

Proceedings of the Fifth Conference of Registrars of Co-operative Credit Societies, January 1911.

Present :

- HONOURABLE MR. E. D. MACLAGAN, C.S.I., I.C.S., *Secretary to the Government of India, Department of Revenue and Agriculture (President).*
- HONOURABLE MR. W. R. GOURLAY, I.C.S., *Director of Agriculture and Co-operative Credit Societies, Bengal (Secretary).*
- DEWAN BAHADUR RAMACHANDRA RAO, *Registrar, Co-operative Credit Societies, Madras Presidency.*
- MR. C. S. CAMPBELL, I.C.S., *Registrar, Co-operative Credit Societies, Bombay Presidency.*
- MR. W. H. BUCHAN, I.C.S., *Registrar, Co-operative Credit Societies, Bengal.*
- KUNWAR MAHARAJ SINGH, *Offg. Registrar, Co-operative Credit Societies, United Provinces.*
- MR. A. LANGLEY, I.C.S., *Registrar, Co-operative Credit Societies, Punjab.*
- MR. K. C. DE, I.C.S., *Registrar, Co-operative Credit Societies, Eastern Bengal and Assam.*
- MR. C. WILLS, I.C.S., *Registrar, Co-operative Credit Societies, Central Provinces.*
- MR. GUSTAV HALLER, *Registrar, Co-operative Credit Societies, Coorg.*
- RAI SAHIB MUNSHI GOPINATH, *Registrar, Co-operative Credit Societies, Ajmer-Merwara.*
- MR. M. SHAMA RAO, *Registrar, Co-operative Credit Societies, Mysore.*
- MR. A. N. DATAR, *Registrar, Co-operative Credit Societies, Baroda.*
- MR. C. R. MACDONALD, *Daulatpur, Bengal.*
- BARU RADHA GOBINDA CHOWDHURY, *Ranchi.*
- BABU GANGA PRASAD, *Honorary Manager, District Bank, Mainpuri, United Provinces.*
- BABU JOGESH CHANDRA DUTT, *Secretary, Jamalpur Urban Bank, Eastern Bengal and Assam.*
- QAZI ZAHIRUL HAKK, B.A., *Secretary, Eastern Bengal and Assam Co-operative Central Bank, Dacca.*
- MR. JAMINI MOHAN MITRA, *Personal Assistant to the Registrar of Co-operative Credit Societies, Bengal.*
- THAKUR THAMMAN SINGH, *Assistant Registrar, Co-operative Credit Societies, United Provinces.* ✓
- RAI SAHIB MUNSHI KALI CHARAN NIGAM, *Honorary Manager, Town Bank, Unao, United Provinces.*
- MR. A. K. FAZLUL HAKK, *Assistant Registrar, Co-operative Credit Societies, Eastern Bengal and Assam.*
- MR. P. C. BARDALAI, *Assistant Registrar, Co-operative Credit Societies, Eastern Bengal and Assam.*
- BABU JYOTISH CHANDRA CHAKRAVARTI, *Inspector, Co-operative Credit Societies, Eastern Bengal and Assam.*
- MR. LAKSHMI NARAIN, *Manager, Bhivni Estate, Ajmere.*
- MR. PARSHOTAM MEHTA, *Manager, Masadu Estate, Ajmere.*
- MR. CHERANJI LAL, *Honorary Manager, Central Bank, Ajmere.*
- THE HONOURABLE SARDAR MOTILAL CHUNILAL, *Bombay.*

Programme of the Fifth Conference of Registrars of Co-operative Credit Societies to be held at Allahabad from the 7th to the 10th January 1911.

I.—General progress made in each province.

II.—Cash Banks with unlimited liability—

- (a) Raiffeisen principles and their adaptation to Indian conditions.
- (b) Share basis : the progress made with the Punjab system. How far and with what limitations is it desirable to extend this system to other provinces ?
- (c) Administrative machinery. How far are changes made in the *personnel* of the Managing Committee and how far is it desirable to make such changes compulsory ?
- (d) Principles upon which village societies should be financed.
- (e) Tribal societies : their working.
- (f) Co-operative principles how far understood. Moral effects of co-operation.

III.—Cash Banks with limited liability—

- (a) Special type suitable to India.
- (b) Societies amongst employés of one establishment.
- (c) Societies amongst artizans and small traders.
- (d) Special difficulties connected with Limited Liability Banks.

IV.—The utilization of the Reservé Funds.

V.—Inspection and audit—

- (a) How far are societies becoming independent of outside assistance in their management ?
- (b) Definition of the words “supervision,” “inspection,” “audit,” “control,” “independent management.”
- (c) Should schools be established for training Inspectors ? (Mr. Rao, Madras.)

VI.—Finance—

- (a) Sources of capital—
 - (i) Deposits by members.
 - (ii) Other local capital.
 - (iii) Investing public.

Relative importance of these sources. Difficulties connected with each source.

- (b) Central Banking Unions. Their organisation and management.
- (c) District Banks.
- (d) The question of the issue of debentures by Central Banks. (Mr. Rao, Madras.)
- (e) Is it desirable that the Registrar should control the borrowing power of societies ? (Mr. Mitra, Bengal.)
- (f) How far should village societies be financed by local deposits and how far should they depend on their central financing agency ?

VII.—Organisation of Co-operative Stores in India.

VIII.—Development of other forms of co-operation.

IX.—Privileges granted by Government. How far appreciated ? Whether an extension is justifiable or necessary ?

X.—The working of Resolution No. 1—63-3, dated the 29th April 1904 (loans against equivalent deposits by members). How far have deposits been encouraged ?

- XI.—How best to encourage assistance of non-officials. Experience with District Co-operative Committees.
- XII.—Provincial Conferences : their utility and the work done by them.
- XIII.—Proposals for next year's Conference.
- XIV.—Form of report and statements.
- XV.—Necessity for a more automatic and fluid supply of capital for village societies. (Mr. Mitra, Bengal.)
- XVI.—To what extent should village societies depend on Unions or Central Banks for the supply of their capital ? (Mr. Mitra, Bengal.)
- XVII.—In what way can Central Banks and Unions come to a satisfactory agreement with Joint Stock Banks ? (Mr. Langley, Punjab.)
- XVIII.—Is it desirable to start Provincial Central Banks, and if so, what form should they take ? (Mr. Langley, Punjab.)
- XIX.—The desirability of altering the law so as to legalise the levy of a charge from Co-operative Credit Societies for supervision and audit which are at present provided entirely at the expense of the State and the manner and proportion in which such a charge should be levied. (Mr. Rao, Madras.)

The President's Address.

1. Mr. Maclagan in opening the Conference said that he need hardly state how exceedingly glad he was to welcome the members of the Conference. This was the first conference which had been held away from the headquarters of the Government of India, and he thought it was a suitable thing that the Conference should be held on this occasion at Allahabad in the midst of the great Industrial Exhibition and further the date had been so fixed that those members who desired to do so, could attend the Agricultural Conference of the United Provinces, which is to be held immediately after the close of the present Conference. Allahabad was recently the scene of a Divisional Durbar, at which Sir John Hewett, the Lieutenant-Governor of these Provinces, had made a speech of great value to the co-operative movement in the United Provinces and in fact in all India. Sir John Hewett was recognised as above all a practical man, and the views which he had expressed regarding the efficacy of the co-operative movement were of the utmost importance. It was recognised now that the idea of spreading a knowledge of co-operation in India was no longer a dream. Mr. Maclagan said that he was under an obligation to those non-official members, who had taken the trouble to be present, and specially to those, who had come from a long distance. He regretted that the Registrar from Burma, Mr. English, was unable to be present at the Conference this year as it was clear from his interesting and suggestive report that his advice would have been valuable to the Conference and the Conference would have had an opportunity of obtaining from him further details concerning original lines of work, which had met with success in Burma. He hoped that it would be possible for the Burma Registrar to be present at the next Conference. Mr. Maclagan then referred to a letter, which he had noticed in the public press, in which the writer, who was in favour of the co-operative movement, had referred to the Conferences of Registrars as the one obstacle in the way of success. The writer explained that he thought this Conference led to too much uniformity in development, and to an unhealthy competition between the Registrars which tended to encourage an increase in the number of societies in their respective provinces at the expense of efficiency, and the writer expressed the hope that some European expert in co-operation might be induced to visit India and report how many of the societies in the different provinces were genuinely co-operative. Mr. Maclagan stated that he did not agree with the writer in thinking that the Conference led to unhealthy competition but that these meetings were of the greatest value in furthering the movement. He quite recognised that any unnecessary haste might lead to disaster but at the same time he considered that whatever spirit of competition was aroused amongst the Registrars was entirely healthy. As to uniformity, Mr. Maclagan thought that there was some misconception. So far from there being uniformity there was, in his opinion, an extraordinary diversity in the different provinces and it was now proposed to amend the Act partly in order to make provision for this great diversity. The usual statistics comparing the progress made in the different provinces were in the hands of the different members of the Conference. The statistics were not all for the same period. Some were for a period of 9 months, some for a period of 12 months, and in at least one case the period was 13 months. In future, however, statistics would be for a period of 12 months in all cases, and the fact that the years did not coincide in all provinces did not greatly matter. The progress made during the year had been exceedingly encouraging. The total number of societies had increased from 1,357 in 1908 to 2,008 in 1909, and now stood at 3,498. The number of members which in 1908 was 149,000 and increased in 1907 to 185,000 now stood at 231,000. It might fairly be said that each member represented a family and that the co-operative movement had beneficially affected no less than a million people in India. Loans amounting to nearly 80 lakhs of rupees had been made by societies to individual members during the year. The working capital, which was 47 lakhs in 1908 and 84 lakhs in 1909 now amounted to 124 lakhs and of this sum only 7 lakhs represented loans made to the societies by the State: while the capital had increased by nearly 50 per cent., the amount of State aid was only a few thousand rupees more than last year, and the share capital had increased from 15 lakhs to 23 lakhs and deposits by members from 16 to 25 lakhs. Mr. Maclagan then dealt with the main features of the different provincial statistics. The Punjab had very few urban societies: the number of rural societies in Bombay appeared small. He

had no doubt there was good reason for this but thought it necessary to contemplate the difficulty likely to arise if a large central bank is brought into operation in that presidency. He feared that there might be a tendency on the part of such a bank to encourage the too rapid promotion of village societies in order to find scope for its capital. In Burma the number of members seemed small in comparison with the number of societies, but unfortunately the Burma Registrar was not present to enlighten the Conference on this subject. Mr. Maclagan drew attention to the comparative statistical statement placed before the Registrars, a glance at which would show that each province had its special feature. In Madras, for example, the figure for loans from other societies was very large. This was no doubt due to the existence of the central bank in the presidency town. In Bombay the loans obtained from other societies were very small and this was no doubt due to the want of any central banks or unions. In Bengal the capital was fairly evenly distributed under the heads "loans from other societies," "share capital" and "deposits by members," the largest figure being loans from private persons. In the United Provinces, the largest amount of capital, viz., 14 lakhs came under the head "loans from private persons," but the loans from central and district banks were also very large. The main feature of the Punjab figures was the large amount raised in deposits by members and share capital, but the reserve fund appeared very small indeed. No doubt, however, there was some explanation, which the Registrar would give later. In Burma the largest amount of capital was raised from private persons and there was an absence of central banks. The most noticeable feature of the Eastern Bengal and Assam figures was the large amount of state aid, which is still found necessary. In Mysore the greater portion of the capital was raised by shares. Madras alone of the larger provinces shows any large expenditure in the form of raw material and stores, but Mysore also appears to be expanding this side of the movement. The main question before the Conference was one which has already been discussed on former occasions, viz., the best method of financing and controlling a large number of societies and a strong Sub-Committee, consisting of the Registrars of each of the larger provinces, would be appointed to consider this question again in detail. In Bengal there was no system of central or district banks. In the United Provinces the district banks continued to flourish but their constitution was being modified in the light of experience gained : loans to individual members were no longer encouraged, and affiliated societies were being transformed into independent units as quickly as possible. In Burma a new form of union having nothing to do with finance had been evolved. The individual societies continue to be financed by a central agency and the union exists for the purposes of inspecting and controlling the village societies, and at the same time guarantees the solvency of its affiliated societies. Mr. Maclagan regretted that Mr. English was not present himself to give a more detailed account of a system which had apparently met with great success in Burma. In Madras money is supplied to the village societies by central banks on a joint stock basis, the principal of which was in the presidency town. These central banks appear to rely almost wholly on the supervision of the Registrar and his staff over the village societies. In the Punjab there had been a conflict between a union and a central bank in the district of Jullundar, upon which Mr. Langley would no doubt give the Conference some further information. In Bombay it was proposed to organise a large central bank, provided a Government guarantee could be obtained. Mr. Maclagan thought it necessary that the members should keep clearly before them a point already mentioned by the Honourable Mr. Carlyle at the previous Conference and referred to by the Government of India in their Resolutions on the subject of co-operative credit, viz., that while supervision must be efficient, care must be taken to see that the societies are developing along lines, which will render it possible for them to provide such supervision for themselves. The last thing in the world which Government contemplated was the creation of a service of Supervisors of co-operative societies. Mr. Maclagan then referred to the Bill, which it was proposed to introduce in the Imperial Council at an early date to amend the present law relating to co-operative societies. He reminded the Registrars that the Bill prepared at the last Conference had been considered by the Local Governments and after considering the views expressed by them a rough draft Bill had been prepared by the Government of India and submitted to the Secretary of State. It was hoped that it would be possible to introduce the Bill in Council at an early date. The Act had been recast and put into a more suitable form and it had been extended so as to include other forms of co-operation besides credit societies. The distinction between

“urban” and “rural” societies had been removed and a limited permission to pay dividends to rural societies with share capital and unlimited liability had been allowed. No action, however, had been taken as regards minors nor as regards the proposal to do away with the residential qualification in rural societies and it was not proposed to give any special powers to societies for the recovery of their loans. The main feature of the legislation was the inclusion of other forms of co-operation within the scope of the Act and this was likely to affect greatly the operations in the future.

2. Following the precedent of a previous Conference several matters were discussed in the first place by Sub-Committees composed of those most interested. The chief subjects were finance and control and these were referred to a Sub-Committee consisting of the Registrars and each Registrar was at liberty to bring with him those members from his province who desired to attend. This Committee was presided over by the Secretary, Mr. Gourlay.

Sub-Committee II—consisting of Messrs. De, Wills, Haller and Mitra dealt with Item No. XV—Form of Report and Statements.

Sub-Committee III—consisting of Messrs. Buchan, Maharaj Singh and Rao dealt with Item No. 5—Inspection and Audit. Any member of the Conference who desired to do so was at liberty to attend all the Sub-Committees.

I.—GENERAL PROGRESS MADE.

3. Mr. Buchan (Bengal) stated that on the 31st March 1909 there had been 395 societies with a capital of R3,65,000. In March 1910 there were 511 societies with a capital of R6,97,000. At the present moment there were 689 societies with a capital of nearly R9,00,000 and a membership of 30,000. The development had been chiefly along the old lines. Existing centres had been developed and societies in groups encouraged with the object of combination into unions. Active steps had been taken to weed out indifferent societies and within the next year or two a considerable number would be wound up. A more thorough system of financing societies had been adopted and considerable progress had been made in educating the people in co-operation. The outstanding feature of the year's work was the progress made in centralisation. At the time of the last Conference there were only two banking unions while there were now seven. Of these five were of the same type composed of and managed wholly by affiliated societies. In the more backward parts of the province a modification had been introduced by the admission of individual shareholders who supplied the necessary element of business management. Most of these unions were working satisfactorily and the year's experience went to show that although adjustment in details might be necessary, the scheme was on the whole suited to the conditions of the province. One of the principal features of the year was the facility with which money had been obtained from outside sources. In the case of three unions, joint stock banks had consented to grant cash credits. There had been a great increase in the amount of local capital invested and there were signs that the unions would increasingly attract this kind of capital. Another encouraging feature was the increase in members' deposits, the sum of which was four times as great as it was at the close of the year 1908-09. Among other features of interest he might mention the holding of a district Conference at Midnapore, the proceedings of which were conducted in the vernacular. The Conference was attended by delegates from all societies in the district. The provincial conference held its third sitting last July. Although the movement had attracted greater attention in the press and the public had shown more interest and sympathy, written and oral, the number of non-official workers was still very small. In three districts organising committees had been formed to systematise non-official help, but these were still too young for criticism.

4. Mr. Ramachandra Rao, Madras, said that during the year 5 urban and 193 rural societies were registered. One urban society was dissolved. The number of members increased from 15,597 to 30,085. In round figures the share capital increased by a lakh and a half and deposits from members by nearly 3 lakhs and from non-members by over 2½ lakhs. Proposals for an administrative union were submitted: 16,886 loans were issued aggregating R15,82,237. At the end of the year 21,133 loans amounting to over 19 lakhs were outstanding. The societies have considerably affected the local rates of interest. The repayment of loans was prompt

and resort to legal process trifling. The net profits earned amounted to R79,000, the reserve fund accumulated during the year exceeded R1,08,000. All the accounts have been audited. A quarterly journal was published and was much appreciated. The future was promising. Over 600 applications from people anxious to form societies were pending enquiry and the central banks were well supplied with funds.

5. Mr. Campbell, Bombay, stated that the main feature of the year had been the extension of education in co-operation. No great progress had been made in increasing the number of societies but great progress had been made in educating the people in true principles of co-operation. He considered it a most important feature that there should be in the province many local gentlemen well grounded in a knowledge of co-operative principles. Until this was the case, no good progress would be made. Conferences had been held in each division, the proceedings of which were conducted in the vernacular: and at these conferences any villager was allowed to stand up and ask questions and many had taken advantage of the privilege. The provincial conference over which the Governor had presided was held at Poona and many officers had expressed surprise at the great and independent interest and grasp shown by those who attended.

Attempts had been made to assist weavers and an expert had been placed under him with an assistant to help the weavers in improved methods. Similarly an expert in leather-working having been obtained from Cawnpore for a provincial survey, industrial societies amongst leather workers had been encouraged. With regard to rural societies, one reason for their small number was the want of sufficient capital but besides this the province was to some extent hampered by the existence of the Deccan Relief Act which affected societies adversely. Cases had been known in which judges under the Act had reduced the rate of 9 per cent. charged by societies on the ground that it was exorbitant and orders had been passed for the payment of members' debts by small instalments. Steps had now been taken, however, to put this matter right. Attempts had been made to form unions and although not successful yet they were being continued. He quite recognised the necessity for the federation of societies with the view of controlling the work. At the same time he hoped the unions would develop spontaneously. He did not desire to force on their formation.

6. Kunwar Maharaj Singh (United Provinces) said that the year had been one of consolidation rather than of expansion, due to the policy now being followed of reorganizing affiliated societies into self-contained independent banks. There was, however, a steady increase in membership and capital in all classes of societies though the official staff remained the same. The decrease in the number of members in urban banks with limited liability was due to the liquidation of one large district bank whose directors would not conform to co-operative principles. The increase in the number of urban societies with unlimited liability from 24 to 71 working among the industrial classes was very striking and these were now a most successful feature of co-operative credit in these provinces. Repayments were on the whole satisfactory members were better financed and the principle of joint responsibility, was increasingly understood. District banks continued to be the main channels for financing societies and as a rule no difficulty had been experienced in raising local capital. The system of cash credit accounts with joint stock banks was extended. The first real distributive society had been formed during the year for the supply of yarns to weavers and had made a promising start. An account of it had been given in a separate note. During the year a second provincial conference was held and a number of district conferences were organised in connection with district central banks. The prospects of co-operation were bright but close supervision was still required.

7. Mr. Langley (Punjab) said that the number of societies had more than doubled during the year and numbered at the close (July 31st, 1910) 706, with a membership of 38,555 and a working capital of R15,81,357. There are 6 urban societies, 6 central banks, 1 union. The rest were rural societies. The two principal features of the year were:—

- (1) The amount of capital found by the societies themselves.
- (2) The growth in non-official assistance.

As regards the former excluding 2 lakhs lent by central banks and the union and less than 1 lakh lent by Government, all the capital, i.e., some 13 lakhs was

supplied by the societies themselves. Of this latter sum more than 3½ lakhs were deposits by members in their own village banks. Also the outside public had deposited more than 1½ lakhs in the village banks, which were thus shown to have obtained confidence in the eyes of their own members and in a less degree of the outside public. As regards the latter feature there are now 10 or more Honorary Sub-Inspectors who give great assistance in inspecting existing societies and starting new ones. The societies are shown to have made R80,000 profit during the year, a quarter of which must be considered as reserve fund (in addition to the reserve of previous years) though, as it is not "invested reserve" but forms part of the working capital, it has not been shown as "reserve" in the returns. Though there are societies in many districts, work is being confined to as few districts as possible with a view to organising the societies for purposes of finance and control in a small number of districts and extending work to other districts one by one. The Government Inspectors, with their intimate knowledge of the societies in each man's district and the sympathetic help they can thus give them, remain the corner stone of the movement but they interfere as little as possible and delegate their work as far as possible to the Honorary Sub-Inspectors, who work under them.

8. The Secretary read the following note for MR. ENGLISH (BURMA). The state of affairs on December 31st, 1910 is (approximate),—

Societies.	Increase.	Members.	Capital.
Central banks	2	1	Central (shareholders). 512
V Unions	15	7	Unions (societies) 175
Urban	27	5	Urban (members) 1,530
Rural	318	66	Rural (. . .) 7,684
Total	362	79	9,901
			Loans from non-members. R 10,12,688
			Shares 2,10,823
			Deposits by members. 36,000
			State aid and agricultural advance. 22,229
			Reserve 90,000
			Total say 13,70,000

The staff remains the same. The chief features of the half-year are:—

(1) *Organisation.*—The completion of a hand-book of co-operation which is now in the press. The Registrar has also issued six new leaflets, and rules for inspection with question and answer.

(2) *Control and inspection.*—The formation of 7 new unions. The total number of societies belonging to unions is now 175. Inspection has shown that the unions have had a marked effect in improving account keeping. They have taken their duties of assessing their societies' requirements for loans seriously and have accordingly afforded valuable help in this respect. They are also proving very useful in preparing new societies for formation and in rejecting unsatisfactory applications. They are not banks and merely levy a rate of 4 annas to 8 annas per R100 of funds from each society to pay their clerk and inspection expenses.

They will all make systematic inspections of each affiliated society in February next. There are so far no unions in Lower Burma where communications are largely by water and slow, and where societies are scattered.

(3) *Financing.*—The reorganisation of Pakokku Bank has now been completed. It has obtained money at 7½ per cent. and lends to its 27 affiliated societies at 9 per cent. The Upper Burma Central Bank at Mandalay has been organised with power to finance societies anywhere in Burma. This is the chief event of the half-year. It is desired that there should be as many share-holders as possible, as each share-holder, when brought into actual touch through his pocket with the central bank, learns something of the objects of co-operation and of the societies financed by the bank and is a potential propagandist. A high rate of dividend has been allowed as money is dear in Burma and the central bank is not meant to depend on philanthropy. The limit is not high when the returns of e.g., oil companies, shops and joint stock banks are considered. Further, half and in future probably more than half of the shares are reserved for societies who

furnish the dividend. The rapid accumulation of a large reserve fund is aimed at. The Committee is composed of Burmans and the Manager is Mr. Swinhoe who for four years was agent first for societies and then for depositors and collected funds for societies in Upper Burma. It is proposed to attach a savings bank department to collect savings in Mandalay. Later it can perhaps employ affiliated societies as branch savings banks. It will probably allow 5 per cent. on such savings at any rate for a time. Affiliated societies will pay interest half-yearly and will draw against a cash credit with the central bank which will be fixed by the Registrar at inspections. The bank will likewise settle interest with depositors half-yearly or on withdrawal of deposits.

(4) *New forms of co-operation.*—Mr. Clayton is in Europe and is making enquiries regarding Mutual Cattle Insurance, Co-operative Stores, Agricultural Associations and syndicates, and Cathedre Ambulanti. The Director of Agriculture who is Joint Registrar and I have been considering how the two departments can work together to the best advantage and a joint Agricultural and Co-operative Credit Societies Conference will be held in Mandalay at the Government Farm in July next. A start will shortly be made with industrial societies in Mandalay. There is clear evidence of an awakening of the Burmans and of a determination to strive for economic, social and religious improvement. It is realised that contact with the world has weakened respect for religion and parental authority and that it has made competition in business and agriculture a necessity. I think it is time that the Conference reiterated in the form of a resolution the necessity (stated by Wolff in his 3rd edition of *People's Banks*, pages 573 and 574) of the Registrar and his staff being "expert" and of continuity of policy. Men to hold charge of the post of Registrar should be trained for the work. Having been in charge for over 4 years I can say how slowly one assimilates the potentialities of co-operation and learns the conditions under which it has to be applied and the best means of application. There is another point which I think the Conference might consider next year—the necessity for periodical economic surveys of the country. To judge of results and to know how to shape future economic policy (which includes banking co-operation and agricultural organisation) and to gauge the direction and intensity of economic forces it is necessary to enquire into and determine the economic condition of the various parts of the country from time to time.

9. Mr. De (Eastern Bengal and Assam) said that the number of urban banks increased from 27 to 36 and the number of rural societies from 204 to 330. The available capital of the urban societies at the close of the year was R3,50,497 and that of the rural societies was R5,41,598. There was a slight increase in the average membership of urban societies and a small decrease in that of rural societies. Loans from non-members in urban societies amounted to R1,59,862 against R46,974 or more than three times that of last year. This was very satisfactory and indicated the growing confidence of the public in these societies. The year had been one of substantial progress. New centres of activity had been started and the co-operative banks had made a considerable advance in popularity and public confidence. A marked feature of the year's results had been the increasing readiness of the general public to invest their money with the societies. Government loans would now be reduced steadily. The number of societies was growing beyond the power of supervision of the existing staff and progress was retarded for want of a supervising agency. The initial difficulties met with in the apathy and obstruction of the people had now been overcome and the co-operative system was properly understood. There was every promise of successful expansion in the future, given sufficient supervising agency.

10. Mr. Wills (Central Provinces) said that he held the post of Registrar, Co-operative Credit Societies in the Central Provinces, only temporarily and could not speak with much knowledge of detail. The period under report was one of 9 months only, the date for closing the co-operative year having been altered for the Central Provinces from 30th June to 31st March in accordance with the recommendation of the 3rd Conference of Registrars. As the main results of the organisation effected during these 9 months appeared between March and July of 1910 the record given in the Annual Report was hardly a fair indication of the full year's work. Fifty-two new rural societies had been registered during the 9 months under report. During the 3 subsequent months one new central bank and nearly 100 more rural societies had been added. These results were especially satisfactory seeing that throughout 1909-10 the Central Provinces had no whole-time

Registrar. This separate appointment had since been sanctioned. The feature of the period under review was the success of the co-operative organisation in the Jubulpore District of a central bank mainly non-co-operative in principle able to borrow from joint stock banks and financing and controlling rural non-share societies of a nearly pure Raiffeisen type. This success was so marked that the Sihora model was on a fair way to being accepted as a standard organisation for the Central Provinces. The principles of its organisation had been laid down in a Primer of Co-operative Credit issued with official approval for the Central Provinces and Berar, and these principles were now being applied at several other Tahsil headquarters.

11. Mr. Haller (Coorg) said that since 1905, when the societies started in Coorg, there had been steady progress: the number of societies had risen from 5 to 18; the number of members from 500 to 1,700; the capital from R8,000 to R57,000 (about half of this, viz., R21,000 consisted of shares); the reserve fund had increased from R800 to R8,500; of the latter sum $\frac{2}{3}$ ths was invested in Government securities and the remainder would be so invested shortly.

12. Munshi Gopinath (Ajmere) stated that the remarks contained in the last Conference report about the Ajmere co-operative societies had had a salutary effect in more than one respect. He had been convinced of the truth that the vitality of these societies depended on the vitality of the Registrar. On his return from Calcutta last year he had resolved to set up some new and efficient society to finance the rural banks. In February he had been successful in registering the Central Bank Limited, Ajmer, starting with 12 members. Rural societies had since been registered and financed by the central bank, and before the end of June 1910, the number of rural societies rose from 8 to 25, of which 14 were financed by the central bank to the extent of R7,000. Since then nine more societies had been registered and financed and the number of societies at present was 34, and about Rs. 20,000 was being employed in financing them. Munshi Gopinath explained that he was not a whole-time Registrar: he was utilising his Girdawar as Inspector for this purpose: and it was he who organised societies and inspected accounts. He thought the appointment of a whole-time Inspector of societies was now necessary. Ajmere was a small British district in the heart of Rajputana and as such demanded special consideration owing to its political importance.

13. Mr. Shama Rao (Mysore) said that during the year under report, 31 new societies had been registered and four of the older societies, which were found not to have started working at all and which held out little promise of success, had been cancelled, leaving a net increase of 27 societies. Out of the total number of 61 societies, only one was urban. The liability in all cases was unlimited. The working capital is close upon 1 lakh. At the end of the year the total membership was 1,521 as against 495 of the preceding year.

14. Four general statements showing the combined statistics of the societies in the different provinces and stating the general progress made are attached, as usual, to these minutes. The tabular statements below compare the statistics of this year with those of preceding years, and compare the number of societies of each kind, the number of their members and the sources of their capital in each province.

STATISTICS FOR CO-OPERATIVE CREDIT SOCIETIES.
STATEMENT A.

	1906-07.	1907-08.	1908-09.	1909-10.
<i>Number of Societies.</i>				
Central	14	7	15	32
Urban	89	149	227	321
Rural	740	1,201	1,766	3,145
TOTAL	843	1,357	2,008	3,498
Number of members	90,844	1,49,160	1,84,889	2,30,698
<i>Capital.</i>				
	R	R	R	R
Loans from private persons	6,56,092	12,43,495	21,93,814	31,82,691
" " other societies	2,40,425	5,84,765	15,96,611	30,15,106
Share capital	5,55,805	9,35,928	14,77,254	23,08,342
Deposits by members	5,76,025	9,19,523	16,18,018	25,33,317
State aid	2,84,738	6,51,816	6,86,143	7,21,775
Reserve	58,598	78,559	1,93,271	3,36,451
TOTAL	23,71,683	44,14,086	80,65,111	1,23,97,682
<i>Expenditure.</i>				
Loans repaid to private persons	1,51,185	4,01,976	14,10,323	16,04,257
Loans issued to members	23,83,971	36,93,018	59,99,924	79,52,395
Purchase of raw material and stores	3,15,679	3,90,655	6,74,383	7,55,323
Profits	1,12,614	1,80,916	3,26,265	4,71,906
TOTAL	29,63,449	46,66,565	84,10,895	1,07,83,886

STATEMENT B.

Showing Statistics for Co-operative Credit Societies for the year 1909-10 (by Provinces).

I.

NUMBER OF SOCIETIES.

Provinces.	Central.	Urban.	Rural.	Total.
4 Madras	3	28	346	377
7 Bombay	7	49	153	209
5 Bengal	4	47	460	511
1 United Provinces	3	95	691	789
2 Punjab	7	6	693	706
6 Burma	1	22	252	275
5 Eastern Bengal and Assam . . . . .	..	36	330	366
5 Central Provinces and Berar	5	8	139	152
1 Coorg . . . . .	..	..	18	18
1 Ajmere	1	..	24	25
9 Mysore	1	30	39	70
TOTAL	32	321	3,145	3,498
NUMBER OF MEMBERS.				
2 Madras	263	7,521	22,301	30,085
6 Bombay	1,746	3,910	10,007	15,663
4 Bengal	96	3,606	19,169	22,871
1 United Provinces	274	35,587	47,778	83,639
2 Punjab	570	644	37,300	38,604
2 Burma	72	1,403	6,116	7,591
5 Eastern Bengal and Assam . . . . .	..	4,015	12,925	16,940
5 Central Provinces and Berar	663	1,186	4,859	6,708
1 Coorg . . . . .	..	..	1,735	1,735
1 Ajmere	37	..	524	561
1 Mysore	19	3,526	6	6,301
TOTAL	3,740	61,393	1,65,560	2,30,698

II

Capital.

Provinces.	Loans from private persons.	Loans from other societies.	Share capital.	Deposits by members.	State aid.	Reserve.	Total.
	R	R	R	R	R	R	R
2 Madras	7,95,884	13,24,850	3,62,921	7,89,889	45,350	9,664	33,28,558
5 Bombay	68,732	47,653	1,97,052	3,04,557	1,63,452	35,758	8,17,206
7 Bengal	3,03,871	81,308	1,02,145	1,19,812	90,519	38,587	6,90,754
7 United Provinces	14,25,024	9,09,377	4,17,060	4,73,509	1,05,591	1,46,802	34,77,363
3 Punjab	2,01,799	3,85,043	6,84,037	5,16,960	45,031	5,883	18,84,241
Burma	4,56,850	29,978	1,51,373	31,064	18,829	31,954	7,20,048
4 Eastern Bengal and Assam	1,60,676	1,54,758	1,17,717	1,80,175	2,38,269	40,500	8,92,095
5 Central Provinces and Berar	66,215	68,092	90,545	58,495	8,535	12,993	3,04,875
Coorg	..	9	21,890	14,670	4,857	8,479	49,905
1 Ajmere	900	6,294	4,904	3,884	..	..	15,982
7 Mysore	2,740	7,742	1,58,698	40,302	1,342	5,831	2,16,655
TOTAL	34,82,691	30,15,106	23,08,342	25,33,317	7,21,775	3,36,451	1,23,97,682

Expenditure.

Provinces.	Loans repaid to private persons.	Loans issued to members.	Purchase of raw material and stores.	Profits.	Total.
	R	R	R	R	R
2 Madras	3,18,265	15,82,237	4,96,240	78,769	24,75,511
5 Bombay	25,797	5,18,872	14,907	31,006	5,90,582
7 Bengal	87,961	4,44,721	6,206	33,146	5,72,034
7 United Provinces	9,32,707	24,48,195	53,023	1,20,852	35,54,777
3 Punjab	78,463	13,73,721	34,469	85,945	15,72,598
4 Burma	76,713	5,83,540	1,759	39,616	7,01,628
5 Eastern Bengal and Assam	16,734	4,58,440	3,986	58,065	5,39,225
4 Central Provinces and Berar	1,432	1,39,977	19	10,919	1,52,347
Coorg	..	40,128	..	3,043	43,171
1 Ajmere	..	8,783	..	73	8,856
7 Mysore	64,185	3,53,781	1,44,719	10,472	5,73,157
TOTAL	16,04,257	79,52,395	7,55,328	4,71,906	1,07,83,886

II AND III.—CASH BANKS WITH UNLIMITED AND LIMITED LIABILITY.

15. The President pointed out that many of the points included in the programme had been discussed at previous conferences and in the annual reports and that the Conference might as in former years confine its attention with advantage to those individual points on which Registrars had something special to say or as to which they desired advice. Mr. Gourlay asked that Mr. Langley should give a more detailed account of the special system of rural banks with share capital and unlimited liability which had been so successful in obtaining deposits from members in the Punjab. Mr. Langley stated that the system was introduced, after a purely Raiffeisen form of society had failed to appeal to the people. It was mainly suggested by the people themselves and gives them a financial interest in their society and also inculcates thrift while it does not lead to excessive profit. The system was as follows:—One share consists of R10, which may be paid in 10 yearly instalments of R1. Members may subscribe a larger number up to the limit prescribed by law or by the bye-laws. After 10 years members will be at liberty to withdraw their subscribed share money. As regards the profits which have accrued, after deducting 25 per cent. for reserve, the balance will be allotted to members in the form of shares, according to the proportion they have subscribed. Thus, if 10 members have each subscribed R100 or a total of R1,000 and profits are R800, each member will have at the end of 10 years (1) 100 subscribed share which he can withdraw (2) R60 profit, $\frac{800-200 \text{ (reserve)}}{10}$, which will be put to his credit as a share. He can either, thus, have a share of R160 or if he withdraws his subscribed share, R60 only. Even if all subscribed share capital is withdrawn a substantial amount of share capital will remain to keep the society going. After the 11th year a dividend will be paid yearly. In order that members who join later shall not have an unfair advantage in the profits they must pay a premium on their first share instalment, calculated according to the profit which has already accrued. They must also pay up arrears to bring their share payments up to R10 or multiples of R10. The withdrawal of shares after 10 years was allowed in order to combat early suspicion. It is still allowed because societies will probably not require a very large share capital after 10 years and the share profits provide a substantial sum. Meanwhile members are encouraged to increase their share payments, so as to learn thrift and provide themselves with a sort of pension fund which will very likely be enough to pay their yearly land revenue.

Kunwar Maharaj Singh stated that this model had been followed in the United Provinces in preference to the Raiffeisen model. There were, however, the following differences and modifications:—Shares are only withdrawable with the sanction of the Working Committee: dividend on fully paid up shares (*i.e.*, after the lapse of ten years) is limited to ten per cent. and no premium is charged. He thought the details of the Punjab system were too complicated and owing to the possibility of large payments by incoming members impracticable so far as the United Provinces were concerned. He further disliked the idea of premium.

16. The President noted that Mr. English in Burma had also followed the same system with considerable success. There too the modifications referred to by Kunwar Maharaj Singh appeared to have been adopted. Mr. Buchan, Bengal, stated that he preferred the pure Raiffeisen model and that he had had no difficulty in raising money to finance such societies. The Conference were of opinion that as the system had proved successful in the Punjab and Burma and in the United Provinces there was no objection to its being followed in other provinces where money could not otherwise be raised. But they thought that it would be well to adopt the modifications followed in the United Provinces and Burma.

17. Mr. Mitra, Bengal, enquired how far changes in the personnel of the Managing Committee were made and how far it was desirable to make such changes compulsory. The question had been discussed at the last Conference but the general sense of the Conference was then against compulsory changes by rule, and the opinion was then expressed that any such rules would prove unworkable in practice. Mr. Mitra enquired whether the Registrars saw any reason to alter these views in the light of experience since gained. Mr. Campbell, Bombay, thought that no special rule was necessary. The machinery for changing the personnel of the Committee is provided in the rules and bye-laws, and it is, therefore, ready to be worked when the members understood co-operation, and he thought it would be objectionable

to introduce a rule making changes compulsory before the people fully understood; were such a rule passed it might have the effect of debarring the only man who understood co-operation from holding office. The Conference decided to adhere to the opinion expressed last year.

18. Mr. Campbell, Bombay, speaking on the subject of tribal societies thought that the discussion on the subject should be divided into three heads:—

- (1) Tribal societies, *i.e.*, societies dealing with the members of a tribe scattered over a fairly large area, whose one bond was the fact that they were a more or less backward or depressed class;
- (2) Class societies, for example, societies composed entirely of weavers or leather workers; and lastly

(3) Caste Societies confined to the members of one caste within a village. Mr. Buchan, Bengal, was not in favour of societies of the third class, *viz.*, Caste Societies. But Tribal Societies and Class Societies were working with every prospect of success. In the Chota Nagpur Division, for example, where co-operation amongst the aboriginals had failed entirely on stereotyped lines through the want of education amongst the people, the Roman Catholic Mission had organised a huge society for the benefit of their aboriginal converts. The step was a bold one, and the scheme could not possibly succeed except with a body of men such as the Jesuit Fathers. At the headquarters of the Mission there is a Council presided over by Father Hoffmann which at present conducts the entire management. The area dealt with is divided into 16 divisions, each in charge of a Father, and these divisions are each divided into village areas: little companies from each village form themselves into what would be called an affiliated society in the United Provinces and they meet at the house of the Father of their division, who teaches them co-operation, records minutes, and supervises their work. Meanwhile education is spreading amongst the younger members, and there is every prospect that 10 years hence each of these little affiliated societies will be a full grown independent society. The societies are financed largely by compulsory deposits of the members. The Council at headquarters has also organised a store for the supply of those commodities which are most required amongst the villagers. Mr. Campbell, Bombay, gave an account of 12 small societies, formed amongst weaver castes, who paid an Inspector between them to write their books and teach them co-operative principles. This system had so far done well. Kunwar Maharaj Singh, United Provinces, was of opinion that caste societies in a rural area were neither necessary nor desirable. He had found panchayats very eclectic in their choice of members. Considerable success, however, had been achieved in the United Provinces with societies amongst classes such as weavers, tanners, brass-workers and others where the professional tie among members was strong. Mr. Wolff, however, had expressed to him the opinion that such societies besides not being truly co-operative, could hardly succeed because they were too homogeneous and the demand for money would all come at the same time. Thus the society would at one time be very short of funds and at another would have too much in its hands, but on the other hand he had found it impossible to get these classes such as weavers for example who are both conservative and suspicious to co-operate with any others but those of their own caste and occupation. He did not think it wise to interfere in such cases. Babu Radha Gobinda Chowdhury stated that he had had some experience of class societies in Ranchi: all of them worked with unlimited liability but they required more close supervision, and it would be unwise, in his opinion, to start such societies unless some one with a good knowledge of co-operation was available for their supervision for some years. The President expressed the opinion that such class societies appeared to be suitable for industrial centres, but ordinarily would not be suitable in the country where the bond of residence in one village is likely to be greater than the bond

of caste or common occupation. But where in a village a society is formed partly of high caste inhabitants and partly of depressed classes, it would be well to have two societies, one dealing with each class; the aboriginal experiment being tried was interesting, but it was clear that it required an amount of supervision which would not ordinarily be available. In any case he thought that ~~purely caste societies~~ as such should not be encouraged in villages. This opinion was accepted by the Conference.

19. The President enquired whether any of the Registrars had any further experience to report regarding cash banks with limited liability in the towns, especially amongst employees of one establishment. Mr. Mitra, Bengal, stated that the urban banks in his province had made considerable progress but the older ones showed a tendency to forget true co-operative principles. The members who had invested money were anxious to obtain large dividends and there was a tendency to forget that the object for which the loan was required must be carefully scrutinised. He was of opinion that where the society put the making of dividends and the security of loans in the foreground and forgot about the necessity for supervision, there the societies tended to increase indebtedness rather than to curtail it. The President noted that the Burma Registrar had also expressed a somewhat similar opinion in his report. Mr. Buchan, Bengal, thought that in discussing this question it was necessary to keep in mind the distinction between greater indebtedness and making a better use of credit: the fact that a member borrowed more largely was no proof that the increase of indebtedness was harmful. If the member made good use of the money, increase in his borrowings was all for good. Mr. De, Eastern Bengal and Assam, stated that the banks formed on this model in his province had all done good work. In the great majority of cases personal security was taken but there had been cases where very large loans were granted on landed property. He thought that these societies did much to curtail borrowing as applications were frequently refused and the purpose for which the loan was taken was vigorously checked. He believed that they had succeeded in diminishing indebtedness. Kunwar Maharaj Singh, United Provinces, said that the few societies of this kind which they had in the United Provinces were doing well. It was perhaps not generally realised that the interest paid by clerks was often even higher than the interest paid by cultivators. A common rate was 36 per cent. His experience showed, however, that it was necessary to confine such societies to one establishment and even then there was always a difficulty when a member was transferred to another office. He was afraid too that proper enquiries were not always made as to the object of the loan and as to whether the loan was applied to the object stated. In his opinion this was absolutely necessary and there could be no true co-operation without it. If it were forgotten the societies would soon tend to encourage indebtedness. The Conference expressed the opinion that such societies should be encouraged but that they should be confined to as small a scope as possible, and that in all cases the recording of the purposes of loan must be insisted upon and the Committee must see that the loan is applied to the purpose for which it is given. Without this safeguard such societies were quite likely to lead to increased indebtedness.

IV.—UTILIZATION OF RESERVE FUNDS.

20. Mr. Campbell, Bombay, stated that the question of the investment of the reserve funds of societies had been discussed at the Bombay Provincial Conference. Sir Vithaldas Thackersey expressed the opinion that until the financial position of the societies was such that they could afford to invest their reserve funds in other societies it would be better to invest them in their own loaning business. It would not be businesslike to invest the reserve funds in promissory notes at 3½ per cent. and to borrow money at the same time from elsewhere at 7 per cent. Even banks did not invest their reserve funds in Government paper. The money was perfectly safe with the members of the society. Finally the Bombay Conference passed a resolution to the effect that at present no restriction is necessary on the utilisation of the reserve funds by societies. Kunwar Maharaj Singh stated that the aim which they always kept before them in the United Provinces was to invest the reserve fund separately as soon as it had reached a substantial sum. In district banks, however, the reserve fund was always set apart from the beginning; and he personally thought this should be done in all classes of societies

Later on when the fund is greater than is necessary, no doubt a portion of it would be used in the ordinary business of the bank. Mr. Rao, Madras, stated that the reserve funds of all the societies in his province were deposited with the central bank and that the societies could not withdraw the deposit without the Registrar's sanction. The societies received 5 per cent. on the deposit and paid $7\frac{1}{2}$ per cent. on loans.

21. The Conference were agreed as to the principle that any fund termed a reserve fund should be separately invested as otherwise it was not a reserve upon which the society could fall back in time of need. The only point upon which the Conference was divided was the time at which rural societies should begin to set the reserve apart. Some members were of opinion that the reserve should be set apart from the beginning while others thought it better to use the reserve fund in the ordinary loaning business of the society in order that it might increase as fast as possible. Mr. Datar, Baroda, enquired how the reserve fund should be utilised in the event of the society being wound up. The Conference were unanimously of opinion that in societies with unlimited liability the reserve fund should remain indivisible and should be used only for some public benefit but in societies with limited liability circumstances might arise in which it was desirable to divide the reserve amongst the shareholders. There could be no objection to such a course where the majority of shareholders were societies.

V.—AUDIT AND INSPECTION.

22. Mr. Buchan, Bengal, presented the following report of Sub-Committee III on item V :—

(a) *Definition of the words "supervision", "inspection", "audit", "control", "independent management".*

The Committee consider it impossible to define these comprehensive terms in a few phrases. They offer the following indication of the main ideas contained in each :—

1. "*Supervision*" to a large extent embraces the other terms. It expresses the general presiding function of a superior authority. It can be used of a unit society, of a union or Central Bank (and, in their absence, of a local organiser), and of the Registrar. A local panchayat supervises the actions of members, so far as these affect the society, to ensure that they act according to their interests and those of the society, in conformity with rules and bye-laws and co-operative principles. In a similar sense, though in less detail, a Union or Central Bank supervises its affiliated societies. And in a more general sense the Registrar exercises this function for all kinds of societies. The word "*supervision*" implies an attitude, on the part of these different authorities, of continuous watchfulness over the interests of members and societies and of continual vigilance to secure the due observance of co-operative principles and practice.

2. "*Inspection*" is the principal means by which a superior authority, Union; Central Bank, local organiser, or, where none of these exists, the Registrar and his staff, exercises its function of supervision. It signifies a careful local examination of a society's accounts and methods of work and is intended to provide the superior authority with material for controlling its societies. The ideal is that all such inspections should be carried out by central institutions through the agency of their own paid inspectors.

3. "*Audit*" under the Act may be described as the annual official inspection required by law. It is something more than a minute financial inspection embracing all the books and every transaction of a society, for it extends to a detailed examination of methods of work and of a society's knowledge of and conformity to co-operative principles. The audit must be conducted either by the Registrar or by some one authorised by him.

4. "*Control*" is in a sense the result of supervision and inspection. It denotes an authority in the active exercise of its power. Briefly it might be defined as the enforcement by a unit society or a central institution of the rules which bind its individual members or affiliated societies and by the Registrar of the provisions of the Act and the Government rules.

5. *Independent management.*—It must be understood that “independent” does not imply freedom from control. It is essential that a society should be controlled and periodically inspected either by a co-operative agency or by Government. A society may be said to be independently managed when, subject to this supervision, it keeps its own accounts and reserve, deals directly with its financier, controls its committee of management, sees that members make a proper use of their loans and repay punctually, deals effectively with defaulters, and generally transacts its own business efficiently.

(b) “How far are societies becoming independent of outside assistance in their management?”

As the Committee contains representatives of only Bengal, the United Provinces and Madras, it cannot give a comprehensive opinion. In these provinces, however, the members consider that societies, especially those which are affiliated to central institutions, are gradually becoming more independent in their management, these words being understood in the sense given above. The Committee recommends that in future this matter be given more prominence in the annual reports.

(c) *The Sub-Committee considered the following note by the Registrar of Co-operative Credit Societies, Madras, on the Training of Co-operative Inspectors.*

“In Madras we began with two inspectors. The Registrar took them out with him in camp and personally instructed them. I am permitted to engage one inspector for every 25 societies. As each inspector is appointed, he is given some training by me or by a senior inspector. But as his services are urgently required, he is deputed to independent charge far too soon. The number of inspectors is now 19. Decidedly from a co-operative point of view, the present inspectors are much less qualified than the old inspectors.

2. Secondly, the additional appointment cannot be made till the additional societies are registered. So, while the inspector is undergoing training, these societies are not supervised.

3. If an inspector proceeds on leave, I cannot appoint a substitute. For, I cannot appoint one permanently and there is no qualified outsider to undertake temporary service.

4. Unions are now being formed; they employ supervisors on a salary of Rs. 20—1—25. These supervisors require instruction.

5. Our inspectors are paid Rs. 40—2½—60; a new grade is likely to be created on a salary of Rs. 25 per mensem.

6. I propose that a systematic and organised attempt must be made to train men for co-operative offices. A school must be held at suitable centres once or twice a year. All persons willing to undergo instruction may be admitted to a certain maximum. At the outset, the following concessions may be allowed:—

(a) A certain number of persons already in Government service may be admitted by the Registrar on a consideration of vacancies in the near future. They must have the sanction of their heads of office to join the school. They may be allowed to draw the pay they would otherwise have drawn and their substitutes may be allowed full pay.

(b) Other Government servants should join at their own expense taking leave.

(c) In the beginning, half a dozen stipends to non-officials may be given at the rate of Rs. 10 to Rs. 15 a month. The theoretical course need not go beyond a month.

(d) In the beginning, no fees may be charged, but preference should be given to persons nominated by societies.

7. The syllabus of instruction must include general principles, organisation, inspection and audit; also departmental orders and presidency procedure. Much of the matter required is appearing in instalments in the *Madras Bulletin of Co-operation*. It must comprise three courses—

Course A for honorary organisers and sympathisers.

Course B for office bearers of societies.

Course C for inspectors and supervisors.

I can personally conduct the classes so far as the English and Tamil lectures are concerned. For Telugu classes, I shall require the assistance of one of my subordinates. The lectures may cover a period of three weeks. After the pupils pass a written examination, appointments may be made, as occasion arises, and the successful candidates given a practical training.

8. After some years, a co-operative special test may be prescribed, and the school organised as a permanent institution with paying pupils."

23. Kunwar Maharaj Singh and Mr. Buchan consider that the establishment of such schools in the United Provinces and Bengal is unnecessary, as the existing arrangements for the training of clerks, inspectors, etc., and for the supervision of societies are satisfactory. While recognising that in Madras the system of appointing inspectors differs from that of other provinces they think that there too the scheme is premature. Mr. Rao's difficulties as regards the training of inspectors would be better met for some time to come by the appointment of apprentices on probationary pay. The Registrar can forecast his requirements in the matter of inspecting staff. A month or two before the appointment of an inspector becomes necessary he might select a suitable local man and send him for training to an experienced inspector. The practical training of organisers and secretaries could be similarly arranged for. Mr. De, Eastern Bengal and Assam, stated that with reference to the schools for training inspectors proposed by Mr. Rao he had actually held two such schools in his province during the past year. These had been attended by Inspectors, Sub-Deputy Collectors, Honorary Organisers and general sympathisers with the movement to the number of about 20 in each case. Mr. De himself lectured in the mornings for about 14 days while the afternoons were spent in inspecting societies at work and organising new societies. The schools were held at Faridpur and Comilla and Mr. De believed that great benefit had accrued therefrom.

The report of the Sub-Committee was generally accepted by the Conference.

VI.—FINANCE.

(WITH WHICH IS INCORPORATED SUBJECTS XVI, TO XX.)

24. The President in opening the discussion called upon Mr. Gourlay to read the following report of the Sub-Committee appointed to deal with questions of finance and control:—

The Sub-Committee held two meetings both of which were largely attended, not only by the Registrars, but also by other members of the Conference. At the first meeting a statement was prepared of the different forms of Unions and Central Banks in each province. The Committee commenced with a consideration of the Neuweid model of Union and Central Bank. The Central Bank in Neuweid is a Joint Stock Company based on limited liability, which derives its strength from the village societies, which are shareholders. It operates only within the area of the Union which works along with it and it is intended to serve as a common cash box equalising excess and want: the dividend on capital is limited to $3\frac{1}{2}$ per cent., and all surplus is carried to Reserve. It has the privilege of obtaining advances from the Prussian State Bank. It lends direct to societies at $3\frac{1}{2}$ per cent. and allows $3\frac{1}{2}$ per cent. on deposits. It has associated with it 13 provincial branch banks. It deals only with societies—and only societies can be shareholders. The Board of Directors is appointed by the delegates representing each society holding shares. Business is done mainly by means of cash credits with societies.

The societies have formed themselves into Unions, the object of which is to create by co-operation greater confidence. The Union is confined to a Circle equal perhaps to an area of 4 or 5 districts in this country. The object of the Union is to take common counsel, to discuss questions of common interest, to teach co-operative principles and keep them pure, and to affix a hall mark on affiliated societies, which adds much to the confidence felt by the public. Bad banks are excluded and the general standard is raised. The Unions are divided into sections (or sub-union sections dealing with small areas, each with its own committee and these sections inspect the societies within them on behalf of the Union. Each section employs an inspector and the area is not larger than such an inspector can personally control. The section charges a fee for each inspection to defray the expenses. The German Law like the Indian compels societies to submit

to inspection, but the law permits inspection by officers appointed by recognised bodies of which the Union is one.

Where the societies have a Central Bank of their own, i.e., a Central Bank in which they themselves hold all the shares, the delegate to the Central Bank and the delegate to the Union are frequently one and the same person and consequently the two bodies really become closely connected. The Central Bank fully understands the value of the Union's inspection and in all its transactions trusts implicitly to it. There are cases where the Central Bank is an outside body, but there too the value of the Union's hall mark is appreciated and the Central Bank lends almost entirely on the Union's recommendation. The Union itself, however, has no financial constitution nor does it guarantee the financial transactions of any society.

In *Bengal* an attempt has been made to copy this model but the distinction between the Central Bank and Union has been dropped and both bodies are included in the Bengal Central Banking Union. The Union is a limited liability company, the shareholders of which are the societies,—and it deals only with societies. The Board of Directors is elected by the delegates from the societies, who also appoint the Manager or Secretary. Each Banking Union employs a clerk (or inspector) who does the clerical work of the Union and inspects societies. On the result of these inspections coupled with the personal knowledge of the Directors, the Bank lends money to the societies. The area dealt with is invariably small—not greater than one clerk can personally inspect. The expenses of the Union are at present defrayed partly by Government, which pays the salary of the clerk, and partly by the bank out of its profits. Government help will shortly be withdrawn, and the Union will pay the whole cost either from its profits or from a levy on the societies. These Banking Unions have been successful in attracting deposits, obtaining loans, and in some cases getting cash credits from Joint Stock Banks. They borrow money at 7 to 9 per cent. and lend at 9 to 12½ per cent. Difficulty, however, was experienced in some areas in obtaining men qualified to manage an Union and the constitution in these cases was modified so as to allow the inclusion of a few individual shareholders, who would in the beginning provide the necessary business management, but in such cases the aim is that the societies should ultimately absorb these individual shares.

In *Madras* there are three Central Banks, the principal of which is situated at the Presidency town and deals with the whole Presidency. The shareholders are individuals who join in the venture largely with a view to making profits. The bank lends to societies on the faith that it has in the inspection of the Registrar and his staff. It has no staff of its own for the purpose of inspection. The Central Bank in the Presidency town has succeeded in attracting a very large amount of deposits. It lends only to societies. The bank pays from 2 to 6 per cent. on deposits and lends to societies at 7½, but the bulk of the deposits is at 6 per cent. It pays large dividends. The Registrar has realised the danger of Central Banks dependent entirely on his inspection and steps have been taken to form Unions of societies. The Unions formed, however, also take financial responsibility and the societies joining them are jointly and severally responsible for the whole of the debts due to the Central Bank or any one else. The Union consists of delegates from the societies who elect a Board, and the Board employs an inspector on Rs. 25 per mensem, who is paid partly by a grant from the Central Bank and partly by a levy on the societies.

In *Bombay* there are five Central Societies formed with the object of providing Funds for small societies. The shareholders are individuals and the societies deal not only with societies but also lend to individual members. These societies have obtained deposits at 6½ per cent. and lent to societies at from 6½ to 7½ per cent. The Central Societies have no machinery for controlling or inspecting the societies with which they deal. They rely largely on faith in the Registrar's inspection.

In the *United Provinces* the societies are largely financed by two institutions known by the different names of (1) Central Banks and (2) District Banks. Both banks have societies and individuals as shareholders, but the Central Banks deal only with societies, while District Banks deal also with individuals (but this business is gradually being dropped). These banks borrow at 5 to 7 per cent. and the bulk of their capital is obtained locally. In some cases banks have obtained a cash credit from a local Joint Stock Bank. The banks lend to societies at 10 to 12 per

cent. In almost every case the Chairman of the Bank is the District Magistrate. The Board of Directors is elected partly by the societies and partly by the individuals. The dividends are limited to 10 per cent. The bank employs a special staff to inspect and control the societies to whom it lends money. The area dealt with by these banks owing to the increase in the number of societies is becoming large and it is proposed to decentralise by forming Central Banks in smaller areas, which would both finance and control societies and act as channels between them and District Banks.

In the *Punjab* there are 6 Central Banks each dealing with a district or part of district. They have been formed on a share basis and the shareholders are at present individuals, but it is intended to issue shares also to societies. These banks borrow at 6 per cent. and lend to societies at 8 per cent. The loaning business is confined to societies. The District Magistrate is, as a rule, President of the Board of Directors who are elected by the shareholders. The dividend is limited to 10 per cent. These banks lend largely on the faith in the Registrar's inspections. In the *Jullundur District* a Banking Union has been formed on a share basis. Societies only are eligible as shareholders and the Union deals only with societies. It borrows at 6 per cent. and lends at 8 per cent. It is controlled by a Board of Directors elected by the delegates of the societies. The Board is about to employ a sub-inspector to inspect the borrowing societies. Loans are made in accordance with these inspections.

In *Burma* there is one Central Bank recently formed. It is a Joint Stock Company with individual shareholders dealing only with societies. But in *Burma* there are now 17 Unions. The members of these Unions are jointly and severally liable up to a limited amount for the debts of each other, but funds are supplied direct to the societies. The Union employs inspectors who are paid from a levy on the members. These Unions are not Central Banks, but controlling, inspecting and propagandist bodies, the members of which guarantee each other's security.

In *Eastern Bengal and Assam* there are 14 societies which lend to other societies. The shareholders of these limited liability concerns are individuals (except in one case where societies are included) and the banks deal both with individuals and with societies (except in three instances where they deal with societies only). In two cases the area dealt with is the entire province: in the other 12 the area dealt with is in the neighbourhood of a town. The dividends are unlimited. These banks lend to societies on their faith in the Registrar's inspection and on his recommendation. These banks have been successful in obtaining a certain amount of deposits, and in securing money on debentures.

In the *Central Provinces* there are Central Banks which contain as members both societies and individuals but deal only with societies. The bank credits the first accumulation of the Reserve Fund of each society towards the purchase of a share. These banks have obtained money at 6 to 7½ per cent. and lend to societies at 9 per cent. The dividends are limited to 10 or 12 per cent. The banks are usually confined to tahsils of about 600 villages, and make enquiries through their Manager or Directors before lending. There is one district in which Unions of societies have been formed jointly and severally liable to an unlimited extent for each other's borrowings. Expenditure incurred by the Union is recouped by a levy on the societies.

The Sub-Committee are of opinion that the two questions (a) *Finance*, (b) *Control and Supervision*, should be separately dealt with. With regard to *Control* they are of opinion that if the movement is to be made a success, the societies must co-operate with each other for their mutual benefit in the same way as individuals co-operate in societies. The object of such co-operation will be to take common counsel, to discuss questions of common interest, to teach co-operative principles, and so to maintain these principles pure in the affiliated societies that the fact that societies belong to the federation will affix to them a hall mark of sound co-operation. To accomplish this end the societies must submit to an inspection of their accounts and working by the representative body.

The Sub-Committee are further of opinion that this body may without objection be united with a Central Bank provided the shareholders of this bank are the societies themselves, and they are inclined to agree that this principle should be followed even where a few individual shareholders are introduced into the Central bank with the object of securing better management. Where, however, the Central

Bank is a joint stock concern, the shareholders of which are individuals and not societies, or in which the individual shareholders predominate, there should be a Union of societies distinct from the Central Bank. Several members of the Sub-Committee expressed the opinion that the Union as such should have no financial constitution and should not make itself responsible in any way for the debts of affiliated societies; but inasmuch as three provinces—Madras, Central Provinces, and Burma—have organised Unions which do not finance but yet guarantee, they consider that it would be well to await the reports of these provinces on the working of Unions of this kind during the next year before passing any definite opinion on the subject.

The Sub-Committee are of opinion that Unions of the kind recommended by them should be confined to an area not greater than a district and, where possible, to a local area less than a district. Such Unions where not united with a Central Bank have no need for a financial basis. The costs involved should be defrayed by a levy *pro rata* on the affiliated societies. They should be managed by a general meeting consisting of one or more delegates from each affiliated society with an executive committee consisting of about five members elected by the delegates. This committee should employ and pay the staff necessary for inspecting the societies and for propagating the principles of co-operation. Ordinarily no society in the local area should be registered by the Registrar unless such registration is recommended by the local Union and the Union should form one of the main channels through which the Registrar exercises his supervision and control of societies. Such Unions should be encouraged to hold local conferences. The name "Union" should, as far as possible, be confined to such associations and where they are combined with a Central Bank the association should be known as a Central Banking Union. Adherence to these terms will prevent much confusion in reports.

With regard to *Finance* the Sub-Committee agree with the finding of the third Conference that Central Banks registered under the Act should be organised as Joint Stock Companies with limited liability. The shareholders should be the societies alone and the Central Banks should exist wholly for the benefit of their shareholders and should make loans only to societies which are shareholders. Where however it is impossible owing to the backwardness of the people to obtain the necessary business management, there is no objection in the first instance to admitting a small number of individual shareholders, but loans should not be made to such individuals. At the same time the Sub-Committee recognise that there may be circumstances which prevent the formation of such Central Banks and in these cases they consider that there is no objection to a society dealing direct with a Joint Stock Company willing to finance it. The constitution of such Joint Stock Companies however (if formed for the purpose of financing societies) should be carefully scrutinised by the Registrar before registration to insure that the interests of the borrowing societies are safeguarded. The majority of the Sub-Committee are of opinion that one of these safeguards should be the limiting of the dividends to 10 or 12 per cent., but at least two members held the contrary opinion.

The Sub-Committee note that the Central Banks at present in existence check the security of the societies to which they lend by one of three methods—(1) by a special staff appointed and paid for by the Directors of the Central Bank, (2) by accepting the inspection and report of a Union (or where the Union is amalgamated with a Central Bank, the Central Banking Union) of societies, who themselves pay and employ a staff for inspection, and (3) by relying on the inspections and reports of the Registrar and his staff. While recognising that the third method may be necessary in the beginning, the Sub-Committee are strongly of opinion that it should be done away with as soon as possible. Of the other two methods where, as is recommended, the whole or the great majority of shareholders in the Central Bank are societies and the bank deals only with societies, the second, *viz.*, the reliance on the reports of the Unions is preferable. It is better that the inspecting staff should be paid and employed by the Union or Central Banking Union which would collect the cost ratably from the societies than that it should be employed and paid out of the profits of the Central Bank. Where however Unions do not exist, the special staff must be paid by the Central Bank.

As has been said above the Sub-Committee see no objection to combining a co-operative Central Bank with a Union, and such combinations should be known as Central Banking Unions.

The Sub-Committee desire to re-affirm the finding of the third Conference of Registrars that the great aim of all Central Banks should be to accumulate local capital, and only in the event of such capital not being forthcoming in sufficient quantity should money be borrowed from outside. At the same time they recognise the desirability in all cases of a Central Bank having a cash credit account with a Joint Stock Company such as the Bank of Bengal, Allahabad Bank, Alliance Bank of Simla or the Benares Bank.

With regard to rates of interest on loans to societies the Sub-Committee are of opinion that the Central Bank should not reduce these below 9 to 12 per cent. in the first instance even when it is able to borrow money at 6 per cent. to 7 per cent. The societies as a rule will take money willingly at these rates and it is desirable that the Central Bank should build up a reserve of its own as fast as possible. It has also to be taken into consideration that the societies should be encouraged to remit all idle money to the Central Bank.

Mr. Rao, Madras, placed before the Committee the following note on the issue of debentures by Central Banks:—

Note I.

“ In Madras, as I have shown in my annual report, we have succeeded in attracting enough money for financing co-operative societies with promptitude consistent with sound progress. But the procedure to make the Central Bank money available in the villages is cumbrous and demands simplification.

2. Government permits money to be sent by remittance transfer receipts at par. This concession is of no practical importance. A Central Bank obtains a remittance transfer receipt at the Presidency Bank and sends it to the village. The village society endorses the remittance transfer receipt and sends it to the district treasury. The district treasury officer issues a cheque on a sub-treasury and sends it to the village. The village society has then to go to the sub-treasury to cash the cheque. To understand the time involved, it must be remembered that in many of the villages the post office delivers and takes mails only twice in a week. If there is anything wrong in any of the numerous formalities and technicalities of endorsement the time taken up increases. The result is naturally that no society outside or not very near district head-quarter stations avails itself of the concession.

3. Money may be sent through postal money-order, but the heavy commission is fatal and will swamp the profits of all the societies. The cost of transmission to and fro exceeds 2 per cent., while the total profit to the societies, if the whole loan remains out for an entire year, is only $1\frac{2}{3}$ per cent. There was a proposal to grant a rebate of 75 per cent. of the postal commission. No orders have been passed on the proposal. And considering the enormous possibility of extension—we shall have to remit crores—it is not likely the concession will be permanently sanctioned, and consequently, it is better the societies learn some method not dependent on an ephemeral concession.

4. In Madras, the usual method is to send money in the shape of notes through insured post. The method is the best available, but is not free from objection. In the first place, transmission is not prompt owing to absence of postal facilities. Secondly, very frequently only one office in a tahsil is authorised to do insurance work. In villages, notes of the higher denominations cannot be cashed. Notes cannot be obtained in villages, and the system cannot be therefore adopted for re-transmission of loans. An improved method is imperatively desirable.

5. I invite discussion as to whether the following scheme cannot be adopted. The Madras Central Urban Bank should be authorised to issue petty debentures of the value of Rs. 5 and Rs. 50 each. The debentures are payable on demand to bearer at Madras. Societies who are willing to do so may receive their loans wholly or in part in debentures at par. The debentures may be sent by post uninsured. The form of the debentures should run as follows:—

No.
Seal of the Madras
Central Urban
Bank, Limited.

Madras, dated

The Madras Central Urban Bank, Limited, hereby undertakes to pay the bearer on demand at its office the sum of rupees $\frac{100}{100}$, provided this note is endorsed by the co-operative society named below.

Secretary, Madras Central Urban Bank, Limited.

Seal of the
society.

We, on behalf of the _____, underwrite the above responsibility.

(To be signed by three Directors of the society concerned).

Date _____ Station _____

The letter press should be in English, in Tamil and in Telugu.

6. It will be seen that the borrowing society has to vouch its responsibility before the debenture is payable. Hence, the debentures may be sent uninsured, and the chance of forgery avoided. The following possible objections may be raised and are answered below:—

- (a) As the debentures are not legal tender, people may refuse to accept them. They may be issued only to such societies as are willing to receive them, appreciating the advantages. In the beginning to make the system popular, the Central Bank may give some concession to such societies, for example by way of reduction of interest on the amount of loan taken in the form of debentures, or the donation of one per cent. on such amount.
- (b) The Central Bank may not be in a position to repay on demand. The issue of debentures may at first be restricted to the amount of cash credit allowed to the Central Bank. Additional issues must be supported by cash deposits in the Presidency Bank. By so doing any possible infraction of section 26 of the Paper Currency Act, No. II of 1910, is avoided.
- (c) The debentures are likely to compete with Government currency notes. This is not likely, as we operate in villages where currency notes are not in general circulation. Further, as the Central Bank and the society concerned pledge their liability, they are certainly entitled to raise money (in the case under discussion, to circulate money) in the best way they think desirable.

7. The main advantage of the proposal is the spread of co-operative education. Before a debenture is accepted—and unlike as in the case of currency notes, no acceptance is compulsory—people deliberately think what the security is for the paper they receive and are made to understand our co-operative credit system. We shall then be able to proceed faster than we do now. Fast as we move now in the Madras Presidency, yet it will take not less than 180 years to cover the Presidency; and even then, it is only after the people are familiarised with the idea and the security of co-operative credit.

8. No special orders or concessions are necessary for the Central Bank to issue debentures as sketched out above. They can do so at once. But I beg the Conference may recommend that if such debentures are issued under certain conditions and terms [see paragraph 6 (b) above] acceptable to the Registrar or the Local Government, they may be accepted at all Government offices. This is a concession on the part of Government. But there is absolutely no risk in the proposal, and Government will be setting an example of instruction to the people in co-operative credit. Nor can it be pleaded that Government incurs expense in having to bring the notes to Madras for cashing. In the first place such expense is condoned in the existing sanctioned concession of remittance by remittance transfer receipts. Secondly, the Presidency treasury is never a surplus treasury and far from incurring expense, Government will be saving money as the debentures will be really miniature supply bills."

Mr. Rao proposes that Central Banks should be permitted to issue debentures for small amounts of Rs. 5 to Rs. 50 which would not be negotiable until countersigned by a village society and that these debentures should be accepted at par at Government treasuries in payment of Government dues. Several members pointed out that in their provinces such debentures could not possibly be cashed at par in the bazar because a currency note for Rs. 50 was always discounted. The scheme

did not seem to the Sub-Committee of practical use in most provinces but as regards Madras while they saw no objection to Mr. Rao's approaching his Government on the subject, they felt that they were not in a position to consider the question of such debentures being accepted by treasuries in payment of Government dues.

XVI.—Mr. Mitra placed before the Sub-Committee the following note on the more automatic and fluid supply of capital to village societies:—

Note II.

“One of the greatest drawbacks of a village society is that it cannot command an elasticity in the supply and withdrawal of capital. At present it is hardly in a position to give emergency loans to its members. A society lends out all its available capital, as it cannot afford to keep a substantial amount idle to meet unforeseen demands of the members. In this respect the village money-lenders have undoubtedly an advantage as their clients are usually allowed to have a sort of drawing account with them. It would be interesting to know how far this difficulty has been experienced in other provinces and how it has been met.

The most obvious solution of the difficulty would be to secure for village societies cash credits with Unions or Central Banks if the latter can command a credit against which they may draw as occasion requires. I understand a few Joint Stock Banks have allowed cash credits to Co-operative Unions and Central Banks. But I am not aware whether any of the latter has allowed similar credits to its affiliated societies. The system of financing village societies by means of cash credits cannot, however, be generally adopted. Such a system can only be properly worked when the Central Institution is in the vicinity of a town where it can obtain the cash credit and the village societies are in close proximity to the Central Institution and are able to make proper arrangements about the transfer of funds.”

The Sub-Committee consider that this question can be solved only by the extension of Central Banks. The difficulty occurs in most provinces.

XVII.—Mr. Mitra, Bengal, placed before the Sub-Committee the following note on the question of the extent to which village societies should depend on Central Banks for the supply of their capital:—

Note III.

“In Bengal, a village society is not allowed to raise loans from any source except the Union. A society is, however, free to accept deposits from members and even saving deposits from non-members. But as the bulk of capital for village societies is raised from outside, as soon as a Union is formed an attempt is made to take over the outside debts of the affiliated societies by the Union. The Unions, therefore, supply not only occasional credit but also ordinary working capital. In Europe, I believe, Banking Unions supply only emergency credit and not ordinary working capital and the financial centre of gravity lies in the society's own resources. I doubt whether it would be advisable to follow this principle here. If village societies can get the necessary capital from the locality, they should be given a free hand to raise their capital. But at present as they are generally unable to attract local capital, they should not be permitted to raise loans from any source except their Central Financing Agency. A Central Institution like a Union or a Central Bank is in a better position to deal with outside capitalists than an isolated village society. No doubt village societies will attract local capital in time, and as financing agencies the duties of Unions and other Central Institutions will then be to supply occasional credit to village societies.”

The Sub-Committee are of opinion that village banks should aim at obtaining the whole of the capital ordinarily required by them from local deposits from either members or non-members, but they recognise that societies while weak and not qualified to attract deposits must be largely dependent on Central Banks for their finance.

XVIII.—Mr. Langley enquired in what way Central Banks could come to a satisfactory agreement with Joint Stock Banks. The Registrars of Bengal, United Provinces, and Central Provinces gave an account of negotiations which had led to success.

25. The report with a few corrections, (which have since been embodied in it) was accepted by the Conference. Mr. Langley, Punjab, pointed to the need in the future of a Provincial Central Bank. Madras and Burma already had such institutions and he understood that proposals had been put forward for a similar institution in Bombay. All these were joint stock concerns in which individuals were shareholders although he understood that in Burma, societies were also admitted. He desired to have the opinion of the Conference as to the best form of Provincial Bank. At present there were two lines of progress, one was the ideally best way of starting village societies and forming them into Unions; the other was by starting with a Central Bank in each district and forming village banks with its assistance. The difficulty about the first method was that village societies could not usually be formed with much chance of success without financial assistance, and Unions (or Central Banking Unions) took some time to acquire capital. On the other hand Central Banks in which the preponderating influence was possessed by individual shareholders tended to acquire complete control over the village societies in which case we had societies controlled by, and dependant on, outsiders instead of managing their own affairs. A Provincial Bank which would merely make loans to Societies or Unions of Societies, would appear to solve the difficulty. The question therefore was whether it would not be well as well to start Provincial Banks quickly as was being done in the Provinces referred to above. Even if Central Banks were formed in every district, they would probably need a provincial constitution of some sort to distribute the excesses and deficiencies of the different District Banks. Whichever way we advanced we should probably require some form of Provincial Central Bank and the only question was whether it should be started at once or should be built up gradually.

The only manner in which the Sub-Committee dealt with this point was in suggesting that for the present Central Banks in districts should get into touch with Joint Stock Banks and obtain from them a cash credit. Mr. Gourlay stated that in his opinion it was safer to rely on the formation by Banking Unions of a Provincial Bank of their own, in which case the Central Banks would become branches for collecting and distributing funds. In the meantime Central Banks in districts should endeavour to obtain loans from Joint Stock Banks such as the Bank of Bengal or the Allahabad Bank. He thought that as soon as Central Banking Unions had proved their stability they should have no difficulty of obtaining cash credits. Mr. Campbell stated that in Europe the Central Bank was merely the agency which provided the cash. The Union was the source of credit and the channel through which the funds were distributed and collected. In India at present the Registrar is the Union and (Mr. Gourlay added) in the opinion of the Sub-Committee the Registrar should divest himself of this function as soon as possible. Time did not permit of further discussion on this subject.

26. Mr. Macdonald, Bengal, asked the President whether he would be in order in raising once more the question of summary procedure. Having obtained the President's permission Mr. Macdonald said that by summary procedure he did not mean a special procedure for the collection by the Bank of its debts from its members—but he meant a simple method to enable the financing agency, be it Central Bank or individual, to obtain a decree against a society for money lent. He thought that such a procedure was justifiable on the grounds on which certificate procedure ordinarily was justified, viz., that there can be no doubt about the facts of the case and that it was therefore unnecessary to go through the cumbrous procedure of the Civil Court. He asked for no summary procedure for execution but merely for obtaining a decree. Mr. Campbell in supporting Mr. Macdonald said that he in Bombay had always advocated a summary procedure but not for obtaining a decree. There was no difficulty about that but for execution—which was a very cumbrous process. He felt often that as the security of any one lending to a society depended in the end on repayment through the Civil Court: because of the intricacies and delays of civil procedure the security often meant in the end very little indeed. Mr. Macdonald continuing said that he had had great experience in spreading co-operative societies and had tried to induce other capitalists to assist him but the prospective investor always asked what would happen if the societies did not pay. Some people would not be put off with the answer that societies do pay and the only answer which could be given is that the financier must ultimately go to the Civil Court. Those who had a knowledge of civil procedure in India were deterred

by this answer from taking an interest in the furtherance of the movement. Kunwar Maharaj Singh said that in his opinion it would be dangerous to give such special powers to Central Banks because they would cease to test their security with the same strict care as at present and he thought that the same principle would apply to investors. He would avoid any measures calculated to impair the responsibility of punchayats in making loans. So far as the United Provinces were concerned plenty of money was obtained to finance co-operation without any such special procedure. In any case the present system had not as yet been shown to have so broken down as to require the aid of special powers. Mr. Langley agreed with Kunwar Maharaj Singh that so far as the Punjab was concerned no special procedure was required and he thought that such a course would only arouse suspicion in the minds of the public concerning the success of co-operation. He thought that if there was any difficulty of getting a society to repay, it would be sufficient for the financing agency to apply to the Registrar for an enquiry under the Act and then the Registrar could, if necessary, appoint a Liquidator who would proceed by the special procedure already provided. Mr. Mitra, Bengal, supported Mr. Langley and added that the concession of such a procedure would give the whole movement the appearance of being directly run by Government. Mr. De, however, said that in his opinion such a special procedure would be useful in Eastern Bengal. Mr. Macdonald desired to emphasise the fact that at the recent Provincial Conference in Bengal every non-official was in favour of such a special procedure.

27. The President in summing up said that the question was really one of simplifying civil procedure in India in all cases. No doubt this was desirable but he pointed out that if co-operative societies were given a special procedure, other bodies, and possibly individuals, would also apply for similar treatment, and if it were given to the one it might be difficult to refuse it to the others. So far as he was able to judge the opinion of the Conference was against asking for a favour of this kind as in the majority of provinces it was not required.

VII.—ORGANISATION OF CO-OPERATIVE STORES IN INDIA.

28. The discussion was opened by the Secretary who read an extract concerning this subject from last year's conference proceedings including the report of the sub-committee then appointed. The President called upon Mr. Rao, Madras, to state his experience during the past year as store societies appeared to have succeeded best in that Presidency. Mr. Rao stated that there was nothing special to report—two store societies for special reasons had had to be wound up but the Triplicane Society was making rapid progress and was developing in new directions. Its object was to supply its members and its members only with articles of good quality at reasonable prices. The turnover during the year had been nearly 5 lakhs of rupees. The stores kept only articles of common use in stock—probably 100 to 120 different articles in all. They employed a Secretary on Rs. 75 per mensem and the total establishment cost Rs. 400. The society also accepted deposits from members. Mr. Rao said that in his experience stores of this kind could succeed only in Municipal towns. They were out of place in rural areas. Mr. Buchan, Bengal, enquired whether the stores sold only to shareholders and whether Mr. Rao saw any objection to selling to non-shareholders provided they also were given a rebate on their purchases. Mr. Rao said that he would strenuously oppose any proposal in his province to sell to any but shareholders. Mr. Shama Rao, Mysore, stated that in his province there were two such societies managed by honorary committees for the benefit of clerks and others drawing small salaries. The turnover in each case amounted to Rs. 50,000 per annum. Kunwar Maharaj Singh placed before the Conference the following note on a Co-operative Yarn Store which had been opened in the Hardoi District of the United Provinces and which gave promise of success.

29. *The Sandila Yarn Store.*—As last year's Conference discussed at length an elaborate note by a Sub-Committee on Co-operative Stores, it may be of interest to record the working of a store founded at Sandila in the Hardoi District for the supply of yarn to local weavers.

Sandila is a small town about 30 miles from Lucknow with a tahsil and municipality. It contains a large number of weavers (*julahas*), mostly Muhammadans, and numbering perhaps 800 altogether. Their condition is, as in most other

parts of the Province, highly unsatisfactory. The average standard of living and intelligence is low and all attempts to improve them from without, *e. g.*, by inducing them to adopt new methods are met with suspicion and hostility. The Sandila weavers are entirely in the hands of local money-lenders who supply them both with yarn and cash advances, the rate of interest on cash loans varying from 24 per cent. to 50 per cent. It was recognised from the beginning that a co-operative society if it was to succeed must follow the methods of the money-lender and be in a position to advance cash not only for the purchase of yarn but for other purposes also.

The first thing to do was to remove suspicions. This was an extremely difficult matter and was effected through the instrumentality of Munshi Kabool Ahmad, a public-spirited gentleman of local influence, who is also the Honorary Manager of a flourishing local urban co-operative Bank. The success of this institution had become known to the weavers and for the rest Munshi Kabool Ahmad's personal influence was sufficient. Then came the question of capital. Local capital was naturally shy and demanded high rates of interest and it was not till Rs. 5,000 at 5 per cent. had been supplied by Government that the society began to work in September 1909. A committee of weavers was formed with Munshi Kabool Ahmad as president and shareholders were admitted after careful inquiries.

The value of a share is Rs. 10 payable in 40 monthly instalments of 4 annas and the liability of shareholders is limited to the nominal value of their shares. The more substantial weavers take more than one share in proportion to the number of looms employed. At the end of the co-operative year and after 9 months' working 92 weavers had purchased 157 shares and had contributed Rs. 203 in instalments. Payments towards shares have throughout been regular.

In addition to the loan from Government and with a view to ensure operations being carried on an adequate scale, Rs. 7,000 were obtained for the society through the Registrar.

The society has two branches (1) credit and (2) distributive. On its credit side, cash loans are advanced (1) for purchase of yarn and (2) for other necessary purposes. Loans for (1) are advanced on the *ugahi* system, *i. e.*, Rs. 11 are repayable by 12 monthly instalments, while on those for (2) interest is charged at 15 per cent. per annum, *i. e.*, one anna on Rs. 5 per month and dates of repayment are fixed with regard to the purpose of the loan and the convenience of the borrower. Cash loans are extremely popular, no less than Rs. 6,714 having been advanced to members during 9 months not only for purchase of yarn but for objects as different from each other as payment of old debts, purchase of raw cotton and marriage expenses.

During the same period repayments amounted to Rs. 3,447-4-0 and at the close of the year, no loan remained overdue.

The working of the yarn store was equally satisfactory. Here cash payments only are permitted but yarn is sold at the local market rates to non-members as well as members, preference being given to members in case of deficiency of stock.

Yarn, it may be said, is purchased at wholesale rates and in the beginning was supplied by various well-known Cawnpore Mills. These rates were found somewhat high and more favourable arrangements were subsequently made with a Cawnpore Indian broker who undertakes to provide the store with all kinds of yarn.

More than 40 varieties are kept in stock, the lower counts coming from Cawnpore and the higher from Ahmedabad and England. Altogether the store has purchased Rs. 21,900 worth of yarn up to the end of the co-operative year while sales have exceeded Rs. 18,000. Though the turnover is brisk, the profits of the store are extremely small. This is due (1) to the comparatively small margin of difference between whole-sale and retail rates, and (2) to cost of carriage, leakage in transit, octroi, expenses of remittance of money, etc. Rs. 14 per month are paid in salaries to a clerk and sales-man and if it was not for the existence of the credit department, the store could not as yet be self-supporting, the net profits of the society in both its departments after nine months' working being only Rs. 151. No dividend (which is limited to 8 per cent.) is payable except on fully paid up shares and after the lapse of three years, but a bonus of 1 per cent. was distributed this year among those members who had purchased Rs. 100 worth of yarn. This bonus, however, reached only some of the richer members and it would perhaps

have been better to make the distribution on a broader scale. It is hoped that this will not only stimulate non-members to appreciate the benefits of membership but also induce members to purchase all their yarn at the stores. For there is little doubt that several members still make purchase elsewhere partly no doubt owing to the inability of the store to supply, especially in the beginning, all kinds of yarn but partly because some of them are still indebted to money-lenders and doubts as to the permanency of the store make them anxious to retain their old connections. For this purpose the society intends as funds permit to take the liquidation of the debts of its members more seriously into consideration.

Even so, however, it is estimated that not less than one-fourth or one-fifth of the total yarn employed in Sandila was purchased by weavers from the yarn store and their usual complaints against the quality or bulk of the yarn purchased from *banyas* are not made against the store. I may add that since the close of the co-operative year sales have almost doubled, averaging Rs. 100 daily.

It is hoped that the establishment of a credit society and a yarn store, which the weavers will gradually learn to manage for themselves will have the effect of making them more receptive of new ideas and more capable of setting on foot the necessary organisation for the disposal of their produce. Meanwhile it is not proposed to proceed with the third object of the society, viz., the purchase, storage and sale of members' goods, etc.

Attempts, however, have been made to popularise improved looms. Some of the society's members have been students at the local weaving school and employ the Serampore fly shuttle loom and it is possible that others may follow their example, though of course no attempts can be made to force on a highly suspicious class of persons, improvements of which they have not seen the practical utility.

At any rate experience of the Sandila weavers' society has shown that a yarn store can be successfully worked provided that efficient management is procurable and that in the beginning at least it is supplemented by a credit department.

30. Kunwar Maharaj Singh pointed out that if this society did not deal with non-members it would not have enough customers. The aim was to try and get more members and for this reason a rebate was paid only to members. Mr. Campbell, Bombay, said that he had not had much experience in this line but that there were two store societies in his province and that he had found them valuable in teaching business habits and co-operative ideas. He drew attention to what he considered an important item in connection with the registration of such societies, viz., a Government audit free of charge. This might prove a very heavy burden on the Registrar and might involve the Government in large expenditure unnecessarily. There was no reason why such trading societies should not pay for their own audit and he trusted that the new Act would make this point clear. He had protected himself in the case of one large society recently formed in Bombay by registering the society under Section 29 and specifically exempting the society from a Government audit. Mr. De, Eastern Bengal and Assam, stated that he had applied to be similarly protected in the case of a proposed stores society formed by employees of the Assam-Bengal Railway. The President quite agreed that this was an important matter but so far he remembered the new Bill provided for it. As to the general question of sales to members and non-members, the Conference affirmed the opinion expressed in the previous year that before any recommendation on this head is made more experience must be gained.

VIII.—DEVELOPMENT OF OTHER FORMS OF CO-OPERATION.

31. Mr. Shama Rao, Mysore, gave an account of a building co-operative society formed among Government officers for the purposes of obtaining loans to build residential quarters. The society consisted of 22 members and about Rs. 10,000 had been lent out at 9 per cent. on a mortgage up to 60 per cent. of the cost of the buildings. No other security beyond the mortgage was taken. The society had only just been started and was purely in an experimental stage. Some members of the Conference were inclined to think that the experiment of mortgaging properties to the extent of 60 per cent. of their value and doing away with all personal security was dangerous. Mr. Buchan, Bengal, stated that as all members were aware the most important form of co-operation under

this head was what is commonly referred to as "agricultural co-operation." He would like to know what progress had been made in other provinces in the co-operative supply and sale of agricultural stores and products. Mr. Langley, Punjab, gave a short account of a Co-operative Wheat Purchasing Association, which had been formed with a view to bring the producer into direct contact with the grain dealer and so to avoid the middleman's profits. The society did not do a very large business and had only just been started but it promised well. Kunwar Maharaj Singh said that the Seed Societies at Amethi still continued to do good work but it had been found necessary to add to them a Cash Department. Mr. Datar, Baroda, enquired whether there was any objection to a credit society undertaking distributive business. Mr. Gourlay said that there was no objection provided the society merely acted as an Agent and that each transaction was complete in itself. For example there was no objection to a society obtaining quotations for artificial manures for distribution amongst the members who had ordered them. The society, however, should incur no risk and make no profit. If a member has to obtain a loan for the purchase of manures, the loan transaction should be dealt with separately and in the ordinary way. The President enquired whether progress had been made in any province regarding cattle insurance. In no province, however, has anything been done in connection with co-operative cattle insurance. The question is a complicated one and Registrars felt that co-operation was not as yet sufficiently advanced to admit of this business being undertaken. A note on the subject from the Rangoon Gazette dated 25th January 1911 is printed as an Appendix.

IX.—PRIVILEGES GRANTED BY GOVERNMENT.

32. Mr. Campbell, Bombay, stated that he had been successful in obtaining a rebate of 75 per cent. on the money order commissions paid by societies while remitting money to their financing agents. The concession had been granted for five years. He was unable to report on its value because a complete year had not yet elapsed and accounts had not yet been made up. The system was that at the time of audit the society should produce its money order receipts and the Registrar should give a certificate of the amount of rebate due. The general opinion of the Conference was that no further privileges were required from Government.

X.—THE WORKING OF GOVERNMENT OF INDIA RESOLUTION No. J--63-3, DATED 29TH APRIL 1904.

33. Mr. Buchan, Bengal, stated that a sum of Rs. 41,000 had been lent out in Bengal under the terms of this Resolution. During the last year between Rs. 18,000 and Rs. 20,000 had been lent but as a rule the system was discouraged and except in special circumstances it was not intended to use this source of capital any further. Mr. Rao, Madras, stated that there was no further need for this form of state aid, but that Rs. 45,000 was still outstanding in Madras. The societies having obtained the money at a cheap rate naturally refused to pay it back until the end of the prescribed period. Mr. Campbell, Bombay, said that he appeared to have used more from this source of supply than other provinces. At present there was a sum of Rs. 1,60,000 outstanding. He considered that he was morally bound to give the equivalent deposit if the members deposited money with the societies. Kunwar Maharaj Singh, United Provinces, stated that the grant for such loans had been exhausted sometime ago and that it was not proposed to give any more money under the terms of the Resolution. Money had been lent by Government outside the Resolution on two special occasions, viz., to the Budaon Central Bank (Rs. 50,000) and to the Yarn Stores in Hardoi and Tanda (Rs. 6,000). Mr. Langley, Punjab, said that the total sum outstanding under the Resolution in the Punjab was Rs. 90,000 but that no money had been given out during the past year and it was not intended to use this source of capital any longer. Mr. Wills, Central Provinces, said that in the Central Provinces this source of capital had very seldom been drawn upon. Mr. De, Eastern Bengal and Assam, stated that the grant of Rs. 1,00,000 had been nearly exhausted in his province and it was not proposed to apply for a further grant. In addition to this sum, under certain recent special circumstances Government had lent 2 lakhs of rupees to certain village banks in Mymensingh under the terms of the Agriculturists' Loans Act at 6½ per cent.

34. The President in summing up the discussion stated that Mr. Campbell was under an entire misapprehension as to any moral obligation to give out equivalent Government loans where members had deposited money. Such a moral obligation could only arise if the Registrar induced the members to deposit money by a promise of such assistance, but as soon as the movement had taken root and members came to deposit of their own accord there was no moral obligation to give an equivalent Government grant and in fact as soon as the people had learnt to deposit, it was no longer necessary nor desirable to give such a grant.

XI.—HOW BEST TO ENCOURAGE THE ASSISTANCE OF NON-OFFICIALS.

35. Mr. Buchan gave a short account of his experience with district co-operative committees. Such committees had been formed in Midnapore, Hazaribagh and Jessore. They were purely voluntary Associations of sympathisers with the movement and their object was first to educate the members in the principles of co-operation, and secondly through them to organise societies and to supervise societies already organised. The work done by these Associations was undertaken in Europe by the Unions but, although in the case of Midnapore some of the Union members were members also of the district committee, in ordinary cases it would be sometime before the Union Committees were in a position to undertake the work. In any case it was always good to encourage the more well-to-do to take interest in the movement. In addition to this a District Conference had been held in the vernacular in Midnapore and this had done much to encourage the assistance of non-officials. Kunwar Maharaj Singh stated that in several districts usually in connection with District or Central Banks local Conferences had been held and he agreed with Mr. Buchan that such Conferences encouraged the assistance of local non-officials. The Collector usually presided and presented certificates and pugries to the officers of societies who had done well during the year. Thakur Thamman Singh, United Provinces, said that the village people had composed songs on the benefits of co-operation, and that at least in one case there was a company, who went round singing these songs. Mr. Langley gave an interesting account of a co-operative play, which he had once seen in a village in the Punjab. The play commenced with a scene depicting a zemindar endeavouring to obtain a loan from the local Saukar and the last scene depicted the Saukar on his knees praying the zemindar to let him into the co-operative society which had been formed. Mr. Rao, Madras, said that one of his district committees, which held conferences regularly, issued a large number of leaflets on the subject of co-operation. The expenses were met by a subscription amongst the members of the committee. The Conference were of opinion that District Conferences should be encouraged as far as possible but that proceedings should always be held in the vernacular.

XII.—PROVINCIAL CONFERENCES.

36. Messrs. Buchan, Bengal, Campbell, Bombay, Kunwar Maharaj Singh, United Provinces, and Langley, Punjab, stated that Provincial Conferences had been held by them during the year. The Bengal Conference held its 3rd Session, the Punjab its first, and the other two their second. The Punjab Conference was attended by nearly 400 people but the other three Conferences were small meetings of about 30 people especially interested in co-operation. The Registrars, who had had experience expressed the view that these conferences were of the greatest utility in spreading a knowledge of the movement and in assisting the Registrar with advice and in arousing honorary organisers to greater effort. With this view the Conference generally agreed, but Mr. Rao, Madras, was of opinion that the movement there was spreading quite fast enough without any provincial conference to assist it.

XIII.—PROPOSALS FOR NEXT YEAR'S CONFERENCE.

37. Some discussion took place regarding next year's conference and it was finally decided to recommend that the Conference should be held in the beginning of November at Calcutta.

XIV.—FORM OF REPORT AND STATEMENTS.

38. Mr. De, Eastern Bengal and Assam presented the following report of Sub-Committee II:—

The Sub-Committee has confined itself to a consideration of the following note on the form of the Annual Report and its appended statements.

NOTE.

The first Conference of Registrars took under consideration the form in which the annual report on the working of the Co-operative Credit Societies should be drawn up and the main headings under which the report should be prepared and the statements which it should include were prescribed. These statements were revised at the second Conference and Statement IV was further revised at the third Conference. It is suggested that the headings and statements might now be re-issued in a revised form after consideration of the Conference of January 1911.

2. It is usual to prescribe a certain length for reports of this character, but no limit has, at any time, been fixed as regards the length of this report. The following figures show the number of pages to which the different Provincial reports have extended in the year 1908-09:—

	No. of Pages		STATEMENT.	
	Letter press.	No.	Pages.	
BOMBAY-SIND.				
Bombay—				
Registrar's Report	18	12	26	
Controlling authority	1	..	..
Sind—				
Registrar's Report	2	4	4	
Controlling authority	1	..	..
Local Government's Resolution	3	..	..
	<u>25</u>	<u>16</u>	<u>30</u>	
Maps	1			
MADRAS.				
Registrar's Report	12	9	35	
Local Government's Review	6	..	..
	<u>18</u>	<u>9</u>	<u>35</u>	
BENGAL.				
Registrar's Report	21	14	17	
Controlling officer	1	..	..
Local Government's Review	3	..	..
	<u>25</u>	<u>14</u>	<u>17</u>	
UNITED PROVINCES.				
Registrar's Report	16	10	11	
Local Government's Review	2	..	..
	<u>18</u>	<u>10</u>	<u>11</u>	
PUNJAB.				
Registrar's Report	10	5	7	
Controlling authority	4	..	..
Local Government's Review	2	..	..
	<u>16</u>	<u>5</u>	<u>7</u>	
BURMA.				
Registrar's Report	16	16	32	
Controlling authority	3	..	..
Local Government's Review	3	..	..
	<u>22</u>	<u>16</u>	<u>32</u>	
Maps	1			

EASTERN BENGAL AND ASSAM

	No. of Pages	STATEMENT.	
		Letter press.	Pages.
Registrar's Report	19	8	23
Controlling authority	4	..	..
Local Government's Review . . . . .	..	..	..
	25	8	23
CENTRAL PROVINCES.			
Registrar's Report	9	12	12
Chief Commissioner's Review	3	..	..
	12	12	12
COORG.			
Registrar's Report	7	4	4
Chief Commissioner's Review	1	..	..
	8	4	4

The examination made above shows that the letter-press ranges between 8—25 and the statements between 4—35 pages. It is suggested that a limit might suitably be fixed of 15 pages of the letter-press report exclusive of the reviews and of the statements attached thereto.

As regards the subject headings it will be for consideration whether any alterations are required. As regards the headings prescribed for all provinces, there are certain points on which different provinces are accustomed to make remarks which do not fall under any of the prescribed headings. It is suggested that these special remarks should be inserted at such places in the report as are considered suitable, but that the general order laid down for the prescribed headings should not be abandoned, as the maintenance of the general scheme of the report makes reference from reports of one province to those of another more easy than if each province adopts its own order.

4. As regards the statements also, it will be for consideration whether any alterations are required. The statements appended to the report should, it is thought, be of two classes:—

(1) The prescribed Imperial statements, and (2) optional provincial statements added at the discretion of the Local Governments. The former, it is thought, should follow strictly the prescribed forms, which is not always done at present. It may, in this connection, be noted that, under the instructions issued by the Government of India in Home Department Resolution of the 25th February 1901, the tables of statistics should not be printed side-ways on a page unless distinct economy of space thereby results.

5. It is noticed that in some provinces maps are attached to the reports, and it is suggested that the preparation of maps should be left to the discretion of the Local Governments.

39. In regard to paragraph 1 of the note above quoted the Sub-Committee suggests the following amended list of headings for the letter press of the Report. It is of opinion that no alteration of the appended statements is required.

(I) Administration and Touring.

(II) Summary of General Progress.

(In the Sub-Committee's opinion the present head "Societies", etc., suggests that the statistics of increase and decrease only are to be given. What seems to be needed is a brief summary explaining the year's work.)

(III) Working of Societies.

(a) Central Societies and Unions.

(It seems appropriate to include Unions here as representing one form of centralisation.)

(b) Urban Societies.

(c) Rural Societies.

(d) *Other forms of co-operation.*

(The Sub-Committee proposes to add sub-head (d) in order to make the classification more exhaustive. It also recommends the omission of the existing minor sub-heads 1 to 9, as involving excessive sub-division of the subject, without exhausting it, and as likely to lead to much unnecessary repetition in the Reports year by year. The detailed treatment of this chapter may be left to each Registrar's discretion.)

(IV) Reserve Fund.

(V) Resources (Government loans, other sources of capital, access to general money market, etc.)

(The Sub-Committee would insert this Chapter before that on "Audit and Inspection".)

(VI) Disputes and Litigation.

(VII) Audit and Inspection.

(Notice of the "work done by supervisors, Committees, officers and members" (Existing Chapter No. VII) should, it is thought, be included in Chapter III.)

(VIII) Acts, Rules and Bye-laws.

(IX) *Miscellaneous.*

(The Sub-Committee proposes this new head in order to cover such matters as cannot be appropriately treated under other heads.)

(X) Attitude of the Public, assistance received—official and non-official.

As regards paragraph 2 of the Secretariat note the Sub-Committee is unanimous in thinking that the time has not yet come for specifying a limit to the length of the report. The reports on Co-operative Credit Societies will appeal to a wide non-official public, and should be relatively discursive and free from unexplained technicalities. Also conditions in the different provinces are so heterogeneous, that the methods adopted to grapple with problems peculiar to a single Province often require detailed explanation to be intelligible to outsiders. If, however, it is ruled that some limit is essential, the Sub-Committee would suggest that a maximum of at least 20 pages should be fixed for the letterpress of the Registrars' Report.

As regards paragraph 3 of the note the Sub-Committee agrees that what is written under each heading of the Report should of course be strictly relevant to that heading. For miscellaneous matter a special head has been proposed. (See above).

As regards paragraph 4 of the note it is thought that the inclusion of provincial statements in the Annual Report in addition to the prescribed Imperial statements is unnecessary. Such statements are of little interest and are not readily intelligible outside the particular province they concern. If in the opinion of any Local Government additional provincial statements are desirable they may be prepared and submitted separately.

As regards paragraph 5 of the Secretariat note the Sub-Committee agrees that the addition of maps to the Annual Reports should be left to the discretion of Local Governments.

40. The Report was accepted by the Conference.

41. The President in closing the Conference suggested that a vote of thanks should be accorded to the Exhibition Committee who had kindly permitted them to meet in the Ladies' Annexe to the Welcome Club: to Kunwar Maharaj Singh for having made the arrangements for the meeting and to Mr. Gourlay for having acted as Secretary. He suggested that Mr. Gourlay should continue as Secretary for the following year. To this the Conference agreed.

42. The proceedings closed with a vote of thanks to the Hon'ble Mr. MacLagan for having presided at the Conference.

W. R. GOURLAY,
Secretary.

APPENDIX I.

CO-OPERATIVE INSURANCE AGAINST THE MORTALITY OF LIVE STOCK.

(Extracted from the "Rangoon Gazette" of 25th January 1911.)

Of all the disasters to which the farmer and particularly the small farmer is liable, in the course of his profession, there is none which he has more reason to fear than the loss of his live stock. The amount of capital invested in live stock is always considerable, and the cultivator who loses his cattle by disease or other misfortune is frequently unable to replace them out of his own resources. This is a frequent source of indebtedness, and many are the cultivators whose final ruin may be traced back to the loss of their cattle.

The establishment of a co-operative credit system, as described in the last article, will no doubt do something to assist the cultivator to repair his losses by enabling him to borrow money on easy terms to buy fresh cattle, but even so, his credit for other purposes will be impaired. The true way to provide against cattle mortality is by insurance. This is the system which in the modern commercial and industrial world has been evolved as the most suitable and convenient method of meeting the risk of heavy losses which may occur either at any moment or only at long intervals, and which it would be impossible to meet out of current income, without gravely impairing the stability of the business. If, then, it be recognised that in the policy of *better farming, better business, better living*, is to be found the solution of the present-day problems of agriculture, it becomes necessary that the farmer in his turn should adopt the business method of providing against the risks of cattle mortality by means of insurance.

This has long been recognised in Europe, but as has so often been the case, the task of adopting the system found suitable for the ordinary business world to the requirements of agriculture has proved one of some difficulty.

In the business world, insurance is effected through the means of large insurance companies formed on a joint stock basis. But, as a matter of fact, most of the societies of this character which have attempted insurance of live stock, have failed. There are several reasons for this. In the first place it is a difficult matter to find suitable and trustworthy agents in country districts and there is a lack of statistics as to cattle mortality sufficiently complete or reliable for any accurate calculation to be possible, either as to the risk incurred or the amount of the premium that should be demanded. Again, it is impossible to keep a close watch over the actual deaths that occur, or to insure that the beast on whose account a claim is made is the actual animal that was originally insured. Further, cultivators live scattered over many villages, and the expense of organisation and general management of a concern dealing with small business scattered over a wide area is always heavy. The result is that, in order to make any profit, the companies are compelled to exact high rates of premium, and to insist on such strict and exacting conditions in their policies as to deprive the insurance of much of its advantages in the eyes of the farmers.

The ordinary methods of urban business based on the joint stock system having thus proved a failure, the cultivators of Europe turned to co-operation which already in other departments of agriculture had provided a satisfactory solution for their business problems. Once again the truth was demonstrated that co-operation is the best business system for a farmer. The co-operative insurance of cattle has proved a great success and is now to be found spread abroad through Denmark, Germany, France and almost every country of Europe. So far has it developed in magnitude and in organisation that at the Congress of Agricultural Associations held in September last at the Brussels Exhibition an International Committee was formed to deal with the question of the International reinsurance of such risks, consisting of members from Belgium, France, Poland, Holland, Italy, Russia, Austria and Germany. In the present article it is proposed to examine the principles on which these national systems of co-operative insurance against cattle mortality have been erected in the hope that Burman cultivators in their turn may be able to follow in the footsteps of their fellows in Europe and evolve a similar co-operative insurance system for themselves.

The Village and Insurance.

As in the case of co-operative credit societies the most satisfactory basis for the co-operative insurance system has been found in the small village society.

The first necessity for the successful management of insurance business is that the persons insuring their cattle shall be well known to the society both as to their general financial status and their good character. Secondly, it is essential that as soon as the death of an insured animal

is reported it should be possible to verify it and ascertain whether the report made is accurate or not. Thirdly, it is necessary that the society should be able to watch over all cases of sale or purchase of live stock, and, fourthly, it is necessary to see that the farmer who insures his animals treats them well and keeps them in a sufficiently good sanitary condition. All these points can be easily and effectually provided for where all the members of a society live in the same village, or in adjoining hamlets, and, moreover, as all the villagers are well acquainted with each other, they are much more ready to combine upon a village basis than if the membership be extended to villages with the inhabitants of which they are but slightly, if at all, acquainted.

The village, therefore, must be the basis of the co-operative system, and has been rightly made so almost invariably in Europe. It will not be necessary to describe the organisation of these village societies separately for every country. It will suffice to take the case of France.

The first attempt at co-operative insurance in France was made long ago in the Department of the Landes. Small societies were formed composed of persons well known and thoroughly trusted by each other. Often several such societies are found in a single village. Their object is to provide for the losses caused to their members by the accidental death of domestic animals, and they are managed in the simplest manner possible. There is no subscription to be paid in advance, but in the case of the death of an animal, its value is estimated, and at the end of each six months the member whose beast has died receives the indemnity due to him by the rules, each of the members of the society being bound to pay his share, which is calculated in the proportion of the total value of the animals insured by him to the value of all the animals insured by the whole body of members. Thus if a man insures animals to the value of R200 with the society and the total value of all the animals insured by the members is R2,000 he will have to pay 1-10th of the amount of indemnity to be paid by the society to members who have incurred losses during the half-year. These societies, which are often almost of a family character, depend for their success on the good faith of their members and the careful supervision mutually exercised by them on the condition of their cattle stalls. On October 31st, 1904, there were in the Department of the Landes 852 societies of this character with 41,944 members. Sometimes in order to lessen the amount of the indemnity to be paid by the members the flesh of the deceased animal is cut up and divided amongst them in proportion to the share of the indemnity to be paid by them.

Another System.

This system with its simple character has proved very useful as a village organisation, but it does not lend itself to a strong and powerful organisation for co-operative insurance of a national character. In the case of a severe outbreak of disease in any village in which most of the villagers would probably suffer losses it would be of very little assistance. Therefore, another system which is now generally recognised to be the best has been evolved. In this a subscription, calculated according to the value of the risk and to the amount of indemnity fixed by the bye-laws of the society, must be paid in advance by all members. By some such system alone can a society be confident of meeting the demands upon it and build up for itself a reserve fund which is the best guarantee of prosperity for any society dealing with insurance. In some societies a third method has been adopted which is a combination of the two already described. These societies require a subscription payable in advance, but at the same time provide for a special levy on the members at the end of any period of six months if the subscriptions are not sufficient to meet the indemnities to be paid. This supplementary levy is limited to a fixed maximum, but even so, experience has shown that such levies are never well received by the members and that it is much better to exact an increased subscription in the first instance. If the amount subscribed proves in excess of the indemnities to be paid, it is always possible to arrange that, when the necessary provision for a reserve fund has been made, the surplus shall be returned to the members.

There is some difficulty in ascertaining the right rate of subscription. The founders of any society must, therefore, carefully compare the number of cattle in the locality with the mortality that has occurred in recent years, and thus arrive at a suitable rate. In France the rate is usually in the case of cattle well under 2 per cent. on the value of the cattle insured. In Burma where cattle disease is more prevalent a higher rate will probably be necessary.

A member must insure all the cattle in his possession. He must separately value each of his animals and his valuation is checked by two members of the society appointed for the purpose. The valuation of each animal as finally settled by these members is entered in a register in foil and counterfoil together with an exact description of the animal, and its age. One copy is given to the member and the other is retained by the society. As the value of cattle is apt to change somewhat rapidly, especially towards the end of their life, it is desirable that the valuation should be checked every six months.

The two members appointed to value the animals have other duties besides those of valuation. They must also see that the cow-houses of the insuring members are kept in proper order and that the animals are properly fed. No indemnity is payable in the case of losses resulting from neglect of their instructions. The duties of these inspecting members are most important and it is on the conscientious fulfilment of them that the prosperity of the society will depend.

Certain kinds of animals will be excluded from insurance. Thus in France any cattle under six months of age or over twelve years are not insured, the risks in their case being too great. Similarly animals newly bought are not accepted for insurance until they have been 15 days in the cattle byres of the purchaser.

The following risks are usually excluded from the insurance :—

- (1) Losses due to war, riots, fire, the cowhouse being struck by lightning, floods, drowning, fall of buildings, journeys by railway or by cart.
- (2) Losses due to a dangerous operation undertaken by the owner or under his responsibility, when the operation should only have been performed by a qualified veterinary man.
- (3) Losses due to violence, ill-treatment, lack of care or nourishment, over-work, and in general, serious faults on the part of the owner, proved after enquiry, or on the part of his servants.

It is usual to make a member bind himself for one year, the year to be increased to three if he has been paid any indemnity by the society in the course of it. The society is administered by a Committee of six members chosen from the members of the society by the general assembly. They are elected for four years and half of them are re-elected every two years, the members retiring after the first two years to be chosen by lot. Honorary members, i.e., members who subscribe at least R3 per annum and do not insure any cattle may form one-third of the Committee. The Committee elects its own President, Vice-President and Secretary-treasurers. All officers are unpaid.

The Committee's duties are to make widely known the advantages of mutual insurance; to value the animals of the members; to control carefully the condition of the live stock insured, the care given to them and the healthy condition of the cattle byres; to receive the notices of the outbreak of disease or the occurrence of accidents, to examine the animals thereby affected and to verify the deaths which occur; to pay out the indemnities for deaths when verified.

The General Assembly meets once a year, one-third of the members forming a quorum. The committee are elected by ballot and in all cases voting must be secret if one-fourth of the members present demand it or the exclusion of a member is in question.

On the death of any animal the insurer must immediately inform the Secretary of the society and the inspecting members of the committee, and decide in agreement with them on the most profitable manner of disposing of the remains. The amount thus obtained is generally deducted from the total of the loss incurred and thus decreases the amount of the indemnity payable by the society. The indemnity is usually paid at 70 or 80 per cent. only of the total loss. Thus if a bullock worth R100 dies and its hide and flesh are sold for R20 the amount of the indemnity will be 80 per cent. of R100 less R20 or R64 only.

As soon as the inspecting members have decided on the amount of the loss incurred by the insuring member, part of the indemnity is at once paid out by them. The remainder is usually kept back till the end of the six months in order that, if at the end of that time the total losses to be met are more than the sums at the disposal of the society, all those to whom payments are due may receive the same proportion of their indemnities. Thus the members whose cattle die towards the end of the six months will have an equal opportunity with those incurring early losses of receiving their indemnity, and no charge of unfair dealing can be made against the society. The amount paid out at once is usually half the indemnity, the remaining half being kept back till the end of the six months period.

A special provision is inserted in the rules to the effect that the society can never be compelled to pay out more than the balance in its possession after meeting working expenses and the regular contribution to its reserve fund.

Re-Assurance.

It will be seen that the working of these societies is extremely simple, and there should be no difficulty in organising one in any village which has succeeded in establishing a Co-operative Credit Society. But, as said before, so long as the society remains a village one, it is always liable to come to grief through the occurrence of a widespread epidemic among its cattle. To provide against this, Unions of Societies for the reinsurance of the risks incurred by the village societies are widely used.

These Unions are formed in the following way:—They, as a rule, work over a whole department in France which answers to a district in Burma. Only village societies which adopt rules approved of by the Union and are ready to place themselves under its control may join it. The village societies which join it must pay into the Union a half or a quarter of the subscriptions of their members and a half of the entrance fees paid by them. In return the Union repays the same proportion of the losses incurred by the village societies on account of the cattle lost by their members. The system means that the village societies receive from the Union a monetary assistance proportionate to their payments to the Union, but at the same time they remain

responsible for a portion of the indemnities due by them. They have, therefore, every inducement to manage their affairs on the soundest lines possible.

But these Unions do not complete the national organisation for co-operative insurance of live stock in France. At the head of the whole system is the Central Society of Re-assurance, to which can be affiliated all Unions as described above and also any isolated village society which finds itself in a district not as yet possessing a Union. This Central Society also insists on the rules of any Union or isolated society which joins it being drawn up in a form of which it approves and for a further check upon them requires that applications for admission must be sent in either through the local agricultural associations or the Unions of those associations.

The Central Society receives one quarter or one half of the subscriptions received by the affiliated Unions or Societies and in return pays one quarter or one half of the indemnities payable by them. Any society or Union joining the Central Society must bind itself to continue a member for three years.

Such is the national system that has been built up in France. The Government spends a good deal of money in subsidising this system and its subsidies are divided among the local societies, the Unions and the Central Society. By the aid of these subsidies the growth of the system has been greatly stimulated, but they have one bad result. For the societies have learnt to lean so much upon this Government help that if for any reason it were to be withdrawn many of them could no longer continue to exist without considerably raising their subscriptions. It would appear to be a much better plan so to arrange the subscriptions that the societies can stand on their own feet from the start, and to leave it to Government to give extra help only in cases of widespread epidemic which the societies are unable to meet out of their own resources. But the system of organisation is in either case the same. It will have been seen that there is nothing in the system which would not be quite as easily adopted by Burman villagers as it has been in France, and the benefits which its adoption would confer on the agriculturists of Burma are undoubted. It would appear, therefore, that as soon as a co-operative credit society has been established in good working order in any village the villagers should begin to go a step further up the ladder of co-operation and establish in their midst a society for the co-operative insurance of live stock.

Note.—Specimens of Rules for Cattle Insurance will be found in the Bulletin of the Bureau of Economic and Social Intelligence of the International Institute of Agriculture, Rome, No. 3, December 1910.

Appendix II.

STATEMENT I-A. GENERAL PROGRESS.

Central Societies (lending to other Societies only).

PROVINCE.	KINDS OF SOCIETIES.				NUMBER OF SOCIETIES		NUMBER OF MEMBERS		WORKING CAPITAL *			REMARKS.		
	Cash.		Other.		At the beginning of the year.	At the end of the year.	At the beginning of the year.	At the end of the year.	At the beginning of the year.		At the end of the year.			
	Limited liability.	Unlimited liability.	Limited liability.	Unlimited liability.					R	a.	p.		R	a.	p.
1	2	3	4	5	6	7	8	9	10	11	12			
Madras	3	...	...	...	3	3	157	263	6,61,515	15	7	13,20,306	4	6
Bombay	6	1	...	...	...	7	...	1,746	2,613	0	0	1,91,965	0	0
Bengal	4	...	...	...	2	4	45	96	4,323	0	0	1,00,710	0	0
United Provinces	3	...	...	...	3	3	271	274	2,00,318	0	0	3,06,277	0	0
Punjab	7	...	...	...	1	7	48	570	74,409	0	0	2,59,795	0	0
Burma	1	...	...	...	1	1	45	72	13,960	0	0	23,241	15	6
Eastern Bengal and Assam . . . . .	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Central Provinces and Berar	4	1	...	...	5	5	628	663	52,409	3	3½	97,017	10	2½
Coorg . . . . .	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Ajmer	1	...	...	...	...	1	..	37	...	...	...	6,766	11	0
Mysore . . . . .	...	...	...	...	1	1	11	19	1,459	1	6	17,750	5	7
TOTAL	29	2	...	...	16	32	1,205	3,740	10,11,037	4	4½	23,56,529	14	9½

* Includes statistics regarding loans from non-members, loans from other societies, share capital, deposits by members, State aid and reserve fund in Statement IV-A.

STATEMENT I-B.
GENERAL PROGRESS.

Urban Societies.

PROVINCE.	KINDS OF SOCIETIES.				NUMBER OF SOCIETIES		NUMBER OF MEMBERS		WORKING CAPITAL*				REMARKS.
	Cash.		Other.		At the beginning of the year.	At the end of the year.	At the beginning of the year.	At the end of the year.	At the beginning of the year.		At the end of the year.		
	Limited liability.	Unlimited liability.	Limited liability.	Unlimited liability.					R	a. p.	R	a. p.	
1	2	3	4	5	6	7	8	9	10	11	12		
Madras	16	4	7	1	24	28	6,040	7,521	3,72,851	6 11	4,36,781.11	4	
Bombay	18	27	2	2	50	49	4,328	3,910	3,02,109	0 0	2,20,152	0 0	
Bengal	25	22	...	...	29	47	1,682	3,606	1,00,539	0 0	1,55,682	0 0	
United Provinces	22	71	2	...	49	95	47,026	35,587	20,29,752	0 0	20,82,767	0 0	
Punjab	6	...	...	...	4	6	405	644	28,735	0 0	30,990	0 0	
Burma	16	6	...	...	18	22	1,036	1,403	76,837	15 0	1,51,959	9 11	
Eastern Bengal and Assam	33	2	...	1	27	36	2,738	4,015	1,87,882	0 0	3,50,497	0 0	
Central Provinces and Berar	8	...	...	...	8	8	1,231	1,186	61,175	13 3	69,430	6 8½	
Coorg . . . . .	...	...	...	...	...	...	...	...	...	...	...	...
Ajmer . . . . .	...	...	...	...	...	...	...	...	...	...	...	...
Mysore	11	...	19	...	17	30	2,009	3,526	1,23,101	2 1	1,75,330	3 7	
TOTAL	155	132	30	4	226	321	66,495	61,398	32,82,983	5 3	36,73,589	15 6½	

* Includes statistics regarding loans from non-members, loans from other societies, share capital, deposits by members, State aid and reserve fund in Statement IV-B.

STATEMENT I-C.
GENERAL PROGRESS.

Rural Societies.

PROVINCE.	KINDS OF SOCIETIES.				NUMBER OF SOCIETIES		NUMBER OF MEMBERS		WORKING CAPITAL*			REMARKS.	
	Cash.		Other.		At the beginning of the year.	At the end of the year.	At the beginning of the year.	At the end of the year.	At the beginning of the year.		At the end of the year.		
	Limited liability.	Unlimited liability.	Limited liability.	Unlimited liability.					R	a. p.	R		a. p.
1	2	3	4	5	6	7	8	9	10	11	12		
Madras	8	338	...	...	153	346	9,400	22,301	7,84,728	12 10	15,61,805	7 9
Bombay . . . . .	...	151	...	2	122	153	7,165	10,007	2,83,360	11 6	4,19,173	1 9
Bengal . . . . .	...	456	...	4	362	460	12,876	19,169	2,60,248	0 0	4,41,192	0 0
United Provinces . . . . .	...	676	...	15	317	691	43,952	47,778	10,65,487	0 0	13,53,415	0 0
Punjab	1	672	...	20	311	693	22,769	37,390	7,80,846	0 0	15,42,211	0 0	
Burma . . . . .	...	252	...	..	154	252	4,275	6,116	4,06,005	7 6	5,85,800	3 2
Eastern Bengal and Assam . . . . .	...	330	...	...	204	330	8,442	12,925	3,53,575	0 0	5,41,598	0 0
Central Provinces and Berar . . . . .	...	139	...	...	87	139	3,942	4,859	90,017	8 9	1,25,653	1 5
Coorg	13	5	...	...	15	18	1,284	1,735	34,527	12 6	50,910	0 10
Ajmer . . . . .	...	24	...	...	8	24	260	524	673	9 2	9,214	6 2
Mysore	22	8	8	1	28	39	2,542	2,756	12,398	13 8	23,180	12 8	
TOTAL	44	3,051	8	42	1,761	3,145	1,16,907	1,65,560	40,71,863	11 11	66,51,153	1 9	

* Includes statistics regarding loans from non-members, loans from other societies, share capital, deposits by members, State aid and reserve fund in Statement IV-C.