratha proverb classes the Kulkarni with the Sonar and the Shimpi, as one of those who take their perquisites, on the way. The Society particularly needs to avoid all such perquisite-taking. It deals in small profits; and a little perquisite would go a long way to ruin it. The Patil, too, may have become pompous with the assumption of authority, and disdain to be co-member with a Mahar. The better village officers, of course, are ready enough to help: but we must reckon with all sorts of hosts: and in a village the Patil and Kulkarni assuredly are such. We are practically re-introducing the "Panch" system, and courting in part opposition from the "Patil." Why not protect the Society by giving it power and dignity, save it from the precariousness of the ordinary Civil procedure, and put a premium on honesty of accounts and honourableness of membership?

19. Factions, too, have to be met with; and Government may meet them best by affording facilities most readily to those who submit to their supervision. Societies are always open to inspection. But who ever inspects factions? What officer ever gets to the bottom of them? Factions may thrive by ill-deeds, but a Society suffers therefrom. Why not make the Society a power in the village, the power in the village for good. Societies, if possibly they proved oppressive, could be readily dissolved. The more oppressive factions are the less easy of dissolution. Of course, the Society is mainly economic. But the village system is still primitive enough to be monological.

20. If Government interference of any kind is deprecated for Co-operative Societies then the safest way to ensure sound work and a minimum of dissension will be surely to debar them from those Courts of litigation altogether, to keep them strictly outside the Vakil-world, to leave them full discretion and their own devices. Why leave them liable at any time to bailiffs and blackmail? And why allow their private, merely personal, affairs trouble the ears of a public Court? But don't refuse Government interference *because* (in theory) they are never to need coercive power. But do so only if they have that power in themselves, as a father has with his child—and a rod. And who is to give that power or allow its use but Government? And why should not Government be as forward as anyone to give all it can to help on co-operation? It is *money* that is the dangerous gift, because if unearned it is out of place. When earned it ceases to be a gift. Societies are given Civil procedure willy-nilly, an unwelcome gift; are they not to get the summary-procedure they have worked for?

21. To sum up,—the four great enemies of Co-operative Societies are—savkars, factions, registration, &c., and Civil Courts. All these, I have tried to show, are dealt with, in part anyhow, in the question of "summary-procedure." Why establish free institutions by law and then allow them be depressed by previous legislation? I have tried to show that that previous legislation has really been leading up to Co-operation, and should bow before it when it comes. I have tried to show that it is not a question of "Government intervention" or "no Government intervention"; but of the kind (and kindness) of that intervention. I have tried to introduce Government as the strongest friend (as it is) of a good cause, itself the prime-mover therein. I have been jealous for the honour of Government throughout; and if I have been hot at all, it is with not a whit of any personal bitterness. Whether I deprecate or advocate it is on behalf of Government; and my highest hope herein is that Government will continue ever, as it has begun, in the forefront of the fight in India between honest co-operation and avaricious self-seeking, the conflict between fellow-feeling and unfriendly pride. Who will say that "Co-operation" will suffer, or die, from this friendship and friendly action of Government?

## APPENDIX VI.

*Rao Bahádur Motilal Chunilal's note on the progress of Co-operative Credit Societies in Gujarát and on "How can the assistance of non-officials (as Honorary organizers, for instance) best be obtained?"*

When I was appointed Honorary Organizer of the Co-operative Credit Societies in Gujarát at the end of February 1906, there were already registered five Societies in Gujarát, *viz.*, one at Bakrol Visalpur in the Sánaud Táluka of the Ahmedabad District, one at Kaira, one at Uppersanda in Nadiad Táluka and two in Anánd Táluka, *viz.* at Umreth and Od—all in the Kaira District: but though they had been registered some months past, they had not done any practical work. Except the Kaira Society, none had even passed the preliminary resolutions nor collected the promised subscriptions. The Kaira Society had passed the preliminary resolutions, but having included nine villages in its jurisdiction, the population of which being very poor, the demand for loans was beyond the means of the Society and the practical working was therefore much hampered. Mr. McNeill, the then Registrar, was extremely anxious in regard to all these Societies, as I could see from his demi-official notes written to me. Immediately

after my appointment, and, as desired by him, I set about infusing life in them. At all these places, I was told by the people that these Societies were started by the advice of the Government officers, but they did not expect success, owing to want of funds and the displeasure of the *Sávkárs*, who would not advance them any money, after having once stopped transaction with them. They also feared the loss of money by defaults on the part of debtors and in that case the remedy being suits in the Civil Courts, the Societies would not be able to recover their money, even if the decree was obtained, owing to the tedious procedure of the Court. I was, however, able to induce them to begin work since they had started the Societies and if they found after a year's experience that they did not work satisfactorily they might close them. *Bákról-Visálpur*, *Kaira* and *Uttersanáda* people received the advice kindly, and the result is that there were at the end of the last month 180,318, 140. members, respectively; and it is a matter of sincere gratification to me to report that *Bákról-Visálpur* Society is the best and a model Society in *Gujarát*. This Society has, in addition to money dealings, started also a grain fund. The arrangement is that each member contributes a quarter of a maund from the crop of each harvest, free of charge, and this is lent out in kind to needy members, who, at the next harvest, repay in kind the borrowed quantity plus 25 p. c. thereof. The result would be that if 40 maunds of grain are lent out the Society earns 50 maunds at the next harvest. This system is advantageous, both to the Society and the borrowers; because the system in many villages is, that poor cultivators, whose stock of grain runs out during the last two months of the season, borrow grain from the village *Bania* for their maintenance as also for the seed, on condition that, when the harvest is ripe, double the quantity is returned to the *Sávkár*, which means cent. per cent. interest. The transaction with the Society therefore is apparently advantageous to the cultivator who saves thereby 75 p. c. in the shape of interest, while the Society raises its capital of grain, without having to pay for it, and earns within a year 25 p. c. over the capital value of the grain. This system also is a great inducement to poor people to become members of the Society, whose wants are not only supplied, but who also share in the profits of the Society, equally with the rich members. Another advantage is that the members of the Society being cultivators, they appreciate the value of the purity of the food which, there is a complaint on every side, is much deteriorated on account of adulteration by the *Banias*. During the first year of my appointment, eight Societies were started in *Prántij Táluka* and one in the *Dholka Táluka*, and *Bákról-Visálpur* in *Sánand Táluka*, which had already been registered, brought up a total of 10 Societies in the *Ahmedabad District*. In the *Kaira District* a Society at *Virsad, Táluka Borsad*, was opened; so also one at *Chamargám* in the *Broach District*, and 4 in the *Surat District*, viz., two in *Pardi Táluka*, one at *Chikhali* and one at *Mándvi*. There were thus 20 Societies working at the end of March 1907, and the number of members rose from 320 to 1,283. Between the 1st of April 1907 and the 30th of November 1908, 13 more Societies have been organised as per following details:—

2	in the <i>Prántij Táluka</i> of <i>Ahmedabad District</i> .
2	in the <i>Dholka Táluka</i> Do.
2	in the <i>Sánand Táluka</i> Do.
3	in the <i>Daskroi Táluka</i> Do.
2	in the <i>Broach City</i> .
1	in the <i>Vágra Táluka</i> of the <i>Broach District</i> .
1	in the <i>A'mod Táluka</i> Do.
1	in the <i>Anklesar Táluka</i> Do.
1	in the <i>Hansot Mahál</i> Do.
1	in the <i>Chorási Táluka</i> of the <i>Surat District</i> .

**Total 16**

Thus there would be at present 36 Societies, but the Society at *Od* having to be closed on account of the non-payment of the promised subscription by the people, there are at present 35 Societies actually working with 2,521 members and a capital of *Rs. 85,571*. Of these 35 Societies the *Broach Banking and Trading Urban Society* has been organised with a view to supply funds to the rural Societies. The second Society in *Broach* has been started exclusively by women on the limited liability system and has 80 members, who have raised their capital by the issue of shares of the value of *Rs. 5* each. The management is exclusively in the hands of the women and the staff, and officers of the Society are also of the same sex. Its capital raised by the issue of shares is *Rs. 355*; and they have, besides, received *Rs. 200* as deposits, out of which *Rs. 50* have been lent out to members and the balance is deposited with the *Specie Bank* at 3½ p. c. In the *Prántij Táluka* one Society has been started by the *Dhads* exclusively. A scheme for the organization of a *Co-operative Credit Society* for Government servants, and the establishment of a central bank for the supply of money to *Village Societies* in *Surat District* is under consideration. Out of 8 *tálukas* and 2 *maháls* in the *Ahmedabad District*, *Co-operative Credit Societies* are already working in 4 *tálukas*, and 4 out of 7 *tálukas* in the *Kaira District* have such Societies. In the *Broach District*, which has 5 *tálukas* and one *mahál*, *Jambusar* is the only *táluka*, in which a Society is to be organised. The *Surat District* consists of 8 *tálukas* and one *Mahál*, out of which Societies are working in 4. *Panch Maháls* is the only *District* which remains untapped.

2. The need for more Societies is obvious, because, owing to the extension of the Deccan Agriculturists' Relief Act to all the Districts of Gujara't, the Sávkárs do not lend money to cultivators as freely as before. As the Act has been in operation only these four months, it is too early to draw any conclusions as to the eventual effect but the present condition is that no cultivator is given a loan on the security of his lands unless sale-deeds are executed by the borrowers, who are given a verbal assurance by the Sávkár that on the repayment of the loan, the lands would be re-transferred to them. It is a doubtful question as to whether such verbal promises will ever be fulfilled by the Sávkárs and the agreement being oral the borrower would have no proof to support his claim for the reconveyance of the land if he brought one in the Civil Court. Another danger of this system is that where the agriculturist is illiterate and he cannot pay the full amount of the loan in one sum, he has to wait many years for the promised reconveyance of his land until he has saved sufficient to re-pay the loan together with interest, and, in that case, he being at the mercy of the Sávkár the part payments, which he would make towards the repayment of the loan, would be denied by a dishonest Sávkár. In many of the villages, trade with small cultivators is carried on by small Sávkárs who borrow money at a small rate of interest from big Sávkárs. These big bankers have now ceased lending money to smaller Sávkárs, and the latter have no funds to carry on their old business. The Swadeshi movement has brought into existence a large number of mills and other industries, and the big Sávkárs prefer to invest their capital in mill-shares or to deposit their money with them, which brings to them the same, if not more, interest than they got from inferior Sávkárs. The rise of price of every article and the consequent increase in the cost of living has made the seed dearer and the wages of the labourers have also increased. The total of these two items alone has enhanced the cost of cultivation, and a cultivator who formerly required a loan of Rs. 100 to cultivate his lands and raise his crops requires now Rs. 135. In practice, therefore, a cultivator requires a larger amount for his agricultural operations in a year than what was necessary in former years and the facilities which he enjoyed in raising a loan on the security of his lands having now gone, the substitution of another agency to supply the agriculturists' need is already being felt and when the effects of the Deccan Agriculturists' Relief Act reach every nook and corner and the Sávkár's balance sheet is affected, the need for Co-operative Credit Societies will be urgently felt every where, and, in my humble opinion, it won't require more than three years when the Co-operative Credit Societies will come into existence all over the province.

3. How to popularise the Co-operative Credit Societies is the next point. The agriculturists are unanimous in recognizing the advantages and the necessities of the formation of Co-operative Credit Societies, but they are slow in doing so for several reasons; the principle of which is that if a Society is not able to raise a sufficiently large capital to meet the demands of the members, they would be thrown into difficulties after the business connection with him is severed. There is a large number of agriculturists whose accounts show large debts to the Sávkárs; the interests on which plus the promised instalments absorb almost the greater portion of their crop and leave them nothing more than sufficient grain to maintain them till the next harvest. If such people disconnect themselves from the Sávkárs they would be pressed for the repayment of the loans which they have no means to do. There is also a considerable number of agriculturists who own large areas of culturable land and these people require from Rs. 500 to Rs. 2,000 in a year for their agricultural operations. The rural Societies' by-laws limit the amount of a loan to an individual member within one year to Rs. 500 at the most. The Society is, therefore, of no use to such people and to expect any Society to raise the amount of any individual loan is out of question until it has a large capital to meet all the applications. Now, the leaders in a village are people of the latter class and as their interest cannot be served they abstain themselves from taking any interest in them, and without their co-operation the working of Societies in villages is difficult.

4. In my humble opinion, the following measures are necessary to increase the popularity and usefulness of Co-operative Credit Societies and to improve the condition of the agriculturists in the true sense of the word :—

- |                           |  |
|---------------------------|--|
| Liquidation.              | (1) To settle the agriculturists' account with the Sávkár and to pay him off.  |
| Central Bank.             | (2) To provide funds sufficient to enable a Co-operative Society to meet all the demands of its members.                             |
| Summary Procedure.        | (3) To amend Act X of 1904 so as to enable a Society to recover its dues from a defaulting member without recourse to a Civil Court. |
| Amendment of Act.         | (4) To provide means for the recovery of the Society's dues from the members prior to the claims of other persons.                   |
| Tagái (Government money). | (5) To restrict the grant of tagái loans to the members.   |
| Grain.                    | (6) To authorise Co-operative Credit Societies to maintain grain depôts.   |
| Communication.            | (7) To encourage the formation of Motor-train Service Companies.   |
| Education.                | (8) To introduce in village-schools agricultural handi-craft education.  |

*(1) To settle the Agriculturists' accounts with the Sarkar and to pay him off.*

5. The problem is one which is beset with immense difficulties, but it is so urgent that I would respectfully venture to submit a solution as far as I am able to conceive. The work of the Record of Rights, which has been completed in many villages and which, in the remaining it may be expected to be completed in a year or two, has, to a great measure, collected the evidence of the agriculturists' indebtedness. Now Government should graciously be pleased to pass an Act giving legislative power to settle the debts of the agriculturists on the lines on which the Tálukdárs' debts are settled by the Tálukdári Settlement Officer. For this purpose elaborate paid establishments need not be entertained but a few influential and honest private gentlemen may be appointed, who should go into the accounts of the Sávkárs and settle their claims. This being done the Co-operative Credit Society of the village should take the agriculturists' lands and other immoveable property as security and pay off the Sávkárs. The land should remain in the possession of the agriculturists who should pass a lease of annual tenancy to the Co-operative Credit Society, agreeing to give up the entire produce of his holding except what he may require for the maintenance of his family during the year. Probably some cases might be found in which the amount of the debt might be much larger than the value of the debtor's holding, but if in such a case the recovery of the debt is spread over a period of, say, ten or twelve years, it will be possible to reduce the number of hopelessly lost cultivators to a minimum.

*(2) To provide funds sufficient to enable a Co-operative Society to meet all the demands of its members.*

6. The working of my suggestion as made in paragraph 5 is wholly dependent upon the contingency of providing funds to the rural Co-operative Credit Societies. It is hopeless to expect that large funds can be raised sufficient for this purpose from the village itself, and it is unlikely that we can organise large agricultural banks in each district unless wealthy and philanthropic gentlemen come forward and deposit money in the banks at four and a half per cent. interest per annum. My opinion is that at least in Gujarát, Ahmedabad, Nadiál, Broach, Surat and Bombay can start such banks and they can raise a capital of fifty lakhs without any inconvenience to the mill industry. When a capital of about fifty lakhs is thus raised the Government should kindly give to the bank an equal amount at four and a half per cent. The district banks in their turn should lend to the rural Societies at six and a half per cent., so that they will have a margin of two per cent. to meet their working expenses after paying the four and a half per cent. interest to the depositors and to Government. Again, each district bank should have its branch at a central town or village in every táluka through which the rural Societies should be supplied with funds, and which should periodically examine the accounts of the rural Societies. The organization of Co-operative Credit Societies should, as far as possible, be for groups of villages, unless any village is big enough in itself to require a Society of its own. In grouping the villages, I would limit the maximum number to ten, and I would not include any village which is more than three miles distant from the central village which may be selected as the head-quarters of the Society. I would also raise the rate of interest in all the rural Societies to 9½ per cent. per annum instead of continuing the existing three rates of 6½, 7½ and 9½ per cent. in the different Societies.

*(3) To amend Act X of 1904 so as to enable a Society to recover its dues from a defaulting member without recourse to a Civil Court.*

7. The greatest obstacle in the organisation of a Co-operative Credit Society is the difficulty of recovering the loan from a defaulter except by recourse to a Civil Court. The tedious procedure and the immense cost of litigation, not to say of the delay and trouble to the parties, are facts which make the people shrink from going to law courts. I will mention one case which has actually occurred. The Broach District Co-operative Credit Society had lent money to one of its members; a part of the loan was repaid by him but a default was made for the remainder. The Society gave notice after notice to the defaulter and his security, who is a wealthy man, to discharge the debt and when no answer arrived a civil suit had to be filed. I believe, the case came on the board twice and a third date is fixed for the framing of the issues. I hear that the security has been advised by his pleader to plead that he is an agriculturist, and therefore he should be allowed to repay the loan by instalments. This is a dodge to benefit the principal. If the Court gives instalments a fairly big amount which could be lent out to two or three members or rural Societies will be locked up for years to come. If a decree is obtained the Society will have to engage a special man to effect the execution of the decree, because I hear that the bailiff requires the decree-holder to point out the property of the judgment-debtor not to say of the exorbitant legal fees of the pleader and the cost of process fees. If Co-operative Credit Societies multiply, the instances of defaults will also increase and while the existing Societies will become unpopular a blow will be inflicted on them under contemplation. The only solution of this difficulty is, in my humble opinion, the amendment of the Co-operative Credit Societies' Act in a way which would enable the Society to effect the recovery of its claim in a summary way. The simplest method would be to authorise the Collector or his Assistant or Deputy to adjudicate all such claims in the same way as he disposes of rent suits under the Land Revenue Code. If all the provisions relating to the institution of suits and the recovery of rents from tenants, embodied in the Bombay Land Revenue Code, are made applicable to the recovery of the Co-operative Credit Societies' dues, the road will be paved for the Co-operative Credit Societies, and they will spring up like mushrooms all over the country.

*(4) To provide means for the recovery of the Society's dues from members prior to the claims of other persons.*

8. Under section 15 of Act X of 1904 the shares of a member are not liable to attachment except in liquidation of the Society's debt; but this provision does not extend to any special privilege to the Society in regard to the other property of the Society's debtor. It is therefore necessary to legislate that loans advanced to the Society's debtor by private *Sávkárs* after the date of the loan of the Society could not be realized by these private *Sávkárs*, by means of sale of his other property in execution proceedings without the Society's loan being the first charge on the sale-proceeds.

*(5) To restrict the grant of tagái loans to members.*

9. It is an open secret that the full amount of a tagái loan applied for by a cultivator does not reach his hands, and also on account of the various stages the application has to go through and come back duly sanctioned by the authority having the power to sanction it, the money is paid to the cultivator long after the date on which it is required by him. The best course in a village in which a Co-operative Credit Society exists is to stop the payment of individual tagái advances, and instead to pay in lump the sum required by the village to the Society, which should be made responsible for the distribution of the amount to individual applicants. The advantages of this system are obvious. The Government will be saved the trouble of keeping individual accounts of the tagái advance and also the bother of recovering it. On the other hand, the members of the Managing Committee of the Society being generally the local leading men, they would be in a better position to judge of the circumstances of the applicant; as also to know his real needs, which would result in involving the cultivators only to the extent of his wants and a check will be placed on his contracting extravagant debts. Moreover, the full amount which he raises will reach his hands. Also this will increase the importance of the Society and will concentrate the cultivator's transactions to one place. Perhaps an objection might be raised to this suggestion that it is all very well so far as it concerns a member of the Society, but an instance may occur in which the applicant may not be a member of the Society, and, in that case, he would be debarred from obtaining a tagái advance. I think this difficulty can easily be obviated by his becoming a member of the Society on payment of a small fee of one rupee. Because, once he becomes a member, he improves his pecuniary affairs considerably, and he gets an honest banker to look after his affairs.

*(6) To authorise Co-operative Credit Societies to maintain grain depôts.*

10. This is the most important item to popularise Co-operative Credit Societies. The number of well-off cultivators is usually very small in the villages, and I can report from my personal observation and experience that a large number of the cultivators are in need of grain during the last two months, preceding the monsoon for their daily food; and a larger number still want grain for seed purposes, when the sowing time comes. These people hitherto have obtained their supply from the village Bania who generally recovers the loan in kind by taking twice the quantity which he has advanced. This means cent. per cent. interest for a portion of the year and if, unfortunately, the price of the grain, when the next harvest is ripe, is higher than what prevailed at the time when the loan was advanced, the cultivator's loss is fearful. Also, at the time the Government instalments are due, the cultivators stand in need of cash to pay their assessment on their holdings. To raise these amounts they have to sell their crop, if not the whole stock, at least so much as would realize the amount required to pay the Government dues. The grain merchants try to send the market down, so that they can purchase the grain at a cheaper rate. As the cultivator wants the cash he has no alternative but to dispose of his product at the market rate, whatever that may be. If grain depôts were established and the system, which I will presently describe, were accepted, the cultivator will not be in the necessity of underselling his crop. I will respectfully propose that all the existing as well as the future Co-operative Credit Societies should be allowed to frame a by-law authorising them to advance money to cultivators on the security of their grain. This being permitted it will not become necessary for the cultivator to sell his grain, which remains in the custody of the Society. In course of time all the residents of the village are sure to become members of the Society and not only co-operation but in reality a strong bulwark will be created against the grain merchants; and the former will be able to obtain their own prices, because, when all, or most, of the villages have started Co-operative Credit Societies, necessarily the cultivator's trust will be established and they will rule the grain market. The working of this system is not at all difficult, because it will not involve the maintenance of elaborate accounts, but a simple register in the form in which the stamp accounts in a *Mámlatdár's* Kacheri are kept, will suffice. The successful working of the grain depôt by the *Bakrol-Visdhpur* Society is a sufficient justification for my humble suggestion.

*(7) To encourage the formation of Motor-train Service.*

11. I need not say that the cultivators on and near railway stations are better off than those residing in outlying villages; because they have the advantage of easy export. Those who live in outlying villages have either to take their produce at their own cost to distant markets or to sell them at cheaper rates; both of which alternatives apparently cause pecuniary loss to them. It is impossible that the railway will touch every nook and corner, and unless the outlying country is opened, no number of Co-operative Credit Societies will help to improve

the condition of the agriculturist to the same extent as that of those living on and near the railway lines. I think the best substitute of a railway is a motor-train service. According to the information I have been able to gather, one such train can carry as much as fifteen to twenty tons of load and, as it does not require rails and big bridges, its introduction is least costly and can be effected very rapidly. Many companies would have been long before established for running motor-trains; but as the Motor Act does not authorize Government to give a monopoly on any line of road, people shrink from organizing such companies; because the outlay which they would incur in making or improving the road would benefit other rival companies which are sure to spring up. Such companies can, without a monopoly, work only on District Local Board roads, which, however, are not good every where; rather the mileage of such roads in Gujarát is much less, and I do not think that any District Local Board will be in a position to give the shorter roads that are wanted all over the district within the next 50 years. I would therefore very respectfully venture to suggest an amendment of the Motor Act in a way as would permit of intending companies earning the full profits on the outlay they may incur in making roads. In the event of such companies being started, the Government should kindly make a free grant of the land required for the road, if not in perpetuity at least for a number of years. If this concession is legalized and announced, it may be hoped that many companies may be formed in the five districts of Gujarát and motor-train service will, in a few years, materially improve the agriculturist's economic condition.

(8) *To introduce in village-schools agricultural and handicraft education.*

12. It is now felt and believed that the existing system of education does not train people to any, but employment in Government service; and one of the causes of the present unrest in India is, I think, due to the fact that the people having received education which befits them only for Government service expect to be provided with Government appointments suitable to the degree of education received by them. It is impossible for any Government to provide every one with Government service; so if the present standards in the primary schools are modified so as to include some handicraft education, the craving for Government service will considerably diminish. I think in village-schools agriculture ought to be one of the subjects and there cannot be any difficulty in getting a plot of land in every village in which a school exists on which practical education may be given especially in regard to the rotation of crops and the interval at which the crop should be irrigated. Besides this, the handloom industry might be introduced as an alternative in any village, where boys might like to take up that subject. There is a fairly large number of people in every village who do not own any land, but live on labour, and handloom industrial education will help them to earn a living during the rest of the season. This is a subject which requires a special paper and as my paper is already lengthy, I will not trouble you with the details of my scheme on this occasion. I have alluded to it, because it has connection with the question of the elevation of the condition of the cultivators.

13. I have been asked by the Registrar to suggest how the services of non-official gentlemen can be obtained as Honorary Organisers of Co-operative Credit Societies. From the experience I have obtained during the past three years, my humble opinion is that the real work of an organiser of a Co-operative Credit Society does not end on the day it is started, but rather it begins from that day, and until it is placed on a sound financial footing and thoroughly made popular with the villagers, which usually requires two years, he is always anxious about his condition. During the three years that I have been doing the work, it would have been possible for me to start one hundred Societies in Gujarát, but Mr. McNeill had written to me and also there were orders in one of the Resolutions of Government not to open too many Societies, but to start a few and watch their progress. The villagers expect an Honorary Organiser to supply the Societies with funds and to advise them every now and then on technical and practical points. All these involve considerable correspondence. More than three hundred papers had been sent by me in each of the two years 1905-07 and 1907-08, and, no clerk having been given to me, the clerical work was a great burden. If the work is to be thoroughly done, the services of one clerk at least are absolutely necessary to keep the Honorary Organiser free to devote his time and attention to more important part of his duties. I am told that the department is anxious to secure the services of retired Deputy Collectors, and, I believe, that several of such gentlemen were asked to take up the work, but they have excused themselves. I had made a verbal suggestion to the Registrar that some retired Mámlatdárs might be found willing to take up the work in the hope of getting some titular reward at the end of a couple of years' service, but I was told that it was necessary that the Honorary Organisers should not be of lower rank than retired Deputy Collectors. I do not know of any private gentleman who would sacrifice his time and forego his rest in old age to undertake a laborious work which also requires a special study of the subject, another item of labour. In Gujarát, the following Government officers have rendered valuable service in connection with the Co-operative Credit Societies, and if these are recognised, there would be emulation inspired in the Government officers.

- (1) Mr. Tupper, the present Tálukdári Settlement Officer, has taken considerable interest in originating eight Societies in the Prántij Táluka, and he was ably assisted by the then—
- (2) Mámlatdár, Mr. Bulakhidas Bapuji, who is at present holding the appointment of Huzúr Deputy Collector of Kaira.



- (3) Mr. Narbadashankar Devshankar, the present Mámíatdár of Dáskroi, has worked in organising one Society in Mándvi Táluka and three in Dáskroi Táluka.
- (4) Mr. Chaganlal Harilal Mehta, Mámíatdár of Dholka, has worked in organising the three Societies in his táluka.
- (5) Mr. Maganlal Fulchand, Mámíatdár of Sánand, has worked in organising the Societies at Kásandra and Vanzar.
- (6) Mr. Devdatt Dhaneshwar, Mámíatdár of Párdi, has helped in organising the two Societies in his táluka.

The following Mámíatdárs have worked in getting up one Society each :—

- (7) Mr. Balkrishna Patil, at Degaum, in the Chikhli Táluka.
- (8) The late Mr. Nabar, at Ránder, in the Chorási Táluka.
- (9) Mr. Talyarkhan, at Uttarsanda, in the Nadiád Táluka.
- (10) Mr. Edrooz, the District Deputy Collector of Broach, has rendered creditable service in starting the Societies at Vágira, Sájud and Iláv, in the Broach District.
- (11) Mr. Saidumia, the Chairman of the Kaira Society, is the only non-official who has worked indefatigably in popularising his Society.

My thanks are due to those gentlemen.

14. It is necessary, however, to mention that, though some of the Societies may be fairly expected to have established their reputation, there are many which will require a couple of years' supervision; but I have no reason to fear that they will not prosper. My humble opinion is that there is a good field for co-operation in Gujarát, and that time will produce excellent results, if the hundreds of millionaires of Bombay, Ahmedabad, Surat and Broach all kindly take up shares of the aggregate value of Rs. 1,000 (one thousand) each to start District Societies for the supply of funds to the village Societies. To such people, a sum of Rs. 1,000 is nothing and they will scarcely feel the loss of a few rupees in the shape of small interest that they will get as compared to what is realized in some of the small shares. The deep interest which His Excellency has evinced in the cause of the Co-operative Credit Societies by kindly presiding over this conference is a good augury, and I have every hope that with His Excellency's moral and sympathetic support, the good work will receive a good impetus. The economical aspect of India will considerably change if the condition of the agriculturist is improved by helping him, financially and intellectually, as India is essentially an agricultural country. The agriculturist of India is naturally endowed with good qualities of the head and the heart, and all that is required is to cultivate them properly by substantial help in the way I have respectfully ventured to suggest. Platform speeches are of no practical use to an agriculturist, but friendly advice and real help by mixing up with him is what he needs most.

## APPENDIX VII.

### *Mr. V. B. Mardhekar's Note.*

"How far should the 'Co-operative Credit' movement offer a solution to Deccan indebtedness?"

Agricultural indebtedness in India generally, and more particularly in the Deccan in the Bombay Presidency, has been a phenomenon which has attracted the earnest attention of Government and public alike, a long time since. This subject has formed a suitable text for preaching demagogues and has been readily seized upon as an instance of failure of British rule in India. It has given rise to keen controversy regarding the causes which led to the present indebtedness of the Deccan and the Karnátic agriculturist and various remedies were suggested for its solution in a theoretical and practical manner. I do not intend in this brief note to dwell at any length on the literature existent on this subject. What I intend to emphasize upon is the fact that, whatever diversity of opinion there may exist as regards the particular and general causes which have brought the agriculturist to the present condition and as regards particular remedies suggested from time to time to improve agricultural credit and resources in one way or other, it is nowhere denied—rather frankly admitted—by officials and others who can speak with authority on this special subject from their experience as private individuals, that the agriculturist is deep in indebtedness and needs practical sympathy and some measure which will permanently effect an amelioration in his condition, will enable him to command ready but cheap credit, to obtain money in or near his residence to meet all seasonal and special but necessary wants and will effect a moral revolution rather social in his view of his position and life, a measure which will eradicate deep-rooted lethargy and prejudices which are the concomitant results of ignorance and want of enterprise, and will gradually make him, in a measurable distance of time, an independent but happy unit in the village body politic.

2. Such a special subject requires to be carefully considered, in so far as it is to be viewed from the standpoint of the co-operative creed. We are to consider how far can the principle, underlying co-operative movement, as we understand it at present, help the agriculturist and petty

non-agriculturist too, to lessen the burden of indebtedness lying on his head and how far will it effect a social revolution in his present condition. The question is, firstly, will co-operation in its limited scope and sense solve the problem, partially or fully, if partially, to what extent? Secondly, will it permanently remove causes which have operated for several decades and centuries to bring about the present impasse, social, economic, partly due to special environment?

3. To have a clear idea about the subject, we may dwell to a little extent upon the several causes of the agricultural indebtedness, so far as we can ascertain them from actual experience and information.

4. The causes are of dual character—internal and external—in so far as the individual is concerned. The individual with a free will and a clear ideal can control the former set of "internal" causes, whereas external ones lie outside the sphere of his control. Under a special set of circumstances and conditions he can get rid of the one under proper guidance and advice and can surmount the other with help from external sources.

5. The internal causes which are the outcome of influences of centuries are—

- (1) Ignorance and illiteracy.
- (2) Lack of enterprise and of knowledge of outside world.
- (3) A strong local attachment and predilection to stick to the industry or profession adhered to or followed by ancestors.
- (4) Absence of variety in industries in rural tracts.
- (5) Want of thrift and readiness in undergoing heavy expenses in marriage and other religious ceremonies.
- (6) Aversions to new methods and new ways of thinking.

6. External causes are—

- (1) Famines and lean years.
- (2) Want of facilities for irrigation.
- (3) Avarice of money-lenders and timidity of outside capital.
- (4) Want of cohesion in the once famous village communities and their gradual disintegration.

7. It may be remarked that each class is not necessarily exclusive of the other: on the other hand, the one overlaps the other. Further, it is well known that some external causes, such as famines re-act with great force upon some internal causes, such as strong local attachment, and persuade the agriculturist to emigrate temporarily towards new pastures. But for all practical purposes the one set is sufficiently distinguishable from the other.

8. Let us now for a moment consider what part do the several internal causes play in increasing, where existent or creating where absent, the indebtedness of the rural population in this part of the country simultaneously with a huge and surprising springing up and expansion of the manufacturing industry in the same part of India.

9. The rural population is, for the most part, unlettered and absolutely ignorant and illiterate. Facilities for primary education are very few indeed, at least in some districts. It may be no exaggeration to say that the agriculturist is in point of civilization in the same state as his ancestors were a century ago. Illiteracy is the great obstacle to all genuine co-operative movements which presuppose a higher degree of intelligence and self-reliance among the various units affected by such movements. Unless the problem of rural ignorance is satisfactorily solved, and new light thrown upon their dim vision, and this is a Herculean task no progress in any conceivable branch, whether in sphere of morals or social or economic condition, is possible. This colossal ignorance is one of the main factors which operate towards adding to the indebtedness of rural populations. This ignorance gives rise to other economic vices or drawbacks, such as lack of enterprise, etc. This is an age of keen competition. India is no longer an isolated country. It is brought face to face with countries which are far ahead in the race of civilization and economic organization and industrial progress. No vital enterprising energy is perceptible in our agriculturist. He is most reluctant to take to new ways or to find out a congenial field for his own brains or capacity or ability. This is an economic waste and hampers much the solution of the problem of indebtedness. A strong local attachment is the characteristic of the Deccanite. This passion is very strong at times, in the poorest, though at times it is overcome by pressure of circumstances, and recently there have been observed distinct signs showing that this passion is subjugated to crushing necessity. The absence of variety in industries in rural tracts has, of necessity, made the whole rural population, irrespective of special hereditary skill and aptitude for special industries which have all died out or are in a moribund condition, dependent upon the one and sole but uncertain industry of agriculture. Diversity in occupation is a necessity of a healthy and vigorous social life in all countries. Lastly, there is the notoriously unthrifty character of the riyat and the undue importance attached to family prestige and honour which exhibits itself in a heavy expenditure incurred in caste feasts and on other ceremonial occasions. All these causes make the riyat dependent upon the local Sāvkar for financing his industry and meeting all expenses. There is no ready cash available and a long time has to pass before agricultural produce is sold and money realized since the first agricultural operations are undertaken.

10. Famines and bad years have perhaps been the greatest misfortunes of the agriculturists. They have ruined families and crippled the resources of many a prudent agriculturist. Of late, the effects of famine and lean years have been most marked in deterioration of the agricultural industry. For want of means in some parts, rayats cannot utilise to their fullest extent even such works of irrigation as wells, etc. For financing all his needs he has recourse to the local Sáykár, who is naturally disposed to make the best of the transaction. In some districts the agricultural live-stock has much diminished and to recoup this heavy initial expenditure is needed. Government is doing everything it can to help the agriculturist by means of advancing tagái loans. But tagái does not solve the problem of indebtedness to a very great extent. It is observed that tagái advances in the past have much demoralised the unthrifty rayat and there is a reasonable doubt as regards the appreciation of his obligations to the State on the part of the rayat. Again, tagái cannot be granted for all the necessary family needs of the agriculturist and simultaneously with big tagái advances the indebtedness is perceptibly on the increase due to bad and indifferent seasons coupled with the social difficulties which are noticed above. It is most fortunate that the question is now being considered by the Co-operative Conference, inasmuch as there is a strong bond of relationship between rural co-operation and agricultural regeneration. The present high prices have added much to the difficulties and troubles of the poor agriculturists, and there are reasonable doubts as to whether the prices would reach their normal level. Want of facilities for irrigation in the Deccan and Karnátic renders agricultural industry very uncertain in its profits. Government has recently undertaken big irrigation projects and some are under the earnest consideration of Government, and Government must be cordially thanked for what it is doing and proposes to do in breaking the backbone of famine in the Karnátic and the Deccan proper. But it will take some time before the big irrigation schemes are set on foot and become an accomplished fact, and, for the present, the agriculturist in famine-stricken districts is helpless and economically on the brink of bankruptcy. Thus the agriculturist for all his daily wants and for all expenses in cultivation and other agricultural operations is dependent upon some village or town money-lender who advances loans at usurious rates of interest. Vicissitudes in seasons and uncertainty of fair outturn from agriculture naturally makes a money-lender reluctant to advance loans at a reasonable rate of interest. The prevailing high rates of interest are, in short, indicative of the insufficiency of security and want of confidence in the solvency of agriculturists. Of late, sale-transactions have been more common than previously due to curtailment of rural credit. This phenomenon is most significant in view of the enormous savings in the Post Office Savings Bank aggregating rupees two crores or more at  $8\frac{1}{2}$  per cent. The causes which interfere with opening this ready capital to the needy in rural tracts must be thoroughly investigated. There is no lack of outside capital to redeem the past debts of agriculturists in this Presidency. The problem is what machinery must be devised so as to render this outside capital available at a reasonable rate of interest to the needy agriculturist. Central Urban Banks with special powers would do much. Co-operative Credit Societies would effect something and I shall dwell upon this point later on. It may be passingly remarked that the disintegration of the village communities in this part of the country has something to do with the increase in indebtedness in rural populations. This is to be deplored but cannot now be helped. Co-operative institutions might partially solve the problem. But it must not be forgotten that the problem is of such a serious nature that it cannot be solved in a day or by means of a particular remedy. Care must be taken not to expect much from a class of remedies howsoever possessing great possibilities of development in themselves; otherwise the disappointment would be the most keen. Agricultural indebtedness is a growth of years, an outcome of various causes, a result of diverse influences which are still in full force in all rural tracts. The problem must be viewed in all its bearings and in all its aspects and we must not pin our faith to one thing as being the only panacea for all the causes involved in agricultural indebtedness as the inevitable result.

11. Various legislative measures were undertaken from time to time and the Deccan Agriculturists' Relief Act is an instance in point. No legislative machinery can improve the social environment in which the individual moves or has his being, and so long as the individual is not freed from habits and conditions which necessitate his dependence upon a money-lender, much permanent good cannot be expected. Special class legislation, as a general rule, aggravates the evils which it is sought to remedy. It gives rise to a new set of circumstances which prejudicially affects the interests of those whom it is intended to benefit. In short, the impulse must come from within and it must be fostered tenderly by all outside help and guidance.

12. Now, how far will the 'Co-operative Credit movement' in rural tracts improve the credit of the agriculturist? The main question is will the co-operative movement remove in a material degree the pernicious effects of the internal and external causes shown above? Will the movement unassisted by other movements prove an antidote against all the ills resulting from peculiar social environments, special local ties from deep ignorance of the present, from want of thrift? Will it make outside capital flow in the parched land of agricultural indebtedness unassisted by any special measures, guaranteeing that the flow will not be wasted but will be economically and profitably utilised?

13. The ideal which has been set up by the organisers of co-operative movements in rural tracts is a very noble one in theory, but, in actual practice, falls short of the benefits anticipated therefrom. Co-operative movement is of recent origin in India and is still in its infancy in this Presidency. A few promising Societies have been established here and there as a result of the

indefatigable exertions of the Registrars and sympathetic private gentlemen. There were only 12 Societies registered up to the close of the 31st March 1905. At the close of 1906, there were 31 Societies registered. From the last year's Administration Report on Co-operative Credit Societies it appears that 70 Societies—20 Urban and 50 Rural—have been registered and that the only Central Society which helped the rural Societies by loans was the Bombay Urban. A steady progress is thus apparent. Already the total capital of the Societies amounts to Rs. 1,58,000. The Hulkoti Society was registered in 1905, and it is the only society which has undertaken redemption of previous debts. The question of supplying outside capital for the rural Co-operative Societies is engaging the attention of the Registrars. The Registrar remarked in his last Administration Report "Sávkár sets, registration enactments and dread of civil proceedings are the chief things that militate against the birth and growth of Societies, besides endemic deadness and factional disturbances." It is also stated that local capitalists fight shy of advancing loans to the rural Societies. Considering the vast area of experiment in co-operation it may be said that the co-operative movement has not as yet appreciably touched the fringes of the great problem of rural indebtedness. Nor will the indebtedness decrease unless the Societies are able to advance loans for redemption of past debts. The funds of a Society are so limited that they are scarcely sufficient to finance the village for ordinary current wants of agriculturist members. The ideal is absorption of individual credits, into united credit. The object of the Societies is to substitute for a number of individual credits which are weak because they are isolated, a combined credit; and their operations are confined within the limits of the society and they will be small and simple credit Societies for small and simple folk with simple needs requiring small sums only. Restrictions have been imposed upon Government assistance in the shape of loans, which, in no individual case, are to exceed Rs. 2,000. The object of the limitation is to encourage provision of funds by the members themselves and to secure that the extent of such assistance given by Government shall be made to depend upon the amount of thrift and efforts which the members have shown, as evidenced by their own subscription and deposits. An ideal Society thus presupposes a class of persons who command some capital of their own, who are thrifty and who can, out of their united funds, assisted by such advances as Government can make, meet all their current requirements. This ideal may represent a state of things in European countries. There the general intelligence is of a high standard, public morality of a higher grade, capital cheap and an enterprising population following diverse occupations in life. In India most of the essentials are lamentably lacking and agriculturists already knee-deep in indebtedness. Mutual confidence and a desire to co-operate for a common weal are not forthcoming. As a result, it is natural to suppose that further development in co-operation is not possible in the absence of capital from outside. If Co-operative Societies are to seriously undertake the task of redemption of past debts of members, it is necessary to remove things which militate against the successful growth of the Societies. The reason why outside capital is so timid is that the Societies are not empowered to have recourse to summary procedure in case of default by a recalcitrant member of an overdue loan. Once some Registrars had suggested a special procedure for such Societies but the Government of India were of opinion that the introduction of such a special procedure would lead to less care in the management of the Societies and that there had been no indication that a special procedure was necessary. The policy of the Government of India is outlined in the speech of the Honourable Sir Denzil Ibbetson. It is true that the recovery of debt by civil suit is a tedious process and that a society we are considering is perhaps the least fitted of all agencies to conduct such a suit. But it is a serious matter to place our executive machinery at the disposal of a private creditor. Thus the objections of the Government of India are based on some definite principles. But it may be said that principles which hold good in Western civilized countries are inapplicable in such a land of exceptions as India. With such wide differences in intellectual, social, moral environments, western ideals cannot be transplanted without making the necessary modifications to suit local conditions. A procedure of a special nature is the great desideratum at the present moment. Further growth will be hampered in its absence. Again, there is marked difference in the functions of a Co-operative Credit Society and a private banker or capitalist. The former is a semi-philanthropic institution and has a definite public good for its object and not mere private gain. The two things are not essentially similar. Apparently, with so many restrictions in respect of raising capital, membership, &c., imposed on the function of co-operative institutions, it is not likely that it will degenerate into those evils which are apprehended by the Government of India. At least experiments can be made in respect of some particular Societies in selected tracts. Thus, if the Co-operative Societies are to achieve anything summary powers are urgently needed.

14. It is now possible to see if co-operative movement would do anything more than supplying small funds to its members at low rates. It cannot, unassisted by other external agencies, dispel the darkness of ignorance prevailing in the agricultural classes, and it is Government and philanthropists who must take up this problem of education of the masses. It will, to a considerable extent, make a member thrifty and teach him moderation. It will make him, in course of time, more self-reliant. It will bridge over unpassable gulfs of party rancour in the village society. Indeed, a number of things would be accomplished; in fact the social and moral atmosphere would be changed not however in one day, not unassisted by other movements, but in course of time and in actual co-operation with other social movements. Co-operative movement alone cannot effect a moral and social revolution in the life of the peasant. And unless the problem of indebtedness is considered in its relation to the moral and social life of the agriculturist and vigorous remedies devised and undertaken to root out the intimate causes of such

indebtedness, the co-operative movement would not take deep root in rural tracks. Government, aided by men of light and leading, must do their own part. Rural industries, which are already defunct, must be revived. The school-master must be abroad. Irrational prejudices and superstitions must be dispelled and reason must take the place of dogma and usage and long-cherished custom. Government is already doing what is expected of it in making large grants towards primary education, and an industrial survey of the Presidency is being undertaken on a systematic plan. But Government cannot ask the rayats to change their habits, to be more thrifty and to live within their income. Such things can best be accomplished by leaders of the people, by those who have the true interest of the peasant at heart. The problem is so wide that it affords ample scope for all classes of thinkers to formulate various schemes of their own. The regeneration of the agricultural classes must be at the heart of all Government and private individuals alike. It is a great problem for a satisfactory solution of which officials and non-officials, rich and poor, politicians and social reformers, can work in union and harmony. It is a problem which must occupy the fore front in all programmes of social reformers and other thinkers. It will serve no good purpose to blame any one. The causes are there and earnest endeavour must be made to remove them. So far as practical, the co-operative movement is intended for achieving the economic freedom of the peasant, and deserves all kind support on the part of all classes and persons.

15. In conclusion, although the co-operative creed will not accomplish everything expected of it and cannot prove a specific against the ills of economic degeneration of the Indian peasant, it will, in company with the hearty support of Government and a generous public, work wonders in future. Government should not be reluctant to give special powers to Societies which will strengthen their credit and enable them to obtain outside capital and redeem past debts and the capitalist should not be too exacting in his terms. In the long run he will find that his investment in such quasi-philanthropic but business-like Societies is far more secure and paying than in other individual concerns.

## APPENDIX VIII.

### (1)

A Conference of Co-operative Specialists and official and non-official visitors will be held in Bombay from December 15th to 18th, 1908. His Excellency the Governor has kindly promised to open it.

2. The general object of the Conference is to find a solution for the financial and social obstacles to "Co-operation" in India and particularly the Bombay Presidency. The Conference's *raison d'être* will be primarily the important and difficult question of "financing Co-operative Societies".

3. The following is a rough list of the points put down for discussion :—

(1) How far should the "Co-operative Credit" movement offer a solution to Deccan indebtedness?

(2) How can redemption of debt best be arranged for?

(3) How far can "Central" financing Society be formed (*i.e.*, what are the essentials thereof)?

(4) How far or with what restrictions (to prevent demoralisation) is it sound to hold out generally or individually promises of loans from Government?

(5) How far do the present Civil and Registration laws help or hinder the cause of sound co-operation?

(6) Could "co-operation" without further legislation not only redeem the ryot from past debts but attract him sufficiently to prevent relapse?

(7) How can the assistance of non-officials (as Honorary Organizers for instance) best be obtained?

(8) Any other subject or subjects that may be put up for discussion, time permitting.

4. A detailed programme will be sent shortly, giving the names of those opening the various subjects as finally settled, and the hours and the building, when and where the Conference will meet.

5. You are particularly invited to be present on the occasion as a visitor, with a hope that you will be good enough to accept the invitation and, by your presence, help the "co-operative cause."

An answer will oblige.

Camp Sātara,  
19th November 1908.

G. V. JOGLEKAR,  
Registrar, Co-operative Credit Societies, Bombay.

To

(2)

List of Co-operative Specialists invited to attend the Conference to be held in Bombay from December 15th to 18th, 1903.

1. J. McNeill, Esquire, I. C. S., Collector of Ahmednagar.
2. G. F. Keatinge, Esquire, I. C. S., Director of Agriculture and of Co-operative Credit Societies, Poona.
3. C. S. Campbell, Esquire, I. C. S., late Registrar of Co-operative Credit Societies (now on leave, at Sátára).
4. The Honourable Sir Vithaldas D. Thackersey, Bombay.
5. Lalubhai Samaldas, Esquire, Bombay.
6. Rao Báhádúr Motilal Chunilal, Honorary Organizer, Co-operative Credit Societies, Gujarát, Broach.
7. Rao Báhádúr K. N. Bhangaonkar, Honorary Organizer, Co-operative Credit Societies, Khándesh, Dhulia.
8. A. B. Desai, Esquire, Honorary Organizer, Co-operative Credit Societies, Southern Division, Belgaum.
9. G. V. Joglekar, Esquire, Registrar, Co-operative Credit Societies, Poona.

(3)

List of Official and Non-official visitors invited to attend the Co-operative Conference to be held in Bombay from December 15th to 18th, 1903.

*Officials.*

- The Honourable Mr. J. W. P. Muir Mackenzie, C.S.I., M.R.A.C., I. C. S., Member of Council of His Excellency the Governor of Bombay.
- The Honourable Mr. J. L. Jenkins, C.S.I., I. C. S., Member of Council of His Excellency the Governor of Bombay.
- The Honourable Mr. R. A. Lamb, C.I.E., I. C. S., Chief Secretary to Government, Revenue Department.
- W. T. Morison, Esquire, I. C. S., Commissioner, Central Division.
- M. C. Gibb, Esquire, I. C. S., Commissioner, Southern Division.
- R. P. Barrow, Esquire, I. C. S., Commissioner, Northern Division.
- L. Robertson, Esquire, I. C. S., Private Secretary to His Excellency the Governor.
- A. R. Bonus, Esquire, I. C. S., Collector of Surat.
- A. L. M. Wood, Esquire, I. C. S., Collector of Kaira.
- J. H. E. Tapper, Esquire, I. C. S., Acting Collector of Ahmedabad.
- R. G. Gordon, Esquire, I. C. S., Superintendent, Land Records and Registration, Northern Division.
- P. J. Mead, Esquire, I. C. S., on special duty, Bombay.
- Mr. Balakhi Bapuji Trivedi, Huzúr Deputy Collector, Kaira.
- Mr. Saiyad F. A. Edroos, District Deputy Collector, Broach.
- Mr. V. N. Sathaye, District Deputy Collector, Dhárwár.
- Mr. V. B. Mardhekar, District Deputy Collector, Bijápúr.
- Mr. Narbadashankar H. Metha, Mámlatdár of Dáskroi, Ahmedabad.
- Mr. Y. V. Ranadive, Mámlatdár of Panvel.
- Mr. N. G. Nadgir, Mámlatdár of Sindgi.
- Mr. N. G. Sahasrabudhe, Mámlatdár of Gadag.

*Non-officials.*

- Khan Báhádúr B. E. Modi, retired Deputy Collector, Surat.
- Rao Báhádúr Khandubhai G. Desai, retired Executive Engineer, Surat.
- Mr. Waghji Amarsing Makhi, of Dákról, Visálpúr.
- Mr. Saidumia Fejumia, of Kaira Society.
- Mr. Vasanji Haribhai, of Degaum Society.
- Mr. Vazir Patil, of Bodwád Society.
- Mr. J. E. Vaz, of All India Brotherhood Co-operative Society, Manmál.
- Mr. Sane, of Barsi Society.
- The Honourable Mr. G. K. Gokhale, C.I.E.
- Mr. Shivaji Ramchandra, of Málsamudra.
- Mr. V. M. Herlekar, of Dhárwár.

Rev. Canon Rivington, of Betgeri-Gadag.  
 Mr. V. R. Natu, of Belgaum Pioneer Society.  
 Mr. R. K. Inamati, of Annigeri Society.  
 Mr. A. J. Deshpande, of Muddebihal Society.  
 Mr. Pandit, of Sirsi Society.  
 Mr. Tribhovandas Mangaldas, of Bombay Hindu Urban Society.  
 Mr. K. Anandrao, of Shamrao Vithal Society.  
 Mr. Govind Timaji, of Chikhandigol Society.  
 Dr. Bhajekar, of Bombay.  
 Mr. Basangowda Hanmantgowda Patil, of Hulkoti Society.  
 Mr. Fakirappa Godchi, of Kanginhál Society.  
 Sir Sasoon David, Bombay.  
 Mr. D. J. Tata, Bombay.  
 Sir C. J. Readymoney, Bombay.  
 Mr. Reed, Editor of the *Times of India*, Bombay.  
 General Booth Tucker, Head of the Salvation Army.

(4)

*Detailed Programme of the Co-operative Conference to be held in Bombay  
 from December 15th to 18th, 1908.*

1. The Conference will meet at the Council Hall, Secretariat, Bombay.
2. On the first day the proceedings will commence with an opening address by His Excellency the Governor at 4 p.m. (Standard Time) in the afternoon and close at 5 p.m.
3. On the three succeeding days the sittings will commence at 11-30 a.m. and close at 4-30 p.m., with an hour's adjournment from 1-30 p.m. to 2-30 p.m. for tiffin.
4. The following is a list of the subjects to be discussed and the names of those who are taking them up:—

<i>Subjects.</i>	<i>Names of those opening the subjects.</i>
I.—How far should the "Co-operative Credit" movement offer a solution to Deccan indebtedness?	Mr. G. V. Joglekar, Registrar of Co-operative Credit Societies, to read a note.
II.—How can redemption of debt best be arranged for?	Mr. J. McNeill, first Registrar of Co-operative Credit Societies in this Presidency, now Collector of Ahmednagar, to read a note.
III.—How far can a "Central" financing Society be formed ( <i>i.e.</i> , what are the essentials therefor)?	The Honourable Sir Vithaldas D. Thackersey, of Bombay, to read a paper.
IV.—How far or with what restrictions (to prevent demoralisation) is it sound to hold out generally or individually promises of loans from Government?	Mr. G. V. Joglekar, Registrar of Co-operative Credit Societies, to read a note.
V.—How far do the present Civil and Registration laws help or hinder the cause of sound co-operation?	Mr. C. S. Campbell, late Registrar of Co-operative Credit Societies, Bombay, now on leave, to read a note.
VI.—Could "co-operation" without further legislation not only redeem the ryot from past debts but attract him sufficiently to prevent relapse?	Mr. J. McNeill, First Registrar of Co-operative Credit Societies in this Presidency, now Collector of Ahmednagar, to read a note.
VII.—How can the assistance of non-officials (as Honorary Organizers for instance) best be obtained?	Rao Bahadur Motilal Chunilal, Retired Deputy Collector and Honorary Organizer, Co-operative Credit Societies, Gujarát, Broach.

Poona, 5th December 1908.

G. V. JOGLEKAR,  
 Registrar, Co-operative Credit Societies.

To