

## PROCEEDINGS

of

The Eighth Conference of Registrars of Co-operative Societies in India which met at Simla on Monday, Tuesday, Wednesday and Thursday, the 12th, 13th, 14th, and 15th August 1918.

### Monday, 12th August 1918.

The Hon'ble Sir Claude Hill, in opening the Conference, said:—

"Gentlemen,—I am not going to detain you at any length, but I want just to utter a few words of welcome to you and to express the hope that you will be able satisfactorily to grapple with and resolve some of the very difficult questions which you have come here to consider.

"The meeting which commences to-day is perhaps in some respects more important than any previous Conference of Registrars. The very comprehensive and far-reaching recommendations which were the result of the labours of Sir Edward Maclagan's Committee of Inquiry have, while clearing away many points of doubt, brought to light some of the greater and more fundamental difficulties inherent in the problem of how best and most wisely to proceed in the development of the co-operative idea in India. As Mr. Mant will explain to you, one category of the recommendations of Sir Edward Maclagan's Committee was susceptible of adoption at once and was so adopted in a resolution issued in January 1916. There was another class of subjects in regard to which it was obviously necessary to consult Local Governments, while there was a third class and that is what chiefly will concern us to-day, namely, the subjects in regard to which, after consultation with Local Governments and with the Finance Department, special difficulties were envisaged. We hope that the Government of India will, as a result of your deliberations, be in a position to take a further step in the definition of the scope of the development of co-operative credit in India.

"Mr. Mant will explain to you the procedure by which, through the subdivision of your labours among two sub-committees, we propose that you should proceed in your deliberations and I do not wish to anticipate your discussions on any of the more difficult issues. There are, however, two matters, which I understand will be reported on by the Conference as a whole, namely, items II and VI, in regard to which I should like to say a word.

"Firstly, as to the question whether it is desirable to amend the Land Acquisition Act so as to enable co-operative societies to acquire land needed by them, you are aware that this proposal emanated from the United Provinces Government and has been referred to all other Local Governments for opinion! As a result of the reference to Local Governments, while there is fairly general approval of the suggestion, there are indications that in the application of the amendment designed to place co-operative societies in the same position as companies for the purposes of the Land Acquisition Act there is some difference of view as to what, for those purposes, would be "the terms on which the public would be entitled to use the work" [Section 41 (5) of the Act], and there may arise occasions on which it is doubtful or difficult to determine how the action of a Building Society, in providing residences for its members, can be held to be likely to prove "useful to the public" as contemplated in section 41. We shall look forward with interest to your recommendation as to how to get over and safeguard these difficulties.

"The other matter to which I may briefly refer is the question of the propriety of granting takavi loans to co-operative societies. The loans here contemplated fall under three categories: loans in times of scarcity, loans on the inauguration of a scheme of acquisition of waste land,

and loans for land improvement. The proposal, so far as it affects the first category, has met with very small support from Local Governments and it seems not unlikely that you will decide to reject it. But in regard to the other two, I think the replies of one or two Local Governments, who apparently object to the proposals, indicate a certain misapprehension which further consideration at your hands may serve to remove. It will, however, be important for you to consider the limitations and conditions which would have to be required as a condition precedent to the grant of loans to co-operative societies for the purposes indicated. All I would say is that, as I am sure you will remember, while safeguards are doubtless necessary and should be insisted on where desirable, the objects aimed at by the original proposals are such, and, in some parts of India, of such far-reaching importance, that it would probably be better to envisage the difficulties and endeavour to provide safeguards than, in consequence of the difficulties, to turn down the proposals without very careful consideration. I will now leave Mr. Mant to open the proceedings so that the Conference itself and the two sub-committees, which it is proposed to confide to the Chairmanship of Messrs. Calvert and MacKenna, may get to work with the least possible delay."

The Hon'ble Mr. Lalubhai Samaldas proposed a hearty vote of thanks to the Hon'ble Sir Claude Hill for coming to open their proceedings. They all knew how busy he (Hon'ble Sir Claude Hill) was. He had stated that the Hon'ble Mr. Mant knew more about co-operation than he did : he might ; that was not a statement which he (Hon'ble Mr. Samaldas) was going to controvert, but he would like to say that in Bombay they recognised the great help that the Hon'ble Sir Claude Hill had been giving to the co-operative movement in the city proper by acting as President of the first non-official committee that had started to redeem the debts of the poor. They could never forget the kindness with which Sir Claude Hill had conducted their proceedings and helped them. In moving this hearty vote of thanks he hoped they would all support it and agree that Sir Claude Hill had always rendered very valuable services to the movement (*Applause*).

The Hon'ble Sir Claude Hill then withdrew, and the Hon'ble Mr. Mant took the chair and addressed the meeting as follows :—

"I do not want to trouble you with a formal speech; but I think it will be useful if I explain a little more fully than Sir Claude Hill has done the object of this Conference and the procedure by which we propose to get through the business before us. The conferences on co-operation which have been held at intervals in the past have covered a wide range of subjects. They afforded an opportunity for workers in what was, in India at least, a new field of exchanging ideas and bringing the results of their experience before their fellow workers. Much valuable material was accumulated in this way, but it became increasingly evident as time went on that this material required sifting and co-ordinating into something of the nature of a text book. There were also many controversial questions which called for careful study and for an authoritative settlement, if this was possible.

"2. The Committee formed under the presidency of Sir Edward Maclagan undertook this task, and as all of you have presumably read their report, it is needless for me to say how carefully and comprehensively they carried it out. What I want chiefly to explain is the method by which the various questions dealt with in the report have been or are being disposed of. In the resolution of the Government of India, dated 4th January 1916, the recommendations of the Committee were grouped into four categories :—

(a) those which the Government of India considered should be adopted so far as was possible, it being understood that a reference might be made to the Government of India if any local Government or Administration considered that necessary ;

- (b) those on which the views of local Governments and Administrations were then invited ;
- (c) those which had already been referred to local Governments and Administrations ; and
- (d) those on which action was to be taken separately by the Government of India.
- " 3. The first category to which Sir Claude Hill has referred naturally comprised the simpler and less controversial matters which could be disposed of without further discussion. In the interval which has since elapsed the Government of India have issued orders on some other minor matters which did not appear to require further consideration. They have also considered the views expressed by local Governments on the various subjects referred to them, and have arrived at final conclusions on many of these subjects. These conclusions will be promulgated in a general letter or resolution as soon as the questions which remain outstanding have been settled.
- " 4. It will thus be seen that the recommendations of the Committee have been dealt with in an ascending order of difficulty. The questions still unsettled are the most difficult of all. Some of them were reserved in the first instance because they raised intricate financial issues, which mainly concerned the central Government. Others have been held over for discussion at this Conference because the replies of local Governments brought to light points which appeared to have been overlooked by the Committee, or because different local Governments expressed such divergent views that it appeared to the Government of India to be advisable to have the points threshed out at a Conference before coming to a final opinion themselves.
- " 5. I think I have said enough to show that you gentlemen have some very hard nuts to crack and unfortunately we have not as much time at our disposal as I should have liked to devote to these important questions. In order to economise our forces, it is proposed to form two sub-committees to deal in the first instance with the more intricate subjects involving technical considerations. The printed list of the sub-committees only contains the names of Registrars and officials, but if any of the non-official members would care to sit on one or other of the committees, their presence will be very welcome. The full Conference will sit in the mornings only and leave the afternoons for the sub-committees. We have enough subjects to occupy us this morning and by to-morrow I hope that we shall have some of the conclusions of this afternoon's sub-committees to consider. If the sub-committees can finish their labours to-morrow afternoon we may be able to get through our business by Wednesday, but we must be prepared to sit on Thursday, if necessary.
- " 6. With such a programme before us, I am afraid that there will not be much time to give to any subjects lying outside it, and for this reason we have not invited members of the Conference to bring up other matters for discussion. Our business is to get through the programme in hand. When we have done that the Government of India will be in a position to formulate principles regarding the most important points that have so far arisen in the history of co-operation in India. We shall then be able to close what may be regarded as the introductory chapter in that history. Other problems will inevitably arise as co-operation expands and progresses, but the men who will have to tackle those problems, will, I hope, find help and inspiration in the introductory chapter and thus the labours of Sir Edward Maclagan's Committee will bear their promised fruit.
- " 7. Before I sit down, I should like to read you an extract from the press concerning our proceedings :—

" A Press Communiqué relating to the Conference of Registrars of Co-operative Credit Societies which opens at Simla on Monday concludes with the statement :— ' The Press will be admitted on the understanding that their reports will be

submitted to the President for approval before publication.' In these stirring times it is well to take no risks."

"This extract is not from "Punch" but from one of our most serious and respectable daily papers. Now the press has not hitherto been admitted to these conferences. When admitting them for the first time, I thought it advisable to stipulate that their reports should be pre-audited, I hope the press representatives present will understand that this stipulation casts no reflection on their discretion, and is only designed to secure complete freedom of discussion at this Conference. The proceedings will be quite informal, we may have to go into matters, particularly financial matters, which it would be undesirable to make public at present, and our discussions might be seriously hampered if every word spoken was liable to appear in the papers. I have no desire to be censorious, but I must retain the power to exercise censorship if it should prove necessary."

The Sub-Committees were then constituted as follows :—

*Sub-Committee I.*

MR. H. CALVERT (Chairman).

MR. J. T. DONOVAN.

MR. S. N. MACKENZIE.

MR. F. R. HEMINGWAY.

MR. K. N. SUBBARAYA.

LALA JAI GOPAL.

MR. J. C. SEN.

MR. P. V. RAMUNNI.

RAI BAHADUR RADHA GOBIND CHAUDHURI.

KHAN BAHADUR SHAIKH MAQBUL HUSSAIN.

RAO BAHADUR N. K. KELKAR.

RAI SAHIB K. RAMASWAMI AYYAR AVARGAL.

BABU MOHAN LAL.

*Sub-Committee II.*

MR. J. MACKENNA (Chairman).

MR. H. CLAYTON.

MR. R. W. D. WILLOUGHBY.

MR. A. E. MATHIAS.

MR. R. RANGA RAO.

MR. ABDUL MAJID KHAN.

MR. A. A. L. PARSONS.

MR. B. A. COLLINS.

MR. LALUBHAI SAMALDAS.

SIR DANIEL HAMILTON.

SIR D. P. SARBADHIKARI.

***I.—General progress of the movement.***

At the request of the President, the Registrars gave the following short statement of progress in their various provinces during the past year :—

**MADRAS.**

MR. HEMINGWAY SAID :—

"I am afraid, Sir, that I have not been able to prepare a note. I might, however, mention one or two points about the progress in Madras. The first is a confession of the sad want of progress in the matter of transforming our Provincial Bank into a federation of Central Banks. We all regard that as a matter of the greatest importance in Madras, but comparatively few shares have been taken by our Central Banks in the Presidency Bank; and, though there has been some degree of progress in Central Banks passing their mutual dealings through the Presidency Bank, there still remains a very great deal to do. That is a subject which we hope

to tackle in the course of the next few months and we hope to make a definite step in advance. There was a good deal of difficulty about finance. We had not enough capital to meet all the reasonable requirements of our societies. To meet this difficulty we made a good deal of progress in the formation of new Central Banks, of which we formed 6 in the course of the year; and they are all, I think, promising very well. I hope by the end of next year there will be no district in the Presidency which has not got a Central Bank of its own, and that in one or two districts we shall have more than one. Our Unions (which do not contain a guarantee—for what appear to me to be very satisfactory reasons, but which have shown remarkable progress in the matter of supervision) increased I think by about ten during the year, and the working of them improved very considerably. We created about 400—I have not got the exact figure—new primary societies, mostly of the ordinary rural type, which brings our figure up to something like 2,600 primary societies.

There were no very great changes in our policy as regards credit, though we laid rather more stress on short-term rather than long-term loans which, for various reasons, seem to us to have serious disadvantages; and I think we devoted a good deal more attention than before to arranging that the dates of repayment should be convenient to members. We have done a certain amount of more or less informal work in the direction of buying and selling through primary societies. This has been done generally in a more or less informal way, and without any special bye-laws, by the ordinary credit societies, which have acted on the familiar indent system whereby members make an estimate of how much of a certain article they want and instruct the panchayat to buy it wholesale and distribute it retail to the members, taking either cash from them, or else giving them a loan *ad hoc*. We have done a certain amount in this way in connection with kerosine oil, salt and food of various kinds, and a good deal in seed and manure. It seems to us in Madras that there is much promise for extension along those lines. We made one definite Purchase and Sale Society for agriculturists; it is more in the nature of a union than anything else. It is based on limited liability with substantial share capital and, in addition to individual members, ordinary primary societies are affiliated to it. We hope that, by a combination of the indent system in the societies and regular trading on the part of such unions, we may do satisfactory business."

### BOMBAY.

MR. EW BANK SAID :—

"Progress during 1917-18 continued at almost the same rate as last year, and is exhibited in the following statistics :—

Type of Societies.	NUMBER OF SOCIETIES.		NUMBER OF MEMBERS.		WORKING CAPITAL IN LAKHS.	
	1917.	1918.	1917.	1918.	1917.	1918.
Central Banks .. .. .	8	10	2,440	4,676	27.17	42.42
Agricultural .. .. .	1,091	1,390	80,762	1,01,333	82.14	71.99
Non-Agricultural .. .. .	182	215	47,895	50,796	43.00	48.40
Unions .. .. .	22	31	..	..	..	..
Cattle Insurance .. .. .	4	4	..	..	..	..
Total .. .. .	1,307	1,650	1,30,903	1,56,805	123.21	162.83

In other words the number of societies increased by 26 per cent. as against 2 per cent. last year, the number of members by 19 per cent. as against 22 per cent. last year and the amount of working capital by 32 per cent. as against 26 per cent.

Crops were good and the prices of agricultural produce ruled high. Good progress was therefore made among agricultural societies and recoveries were satisfactory. Arrears amount to only 7 per cent. of the total sum on loan. A considerable advance was made in the organisation of manure purchase societies, cotton sale and jaggery sale societies, and machinery owning societies. Dairies did not do well and seed societies have not caught on appreciably.

There was a slight easing in the rates of interest at which money was obtainable in the general money market and the Provincial Bank raised its deposits at an average of 5 per cent. as against  $5\frac{1}{2}$  per cent. last year. Several District Central Banks have set to work energetically to broach local capital in order to supplement the limited resources of the Provincial Bank. The working capital of this class of Bank rose by 54 per cent. during the year, and the number of affiliated societies rose from 391 to 600.

The number of Guaranteeing Unions increased from 22 to 31. On the whole they have been most successful. The reason of the slow rate of progress is, firstly, that it was found necessary to educate them very thoroughly in their duties before registering them and entrusting them with large cash credits and, secondly, because societies in Bombay are scattered, and groups lying within a radius of 5 miles are scarce.

Economic conditions were unfavourable to the middle and lower urban classes throughout the year and, as might be expected, progress amongst the non-agricultural classes of societies was much retarded. However, the turnover was very brisk and the arrears at the end of the year amounted to only 5 per cent. of the whole.

Sind has now been added to the charge of the Registrar, Bombay Presidency, and is no longer administered separately."

MR. DONOVAN SAID :—

#### BENGAL.

The annual figures are not yet in and I cannot give even an estimate of them because we have now two branch offices in Bengal and each is collecting the figures of its own jurisdiction. I am however able to give the figures for societies which this year number 3,638 against 3,086 of last year, there being an increase of 5 central banks, 17 urban societies and the rest of the increase being under the head primary societies. When the financial figures of the year do come in I fear they will be the worst for many years past because Bengal cultivators, whether jute or paddy cultivators, have experienced a very bad year in spite of having had excellent harvests. The price of jute and paddy was so low that we could get very small realizations. So serious has the position of the cultivator in Bengal become that if he has to endure two more such years I fear there may be a disaster to the movement if help is not forthcoming. I am glad to say, however, that the commercial classes in Calcutta have now shown signs of taking an interest in the movement, and I hope that they may be brought to realize that it is their interest to help to tide the cultivator over his period of stress. I am glad too to see that prices of jute are again on the rise.

We have made progress this year in some directions. Early in the year Government appointed four officers who are practically Joint Registrars. The inspecting staff has been raised from about 20 to 43 and we have now a Chief Auditor and 14 auditors where previously we had none.

In the matter of liquidation we have had the certificate procedure extended to societies in liquidation and in this harvest we hope to see how it will work. But for the number of societies which had to be liquidated we should now have nearly 4,000 on our rolls.

We have registered a financing Provincial Federation of Central Banks as a substitute, at least till better times, for the proposed Provincial Bank and it has every prospect of success provided there be no disaster in the mofussil such as I have referred to above.

A striking feature of our returns will be the great increase in the number of weaving societies due to an attempt to meet the shortage of cloth in Bengal and

also to undertake some orders from the Munitions Board. We have also registered what is probably the largest society in India in the Ganja Cultivators' Society with about 3,000 members who subscribed about  $\frac{1}{2}$  lakh of share capital and made a profit which may work out from 3 to 5 lakhs. This society has paid its members about 3 times the price they would have got for their crop without it and has made the profit referred to while supplying ganja to its consumers in Bengal, Assam, Bihar and Orissa, and other provinces at prices considerably less than the previous years' prices. We have also formed the Bengal Co-operative Organisation Society, which is not registered under the Act. It is meant to help propaganda and already numbers among its members some well-known zamindars, some of our best known public men and some of the leading names in Clive Street.

Granted the war is over in a year or two there is a good future before co-operation in Bengal despite the bad days that we have been through."

### BIHAR AND ORISSA.

MR. COLLINS SAID :—

"During the last year 2 Central Banks, 17 Guarantee Unions, and 312 primary societies, of which all but 5 were societies with unlimited liability, have been registered in Bihar and Orissa and the totals now stand at 23 Central Banks, 23 Guarantee Unions, 44 primary societies with limited and 1,753 with unlimited liability.

The condition of the Central Banks on the whole shows a steady improvement. The appointment of competent managers is proceeding, but the greatest difficulty is experienced in obtaining really satisfactory candidates. Some of the Central Banks are much better than others, and the better ones in nearly every case are those which can command the services of Directors of the landlord class, who live on their own estates. The experimental Guarantee Unions have proved a great success and an energetic campaign is in progress for founding a number throughout the province. It is hoped that by May 31st, 1919, a large number will be in existence. Without some such link between the societies and the Central Banks, there is little hope of much further expansion on sound lines or of the development of real local autonomy among the societies.

The village societies are in most areas showing real signs of progress. The following points are always impressed on Central Banks with good results :—

- (1) Careful organisation.
- (2) Limitation of the number of members.
- (3) The proper holding of annual general meetings under the supervision of a director or manager.
- (4) Instruction of members in the Twelve Main Points.
- (5) The formation of Guarantee Unions.

The writer on his return from 18 months' absence was able to notice a distinct improvement in general co-operative knowledge. The societies have, however, recently been badly hit by war conditions. In Bihar and Orissa there is no crop like wheat and cotton which commands a good price and gets adequate traffic facilities. Everything the cultivator has to sell, such as rice, oil seeds, *gur*, etc., has either not risen in price or even gone down, while everything he has to buy, such as clothes, salt and kerosine, has gone soaring up. As a result as a rule he could not pay his full kist this year and Central Banks were advised not to press too hard for repayment. Full statistics are not yet available but the percentage of collection on demand will be low. This, however, is not a bad sign in the circumstances, but rather a proof of the real help which the member derives from his society.

The Provincial Bank has done well, and after allowing for commission and dividend on its guarantee shares, depreciation and the statutory reserve which absorbed Rs. 10,809 between them has carried Rs. 7,850 to net profit. Its profits therefore amounted to over Rs. 18,000 on a paid up capital of Rs. 1,00,000, while its reserves stand at over Rs. 15,000 after 4 years' working. Late in the year the Bihar and Orissa Co-operative Federation was registered and a co-operative press

was established. Two or three Central Agricultural Co-operative Associations for purchase and sale have also been founded. They resemble Central Banks in their constitution except that individual shareholders have the same rights as affiliated societies to deal with the association. It is hoped by means of these associations to attract to the movement many landlords and well-to-do cultivators who have hitherto held aloof."

### UNITED PROVINCES.

MR. MAQBUL HUSSAIN SAID :—

"The number of central societies increased during the year from 51 to 59 and their total working capital from over 44 lakhs to over 64 lakhs. The type and constitution of these societies remained unchanged except that a guaranteeing union was started at Mustafabad in Bijnor district. It is doing well, but chiefly because a good man has been secured to look after it. It does not however fulfil the essential function of the guaranteeing union in relieving the central society of either supervisory or financial responsibility. The better class of central societies maintain sufficient inspecting staff, but some difficulty is experienced in obtaining good men for the emoluments that they can offer. The system of training has been improved by instituting a regular training class in which lectures on co-operation and practical village instructions are given to candidates selected for employment and banks only employ in their executive service men who have undergone the departmental training. Efforts are made to give greater publicity to the prospects of service under the co-operative societies and the field of selection has been widened.

The number of agricultural societies rose from 2,304 to 3,008. The policy of the department during the last few years has been one of consolidation and elimination of the unfit rather than of expansion. Of the new societies a large number are the result of reorganisation of the old type affiliated societies and groups of persons borrowing directly from a central society have been formed into corporate self-managing societies. The average membership is now 34 as compared with 39 in 1912-13. The falling off in membership may be attributed partly to the fact that the liquidated societies had a much larger number of members than the new ones which succeeded them and partly to the weeding of undesirable members. Also in the less successful societies there has undoubtedly been an appreciable depletion of members due principally to lack of interest and education. The average capital per member rose from 43·3 to 50·2.

The number of non-agricultural societies was 179. There has been no satisfactory progress in the condition of these societies. Till the present economic conditions are substantially improved there is little hope of co-operative credit being applied with success to the small artisans, craftsmen or traders notwithstanding the greatness of their need. The average capital per member is Rs. 70·6 as compared with 71·1 in 1912-13. Owing to periods of financial stress and the unfavourable agricultural conditions which have prevailed during the last 3 or 4 years, arrears have accumulated in both types of societies. Apart from this feature his financial position of the movement as a whole displays growing stability.

Of non-credit societies the three Colleges Stores, viz., two at Allahabad and one at Meerut, are working fairly satisfactorily, and the two Sandila Stores have been very effectively managed. The co-operative store at Mirzapore has increased its turn-over; the Lalimli Society has curtailed its credit branch but increased store business and is doing very well. The Bareilly Carpenters Workshop is showing little promise of success. The marketing problem is difficult and the unthrifty hankering of the carpenters for advances which the workshop discourages tends to prevent its popularity. The Katra dairy at Allahabad is doing well. The Lucknow dairy is working at a profit. In the Benares dairy the milk supply has fallen low. The ghi societies at Ramnagar (Allahabad) have not fared well. The Jarouli (Agra) ghi society has prospered. New ghi societies have been organised at Kakuba (Agra) and Mursa (Aligarh). The Mainpuri Agricultural Supply Association has got a keen management and good results are hoped for.



The Cattle Insurance Society at Sahaswan failed for lack of interest on the part of its management. Four Cattle Insurance societies have been formed in the Mainpuri district but their chances of success seem to be remote.

The Agricultural department has allowed grants for the construction of seed stores at Sandila (Hardoi), Mainpuri, Jasrana (Mainpuri) and Bulandshahr and the godowns have been constructed. The central societies have continued on an increased scale to popularise the improved seed and in particular Pusa 12 wheat and the white flowered cotton. Arrangement has been made with Messrs. Octavius Steel and Company for stocking improved implements approved by the Agricultural Department but it could not be given effect to on account of shortage of stock with the said firm.

Cattle breeding has attracted more attention and some societies have obtained bulls through the Veterinary Department."

### PUNJAB.

MR. CALVERT SAID :—

"As the co-operative year closed on 31st July, there has not been time to collect complete statistics. During the year 651 new societies have been registered and 122 have been placed under liquidation, giving a net increase of 529.

Central Banks and Unions, 41+5=	..	..	..	46
Agricultural Societies, 3,417+640—120=	..	..	..	3,937
Non-agricultural Societies, 37+6—2=	..	..	..	41

Total number of societies on 31st July 1918 4,024

The year has seen considerable advance made in the teaching of the staff and members of societies. The co-operative supply of salt and oil has been successfully undertaken. Special ghi societies have been started and are supplying ghi to the army. The Committee of Indian officers found this ghi to be of much better quality than the stuff provided by contractors.

Cattle Insurance Societies have been started. Towards the end of the year there was registered the Punjab Co-operative Union, which is composed of Central Banks and Banking Unions, which latter elect representatives at their general meetings. Thus the co-operators sent by primary societies to the general meetings of their Central Banks and Unions elect representatives to the Punjab Union. This latter institution will manage the audit fund, audit staff, etc., and represent the movement in collective bargaining etc.

A special staff for urban areas with a view to starting supply societies has been sanctioned.

Apart from the considerable expansion mentioned above, the chief feature of the year has been the very marked improvement in the operations of village societies. The worst societies and the worst members have been got rid of and the others have removed most of the defects detected on inspection."

### BURMA.

MR. CLAYTON SAID :—

"The slowness of communication between Burma and India necessitated my departure from Burma on the 4th August, before the completion of the annual returns which are now under preparation. Reliable figures are therefore not yet available. The following are provisional figures which, though not thoroughly accurate, give a fair idea of the progress made.

The most striking feature is perhaps the growth of non-agricultural credit societies. Societies have been established in a large number of towns especially in Lower Burma and this form of co-operation shows signs of great development in the near future. These societies rely for their funds on the securing of local deposits especially on savings deposits and are not financed by central banks. The Upper Burma Central Bank, the Provincial Bank of the province, has had a successful year. Its deposits have increased by over 5 lakhs and after adding over Rs. 50,000 to its reserve fund which now will amount to nearly 1½ lakhs, it will be

able to pay a dividend of 3 per cent. and an additional bonus of 5 per cent. to make up for the passed dividend in 1915-16.

Its repayments from its affiliated societies reached 28 per cent. of the loans made, or 3 per cent. more than in 1916-17. This, in view of the low price for paddy and the general condition of the export trade is a very satisfactory figure."

	30th June 1916.	30th June 1917.	30th June 1918.
<i>Number of societies.</i>			
1. Provincial Bank .. .. .	1	1	1
2. Central Banks .. .. .	3	3	4
3. Unions .. .. .	189	207	224
4. Non-agricultural Credit .. .. .	46	54	96
5. Agricultural Credit .. .. .	1,685	1,934	2,224
6. Productions (Pony breeding) .. .. .	1	1	1
7. Sale Societies .. .. .	18	40	42
8. Cattle Insurance .. .. .	305	324	382
9. Cattle Re-insurance .. .. .	1	1	1
10. Tenancy Co-partnership .. .. .	..	..	..
11. Others (District Agricultural Association) .. .. .	2	10	12
Total .. .. .	2,251	2,575	2,988
<i>Number of members.</i>			
1. Provincial Bank .. .. .	1,644	1,894	1,424
2. Central Banks .. .. .	661	742	800
3. Unions .. .. .	1,602	1,829	2,393
4. Non-agricultural Credit .. .. .	3,526	5,002	6,260
5. Agricultural Credit .. .. .	36,494	42,877	47,917
6. Productions (Pony breeding) .. .. .	31	30	30
7. Sale Societies .. .. .	2,006	2,985	3,806
8. Cattle Insurance .. .. .	5,045	5,248	5,969
9. Cattle Re-insurance .. .. .	305	324	383
10. Tenancy Co-partnership .. .. .	..	..	..
11. Others .. .. .	42	174	..
Total .. .. .	51,356	61,105	69,042
<i>Main heads of working capital (excluding sale and insurance societies).</i>			
1. Loans and deposits by non-members .. .. .	39,96,913	56,67,127	65,93,317
2. Deposits by members .. .. .	74,222	1,31,979	1,21,698
3. Loans by other societies and Central Bank .. .. .	32,55,976	48,85,454	55,45,340
4. Share capital .. .. .	15,72,042	19,36,494	21,76,013
5. State aid in agricultural advances .. .. .	6,30,794	9,62,696	11,88,998
6. Excess assets over liabilities on 30th June .. .. .	11,51,769	14,24,106	15,63,592
Total .. .. .	1,06,81,716	1,50,07,856	1,71,88,958
<i>Expenditure by societies.</i>			
1. Management and working expenses .. .. .	1,48,200	2,05,073	2,64,383

## CENTRAL PROVINCES.

MR. MATHIAS SAID :—

“ I do not propose to occupy your time by giving in any detail figures concerning the progress of the movement which can be obtained by the perusal of the Annual Reports ; and such figures as I do give are approximate only as the annual accounts have not been completed. The close of the year found our financial position a very strong one. Early in the year we were compelled to raise our rates on deposits by one per cent, but we have found no difficulty at all in securing sufficient deposits at the enhanced rate and we hope it will be possible to reduce our rates of deposits again shortly. The deposits of the whole movement, excluding from calculation the amounts placed on deposit with the Provincial Bank by the Central Banks, have increased by 4 lakhs. Our fluid resources have increased from 15 lakhs to 17 lakhs, and this notwithstanding that our cash credit with Joint Stock and Presidency Banks is now only 6 lakhs against 10 lakhs last year while 3 lakhs of the reserve fund of societies have been invested in taking up the unissued preference shares of the Provincial Bank. The arrears of societies to Central Banks increased considerably during the year owing to the failure of the cotton and wheat crops and now amount to about 8 lakhs, or roughly 10 per cent of the net working capital of the whole movement. In my opinion the amount of arrears is not abnormal considering the crops of the last 3 or 4 years and if a fair harvest is obtained and especially if a single good cotton crop is harvested it will be possible to recover most of these arrears. If (as I hope will not be the case in the Central Provinces) the crops fail this year, we shall be in an exceptionally strong position to meet such failure with our large fluid resources and 4 lakhs of rupees fall due from Burma early next year. I think I should mention the support given to the War Loan by co-operators in my provinces among the important features of the year. The Provincial Bank offered assistance to those co-operators who required it for the purpose of investing in the first loan, and with the help of registered War Loan Associations the amount subscribed by co-operators in the Central Provinces reached the respectable total of 22 lakhs. The Provincial Bank itself took over 3 lakhs in the first War Loan, about a similar amount of Treasury Bills and is now supporting the second War Loan. We have made some very important changes in our co-operative constitution during the year. Addressing, as I am, an assembly of experts I need not describe the constitution of the Federation of Banks which exists in the Central Provinces. The post of the Governor of the Federation was held up till August 1917 by the Registrar, Mr. Crosthwaite, who was elected for life for that post by the members of the Federation. In July 1917 I placed before Federation Congress a proposal that in future the post of the Governor should be held by a non-official elected, and if necessary salaried, by the Federation. My proposal was accepted and Rao Bahadur N. K. Kelkar was elected. Rao Bahadur N. K. Kelkar, therefore, sits here to-day not only as a non-official nominated by Government but also as the elected representative of the Federation whose decisions are binding within the limits of the Act on all Central Banks and societies in the Central Provinces and Berar. He is, therefore, the spokesman of the co-operative movement in the Central Provinces and Berar and any opinion he may give as Governor has the support of the whole co-operative movement. At the same time as these changes were made, a step further was taken towards making the banking system in the Central Provinces more truly co-operative by taking over 3 lakhs of unissued preference share capital of the Provincial Bank, payment being made from the reserve fund of Central Banks and societies ; the Central Banks and societies thus acquired a controlling influence on the Directorate of the Provincial Bank, so that the Provincial Bank is now no longer controlled by a body of Directors whose interests as individuals might conflict with the interests of Central Banks and societies, but by the representatives of the various Central Banks and societies who can thus ensure that the policy of the Provincial Bank should be directed towards the interest of the movement as a whole. Inasmuch as the details of banking and indeed for that matter the general supervision and direction of policy of co-operative work, cannot be managed by Committees or Councils, the new Directors of the Provincial Bank have very wisely entrusted certain powers to the Governor which make him in fact the Managing Director of the Provincial Bank. As our policy in the Central

Provinces differs in some respects from that so far adopted in other provinces, I may be excused if I now indicate the general lines on which we intend to proceed. We held that the ideal to be aimed at is the complete management of co-operative affairs by chosen representatives of the societies and that Government control should be limited, as far as local circumstances permit, to the protection of its own interests and the interest of the general public. Therefore, within those limits representatives of the co-operative movement should be entrusted with the maximum power and maximum responsibility because without responsibility and without experience the representatives of the movement will never be able to learn how to manage their own affairs. We consider that the Federation should be primarily responsible for organisation, education, supervision and for questions of policy generally; that the Registrar should confine himself to the performance of the very wide statutory duties imposed on him; and that in other matters not including within those powers, he should confine himself to giving advice which may or may not be taken. For example, in the Central Provinces, the Registrar would be justified in fixing the maximum rate at which deposits might safely be taken, but within those limits it would be the Governor of the Federation who would fix what the rate on the deposits should actually be. It seems to us also that this policy is the only possible one if we are to relieve Government of the financial responsibility, as is contemplated by the note of the Government of India on item XIV of the agenda. Unless the control is shifted from Government representatives gradually to the representatives of the movement, the latter cannot morally be held responsible to the public for any loss which may be incurred. On the banking side we hope in time that we shall take over first the shares still held by individuals in the Provincial Bank and afterwards at a distant date those held by individuals in Central Banks so that in the end the primary societies will be owners and controllers of the whole movement. In conclusion, I would remark that we have now given our new system a year's trial and it has worked well and there has been no friction of any kind. We consider, however, that definite steps should be taken to increase the knowledge of Joint Stock and Co-operative Banking among non-officials in India and my Local Administration authorises me to suggest that the Government of India Foreign Scholarships should be made available for persons desirous of studying European Joint Stock and Co-operative Banking. If this suggestion were adopted, the Governor of our Federation would select from time to time suitable persons from among co-operators and if one of these secured a Foreign Scholarship all additional expenses would be defrayed from the Federation fund."

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### ASSAM.

MR. MACKENZIE SAID :—

"I regret that I did not come to the Conference prepared with a note, but owing to the remoteness of Assam, the papers relating to the Conference did not arrive in Shillong, until after I had left.

In existing circumstances it is impossible to expect rapid progress, and such progress as there has been is in quality rather than in quantity. The Registrar of Co-operative Societies still adorns seven other posts, two at least of which are no sinecures, Excise and Registration. A separate Registrar of Co-operative Societies has been sanctioned but the difficulty, at the present time, is to find a suitable man for the appointment. A proposal to appoint, as a temporary measure, an officer of the Provincial Civil Service is now before the Government of India. The staff of the Registrar consists of an Assistant Registrar, who works in one division, and an Inspector, who is really a clerk in my office, working in the other commissionership.

There are at present approximately 350 societies, rural and urban, in the province, and it might be thought that this staff was adequate to deal with so small a number of societies. But the conditions which obtain in Assam have to be seen to be realized.

These societies are scattered over a large area and communications are difficult—particularly so, from April to October. The members of rural societies are in the main illiterate; all rural societies depend on this staff for their annual audit,

while some depend on my staff for the entry of every transaction in their books. If these facts are appreciated at their proper value, it must be admitted that any great expansion of the movement is not only difficult but undesirable.

Our energies, therefore, have been directed primarily to strengthening the position of societies which were proceeding on sound lines, to weeding out undesirable societies, — and there are still many such — to reorganizing societies which were unwieldy either in point of membership or area, and finally to organizing a few fresh societies, in regard to the supervision of which we can be certain.

Progress has been hampered for the past three years in the lower districts of the province by 'acts of God.' In 1915-16, 1916-17, there were serious floods, and the rice crop was destroyed; while in 1917-18 there was a magnificent crop, but hardly any money in the districts. To relieve the distress caused by the floods, loans were distributed, and, with the advent of a good crop such money, as there was, was absorbed either in the repayment of loans or in satisfying the zamindars' demand for rent.

I have painted a gloomy picture, but I have not exaggerated.

To make a note on progress complete, a few statistics are presumably inevitable.

Assam once again became a separate entity on the 1st April 1912; on that date there were 142 rural and urban societies with a capital of Rs. 491,411 and 9,758 members. On the 1st April 1917, there were 344 societies, with a capital of Rs. 10,59,308 and 197,000 members. During 1917-18 the registration of 17 rural and 2 urban societies was cancelled, while 17 new rural and 9 new urban societies were registered. I cannot yet give further figures as regards capital and membership, as my staff is still engaged in compiling them. I might mention one or two new forms — new at least in Assam — which co-operation has taken during the past year. Weaving societies are not new in Assam, but recently very considerable attention has been paid to this class of society which has two forms, (a) the production of the finished article and (b) the supply of the raw material.

Two societies in the offices of heads of departments have recently been formed to stimulate the saving faculties of the staffs of these offices. These two societies are at present very promising. A somewhat similar society has recently been formed in a battalion of the Assam Rifles — this society, which is supervised by the officers of the battalion, should prove a very big thing.

Finally, the most interesting experiment in co-operation is the War Loan Saving Society which has been started in Lakhimpur. The object of this society is to enable every member, whatever his station, to contribute something towards the war loan."

### COORG.

MR. SUBBARAYA SAID :—

"The co-operative movement has been making a steady progress in the province of Coorg for the last 12 years. The following table shows the progress of the movement during the year 1917-18, as compared with that of the previous year :—

	Total number of Societies.	No. of Members.	Share Capital.	Deposits and loans.	Total Working Capital.	Reserve Fund.
1916-17	34	3,116	53,720	37,757	1,31,919	33,324
1917-18 (Provisional)	36	3,200	51,000	33,000	1,32,000	40,000

The number of societies has increased by 2, of which one is a grain bank and the other is a credit society. There is some difficulty in increasing the number of credit societies as the jurisdiction of the existing societies extends to almost the whole of the province. Each society has a jurisdiction of over 15 to 20 villages. Many people find it rather inconvenient to join the society on account of the distance. They have been expressing a desire to have fresh societies in their own villages and the question of splitting up the existing ones and of forming new societies will be taken up in the coming years.

The progress made during the past year is not very appreciable both in point of shares and of deposits. Recovery of loans to members is also not very satisfactory. The money market has become very tight and prices of all articles have gone up very high on account of war.

The special societies of this province are the cattle insurance societies and the grain banks. There are 10 societies of the former and 3 of the latter. Most of these are doing good work and specially grain banks are much appreciated by the public. There are no unions or central banks."

### AJMER-MERWARA.

MR. JAI GOPAL SAID :—

"The number of Central Banks at work was reduced to 4. One Central Bank was closed during the year; 8 new Agricultural Societies were added to the register and the registration of 18 was cancelled during the year. The number of societies has thus decreased from 372 to 362 and the number of members of these societies from 12,848 to 12,595. The working capital of the 4 Central Banks was Rs. 12,57,908 against Rs. 10,40,276 while that of the Agricultural Societies was Rs. 14,36,424 against Rs. 11,65,181 last year; a sum of Rs. 1,07,265, the undistributed profits of the primary societies, was not included in the working capital last year. The working capital of all kinds of societies was Rs. 26,94,332, as compared with Rs. 22,05,457. These figures include Rs. 10,20,792 received by primary societies from Central Banks against Rs. 9,07,059. The net total working capital of all the societies was Rs. 16,73,540 against Rs. 12,98,398 last year.

The following statement exhibits the classification of societies and their working capital :—

Class.	ON 30TH JUNE 1917.				ON 30TH JUNE 1918.			
	Societies.	MEMBERS.		Working capital.	Societies.	MEMBERS.		Working capital.
		In-dividuals.	Societies.			In-dividuals.	Societies.	
Central ..	5	735	337	10,40,276	4	749	316	12,57,908
Agricultural	372	12,848	..	11,65,181	362	12,595	..	14,36,424
Total ..	377	13,583	337	22,05,457	366	13,344	316	26,94,332

In other words, the number of societies has decreased by 3 per cent., the number of members by 1½ per cent, while the working capital has increased by 22 per cent. ; but taking into account the sum of Rs. 1,07,265 not included in the working capital last year, the increase in the working capital is not more than 16 per cent.

*Central Banks.*—There is an increase of Rs. 2,17,632 in the total working capital of the Central Banks which now stands at Rs. 12,57,908.

The following are the resources of the working capital as compared with the last year :—

	1917. Rs.	1918. Rs.
Share Capital .. .. .	2,24,650	2,24,200
Deposits of individuals .. .. .	7,63,452	9,81,630
Deposits of Societies .. .. .	573	1,654
Deposits of Central Banks .. .. .	6,350	5,235
Loan from Government .. .. .	12,500	5,000
Reserve Fund .. .. .	29,019	36,606
Other items .. .. .	3,732	3,583
<b>Total .. .. .</b>	<b>10,40,276</b>	<b>12,57,908</b>

There is a slight decrease of Rs. 450 in the Share Capital. It is due to the fact that a small central bank has been closed and paid up shares of its members have been returned to them.

*Agricultural Societies.*—The number of members is reduced to 12,595 against 12,848. Decrease is due to the cancellation of some societies in the Ajmer district during the year 1917-18.

The working capital of the societies, as compared with the preceding year, stands now at Rs. 14,36,424 as below :—

	1917.	1918.
	Rs.	Rs.
Shares .. .. .	2,48,190	2,85,240
Net Profits Reserve .. .. .	70,638	95,282
Deposits of non-members .. .. .	16,282	35,109
Central Bank loan .. .. .	8,99,937	10,20,402
Government .. .. .	772	391
<b>Total</b> .. .. .	<b>12,35,819</b>	<b>14,36,424</b>

*Redemption of land and liquidation of old debts.*—During the course of the preceding year and the year under review, 8,038 bighas of land was redeemed and Rs. 1,80,653 was paid for it to the mortgagees.

Old debts of the face value of Rs. 3,41,664 were settled by paying of Rs. 1,99,564 to the money-lenders.

The statement below exhibits the work done in this connection during the two years :—

Year.	<i>Land redeemed.</i>	
	Land redeemed.	Amount paid.
		Rs.
1916-17 .. .. .	8,774	1,44,674
1917-18 .. .. .	1,264	35,379
<b>Total</b> .. .. .	<b>8,038</b>	<b>1,80,053</b>

  

Year.	<i>Old debts repaid.</i>	
	Face value of old debt.	Amount paid.
		Rs.
1916-17 .. .. .	2,80,000	1,57,018
1917-18 .. .. .	61,664	42,546
<b>Total</b> .. .. .	<b>3,41,664</b>	<b>1,99,564</b>

#### HYDERABAD.

MR. ABDUL MAJID KHAN SAID :—

“The year closed on the 6th of July last, the statements are coming in, but the following figures are pretty nearly correct.

The societies have increased from 295 to 615, the membership from 8,255 to 15,000 and working capital from 12 lakhs to 30 lakhs. Central banks increased from 2 to 7, agricultural societies from 285 to 558 and non-agricultural from 28 to 50.

The working capital of Central Banks increased from 5½ lakhs to 13 lakhs, of agricultural societies from 6 lakhs to 15 lakhs and of non-agricultural societies from 27,000 to 2 lakhs.

The share capital of the movement increased from 1,10,000 to 4,85,000 in the following detail :—Central Banks from 70,000 to 3 lakhs; agricultural societies from 31,000 to 125,000, and non-agricultural societies from 9,000 to 60,000.

The deposits in the movement have increased from Rs. 5,13,000 to Rs. 11,50,000, Central Banks from 5 lakhs to 10 lakhs, agricultural societies from Rs. 3,000 to Rs. 1,10,000, and non-agricultural from Rs. 10,000 to Rs. 40,000.

The total reserve fund of the movement has increased from Rs. 6,000 to Rs. 46,000.

The net profits of the Central Banks of this year are Rs. 15,000, of agricultural societies Rs. 25,000, and of non-agricultural societies Rs. 6,000.

*N. B.*—2,000 maunds of cotton-seed were provided by the Central Banks and about 500 maunds by the Agricultural Department."

### BARODA.

MR. SEN SAID :—

"The main features of the working of the Department for the year 1917-18 (which closed by the end of July 1918) are noted. It was not possible to compile actual figures for 1917-18 so early. Those for 1916-17 were supplied last year and have been printed in the general statement for the whole of India.

The number of societies increased from 325 to 359, the membership and the working capital increased proportionately. Useless societies were weeded out and particular care was taken to improve the weak societies.

Special endeavours were made to improve the working of the Central Financing institutions and make them more useful to the societies. The fourth Central Bank for the Kadi district which was started by the end of the last year commenced working this year.

Increased attention was paid to co-operative education by holding District and Taluka Conferences. But local conferences of a number of societies, situated within a small area, have been found more useful in diffusing co-operative principles.

In the absence of competent local men, the system of group secretaries for writing accounts was continued and proved useful.

Two classes for the training of secretaries were opened with great success. It is intended to hold them every year at the headquarters of each district for about a week — the expenses of boarding, etc., to be borne by the Government.

The societies in advanced talukas find it inconvenient to carry on their operations successfully with a Central Financing Agency located at the headquarters of a district. So there is insistent demand from them to have their own local Central Banks. It is our desire to organise such banks where there is a fair chance of success.

The question of liquidation of old debts has been taken up earnestly. For this purpose, the Government has been pleased to grant a loan of Rs. 1½ lakhs to the Baroda Central Bank for ten years at 3½ per cent., to be lent only to A class societies.

The system of direct financing by the Central Banks in Naosari and Baroda was introduced and worked successfully. It removed all causes of delays which were inevitable when each loan application had to go through the Registrar. Under the new system, the Registrar once for twelve months fixed the maximum credit of the societies within which the Central Banks were free to lend.

Special efforts were made in organising societies for backward people in forest tracts by appointing a Government-aided group secretary under a honorary organiser. The system so far has worked well and promises to turn out successful.

Honorary organisers were appointed in increased number — wherever possible an organiser was given charge of a single taluka instead of two or three talukas as before. This has proved more successful.

In spite of a not very good year, the recoveries were good. Fictitious repayments are getting out of practice on account of more extended use of Central Banks' money which has to be repaid in cash at a stated date. This has removed much of the listlessness which is still apparent in societies working with Government long-term loans.

Deposits are available more easily and abundantly even in primary societies in villages.

Where the societies are working successfully the private sowkars have been forced to bring down their rate of interest on a level with that charged by the societies.



There is a genuine growing demand for co-operative societies and people are coming forward of their own accord for being organised into societies."

### MYSORE.

MR. RANGA RAO SAID :—

"The following statement compares the progress of the co-operative movement in Mysore during 1917-18 with that during 1916-17 :—

	Number of Societies.	Member-ship.	Share Capital.	Deposits.	Loans.	Total transactions.	Net profits.	Reserve fund.
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1916-17	974	75,000	25,00,000	17,50,000	12,00,000	3,15,30,000	2,63,000	2,35,000
1917-18	1,100	82,000	30,00,000	20,00,000	15,00,000	2,50,00,000	3,05,000	3,20,000

The rate of progress was below that of previous years. This was not due to the war which had scarcely any effect on the movement as a whole except to a slight extent with regard to Weavers' Societies. The diminished rate of progress was due to greater attention being paid to consolidation of existing societies than to their expansion. Special measures were adopted for the recovery of loans. An examination was made of the principles on which loans were granted and recovered. As a tendency was noticed on the part of the committee members of some of the societies to monopolise loans, a rule was passed by the Government limiting the loans admissible to the committee members of a society to 25 per cent. of the total loans granted by the society. An investigation was instituted into the condition of the members of co-operative societies with a view to find out how far they had been benefited by their membership. The investigation has been completed in only 40 societies and the results, on the economic side, show that, while the total indebtedness of the members has not materially decreased, their total assets have substantially increased.

The following statement shows the varieties of societies in Mysore :—

Primary non-agricultural credit societies	..	..	..	70
Primary agricultural credit societies	..	..	..	900
Central Banks, Unions, etc.	..	..	..	20
Societies for manure supply	..	..	..	3
Societies for the supply of agricultural implements	..	..	..	3
Societies for lift irrigation	..	..	..	2
Societies for sandalwood carvers	..	..	..	2
Societies for ivory inlayers	..	..	..	2
Societies for toy-makers	..	..	..	2
Societies for weavers	..	..	..	22
Societies for rice-hulling and jaggery-making	..	..	..	10
Stores	..	..	..	20
Grain Banks	..	..	..	25
House Building Societies	..	..	..	4
Societies for backward classes	..	..	..	15

It will be noticed from the statement that the bulk of the societies in Mysore are credit institutions. But there is a general desire on the part of the people to apply co-operative principles to several agricultural and industrial purposes. Apart from the special societies mentioned in the statement above, many of the credit societies undertake the supply of manure, seed and agricultural implements

to their members. So far, however, their efforts in these directions have not been specially successful nor fully organized. But the work has now been taken up and a considerable expansion of Agricultural and Industrial co-operation, side by side with the development of the credit movement, may be soon expected.

The question of forming an Apex Provincial Co-operative Bank, which has been and is being discussed among co-operators all over India, was taken up in Mysore a little over two years ago. A Central Bank, which was started in 1908, was serving some of the purposes of an Apex Bank, but as it was considered to fall short in some respects of the ideals of a Provincial Bank, a new Apex Bank was started some time ago. It received considerable encouragement on all sides and developed rapidly. As, however, it is distinctly inconvenient to have two Provincial Banks serving the same area and it leads to a waste of efforts, efforts are now being made to amalgamate the two under a suitable constitution.

The prominence given to the redemption of prior indebtedness forms a principal feature of the working of the agricultural credit societies in Mysore. Accurate figures are unfortunately not available, but out of a total credit of about 120 to 150 lakhs granted by these societies, about 50 lakhs have been utilized for the repayment of prior debts. With a view to still further increase this branch of their work, the societies are, as already stated, conducting a survey into the economic condition of their members. But the large amount of money required and the long period for which it will be required are likely to offer serious difficulties.

The Mysore Co-operative Societies Regulation, which was passed in 1905, was amended this year. The old Regulation contained several provisions which were introduced into British India in 1912, and it has now been remodelled entirely on the lines of the British Indian Act of 1912.

The staff of the Co-operative Department was recently revised and consists now of a Registrar, two Assistant Registrars, a Personal Assistant and an adequate number of clerks and inspectors. A third Assistant Registrar will soon be added.

The seventh Mysore Provincial Co-operative Conference was held at Mysore in October 1917. Also eight District and fifty Taluk Conferences were held during the year.

Among the improvements which it is proposed to introduce in the near future may be mentioned the formation of a non-official agency to take up the work of co-operative education and propaganda, the training of men employed on co-operative work, the creation of an audit and supervising staff paid for by the societies themselves and the entrusting of village sanitation, village education and village improvement to co-operative societies. These subjects are under active consideration and early measures are likely to be adopted."

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The Hon'ble Mr. Lalubhai Samaldas asked the reason why there was such a gloomy outlook for the future of co-operation in Bengal.

Mr. Donovan said most of the societies were in the jute districts and the price of jute was at present very low. The crop had been a bumper crop for some years past, the mills had therefore been able to purchase at a low price and could not consume the whole of the crop. No jute was being bought in the Rungpur district this year, in Rajshahi the price fell as low as 10 annas a maund.

In reply to Mr. Parsons, he said the prices for rice were as bad as those for jute. The outturn of the jute mills was not large enough to use the whole crop, a large part of which was taken over by Government. The enormous profits they were making perhaps accrued largely from the small amount they sold to outsiders.

Sir Daniel Hamilton said before the war the price of paddy was Rs. 40 a *kahan*, the present price was Rs. 23, and if the new crop was good, it might drop later on to Rs. 15. If it did, the cultivators would be unable to spend money on such things as clothes. The remedy for this state of affairs was to finance the people in order to tide them over these bad periods. If Bengal were organised into co-operative societies, the societies could finance the people.

In reply to Mr. Lalubhai Samaldas Mr. Donovan said that the Provincial Bank had a capital of 15 or 20 lakhs, but what was 15 to 20 lakhs when it came to financing a 90-lakh crop such as that of jute?

Mr. Collins said in Bihar and Orissa the cultivators could not sell their paddy at all in the villages.

**II.—Proposed amendment of the Land Acquisition Act, 1894, with a view to enable Co-operative Societies, registered under the Co-operative Societies Act, 1912, to acquire land required by them.**

*Points of reference.*

(1) Whether it is desirable to amend the Land Acquisition Act, 1894, with a view to placing co-operative societies registered under the Co-operative Societies Act, 1912, on the same footing as companies as defined in section 3 (c) of Act I of 1894, in order to help the societies in the acquisition of land which may be required by them.

(2) Whether the objects of a building society, viz., to acquire land and provide residences for its members, can be held to serve a public purpose — cf. sections 40 (1) (b) and 41 (5) of Act I of 1894.

Mr. Mant said Sir Claude Hill had explained the position in regard to subject no. II—amendment of the Land Acquisition Act. There was no logical distinction between a company and a co-operative society and there was no *prima facie* reason why co-operative societies should not be put on the same footing as companies. Land could, however, only be acquired under the Act for companies which served a public purpose, such as a railway, tramway or electric lighting company. The Act provided for an enquiry and in the application the terms had to be stated on which the public would be allowed to use the work. He did not see how it was possible for such a statement to be made in the case of a co-operative society which required land for its own members. What Government wanted to know from the Conference was for what purposes the Act would be applied if the necessary amendments were carried out.

Mr. Collins said that land had already been acquired in Bihar and Orissa for a Central Bank under the Act. It was an admitted co-operative principle that there was no limit to the membership of co-operative societies, which were open to any person.

Mr. Donovan said that land had been acquired for the Barisal Central Bank under the Act. Sir S. P. Sinha, when Advocate General, had however given an opinion against the legality of this course. The law had been circumvented in Newgong, where Government had been induced to give a contribution of about one-fifth or one-sixth of the amount required. An acquisition under the Act had become possible. Schemes for two or three Central Banks were hung up as they could not acquire land.

Sir Deva Prasad Sarbadhikari considered the difficulty a real one. The provisions of the Land Acquisition Act were sometimes abused before and now the Courts and the law officers of Government had gone to the other extreme in the matter of allowing acquisition for purposes like those of co-operative societies and even for purposes that were considered strictly public. Following the Advocate General's opinion, Government Pleaders were now loth to advise that land could be acquired for educational purposes, which was interfering with much good work that was strictly public in the larger sense. The speaker was quite aware that under the provisions of the Land Acquisition Act Government had to be satisfied of the extent to and the terms under which the public would have access to the work in question. It was not possible to think of any public work to which the whole of the public in general would have access. But if co-operative societies came under the category of companies under the Land Acquisition Act, it

would not be difficult to convince Government in given cases that the requirements of the Act had been satisfied. The co-operative societies would have now to expand a good deal and the necessity for acquisition would arise very often and good work would be retarded. The speaker would not long depend upon the chance of successfully circumventing law to which Mr. Donovan had referred, and the whole thing had to be placed on a legal and business basis. An amendment of the Act would be a real help to the co-operative movement.

Mr. Ewbank said that in Bombay land was wanted far more for building societies than for Central Banks' offices. The Central Banks could always pull on in private houses. The difficulty in regard to building societies was that most land round Bombay was held in small parcels. There were always some small holders who were in a position to hold their land up and refuse to sell it. He had several schemes for housing ready if only they could obtain the necessary sites. The Great Indian Peninsula Railway have raised Rs. 25 lakhs for a housing society and had taken up a large estate from the Improvement Trust. The Improvement Trust was able to acquire land compulsorily, and why not, therefore, the co-operative societies? The native Christians of Bassein and other classes had raised a large sum for starting building societies, and they had bought up 18 acres of land, but they were held up by their inability to acquire a few small plots. It was a vital condition of progress in building that the Act should be amended. The amendment was also needed to enable purchase and sale societies to acquire necessary sites near by railway stations or markets.

Mr. Lalubhai said that he could see no reason why co-operative societies, which were not registered under the Joint Stock Companies Act, should not be able to acquire land in the same way as companies which were. Land had been acquired by Government for the Tata Steel Works in Bihar and Orissa and also for the Tata Hydro-Electric scheme in Bombay. If Government were satisfied under section 41 of the Act that the acquisition of land for co-operative societies was a public purpose land should be acquired. The difficulty in Bombay was they could not spread out and therefore two Rent Acts recently had to be passed. If facilities for the acquisition of land for co-operative housing schemes had been given, they would have to a large extent minimised the evils that the present high price of land imposed on the poorer classes. He, therefore, held that the acquisition of land for co-operative building societies was a public purpose.

Mr. Willoughby urged that acquisition for co-operative societies of seed farms and demonstration plots should be regarded as a public purpose. He pointed out that seed farms did not restrict their operations to members but also sold seed to non-members. Demonstration farms might be held to be a public purpose because their object was the general advance of the standard of agriculture.

Mr. Mathias supported Mr. Willoughby in regard to seed farms and also urged that distribution societies in the towns should have powers to acquire land. With the development of distribution societies such powers were badly needed.

Mr. Joseph pointed out that in the Punjab the Agricultural Department and the district boards could always acquire land under the Act for seed farms and demonstration farms. He did not, therefore, see any difficulty in this respect.

Sir Daniel Hamilton held that financing the people could always be regarded as a public purpose.

Mr. English pointed out that credit societies obtained deposits from the general public, and that that was therefore a public purpose.

Mr. Calvert said that in the Central Provinces and Bengal there was in the model bye-laws a limit to the number of members to a society. He considered that concessions in regard to land acquisition should only be granted to societies which imposed no limit on their membership. It was proposed to start co-operative elevators at Lyallpur. The only possible site for such an elevator was near the railway goods yard. The site must, therefore, be acquired under the Land Acquisition Act.

Mr. Clayton considered that co-operative societies should be placed on the same basis as joint stock companies.

Mr. Ramaswami Ayyar pointed out that the number of co-operative societies was rapidly increasing. The Land Acquisition Act was already regarded as an encroachment on private rights to a certain extent. Any extension of the powers under the Act would be considered a further encroachment. The societies should apply to municipalities and district boards to take action to relieve congestion.

Mr. Ewbank said that municipalities and district boards had not the necessary funds for this purpose.

Mr. Donovan said that the Bombay Building Societies consisted of a very limited number of people. Otherwise, in the case of the rural banks, such a society as the Great Indian Peninsula could hardly be considered to be the general public. He had made inquiries from the Improvement Trust in Calcutta and found that people from whom the Trust bought land had the right of pre-emption if the Trust no longer required it.

Mr. Lalubhai said that there was nothing of that kind in Bombay. He did not see why land could be acquired for joint stock companies and not for co-operative societies.

Mr. Ewbank pointed out that under section 3 (f) of the Act it was possible to acquire land for the extension of village sites. This amounted to the same as the co-operative housing societies in Bombay asked for.

Mr. Hemingway supported Mr. Ewbank. He considered that it was emphatically to the public interest that co-operative building societies should be encouraged. The argument that such societies consisted of only a small portion of the public was not relevant as any number of building societies could be formed. Government would moreover always scrutinise very carefully any applications for acquisition; so that there was no danger of abuse.

Mr. Mant pointed out that the real difficulty was section 41(5) of the Land Acquisition Act. Under that section, if a society wanted to acquire land, it had to satisfy Government on what terms the public would be entitled to use the work.

Mr. Ewbank asked under what terms the public would be entitled to use the Tata Iron Works, the site of which had been acquired under the Acquisition Act. Building societies were prepared to accept any conditions that were laid down in regard to public access to roads and rights of way over the estate acquired.

Mr. English considered that the general health and well-being of the country was a public purpose sufficient to justify acquisition under the Act.

Mr. Mant asked whether the Conference considered it necessary to recommend the amendment of section 41(5) of the Act. He observed that there was general agreement that co-operative societies should have power to acquire land at any rate in cases in which the membership was unlimited. But if co-operative societies were placed on the same terms as joint stock companies, section 41(5) of the Act presented a difficulty unless local Governments strained the interpretation of it.

Mr. Hemingway suggested that for the words "the terms on which the public shall be entitled to use the works" in section 41(5) might be substituted the words "the nature of the benefit that is likely to accrue to the public."

Mr. Donovan thought that any amendment of the Land Acquisition Act would be fraught with danger and suggested that, instead of amending the Land Acquisition Act, co-operative societies might be allowed to acquire land under an addition to the Co-operative Societies Act, bringing them within the scope of the Land Acquisition Act for this purpose.

Mr. English held that the criterion in the case of credit societies should be that they accepted deposits from the public.

Mr. Collins held that a distinction should be made between building societies and other societies.

Sir Deva Prasad Sarbadhikari stated that co-operative societies' expanded work other than building work would come within their purview. Dairy farms, pasturages, weaving establishments, schools, and various industrial ventures

would have to be provided for. Therefore, general amendment of the Act was necessary.

Mr. Lalubhai moved the following resolution:—"That the Land Acquisition Act be so amended as to place societies registered under the Co-operative Societies Act on the same level as companies defined in section 3 (e) of the Land Acquisition Act."

Mr. Ewbank pointed out that this left the difficulty about section 41(5) untouched.

Mr. Mathias, therefore, proposed that section 41 should be amended so as to make it clear that the acquisition of land for co-operative societies as a public purpose was within the meaning of the Act.

Mr. Lalubhai thought there would be no difficulty about carrying an amendment of section 3 (e) in the Legislative Council, but that it would be very difficult to carry an amendment of section 41.

Mr. Ewbank proposed that the resolution of the Conference should be that it was urgently desirable to amend the Land Acquisition Act in such a way as to enable registered co-operative societies to acquire sites for building purposes and offices and other genuinely co-operative purposes, and that the matter should then be left to the Legislative Department.

Mr. Donovan said that the Catholic Society in Bombay consisted of a very definite section of the public. If land were acquired for societies such as that, it would mean that the owners of such land would be deprived of competition in a big city. He feared that if proposals were made to acquire land for such a society as that, it would mean that great injury would be done to thousands of co-operative societies in the provinces which needed land for really public purposes.

Mr. Lalubhai's motion was then put to the vote and carried.

Mr. Mant asked whether it was necessary to amend section 41. He thought it would be very difficult to get it altered, as it was regarded as a safeguard by the public. There was a section of the Act, section 6 (3), which laid down that a declaration by the Local Government that land was needed for a public purpose was conclusive evidence of the fact.

Mr. Joseph asked whether members of a limited building society could be called "the public."

Mr. Hemingway pointed out that it was for the benefit of the public that congestion should be relieved by the formation of building societies.

Mr. Collins said that a declaration under section 6 (3) could not be questioned in any court of law.

Mr. Calvert said that there were two classes in regard to building societies. The first class consisted of schemes for building in order to relieve congested areas and these were public improvements. The second class consisted of cases in which building societies were formed in order to enable a certain class of people such as clerks to build cheap houses and this was really a private matter.

Mr. Hemingway then formally proposed that section 41 should be amended in such a manner as to make it clear that it was not essential that the general public should be entitled to use the land acquired.

Mr. Collins thought it would be dangerous to make any attempt to amend section 41.

Sir D. P. Sarbadhikari entirely agreed that it would be inexpedient to attempt any large amendment of the Land Acquisition Act. If after the amendment that would enable co-operative societies to come under the category of companies, there was any practical difficulty under section 41, the question might be taken up later on. The present would be an inopportune time to pray for large amendments.

Mr. Mathias said the question was whether Registrars would be able to persuade their Local Governments that the acquisition of land for co-operative societies was a public purpose. He did not think that this would be difficult in most cases.

Mr. Hemingway's motion was then put to the vote, but was defeated by a large majority.

Mr. Ewbank said that as direction under section 41 was left to local Governments the amendment to section 3 (a) might serve the purpose, and he did not wish to press his proposal.

The conclusion of the Conference on this point, therefore, was that the Land Acquisition Act should be so amended as to place societies registered under the Co-operative Societies Act on the same level as companies defined in section 3 (e) of the Land Acquisition Act. Resolution No. 1.

### **III.—Maintenance of two separate staffs paid by Government and Societies, respectively, to undertake the audit of co-operative institutions.**

*Co-operative Committee's recommendation No. 100.*—A staff should be maintained by Government for undertaking super-audit, i.e., a separate and complete audit made at periods of two years or more. A Government Auditor should audit about 100 societies per year, and should not be given educational or propagandist work to do. Recess and variety of work, however, are essential to prevent staleness.

*Co-operative Committee's recommendation No. 101.*—A staff should be maintained by the societies themselves for making the original audit. It should be such as the Registrar can rely on and be controlled by him in consultation with the contributing societies. A single cadre should be formed for a whole province and maintained by a levy on the societies, or by an enhancement of the interest charged to societies.

#### *Points of reference.*

Whether the Committee's recommendation that audit should be undertaken by two separate agencies—one maintained by Government for super-audit and another maintained by the societies themselves for making the original audit, should be accepted in preference to the system already in vogue in the Punjab under which a single service of Inspectors and Sub-Inspectors is maintained to carry on both the duties.

Mr. Mant said that the general conclusion of the Government of India on subject no. III, the maintenance of two separate staffs for audit, had been that it was not necessary to lay down any great uniformity in the matter and that it might be left to the discretion of local Governments.

Mr. Mathias said that the proposals of the Co-operative Committee were in accordance with the practice in the Central Provinces. It appeared to him that the proposals of the Committee could be split into two parts:—

- (1) that in the end audit should be provided entirely by the movement itself,
- (2) that the movement had progressed so far now that societies could afford to pay a separate staff for audit purposes, but Government was not justified in removing the super-audit.

While accepting the first part of the proposals he thought that the arrangements for each province should vary according to the stage the co-operative movement in that province had reached.

Mr. Kelkar said that he was not in favour of a separate set of auditors. As he understood the law, the Registrars had to be responsible for the audit and it was therefore essential that their staff should be efficient and independent. And unless the audit staff was efficient the Registrar could not be held responsible. In the Central Provinces they had been engaging Federation auditors on Rs. 25 a month plus



Rs. 10 travelling allowance. Could the Registrar rely on audit made by men on such low pay as this? The Federation auditors had no influence whatever. The Government auditors started on Rs. 60 rising to Rs. 100 and got Rs. 20 travelling allowance. In some cases he had found that the Federation auditors were guests of the malguzars and others, but, apart from that question, the Federation was interested in an efficient and independent audit. The Federation auditors could never be independent. Where the appointment, dismissal, etc., of the auditors depended on the societies concerned, could they ever be independent? He mentioned a case in which an auditor had discovered a serious mistake which had been made by a Central Bank. He was afraid of the honorary workers responsible and so would not make a note of what he had found. In the interests of the Registrar and the general public, there must be independent auditors appointed by the Registrar and paid by him. The question was one of contribution only. The local Government could insist on contributions by societies. He was not in favour of separate staff of officers employed by Federation or by co-operative societies. The audit was the best part of the supervision of societies. He had, therefore, suggested for the consideration of his local Government that the audit staff should be engaged by the Registrar and should be under his control and that, if the Registrar found the societies were in a position to contribute, they should be made to do so.

Mr. Mathias said that in practice the whole of the Federation in the Central Provinces was under the control of the Registrar. That had been decided at the Federation Congress.

Mr. Kelkar said that it had been agreed that the Federation auditors should be under the control of the Registrar for the purposes of audit, but that at the same time the appointments are made by the Banks who pay the salaries and who utilize the services of the auditors for other purposes of their own during a portion of the year. This system was likely to lead to friction. The law required the audit to be under the control of the Registrar. There was a system of dual control at present.

Mr. Mackenzie proposed a resolution that the matter should be left to local Governments or local Administrations to decide. He said that it was quite impossible in Assam for societies to maintain their own audit.

Mr. MacKenna seconded Mr. Mackenzie's resolution. He considered that Mr. Kelkar's speech was somewhat retrograde. At some stages it might be necessary that the Government audit should be excessive. He had always understood that the ultimate aim should be that societies should do their own audit and that Government should do a certain amount of super-audit to ensure public confidence. The societies must as soon as possible become independent of Government.

Mr. Mohan Lal said that it had been decided in the United Provinces that societies should make regular contributions for purposes of audit and that Registrars should have an efficient staff of auditors and that the Registrar might depute auditors who would have nothing to do with the societies so far as dismissal or punishment was concerned. He thought this system practically served the purpose of an independent audit. The Government may have super-audit at an interval of 2 or 3 years.

Mr. Donovan supported Mr. Mackenzie's proposal. The Bengal Provincial Conference had come to the conclusion that it would try to carry out the Committee's recommendations. When it began to take steps in that direction it was found that it was impossible not to have auditors who were protected by the Registrar. He had consulted the Accountant General, Bengal, who had held that the staff as it was being run was essentially a Government staff. Experience in Bengal had shown that it was dangerous to leave auditors to be employed by societies.

Mr. Mathias said he thought the sense of the Conference should be taken as to whether audit should be undertaken by auditors employed by societies.

Sir Daniel Hamilton said that Government audit inspired confidence on the part of the public and that for this reason he supported Mr. Kelkar.

Mr. Collins said that the Conference ought to lay down general recommendations for the guidance of the provinces in the matter. He pointed out that every person who audited the accounts of a society had under the Act to be authorised



by the Registrar and he did not therefore see what Mr. Kelkar meant when he said that auditors were subject to the whims of the societies whose books they audited.

Mr. Mathias said that the Registrar authorised certain members of the Federation staff to carry out an audit; in the event of misconduct the Registrar cancelled this authorisation and the auditor concerned then reverted to ordinary Federation service subject to such orders as might be passed by the Federation.

Mr. Collins said that it was essential that auditors should not be the servants of Central Banks. He held that audit must eventually be carried out by a large central Federation not liable to local influence. There is no reason why employees in such a Federation should not eventually be able to carry out the audit successfully. The system in Bihar was different from that recommended by the Co-operative Committee. For the time being, of course, there must be some form of Government check. As the co-operation in future was likely to be dealt with entirely by local Governments it was not possible to lay down any hard and fast rule. He therefore supported Mr. Mackenzie's motion, but he would like to add a rider that the auditors employed by the societies should be in no case dependent for their pay, protection or appointment on the Central Banks of the affiliated societies of which they audited the accounts.

Mr. Ramaswami Ayyar held that a Government audit was necessary in the interests of the public. The audit carried out by societies fulfilled a different function and Government was responsible to the public not to the individual Central Banks. The Central Banks ought to know the circumstances of each of the individual societies affiliated to them. He therefore held that the primary audit ought to be done by the society auditors and the super-audit should continue in the hands of Government. He held therefore that all provinces ought to have a uniform system, that ought to be introduced as early as possible.

Mr. Ewbank supported Mr. Mackenzie. He mentioned that in the last three months he had had to deal with nine cases of criminal misappropriation, in two of which the amount misappropriated was over Rs. 2,000, in one of which it was over Rs. 5,000, and also two cases of forgery. There was no greater danger to the co-operative movement than that of misappropriation owing to lax supervision and insufficient audit. He held therefore that each province should be allowed to develop on its own lines, and that in Bombay they should be allowed for the present to continue to employ Government auditors independent of societies. He mentioned Mr. Wolff's opinion that Government were as much entitled to spend money on audit as a form of economic education as on any other form of education and considered it more practical and quite as useful as literary education. He agreed with Mr. MacKenna's views as to the ultimate aim of societies' paying for their own audit. In some provinces in which the margins of profit were narrow societies were not yet able to pay for their own audit, and would not be able to do so for several years to come. It was essential to establish the first four or five thousand societies on a sound foundation if the movement is to expand healthily.

Mr. Lalubhai said that as one of the signatories of the Co-operative Committee's Report he thought it was necessary to offer some explanation in regard to the Committee's recommendation that there should be Government super-audit and also an internal audit carried out by the societies themselves. He could understand the objection raised by Mr. Collins in cases where the Central Banks were not composed of individual shareholders. Where the Central Banks were composed of individual shareholders he did not see any objection to their conducting the audit of the societies financed by them. Central Banks would keep a strict lookout in order to see that the accounts of their societies were properly kept. Their audit would, he believed, be as careful as audit conducted by Government Registrars. In the instances quoted by Mr. Ewbank the audit had been carried out by Government auditors. If Government auditors made such mistakes, the societies' auditors might very well make the same mistakes. The Co-operative Committee had drafted their recommendations very carefully after considering all the conditions, and as Mr. MacKenna had pointed out it laid down an ideal which should be aimed at. Under the Montagu-Chelmsford scheme there would be a very large measure of provincial autonomy and it was very likely that co-operation would be one of the

transferred heads and that therefore matters would be left entirely in the hands of local Governments. The Co-operative Committee's recommendations represented an ideal which should be carried out where circumstances permitted.

Mr. Clayton also supported the proposal that the matter should be left to local Governments. The lines they were following in Burma were those that were laid down in the report. They had a system of society auditors who were paid from a Central Audit Fund which was administered autocratically by the Registrar. The Provincial Council might in time be able to appoint auditors, but before that stage was reached, matters must have advanced sufficiently for the Council to be able to read the audit reports and to take suitable action upon them. When the Provincial Council was equal to that task, the Registrar would be able to hand over the work to them, but super-audit would still be required. For super-audit the best men there were in the country would be wanted. Super-audit meant in reality an economic survey of the whole area covered by a union. The auditors must be graduates of a University and specially trained in economics. It was impossible to expect Government to pay for a staff composed of men of this kind in order to audit the accounts of every society. What was wanted was a simpler audit underneath the super-audit.

Mr. Abdul Majid Khan supported the proposal that the matter should be left to local Governments. He considered that the Registrars should have full powers to dismiss or suspend or punish auditors appointed by societies. Auditors appointed by societies could not be relied on to the same extent as auditors appointed by Government. In Hyderabad there were Sub-Inspectors on Rs. 50 to Rs. 70, who were responsible for the audit and inspection of 30 to 33 societies, and Inspectors who were responsible for 100 societies and their pay was from Rs. 100 to Rs. 150. It was intended that Sub-Inspectors should be paid by the societies and Central Banks, but that they should hold pensionable posts under Government. It was not intended to hand over the control over that to the societies. In order to pay for the audit staff 5 per cent. of the annual net profits was levied from societies and one-eighth from the Central Banks.

Mr. Mant said that there was a general agreement that the matter should be left to be decided by the local Governments, but that the question arose whether the Conference should lay down an ideal to which local Governments should work up.

Mr. Hemingway suggested that while recommending that each local Government should be left to decide the nature of the supervision of the audit staffs it was desirable that the Conference should record a resolution that it was necessary to encourage the supervision of societies by staffs paid by societies, but that it was essential that there should be a periodical audit by a staff paid by the Government, and responsible only to the Registrar. He did not however move an amendment.

The Resolution found no seconder.

Mr. Mackenzie's resolution was put to the Conference and carried unanimously.

The Resolution of the Conference therefore was that the recommendation of the Co-operative Committee that audit should be undertaken by two separate agencies was a matter that should be left for the decision of local Governments.

Resolution No. 2.

*Tuesday, 13th August 1918.*

***IV.—Exclusion of interest accrued and overdue for the purpose of calculating net profits of Central Banks for distribution.***

*Co-operative Committee's recommendation No. 158.*—In calculating net profits for purposes of distribution, Central Banks should always deduct interest accrued and overdue. Interest earned but not due should be shown separately in the profit and loss account.

*Points of reference.*

1. Whether the following recommendations of the Committee should be accepted ?
  - (a) *Interest due but not realised* should be excluded from the calculation of profits for distribution.

(b) *Interest earned but not due* should be treated as profits available for distribution but should be shown separately in the Profit and Loss Statement.

2. If the alteration in the Profit and Loss Statement suggested by the Committee is accepted, columns 3 and 8 of that Statement would be sub-divided as follows :—

<i>Column 3.—Interest accrued</i> ..	{	Amount due and realised.
	{	Amount earned but not due.
<i>Column 8.—Interest due</i> ..	{	Amount due and paid.
	{	Amount not yet due for payment.

By recommending the sub-division of column 3 as above, however, the Committee seem to imply that "interest due but not realised" should be excluded from profit for the purposes of this Statement. This will necessitate some special provision to exclude such interest from the assets in the Balance Sheets of Central Banks or column 22 of that Statement will no longer agree with column 14 of the Profit and Loss Statement. It is accordingly for consideration whether the Committee's implied exclusion indicated above should be adopted and the corresponding modification be made in the Balance Sheet, or whether the Profit and Loss Statement should continue to include under the heading "interest accrued" interest due but not realised.

The President said that the main question was whether interest which has been earned but not realised should be shown in the profits or not. It appeared to him from the last part of the Committee's recommendation that the Committee had some doubt about it. It had been suggested that it would be a safer rule for Banks only to take as profits what was realised.

Mr. Kelkar said that the practice in the Central Provinces was in accordance with the Committee's recommendation. There was no analogy between joint stock banks and co-operative banks. It was absolutely necessary to follow the rule laid down by the Committee because the society was dealing with persons who had no property, movable or immovable, which could be attached or sold. The members of the society mostly belonged to the tenant class whose interest in their property was not transferable. He held that the present practice should be allowed to continue.

Mr. Mathias did not agree with Mr. Kelkar and said that were two practical difficulties and mentioned the case of a Central Bank in which there were considerable arrears outstanding. Of these arrears, Rs. 10,000 could be regarded as bad debts. Owing to pressure brought to bear by Mr. Kelkar and himself the Bank had made strenuous efforts to recover the arrears, and last year had recovered some of its arrears with interest in full, and was thereby enabled at the end of the year to show a very large profit, and again owing to pressure by Mr. Kelkar and himself had carried Rs. 1,000 to bad debt fund. At the same time the Directors paid a dividend of 7 per cent., which he considered was excessive. There was nothing to prevent Directors declaring an excessive dividend in such cases.

A second difficulty lay in the opposite direction. A bank might be unable to realise most of its interest in a particular year owing to failure of crops, although its advances were secured by transferable land valued at five or ten times the amount. If the rule laid down by the Co-operative Committee were strictly enforced, the bank would be only able to declare a dividend of 2 or 3 per cent. The depositors might take alarm at the declaration of such a small dividend and there might in consequence be a run on the bank. Although the recommendations of the Committee were suitable to the conditions in the Central Provinces some years ago, he differed from Mr. Kelkar in considering them sufficient at present. He thought that all interest should be taken into consideration in calculating profits and declaring dividends. There should be a rule enabling the Registrar or some one authorised by him to decide, after his auditors had classified debts as bad or good, that a dividend should only be declared after putting money to a bad debt fund. If there were an independent authority to decide this question the interests of the general public would be safeguarded. The interests of the depositors and of the public generally were not sufficiently protected in the case of a

bank which had very large arrears and which by a special effort had collected all their interest and was able to declare a very handsome dividend.

Mr. Abdul Majid Khan said that if any interest had to be excluded then the loan on which that interest was due should also be excluded.

Mr. Sen agreed with Mr. Kelkar. He believed that the banks that speculated paid high dividends and therefore a high dividend did not necessarily show that a bank was sound.

Mr. Mohan Lal said that overdue interest should be excluded and interest accrued but not due should not be excluded because until the time for payment of interest came, the societies were not in a position to know whether the interest would be realised.

Mr. Ewbank said that in Bombay the Committee's recommendations had been adopted and had been found to be a great success as regards primary societies. They were not, however, so successful in the case of Central Banks for the reasons given by Mr. Mathias, and it was voluntary on the part of the Central Banks whether they adopted the Committee's recommendation or not. It was not logical to treat interest overdue as a bad asset unless the principal overdue was also treated as a bad asset. He said that the question resolved itself, as stated by Mr. Mathias, into the necessity of providing a proper reserve fund for bad debts. If the society satisfied the Registrar that they had made provision for bad debts, he did not think that any objection should be raised to their calculating overdue interest for the purpose of declaring dividends. In any case, interest need not be regarded as overdue until it had been overdue for six months.

Mr. Collins agreed. He said the real criterion was whether the assets were good. If so, it did not matter if the interest was overdue. The Government of Bihar and Orissa had at his instigation issued a rule forbidding any central society to distribute profits unless its balance sheet had been countersigned by him or some one duly authorised by him. The Deputy Collectors who audited Central Banks were forbidden to countersign the balance sheet unless all overdue interest had been excluded and proper provision had been made for bad and doubtful debts. They might, however, take into account the interest which had been collected since the end of the year to be taken into account.

Mr. English said that in his opinion the great thing to do was to secure good management and prevent slackness. If a society did not collect its interest from year to year the results might be bad. He would keep the recommendations of the Co-operative Committee in regard to primary societies but not in regard to Central Banks.

Mr. Donovan supported Mr. Mathias. The period of the year at which Central Banks displayed most energy was the period between the audit and the distribution of dividends. This year the Provincial Conference had issued a circular to the effect that in the case of any Central Bank in which the auditor declared any assets doubtful, no dividend should be declared until the Chief Auditor and the Registrar had examined the situation. This circular had no binding force and would probably be resented in some quarters as autocratic or bureaucratic. He would therefore like the suggestion to emanate from higher authorities.

Mr. Mathias said that such a rule, as he had suggested, would not be objected to by the Federation in the Central Provinces.

Mr. Willoughby said that the last Provincial Conference in the United Provinces had agreed that in normal circumstances overdue interest should be excluded, but that in cases where debts were overdue owing to a bad season, banks should be allowed to distribute dividends with the consent of the Registrar, the idea being that it was important not to disturb the public confidence by not declaring a dividend for a year, but that a distinction should be drawn between interest being good for purposes of distribution of dividends and interest being good for purposes of a balance sheet. No business firm would count as profits for the year unsecured interest which had not been realised during the year.

Mr. Mathias said that the practice of joint stock banks was to consider as profits money which had not been collected provided the debts were considered good ones. In the Central Provinces they had the Equilization of Dividends Funds, but these were not big funds. In 10 years' time the position would be quite satisfactory in this respect.

Mr. Ramaswami Ayyar said that the recommendations of the Committee in these respects had originally been carried into effect to the very letter by the local Government, but it had subsequently to be altered as most of the primary societies had shown only-loss statements in consequence. Now Government have revised their order and have decided that accrued interest should be included as a profit item but not overdue interest.

Mr. Calvert said that in the Punjab the Committee's first recommendation had been accepted. That is, point 1 (a) in the points of reference to the Conference had been adopted. In regard to 1 (b), accounts were audited by auditors holding certificates under the Companies Act. It was therefore left to the auditors to draw up a balance sheet according to the principles of accountancy.

Mr. Lalubhai said a reference had been made to proceedings of joint stock banks. Interest, even if it is overdue, is carried to reserve and if the Manager or Directors think the debt is likely to be a bad debt and not likely to be recovered thereafter, the amount is put down as a bad debt. He said the Co-operative Committee had spoken of *interest accrued but overdue* which had been altered in the words of reference to the Conference to *interest due but not realised*. He asked whether there was any reason for the change.

The President said that the two things meant the same thing.

Mr. Lalubhai proposed that interest accrued but overdue for more than six months should be excluded from the calculation of profits for distribution both in the case of primary societies and Central Banks.

Mr. Donovan said that a difficulty arose out of this for the reason that the Central Banks had rules that they should hold their annual meeting within two months from the close of the year. This would have to be changed. If they had to wait six months to see whether the interest came in or not it would be impossible to work this rule.

Mr. Lalubhai explained that it would not be necessary to change the rule. If the official year ended on, say, the 30th of June, interest that was overdue on that date for six months would not be calculated.

Mr. Mathias said that Mr. Lalubhai's proposal did not meet the case of Central Banks which had collected all their interest and ought to place some of it to a bad debt fund. Directors of such banks were not expert bankers and it should be left to the Registrars to fix what should be carried to a bad debt fund.

Mr. English proposed that in primary societies only realised interest should be reckoned in the profit and loss and balance sheet and that in Central and Provincial Banks interest unrealised but due and secured might be reckoned but that no dividends be distributed until the Registrar had countersigned the annual accounts to show that adequate provision had been made for bad debts.

Mr. Mathias said that this would lead to great delay, but held that it was for the Registrar or some one appointed by him to determine how much should be carried to the bad debt fund.

Mr. Ewbank said that the extent of the danger was being exaggerated and that in Bombay the overdue loans from primary societies to Central Banks were small in amount and well secured. Ultimately all debts from primary societies to Central Banks were recoverable even if societies had to be liquidated.

Mr. Mathias said his experience in the Central Provinces was not the same as Mr. Ewbank's. Central Banks had lost Rs. 500 and even Rs. 1,000.

Mr. Clayton said the resolution ought to be divided into two parts, the first relating to the distribution of profits and the second to the effect that Central Banks should make such provision for bad debts as Registrars might determine.

Mr. Mant said the discussion at this stage should be confined to the case of Central and Provincial Banks.

Mr. Collins said his proposal was merely that the existing law should be enforced. His resolution was to the effect that the Registrar should discharge his present responsibilities properly.

Mr. Kelkar proposed the following resolution :—

No Provincial Bank or Central Bank should take into account unrealised overdue interest for the purpose of payment of dividends unless permitted to do so by the Registrar or some other person authorised by him in that behalf and subject to such conditions as may be laid down.

This Resolution was put to the meeting and was carried.

Mr. Hemingway asked whether Provincial Governments would be bound by the resolution.

Mr. Mant replied that it was merely a recommendation of the Conference.

Mr. Collins proposed the following resolution :—

Central societies should not be allowed to declare a dividend for any period unless their balance sheet for the year has been countersigned by the Registrar or some person authorised by him, and the Registrar may require such provision to be made for bad and doubtful debts as he thinks fit.

Mr. Mathias proposed that the resolution should run as follows :—

All co-operative banks or societies should be required to make such provision for bad and doubtful debts as may be required by the Registrar or some person duly authorised by him before any dividend may be declared.

Mr. Clayton seconded the resolution.

Mr. Mathias said it would take a considerable time to get all the balance sheets signed by the Registrar and the shareholders would object to six months' delay.

Mr. Donovan agreed.

Mr. Collins said that in Bihar and Orissa the ordinary audit went on throughout the year; the auditor then went round to the Central Banks at the end of the year as soon as their accounts were ready and certified that he had audited the Central Bank at such and such a date and had now compared the balance sheet with the books and certified that it represented a true account of the affairs of the society as disclosed by the books. This only took two or three days.

Mr. Ewbank said what they wanted to do was to get non-official gentlemen to work with the Co-operative Department and, in order to do this there should be as few restrictions as possible. If he was bound hand and foot by rules and restrictions, the non-official would take no pleasure in their work. He was not therefore of favour in having the balance sheet signed by the Registrar.

Mr. Clayton said that the procedure would be, as he understood, that when the audit report came before the Registrar, he would pass orders on it to the effect that such and such a provision must be made for bad and doubtful debts and unless that provision were made the dividends would be illegal because it would be contrary to rules.

Mr. Mant asked Mr. Collins if he wanted to press his resolution and he said he did.

The resolution was then put to the meeting and lost.

Mr. Mathias' resolution was then put to the meeting and carried.

The first part of Mr. English's resolution, viz., that in primary societies only realised interest should be reckoned in the profit and loss and balance sheet, was then taken up.

Mr. Lalubhai held that this would mean bad audit and bad accounting.

Mr. Clayton said that if any joint stock bank were consulted it would be found that it had funds known as secret reserves. Unrealised interest in Burma was such a secret reserve.

Mr. Donovan held that a profit and loss or balance sheet could not be a true statement if there were such secret reserves.

Mr. Lalubhai said the secret reserve of joint stock banks had nothing to do with unrealised interest.

Mr. Parsons said that if interest earned but not due was excluded it would be falsifying the accounts, which would not show the true position of the society. He understood that ordinary joint stock banks had an interest adjustment account.

Mr. Hemingway said that such a rule as that proposed by Mr. English would be universally resented in Madras, where they had highly intelligent society members. According to simple accounts he had drawn out of the working of imaginary societies it would take a society four years to show any profits at all. He hoped no such rule would be applied in Madras.

Mr. Ewbank said that the special merit of the system in force in Burma was that it secured the accuracy of the annual returns. There was previously great delay on the part of societies in sending in their accounts and they nearly always got them wrong. The Burma system meant a great simplification of the accounts because it made it unnecessary to calculate the interest on each ledger account up to the end of the year. He would agree to Mr. English's resolution if the term "village societies" were substituted for "primary societies." In Bombay there were numerous urban societies with a large capital and they would be hard hit if they had to miss a dividend for one year.

Mr. English said he was prepared to accept the words "village societies."

Mr. Ayyar held that there should be no distinction between primary societies and Central Banks.

Mr. Mant said he thought the question would have to be left to local Governments. What the Conference had to decide was whether they would advise local Governments to accept the principle that only interest realised should be taken into account in distributing dividends. It was a secondary question whether, as proposed by Mr. English, unrealised interest should be excluded from the balance sheet altogether, which Mr. Lalubhai and Mr. Parsons pointed out would be a banking heresy. Mr. Mant then said the resolution before the meeting was:

"That in rural societies only interest realised and paid should be reckoned in the profit and loss account and balance sheet."

Mr. Ewbank moved the omission of the words "and paid."

The amendment was defeated.

The original resolution was then put to the vote and was also defeated.

Mr. Hemingway then moved that Mr. Kelkar's resolution should apply to primary societies, the words "declaring profits" being substituted for the words "payment of dividends."

Mr. Donovan said there were only a few societies in Bengal, such as weavers' societies, for which dividends would be declared. Such a condition as that proposed would therefore work hardship.

Mr. Clayton suggested that the resolution should be that the form of balance sheet should be left to the discretion of local Governments in view of the difference of opinion.

Mr. Hemingway's resolution to the effect that the resolution already passed relating to Provincial Banks and Central Banks should apply also to primary societies for the purpose of declaring profits was then put to the meeting.



Mr. Collins seconded the resolution, which was put to the vote and carried.

The Resolutions under this head were therefore :

**Resolution No. 3.** That no Provincial Bank or Central Bank should take into account unrealised overdue interest for the purpose of payment of dividends unless permitted to do so by the Registrar or some other person authorised by him in that behalf and subject to such conditions as may be laid down.

**Resolution No. 4.** That all Co-operative Banks or Societies should be required to make such provision for bad and doubtful debts as may be required by the Registrar or some person duly authorised by him before any dividend may be declared.

**Resolution No. 5.** That no primary society should take into account unrealised overdue interest for the purpose of declaring profits unless permitted to do so by the Registrar or some other person authorised by him in that behalf and subject to such conditions as may be laid down.

### *V.—Relations of District Officers to the Co-operative movement.*

*Co-operative Committee's recommendation No. 186.*—Devolution of powers of Registrar on District Officers not recommended.

*Co-operative Committee's recommendation No. 187.*—District or Sub-divisional Officers may be Chairmen with or without a place in executive committee of Central Banks but should not be given such a post *ex officio*. They should, however, have a formal right to attend meetings of shareholders or Directors and local Governments may decide how best to arrange for this.

#### *Points of reference.*

1. The action of the Bengal Government in authorising Sub-divisional Officers and Khas Mahal managers in that province under section 17 (3) of the Co-operative Societies Act to conduct official inspections of co-operative societies, and in permitting Sub-Deputy Collectors under the new circle system to take part in the formation and supervising of such societies, is not in accordance with the Committee's recommendation No. 186, which agrees with the views expressed by the Government of India in paragraph 29 of their Resolution No. 12—287-1, dated the 17th June 1914. It is accordingly for consideration whether the circumstances of Bengal justify a departure from the principles laid down in the above resolution.

2. The Government of India are inclined to think that the appointment of district officers on the directorates of Central Banks — whether *ex officio* or by election—is objectionable, and they would like to know whether there is any strong objection to a ruling that no district officer shall in future be Director of a Central Bank.

Mr. Mathias proposed that recommendation No. 186 of the Co-operative Committee should be carried as it stood.

Mr. Donovan seconded.

Mr. Calvert thought that, if in the Punjab they were to get, say, a thousand societies in a single district, it might be necessary for the district officer to have the status of a Registrar.

Mr. Hemingway said that in the Agency tracts of Madras, which were very out of the way, it might be necessary to give powers to the Deputy Tahsildars. Such powers would be powers of control and supervision, not powers of registration. He would, therefore, prefer the insertion of the word "ordinarily."



On it being pointed out, however, that duties of control and supervision could be given to such officers without offending against the resolution, he withdrew his contention and it was decided that recommendation No. 186 should be accepted. Resolution No 6

In regard to recommendation 187, Mr. Mohan Lal said that, whilst district officers should not as a rule be *ex officio* chairmen of Central Banks, they might be chosen as chairmen. There should be no such rule that they cannot on any account be chairmen but the rule should be that if they are specially versed in the subject they can be chosen as chairmen.

Mr. Willoughby held that district officers should be chairmen if the bank wanted them.

Mr. Ramaswami Ayyar said that in Madras district officers had no official connection with co-operation but they were taking a great interest in the subject and that their relations with the Co-operative Department were most cordial. If they were given powers of interference it would be resented.

Mr. Kelkar said under the law, as it stands now, especially with reference to section 12, it would not be permissible to have a bye-law authorising the Collector or his nominee to attend a meeting of the Board of Directors and the general meetings of the bank and to vote at such meetings.

Mr. Mant asked whether the objection related to attendance at meetings. The Committee did not propose that the district officer should have a vote.

Mr. Kelkar held that there was no objection to the attendance of the district officers if banks wished it. He strongly objected to the Government of India's view. If it was accepted, the practice in vogue in the Central Provinces would be upset. If the Central Banks needed the assistance and advice of the district officers, it should be placed at their disposal, but it should not be forced on the banks.

Mr. Mathias supported Mr. Kelkar. He said that any alteration in the present practice would be bitterly resented in the Central Provinces.

Mr. Willoughby said that he, his predecessor, and successor were all agreed that they did not see why district officers should be prohibited from being chairmen of Central Banks *ex officio*.

Mr. Mant said that the view of the Government of India was due to the necessity for caution financially. If a district officer were chairman of a Central Bank and the affairs of the Bank went wrong, it would be very difficult for Government to refuse an application for financial assistance.

Sir D. P. Sarbadhikari said that that was the best reason for granting what was asked for.

Mr. Donovan said that Mr. Kelkar evidently held that, when Central Banks got into trouble, the district officers should pull them out of it.

Mr. Ewbank said that he understood that the Government of Bombay were in full agreement with the Government of India for the reasons which had been stated by Mr. Mant. There was one exception, however, they would be prepared to admit. If a new Central Bank were formed and it were difficult to get a man of sufficient business experience to start it, then the Deputy Collector might be chairman for a year or two, but, as soon as matters had been placed on a sound footing, he should withdraw.

Mr. Grant held that any resolution passed on the subject should be to the effect that the help of the district officers is necessary. He did not know what they should do in their district if the district officers were not chairmen of the Bank. At a recent meeting of the committee of a certain Central Bank, only one director turned up as it was known that the Deputy Commissioner, who was chairman, could not be present at the meeting.

Mr. Hemingway said he could not imagine a stronger argument against the appointment of district officers as chairmen than what Mr. Grant had said.

Mr. Lalubhai said that in the United Provinces and Bengal the assistance of district officers was required. In other provinces there was evidently a feeling

that this was not the case. The recommendations of the Co-operative Committee, therefore, represented a compromise on this point.

Mr. Parsons asked to what extent could Banks, which could not get on without the assistance of district officers, be held to be co-operative.

Mr. Donovan said that they were as much co-operative as any others.

Mr. Collins said that in Bihar and Orissa the system was for the district and sub-divisional officers to be *ex officio* directors and often chairmen of the Central Banks, and that some of the Banks would collapse if this assistance were withdrawn.

Mr. Ramaswami Ayyar said that the system in Bihar and Orissa would weaken individual responsibility on the part of the Central Banks.

Mr. Collins moved that recommendation No. 187 should be accepted.

Mr. Mant said that the co-operative movement was going to grow. It was, therefore, necessary to look ahead and to see that it would not always be left in leading strings. The aim should be independence of official control.

Lala Jai Gopal said that in Ajmer-Merwara the Deputy Commissioners were *ex officio* members. It should be left to the Directors of the Bank to decide whether they wanted the Deputy Commissioner's assistance or not.

Mr. Hemingway suggested that the Conference should pass a resolution to the effect that it looked forward to the gradual diminution of district officials' control over co-operative societies.

Mr. Collins said that in Bihar and Orissa it was not so much the assistance of the district officer that was wanted as that of the sub-divisional officer.

Mr. Mant then put the following resolution to the meeting :—

Resolution  
No. 7.

That this Conference accepts the first part of the Co-operative Committee's recommendation No. 187, but they recognise that a gradual diminution of the official element on the Directorate of Central Banks, whether *ex officio* or elected, is desirable and hope that steps will gradually be taken to effect such a diminution and the ultimate disappearance of the official element.

This was carried unanimously.

The second part of recommendation No. 187 was then discussed.

Mr. Hemingway opposed it. He said that, if any form of powers was given to district officers, it would be universally resented in Madras. Without such a resolution their presence at any meetings of shareholders or directors, which they might desire to attend, of Central Banks would always be sure of welcome.

Mr. Collins pointed out that the Collector had statutory powers under the Act to inspect the books, accounts, etc., of any society.

Mr. Hemingway said that was a different matter.

Mr. English said that most of the members of the Co-operative Committee had been against any formal right of attendance. Their recommendation represented a compromise between different views.

Mr. Mathias moved that the second part of the recommendation be not accepted.

This was seconded by Mr. Hemingway and carried unanimously.

Resolution  
No. 8.

## VI.—Question of the propriety of granting takavi loans to co-operative societies.

*Co-operative Committee's recommendation No. 201.*—Act XII of 1884 should be amended so as to allow of agricultural loans to be made to societies direct. Central banks may also be utilized in distributing such loans to societies.

*Co-operative Committee's recommendation No. 202.*—Similar arguments apply to Land Improvement loans which can suitably be given to societies when an

improvement has to be made by joint exertions of several peasants. Societies should in that case reduce their rate of interest.

*Points of reference.*

Whether the Committee's recommendation that Government agricultural loans, under Acts XIX of 1883 and XII of 1884, should be made in the three special classes of cases indicate to co-operative societies themselves and not merely through them to individual members, should be accepted; and, if so, whether the safeguards suggested by the Committee are adequate,

\*Printed as Appendix.  
or require to be supplemented on the lines indicated in paragraph 8 of Revenue and Agriculture Department Circular\* No. 570—187-1 of 14th July 1916.

Mr. Mant said that in regard to the Committee's recommendations on the subject of the grant of takavi loans to co-operative societies, the Government of India had come to the conclusion that the amendment of the Loans Acts was unnecessary, and that the Co-operative Societies Act gave them as much security for the recovery of any loans advanced as they had under the Loans Acts.

Mr. Lalubhai said that the Co-operative Committee's recommendations were based on the fact that under section 4 of Act XII of 1884 societies could only be given loans if they were actually owners and occupiers of arable land.

Mr. Mant said that the Government of India's view was that any loans made to co-operative societies should not be made under the Loans Acts at all but under the Co-operative Societies Act.

Mr. Collins held that, if the Loans Acts were amended, societies would then be able to ask for loans more or less as a matter of right. But if they were to ask for loans under the Co-operative Societies Act they would have to be dependent on the good will of the Finance Department.

Mr. Mant said that the societies would not have any greater rights under the Loans Acts than they would under the Co-operative Societies Act.

Mr. Parsons said that he did not think the Finance Department would raise any objection to an additional class of loans in the Provincial Loan and Advance Account being created for loans to co-operative societies, provided that an allotment were made in the same way as allotments were made for loans under the Loans Acts. He asked whether there were any particular reasons why societies would prefer loans being made to them instead to individual members.

Mr. Ewbank said that, if loans made to co-operative societies were recoverable under the Co-operative Societies Act, it would mean that the Collector would have power to recover loans under section 44 from the societies themselves by summary procedure whereas the societies would not have the same right to recover from the individual members. He would, therefore, prefer the amendment of the Agriculturists Loans Act.

Mr. Donovan held that if cultivators wanted loans they should take them from the Government direct.

Mr. Lalubhai said that the reasons for the Co-operative Committee's recommendations were that, if loans were made to members of an unlimited liability society, Government might say that they had pledged the whole of their credit to the society and that Government stood only in the position of second creditor.

Mr. Collins said that, if the Finance Department would agree to frame rules under which loans could be made to societies in the same way and for the same purposes as loans were made at present under the Loans Acts, it would be a very satisfactory solution.

Mr. Parsons said that the Finance Department would not, he thought, agree to give money to societies in advance of the cultivators' need for it. Although allotments were made at the beginning of the financial year, the money was not

actually disbursed until the cultivator wanted to build a well or to buy seed. He did not understand the recommendation of the Committee to mean that resources should be placed at the disposal of the societies at particular times in the year. The system would in fact be equivalent to the present takavi system.

Mr. Mathias said that members of societies said they preferred to borrow from their societies instead of from Government. What they would like would be for the Collector to inform them when any member asked for takavi.

Mr. Calvert said it was the policy of Government to encourage people to take takavi loans: Government were always complaining that these loans were not sufficiently popular. Apart from redemption of old debts, the biggest cause of borrowing in India was for the purchase of cattle. In the Punjab last year, half a lakh had been disbursed by Government as takavi for that purpose whereas co-operative societies had disbursed 5½ lakhs. If the Government of India and local Governments desired to see the takavi system made more use of, they should give co-operative societies financial help. There were possibilities of a fodder famine this year and the question would arise whether money for the purchase of fodder should be advanced direct by Government or through co-operative societies. The Punjab Government had given him a sum of money to be used in emergencies. In other countries, Government advanced money on large scales to co-operative societies. In Italy, for instance, a million pounds had been advanced for the purchase of seed. He thought, therefore, that the Conference might fairly resolve that loans should be given by Government to co-operative societies for the specific purposes mentioned in the Loans Acts.

Mr. Mathias asked if Mr. Lalubhai Samaldas would object to Provincial Banks being given loans by Government if the profits went to a special reserve fund.

Mr. Lalubhai said that he would not object if they did not make any profit.

Lala Jai Gopal said that his views were contained in the following extract from a letter from the Commissioner, Ajmer-Merwara, to the Chief Commissioner, which he proceeded to read:—

“The policy of distributing takavi loans from Government to individual members of society, though done through the agency of the society itself, often involves the cultivator in financial obligation to three different creditors, Government, the society, and the local money lender—each with mutually conflicting claims and charging varying rates of interest. The perpetual harassment to which the indebted cultivator, especially in a district like Ajmer, where bad or indifferent seasons are the rule rather than the exception, is subjected under such a system needs no comment. As pointed out by the Committee, the society may be presumed to have a better knowledge of the needs of its members than a Government official. The distribution will be thus more efficacious while Government will benefit by the better security for its loans which the joint responsibility of societies affords as compared with that of individuals.

“I have not overlooked the possible objection that the grant of loans to societies may, in certain cases, result in the refusal to individuals of the assistance of which they stand in need. I am not, however, disposed to attach much force to their request. The administration of co-operative societies must be presumed to be sympathetic and, ordinarily, it may safely be assumed that, when assistance is genuinely needed, a society will be prepared to afford relief to the extent of its available resources.

“For the foregoing reasons I would not give the members of a society the option of taking takavi loans from Government or from their societies [*vide* paragraph 8 (2) of the letter from the Government of India] unless the society is unable to meet his requirements from its own funds.

“The question of the rate of interest to be charged by the societies is one of some difficulty and on which some difference of opinion exists. It is urged that, if, as proposed by the Committee, societies are permitted on these loans to charge up to their usual rates of interest, the position of members of societies will compare unfavourably with that of non-members if loans are advanced by Government to the latter at a lower rate. The popularity of the co-operative movement may thus be affected prejudicially. It is even possible that if in time of scarcity societies charge their usual rate of interest of a preferential rate approximating to that normally charged by Government on takavi loans, a borrower may be driven to have recourse to the money-lender as the more pliant creditor.

“On the other hand, to insist on societies charging for these loans a more favourable rate of interest than that ordinarily charged will necessarily give rise to a competition among the

members to obtain the largest possible share of the loans bearing the lower rate of interest and would undoubtedly open the door to serious abuses. The members of the society, even if they do have to pay a slightly higher rate than individuals who are not members, will benefit indirectly by the profits which will accrue to the society from the difference in the rate at which they obtain the loan from Government through the Central Bank and the rate at which they lend.

"With reference to the point raised in paragraph 8 (1) of the letter from the Government of India, it has been suggested that the interest of non-members would be sufficiently safeguarded if the loans to be advanced by Government for *takari* purposes were to be granted in proportion to the population of each sub-division. The advances available for a sub-division would then be divided between non-members and the members of rural societies on a *per capita* basis. As a general principle I see no objection to this proposal but some discretion should be left to the distributing authority to make such variation as circumstances might dictate. It would presumably be necessary for the Registrar to see that the loan allotted to the Central Bank was fairly distributed among the affiliated societies.

"As regards paragraph (3), I am of opinion that societies should be required to keep separate accounts of sums received from Government for *takari* loans and of the manner of their distribution. These should be open to inspection by the revenue officials.

"As regards the rate of interest to be charged by Government, I am not in a position to offer an opinion. In the case of Ajmer the question of the local Government making an addition to cover its own risk presumably does not arise. The Central Banks should be required to advance to affiliated societies at a rate not more than 1 per cent. higher than that which they pay to Government for the loan.

Mr. Collins moved the following resolution:—"The Conference recommends that loans when made for the purposes of Act XII of 1884 and XIX of 1883 should be made by Government on the recommendation of the Registrar direct to the society under special rules to be framed on the lines of those already made under the Act and that members of such societies should not be eligible for *takari* loans. The rate of interest charged by the society to its members is immaterial to Government."

Mr. Mathias said that in normal times no *takari* should be advanced to societies but that in times of necessity Government should advance to provincial or central institutions at the normal rate of interest, any profit made by such institutions being carried to special funds.

Mr. Donovan said that the real question was whether Government would finance the co-operative movement or not.

Mr. Parsons pointed out that in times of scarcity very considerable amounts of *takari* loans proved irrecoverable. Under Mr. Mathias' proposals societies would be liable to Government for loans which they were unable to recover.

Mr. Mathias said the Government would undertake no risk as the security of the Provincial and Central Banks would be sufficient. As far as the Central Provinces were concerned, the Banks would not incur greater liabilities than they were able to meet.

Mr. Collins said he was ready to accept Mr. Mathias' resolution but there was no reason why loans under the Loans Acts should not be given to societies who wanted them.

Mr. Mathias said they would only ask for *takari* in the Central Provinces in times of scarcity.

Mr. Hemingway held that it was necessary that some of the questions raised by the Government of India should be faced. If the policy of granting *takari* loans to societies were laid down, the difficulties involved would have to be faced. One of these was the procedure that the district officers would have to go through to see that loans were being properly utilised. Would the Government of India be prepared to accept the certificates of the officers of the Co-operative Department that loans were being properly utilised? If not and if it was held necessary to rely on the reports of revenue inspectors, he feared the system would not work.

Mr. Collins said that the Registrar would be able to certify that the loans had been properly used.

actually disbursed until the cultivator wanted to build a well or to buy seed. He did not understand the recommendation of the Committee to mean that resources should be placed at the disposal of the societies at particular times in the year. The system would in fact be equivalent to the present takavi system.

Mr. Mathias said that members of societies said they preferred to borrow from their societies instead of from Government. What they would like would be for the Collector to inform them when any member asked for takavi.

Mr. Calvert said it was the policy of Government to encourage people to take takavi loans: Government were always complaining that these loans were not sufficiently popular. Apart from redemption of old debts, the biggest cause of borrowing in India was for the purchase of cattle. In the Punjab last year, half a lakh had been disbursed by Government as takavi for that purpose whereas co-operative societies had disbursed 5½ lakhs. If the Government of India and local Governments desired to see the takavi system made more use of, they should give co-operative societies financial help. There were possibilities of a fodder famine this year and the question would arise whether money for the purchase of fodder should be advanced direct by Government or through co-operative societies. The Punjab Government had given him a sum of money to be used in emergencies. In other countries, Government advanced money on large scales to co-operative societies. In Italy, for instance, a million pounds had been advanced for the purchase of seed. He thought, therefore, that the Conference might fairly resolve that loans should be given by Government to co-operative societies for the specific purposes mentioned in the Loans Acts.

Mr. Mathias asked if Mr. Lalubhai Samaldas would object to Provincial Banks being given loans by Government if the profits went to a special reserve fund.

Mr. Lalubhai said that he would not object if they did not make any profit.

Lala Jai Gopal said that his views were contained in the following extract from a letter from the Commissioner, Ajmer-Merwara, to the Chief Commissioner, which he proceeded to read:—

“The policy of distributing takavi loans from Government to individual members of society, though done through the agency of the society itself, often involves the cultivator in financial obligation to three different creditors, Government, the society, and the local money lender—each with mutually conflicting claims and charging varying rates of interest. The perpetual harassment to which the indebted cultivator, especially in a district like Ajmer, where bad or indifferent seasons are the rule rather than the exception, is subjected under such a system needs no comment. As pointed out by the Committee, the society may be presumed to have a better knowledge of the needs of its members than a Government official. The distribution will be thus more efficacious while Government will benefit by the better security for its loans which the joint responsibility of societies affords as compared with that of individuals.

“I have not overlooked the possible objection that the grant of loans to societies may, in certain cases, result in the refusal to individuals of the assistance of which they stand in need. I am not, however, disposed to attach much force to their request. The administration of co-operative societies must be presumed to be sympathetic and, ordinarily, it may safely be assumed that, when assistance is genuinely needed, a society will be prepared to afford relief to the extent of its available resources.

“For the foregoing reasons I would not give the members of a society the option of taking takavi loans from Government or from their societies [*vide* paragraph 8 (2) of the letter from the Government of India] unless the society is unable to meet his requirements from its own funds.

“The question of the rate of interest to be charged by the societies is one of some difficulty and on which some difference of opinion exists. It is urged that, if, as proposed by the Committee, societies are permitted on these loans to charge up to their usual rates of interest, the position of members of societies will compare unfavourably with that of non-members if loans are advanced by Government to the latter at a lower rate. The popularity of the co-operative movement may thus be affected prejudicially. It is even possible that if in time of scarcity societies charge their usual rate of interest of a preferential rate approximating to that normally charged by Government on takavi loans, a borrower may be driven to have recourse to the money-lender as the more pliant creditor.

“On the other hand, to insist on societies charging for these loans a more favourable rate of interest than that ordinarily charged will necessarily give rise to a competition among the

members to obtain the largest possible share of the loans bearing the lower rate of interest and would undoubtedly open the door to serious abuses. The members of the society, even if they do have to pay a slightly higher rate than individuals who are not members, will benefit indirectly by the profits which will accrue to the society from the difference in the rate at which they obtain the loan from Government through the Central Bank and the rate at which they lend.

“ With reference to the point raised in paragraph 8 (1) of the letter from the Government of India, it has been suggested that the interest of non-members would be sufficiently safeguarded if the loans to be advanced by Government for *takavi* purposes were to be granted in proportion to the population of each sub-division. The advance available for a sub-division would then be divided between non-members and the members of rural societies on a *per capita* basis. As a general principle I see no objection to this proposal but some discretion should be left to the distributing authority to make such variation as circumstances might dictate. It would presumably be necessary for the Registrar to see that the loan allotted to the Central Bank was fairly distributed among the affiliated societies.

“ As regards paragraph (3), I am of opinion that societies should be required to keep separate accounts of sums received from Government for *takavi* loans and of the manner of their distribution. These should be open to inspection by the revenue officials.

“ As regards the rate of interest to be charged by Government, I am not in a position to offer an opinion. In the case of Ajmer the question of the local Government making an addition to cover its own risk presumably does not arise. The Central Banks should be required to advance to affiliated societies at a rate not more than 1 per cent. higher than that which they pay to Government for the loan.

Mr. Collins moved the following resolution:—“ The Conference recommends that loans when made for the purposes of Act XII of 1884 and XIX of 1883 should be made by Government on the recommendation of the Registrar direct to the society under special rules to be framed on the lines of those already made under the Act and that members of such societies should not be eligible for *takavi* loans. The rate of interest charged by the society to its members is immaterial to Government.”

Mr. Mathias said that in normal times no *takavi* should be advanced to societies but that in times of necessity Government should advance to provincial or central institutions at the normal rate of interest, any profit made by such institutions being carried to special funds.

Mr. Donovan said that the real question was whether Government would finance the co-operative movement or not.

Mr. Parsons pointed out that in times of scarcity very considerable amounts of *takavi* loans proved irrecoverable. Under Mr. Mathias' proposals societies would be liable to Government for loans which they were unable to recover.

Mr. Mathias said the Government would undertake no risk as the security of the Provincial and Central Banks would be sufficient. As far as the Central Provinces were concerned, the Banks would not incur greater liabilities than they were able to meet.

Mr. Collins said he was ready to accept Mr. Mathias' resolution but there was no reason why loans under the Loans Acts should not be given to societies who wanted them.

Mr. Mathias said they would only ask for *takavi* in the Central Provinces in times of scarcity.

Mr. Hemingway held that it was necessary that some of the questions raised by the Government of India should be faced. If the policy of granting *takavi* loans to societies were laid down, the difficulties involved would have to be faced. One of these was the procedure that the district officers would have to go through to see that loans were being properly utilised. Would the Government of India be prepared to accept the certificates of the officers of the Co-operative Department that loans were being properly utilised? If not and if it was held necessary to rely on the reports of revenue inspectors, he feared the system would not work.

Mr. Collins said that the Registrar would be able to certify that the loans had been properly used.



Mr. Mant said it would be better to consider the question of granting loans for the purposes of Act XII of 1884 first. He asked whether it was proposed to keep separate accounts for advances of this character. Otherwise, how would it be possible to prevent such loans being merely a scheme of ordinary Government loans to co-operative societies?

Mr. Mathias considered that no separate accounts should be kept. It should be frankly acknowledged that such assistance was Government assistance to co-operative societies.

Mr. Hemingway said that in Madras he believed there would be no difficulty in keeping separate accounts.

Mr. Ewbank said that the division of the allotment should take place at the top, that the amount available for loans under the Takavi Act should be divided into two parts in the budget, one part to be given out by district officers and the second part to be placed at the disposal of the Registrar for distribution to primary societies.

Mr. Mant said that Mr. Mathias and Mr. Collins had two totally different objects in view. Mr. Mathias' object was the grant of Government assistance to societies in times of scarcity whilst Mr. Collins had in view loans under the Land Improvement Loans Act.

Mr. Collins said that Government raised no objection however large the amount of the loans given to individuals but it raised objections when loans were to be given to co-operative societies.

Mr. Parsons said that the Finance Department had no objection to societies being used as distributing agencies. What Mr. Mathias appeared to want was that Government should help Banks which owing to failure to recover their advances in time of scarcity were not in a position to meet their liabilities.

Mr. Mathias said that his proposal had been misunderstood. All that he proposed was that in times of scarcity, if the local Government had, say, 10 lakhs of rupees to distribute as *takavi*, it should distribute part of it through the Provincial Banks which should be simply a distributing agency.

Mr. Parsons said if the Provincial Banks were merely distributing agencies there would be no objection.

Mr. Calvert said he thought there was a bit of confusion here. For instance, last year they had actually advanced seven lakhs for the purpose of helping zemindars. At times they had a cash balance of four lakhs. Now, if the question of scarcity arose, it seemed to him quite immaterial whether they borrowed four lakhs from Government, lent it out for fodder and seed, or whether they lent out the four lakhs cash in hand and kept the Government four lakhs as cash balance. There was no difference.

Mr. Parsons said that there must be separate accounts for *takavi* given out to co-operative societies. The Finance Department could not agree to the whole of the grant being drawn out of the Treasury at once at the beginning of the year.

Mr. Mant asked what was the expenditure which Mr. Mathias proposed should be incurred against the special fund he proposed to create.

Mr. Mathias said the special fund would have to be administered by the Registrar and that the purpose for which it would be used would require thought.

Mr. Hemingway asked if no separate accounts were maintained, how the Finance Department would be satisfied that the money was being properly used.

Mr. English said that 99 per cent. of the money lent by co-operative societies was used for the purposes laid down in the two Acts.

Mr. Parsons pointed out that if separate accounts were not maintained the Bank might draw out money on April 1st and not use it in loans till October 1st.

Mr. English said that the Registrars should be instructed executively to see that this does not happen.



Mr. Lalubhai said that if money were advanced through Provincial Banks or Central Banks it meant loss of time. Loans direct to societies would save time. What was wanted was that when the Government of India said that they could spare so much money, the Provincial Government should place so much at the disposal of revenue officers and so much at the disposal of societies. The work would be more easily done if members were only liable to their societies. He thought that only one set of accounts should be kept. Provincial Governments would not be in any worse position than if two sets were kept.

Mr. Mant asked why the money should be distributed to Provincial or Central Banks. The result would be that primary societies would have to pay more for it and would have to charge the cultivators more than if it were advanced to them direct.

Mr. Mathias said that the first difficulty in regard to distribution direct to primary societies was the question of summary recovery pointed out by Mr. Ewbank. The second difficulty was that the advances of the Central Banks would be compromised if Government were to lend money direct to the societies. He did not consider that the question of time presented any difficulty. It took only two days for Provincial Bank to get money to the Central Banks and a fortnight for the money to get from the Central Bank to the cultivator. This was much quicker than any other agency.

Mr. Parsons said that if Government granted loans to societies Government would only be able to enforce recovery from the societies and would do so irrespective of their recoveries from individual members.

Mr. Ewbank mentioned that in 1909 the Government of Bombay had sanctioned the principle that co-operative societies might draw up a list of members desiring *takavi* and send it to the Collector who would entrust the sum asked for to societies for distribution. No *takavi* loans had been advanced by Collectors on this system because they were not prepared to run the risk or take the responsibility of allowing the society to give out the money while they had the task of collecting it. The system of using societies merely as a distributary channel had therefore failed in Bombay, and Mr. Parsons' view that loans must be made to societies and not merely through societies was therefore the correct one.

Mr. Hemingway said that in order to avoid jealousy among the members, the money received from the Government would have to be lent by societies at their ordinary rate of interest.

Mr. Willoughby held that primary societies should avoid taking *takavi* under Act XII where possible. But when in times of famine this was inevitable it was a pity not to use the local knowledge and organization available in the co-operative structure.

Mr. Lalubhai said that it was their influence more than their knowledge that was wanted.

Mr. Calvert said that the higher rate of interest charged by Provincial or Central Banks to primary societies for the use of money lent to the former by Government was intended to cover risk of loss. It could not be put into a separate fund.

Mr. Mathias said that the reason he proposed that no profit made by Provincial and Central Banks should be put into a separate fund was that it would be objected that they were getting money from Government at favourable rates and were making a dividend for their shareholders out of it.

Mr. Hemingway said that he would like the words "in times of scarcity" omitted. If it were recognised that co-operative societies were a valuable method of distributing *takavi* there was no reason why they should only be used in times of scarcity.

Mr. Willoughby held that in normal times it was not good policy to allow co-operative societies to obtain *takavi* too easily as it removed the incentive to tap local capital.

Mr. Ewbank said that many of his societies were not in a position to advance all the money reasonably required by their members from the funds normally at their disposal.

*Wednesday, 14th August 1918.*

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In continuing discussion on subject No. VI, Mr. Mant said it had been suggested that the resolution regarding *takavi* loans should be made clearer, and the following redraft had been suggested:—

“ That at any time, whether scarcity is prevalent or not, local Governments should place at the disposal of Provincial or Central Banks such portion of the budget allotment available for *takavi* loans under Act XII of 1884 as they think fit. The funds so made available should take the form of loans to the Provincial or Central Banks on the recommendations of the Registrar and should be distributed by them only for the purposes mentioned in the Act. ”

Mr. Lalubhai proposed that the words “ or primary societies ” should be added to the resolution. The resolution with this addition was put to the meeting and carried.

(The resolution as finally passed is printed on page 78 *infra*).

Mr. Mant said there were two other cases still to be disposed of (1) loans under the Land Improvement Loans Act and (2) loans for colonization schemes.

Mr. Hemingway thought loans under the Land Improvement Act were more necessary than loans under the Agriculturists Loans Act, for which money could to a great extent be found from the society's own funds. But it was difficult from the society's own funds to find money for considerable improvements of land, and the need was greater.

Mr. Clayton said that in Burma their loans had not been given for land improvement, but for colonization which in Burma was carried out by co-operative societies. Advances were given to cultivators for bringing waste land under cultivation, the purchase of cattle, the forming of new villages, etc.

Mr. Donovan said he would feel in a much stronger position if the Government of India or the Conference were to make suggestions in regard to the financing of colonization schemes. They had a large area under colonization in the Sundarbans and some of their best co-operative societies were in that area and were making good progress. If there was any means of getting cheaper finance from Government he would welcome it.

Mr. Mant said if they all agreed to that recommendation, they might pass on to the third point which was whether loans for land improvement should be restricted as proposed by the Committee, to cases where improvement had been made by joint exertions or whether, as other members had proposed, they should be extended to all loans under the Act. The reason given by the Committee for their proposal was that these loans were for larger sums than those made under the Agriculturists Loans Act.

Mr. Hemingway said in Madras the important question was land improvement loans. He thought that all that had been said the previous day about loans under the Agriculturists Loans Act applied to loans under this Act. He asked if there was any objection to making the resolution apply to both cases.

Mr. Mant said the Government of India in their letter had asked if it was advisable to give members of societies the option of taking loans from Government or from societies. They had to decide whether all the loans were to be taken from societies and whether the societies would in all cases undertake the risk.

Mr. English thought the principle should be that if a member wanted a loan and the society was not prepared to give it, he should leave the society ; if the society was prepared to back it, he could get it through the society, or if the society permitted him to do so, he could take it separately.

Mr. Calvert said that under Act XIX of 1883 loans could be given to a body of people under their joint receipts and there was nothing to prevent that joint body

of people being formed into a co-operative society. It would be anomalous to refuse to give a loan to a society and yet to give it to a body of individuals.

Mr. Mant said the question was whether Government should give loans through the societies or direct to individuals. The Committee on Co-operation had agreed that where several people had agreed to take a loan, they should be able to do so. Their objection was to the grant of loans to single individuals. They objected to the grant of loans to single individuals as their credit was already pledged to their society.

Mr. Collins said in Bihar and Orissa the Central Banks had given a number of joint loans in some cases to societies and sometimes to groups of individuals in a society for the purpose of digging wells. Central Banks had given such loans at specially low rates of interest, but they would find it difficult to do so in places where a large number of wells were required. It would therefore be necessary to take advantage of the Land Improvement Loans Act in such cases.

Mr. Mathias thought it was only fair to societies to prevent individual members taking loans direct as such a course jeopardised the financial stability of their societies. He therefore agreed with Mr. English.

Mr. Hemingway supported Mr. Mathias and Mr. English, but did not think what they had said affected the trend of the discussion.

Mr. Mathias thought that if a member of a society got a loan from Government without stating the fact the Collector should recover it at once.

Mr. Hemingway again urged that the resolution just passed should apply also to loans under Act XIX of 1883.

Mr. English proposed that loans under the Land Improvement Loans Act should be granted to societies subject to the following proviso, that the majority of the members will benefit by the improvement. Where the members benefited are only a minority of the society it will be preferable to grant such loans to the members individually, subject always to the consent of the society.

Mr. Mant said that Mr. English's proposal amounted to a recommendation that the Committee's proposal should be accepted.

Mr. Ramaswami Ayyar said that instead of a majority of the society, he would suggest that if 5 members of a society wanted a loan and the society agreed to take the responsibility, then the loans might be given to the society.

Mr. Hemingway pointed out that in Madras people did not dig wells or improve their lands jointly.

Mr. Parsons asked whether Mr. English would be prepared to omit the words "subject always to the consent of the society." The society might not be prepared to let a man have a loan from Government if he owed it money.

Mr. English said that if a man owed a society money and the society thought he was a doubtful person, it would be very inadvisable for the Government to give the loan.

Mr. Joseph asked if loans under the Land Improvement Loans Act could not similarly be granted to societies. Where only one or several individuals would benefit the society might, in lieu of taking the loans, recommend to the Collector that the loan should be given.

Mr. Collins said an amendment of the Land Improvement Loans Act would be wanted if loans were given to societies under it.

Mr. English said he would not press his proposal.

The following resolution was then put to the meeting:—

"That the Conference accepts the recommendation of the Committee on Co-operation that loans for purposes of Act XIX of 1883 should only be given to societies in the cases contemplated by the Committee, i.e., in cases when an improvement has to be made by the joint exertions of several persons."

The motion was carried.

(The resolution as finally passed is printed on page 78 *infra*).

Mr. Mant said that the next question which arose was whether the safeguards which had been contemplated by the Committee on Co-operation were adequate. The first question was whether it was necessary to take further precautions to insure that the system proposed did not create a privileged class of borrowers obtaining more than their fair share of the total loan funds available. It was considered that no further precautions were necessary. The second question was whether it was advisable to give members of co-operative societies the option of taking *takavi* loans either from Government or from their societies.

Mr. English said the societies should know whether such loans were being given to members or not or they would be put in a bad position. The system in Burma was that in places in which there were co-operative societies no loans were given except to members of those societies.

Mr. Mathias moved that no loans should be made to members of societies under Act XII of 1884 except with the consent of the society.

Mr. Calvert said that the real security for a *takavi* loan was the addition to the borrower's income due to the loan and this additional security did not exist when he joined the society. So it did not affect the security of a member of the society at all.

Mr. Mathias said that he would point out that the improvement was more or less speculative.

Mr. Willoughby asked whether, if a society were not in funds, it was proposed to bar a member from taking *takavi* from Government. It had been urged that if a member wanted to take *takavi* direct from Government he could resign the membership of his society, but it took him a very considerable time to do so.

Mr. Calvert said the Punjab Government would oppose the motion brought forward by Mr. Mathias.

Mr. Clayton said it would be open to any Government to make further restrictions.

Mr. English said the whole question was one of theory on one side as against one of practice on the other. For practical purposes Mr. Mathias' proposal was the best.

Mr. Mant thought this was hardly fair to the Punjab which was an advanced province from the co-operative point of view.

Mr. Ewbank pointed out that the Co-operative Committee had recommended that members of societies should be permitted to borrow from *sowcars* provided they first informed their society. In the same way it seemed sufficient if individual members before taking *takavi* loans from Government gave information to their societies.

Mr. Mathias said that when a member wanted a loan from Government the question should be put before the committee of the society. It was open to the committee either to expel him or to give him permission to get the loan.

Mr. English considered that there was a difference between obtaining a loan from a *sowcar* and a loan from Government.

Mr. Mathias' motion was then put to the vote and was carried.

(The resolution as finally passed is printed on page 78 *infra*).

Mr. Mant said the next question was whether societies should be required to keep separate accounts of all sums they received from Government as loans and the manner in which these sums were distributed to members.

Mr. Calvert asked who would supervise these separate accounts as contemplated by the Government of India. He thought it would be a mistake if the

supervision of any revenue officers was introduced. Any supervision necessary should be carried out by the co-operative staff.

Mr. Mathias moved that no separate accounts should be kept for loans under Act XII of 1884, but that accounts should be kept for any loans advanced under Act XIX of 1883.

Mr. Parsons opposed this. He considered separate accounts were absolutely necessary.

Mr. Clayton asked if a certificate from the Registrar would meet the case.

Mr. Parsons thought that it might.

Mr. Lalubhai asked what guarantee the Finance Department had in regard to loans advanced by the Collector.

Mr. Calvert said the Finance Department appeared to think that the Co-operative Department were as unbusinesslike as they were themselves. Co-operators had lent several lakhs to the Finance Department to help on the war, but they did not yet know whether the Finance Department were going to help on the war or not. They had not yet received the scrip for the money which had been lent. The Collector had the right of access to all the books of co-operative societies. The Finance Department had therefore the Collector's guarantee if not that of the Registrar.

Mr. Parsons said that the position appeared to be that the Finance Department might be prepared to accept the certificate of the Registrars but that the Registrars were not prepared to give such a certificate. What was wanted was a guarantee that the money would actually get down to the man who wanted to use it.

Mr. Clayton asked the nature of the certificate required. Would it be sufficient if it was certified that the money had been distributed and had reached the members of the primary societies concerned.

Mr. Parsons said that the money provided for loans in the budget estimate was not all drawn out at the beginning of the year. In Northern India at any rate the demands on it mostly came in in the winter. Government were perfectly safe in acting on the supposition that the money would not be asked for by district officers until it was actually wanted. They must have some safeguards that the money would not be taken out by societies until it was required.

Mr. Willoughby asked why a Registrar should take the money out before he wanted it.

Mr. Hemingway asked if it would not be sufficient safeguard if the actual order for disbursement were made by the Collector.

Mr. English thought that the matter was one on which executive orders could be given to the Registrar.

Mr. Calvert pointed out that all societies were audited by Government auditors. Would not a certificate from them be sufficient?

Mr. Parsons said the certificate would come in too late to be of any use.

Mr. Mathias then moved:—

That as regards advances made for the purposes of Act XII of 1884, no separate Resolution No. 11. accounts should be kept but that the Registrars should give a general certificate that the money has not been drawn before it was required for the purposes of the Act.

That as regards advances under the Land Improvement Loans Act, separate Resolution No. 12. accounts should be kept.

Mr. Lalubhai moved that instead of the words "the Registrar should give a certificate," the resolution should run that "Provincial Governments should satisfy themselves that the money is not drawn," etc.

Mr. Ewhank considered the acceptance of a certificate from the Registrar would not secure Mr. Parsons' object. Central Banks were constantly giving loans for all the purposes contemplated by the Agriculturists Loans Act. Their working

capital was in practice indivisible. Central Banks could have no objection to certifying even before receiving *takavi* that the money had already been advanced for the purposes specified. The Registrar's certificate would be quite formal and would be given without hesitation.

Mr. English said he much preferred the original draft. If it were left to Provincial Governments there was every probability that the Burma Government at any rate would give the Co-operative Department a page of rules and it would be years before matters were settled.

Mr. Clayton thought the obvious certificate which the Conference of Registrars should offer to the Central Government was a certificate signed by the Registrar and if such a certificate were not specifically suggested local Governments would think that something more was required.

Mr. Lalubhai said he did not wish the Registrar to be put into a position which would be considered derogatory to that of the Collector. If the Collector was not required to give a certificate why should the Registrar be required to do so?

Mr. Parsons said Collectors did not distribute the money until it was actually wanted.

Mr. Ewbank said local Governments in making their budgets might place only limited amounts at the disposal of the Registrars. The Government of India might watch over these for some time and see whether they were being drawn out at times when they were really wanted, that is at the same time as they were drawn out by the Collectors.

Mr. Parsons said the question was not one which would reach the Government of India; it would be for local Governments.

The motion as amended by Mr. Lalubhai was then put to the meeting and was lost.

**The original motion was then put to the meeting and was carried.**

Mr. Mant said the next question was the rate of interest which should be charged on loans made by Government to co-operative societies. He understood the sense of the Conference to be that the rate should be the same as that at which they lent money to individuals.

Mr. Mohan Lal moved that the rate should be  $1\frac{1}{4}$  per cent. lower in the case of co-operative societies than when the money was lent to individuals.

The motion failed to find a seconder.

The following resolution was then put to the meeting:—

Evolution No. 13.

**That the rate of interest charged by Government on loans to Provincial or Central Banks or primary societies should be the ordinary rate of interest charged on such loans when advanced to individuals.**

This was carried.

## **VII.—Improvement in the statistical returns.**

### *Points of reference.*

The following improvements which have been suggested in the forms of statistics prescribed by the Government of India in 1916 for submission by Registrars with their annual reports are for consideration:—

*Statement A.*—Column 21 (loans and deposits held at the end of the year from individuals) should be divided into two parts to show statistics for "individual members" and "individual non-members" separately.

*Statement B and C.*—A grand total for all classes of societies should be shown at the bottom of these Statements.

*Statement E.*—New columns for "number of societies" and "number of members" should be added after column 1, the existing columns 2—12 being renumbered 4—14.

*Statement F.*—A new column for "number of societies" should be added after column 1, the existing columns 2---13 being renumbered 3---14.

Mr. Calvert presented the following report of Sub-Committee No. I:—

*Provincial returns.*—We deprecate any tendency towards the increase of statistical details and unless the figures asked for serve some useful purpose we should be disinclined to approve of the proposal to add further columns to *Statement A*. Even if the figures in column 21 be divided into columns for members and non-members, there would still be the difficulty that a depositor might be a non-member of the Central Bank but a member of a primary society, so that the figures for deposits from non-members would not show the extent to which the movement was attracting money from the outside public. We therefore do not recommend the Conference to adopt the proposal to divide column 21 into two parts to show statistics for 'individual members' and 'individual non-members' separately.

"We recommend the Conference to move that column 25 should be headed 'reserve and other funds' so as to include the sums shown in column 19 of *Statement II*.

*Statements B and C.*—We recommend the Conference to adopt the proposed additions of grand totals.

*Statements E and F.*—We recommend the Conference to adopt the proposed additional columns.

*Supplementary reference.*—Unless the Registrar for Burma objects we see no difficulty in supplying statements for number of members of Cattle Insurance Societies for the past two years, as these statements will be blank.

"As we have not recommended the division of column 21 of *Statement A* into 'non-members' and 'members' we do not think there is any need to submit amended statements for the past two years.

*All-India Statements. Explanatory note.*—The reference to 'abstract *Statements II* and *III*' should refer to *Abstract Tables II* and *III*.

"In note (2) the words 'loans and deposits.....from individual non-members' should be 'from individuals, joint stock banks and other sources not included in previous columns.

*Abstract Table III (a).*—For 'loans and deposits.....from individual non-members' substitute 'loans and deposits.....from other sources.'

"This should be transported from third line to the sixth, and lines 4, 5 and 6 should be moved up.

"Similarly column 4 of *Table III (b)* should be 'other sources' and should be column 7, (columns 5, 6 and 7 being renumbered 4, 5 and 6.)

"*Abstract Table II (b)* is misleading inasmuch as it exaggerates the facts. Re-insurance societies should be shown separately as column 3. Agricultural societies would then be in column 4, non-agricultural societies in column 5 and total number of members in column 6, and this column should be total of new columns 4 and 5 only. The present column 5 for number of members counts 47,000 members in the Central Provinces twice over and also many members in Burma, etc., Registrars might be asked to submit a statement showing as accurately as may be practicable the number of co-operators, no individual being counted twice over.

\* Suggested by Major Tandy.

"Existing column 6\* is quite misleading. The above amendments would make it more correct.

"*Abstract Table III (b)* is misleading inasmuch as a large proportion of the sum entered in column 4, re-appears in column 6. Registrars might be requested to supply figures free from reduplication.

"*General Statement A.*—Columns 15, and 22 should be headed 'individuals and other sources' as they include figures for sums borrowed from joint stock banks, etc.

"*General Statement C* is for non-agricultural societies — a clerical mistake."

Mr. Mant asked whether the Sub-Committee had considered whether there was any other way of showing individual members and non-individual members.

Mr. Collins moved that no alteration should be made in the returns at all. That would mean scrapping any number of returns. Unless the alterations proposed were of supreme importance he would make no alterations.



Mr. Ewbank said that in Bombay there were five vernaculars and that they had recently had thousands of forms printed. These ought not to be wasted without very strong reasons.

Mr. Donovan said that in some provinces every man was seen double and 33 per cent. of the capital was shown twice over. The alterations proposed by the Sub-Committee would not affect the returns mentioned by Mr. Collins and Mr. Ewbank.

Mr. English pointed out that the return had been drawn up for the benefit of the International Institute.

Mr. Mathias proposed that any alteration of form should be postponed for three years.

Mr. Calvert thought that the previous speakers had not understood what the Committee had actually recommended.

Mr. Mant said the proposed alterations were merely intended to avoid errors in the Government of India returns.

Mr. Collins said that if they could carry on with the existing forms there was no objection to the alterations proposed.

Mr. Ewbank said he presumed that when the Sub-Committee recommended that column 25 should be headed "reserve and other funds", by that they meant such funds as Bad Debt and Building Funds, but that it would also include Dividend Equalization Funds, which were not really reserve funds at all.

Mr. Donovan said that the Reserve Fund was shown separately in another statement. Such funds as the Dividend Equalization Fund must, however, be shown somewhere as they do exist.

Resolution No.14. Mr. Hemingway moved that the report of the Sub-Committee be adopted.

The motion was carried.

Mr. Calvert said with regard to the suggestions put forward by the Committee for amending the statement showing the progress of the co-operative movement in India, that these statistical returns were submitted before their annual reports to the Government of India. Therefore the Government of India was not able to perceive to what extent duplication takes place. They therefore recommended that in submitting statistical tables Registrars may supply tables free from duplication. For instance in the Central Provinces he might make a note that 47,000 members have been counted twice over.

Mr. Mant asked whether that would give too much trouble to local Governments and Registrars.

Mr. Donovan said it would not.

Mr. Mathias added that he had no objection.

Mr. Collins suggested that in addition column 2 in abstract table I (b) might be divided into two and Central Banks and Banking Unions be shown separately from Guarantee Unions.

This was generally approved.

The Report of the Sub-Committee on these points was accepted and it was recommended that it should be submitted to the Government of India for consideration.

### **VIII.—Investment of the reserve fund of co-operative institutions.**

#### *Points of reference.*

Whether the following recommendations of the Committee should be accepted ?

- (a) Subject to provision being made for the maintenance of necessary fluid resource, primary societies and Central Banks should be allowed to use their reserve funds in their own business — *recommendations Nos. 88 and 151.*

(b) Reserve funds of primary societies should not be deposited in Central Banks—recommendation No. 127.

It seems difficult to reconcile these recommendations. The recommendation that primary societies should use their reserve funds in their own business practically means that these funds should be added to the deposits available for loans to members. In paragraph 52 of its report the Committee says that surplus deposits not required for meeting such loans will be forwarded to the Central Banks for deposit, but in paragraph 125 [vide (b) above] it states that it is unsound for the societies to deposit their reserve funds in the Central Bank. If the reserve funds are not to be earmarked and separately invested, it is not clear how they could be practically distinguished from surplus deposits.

The Government of India are also advised that the prohibition suggested in (b) above would be illegal in view of section 32 (1) (c) of the Co-operative Societies Act, II of 1912. If the Committee's recommendation is accepted, it will be necessary to remove the legal difficulty by an amendment of the Act. It is suggested that the matter could be provided for by adding a rule-making power in section 43 and by making section 32 subject to the provisions of rules or by adding a proviso to section 32 (1) enabling local Governments to prescribe by general or special order methods of investment.

Mr. MacKenna presented the following report of Sub-Committee No. II on the subject:—

"RESOLVED (a) that subject to provision being made for the maintenance of necessary cash reserves or fluid resources any surplus of the reserve fund of co-operative institutions may be employed in their credit business.

"(b) that primary societies should not be compelled to deposit their reserve funds in Central Banks."

In presenting this report, Mr. MacKenna said that discussion showed that much of the criticism of the Committee on Co-operation arose from a misunderstanding of the sense in which the various terms used were employed, due merely to technical differences between co-operative and joint stock banking. The actual practice with regard to the reserve funds of societies differed in various provinces and the sub-committee were anxious to find a form of words which, without deviating from the standard of sound finance, should allow each province an opportunity for meeting its own local conditions. This had, it was hoped, been realised in the resolutions finally adopted.

Mr. Collins said that he dissented from the first recommendation, though he had not such a strong objection to it in the case of primary societies. He then read the following extract from a note which he had submitted for consideration to the Bihar and Orissa Co-operative Conference and which had been published in the May number of the Bengal Co-operative Journal:—

"In the first place, we have to consider the outside public which invests its money in the movement. To the man in the street whose cash we wish to attract a reserve fund is a reserve fund and he regards its utilization as working capital with the gravest suspicion. It is useless to tell him that proper provision has been made for meeting the demands of all depositors by central banks. This kind of reserve is a fluid and unstable thing and does not gain his confidence in the same way as an inviolable fund built up out of profits and invested outside the movement. This view was put forward strongly in an article in *Capital* quoted in *extenso* in our last annual report and in the writer's opinion is eminently practical and sound. Secondly, the idea that the central banks can and should provide all the 'fluid resources' of the movement is both wrong and impracticable. It is wrong because of its moral effect on the societies, since it tends to make them regard the central bank as an outside financing agency in which they have no concern, the very tendency against which we are fighting with such difficulty; while it substitutes for the great co-operative motto of 'each for all and all for each' a new standard of 'each for himself and the devil take the hindmost.' It is impracticable, because if the central societies have to bear the whole burden of this 'resource,' they

either cannot afford to provide proper supervision or else must charge such high rates for loans as to make our co-operative organization unworkable.

“Finally, there is the direct effect on the members themselves. Our greatest authority, Mr. Wolff, has pointed out that when a society becomes financially independent all incentive to thrift ceases. In India, as those with practical experience know, the evil is even greater. In the early years of a society's life, unless the members know that they must pay their *kists* in order to enable the society to repay its loan to the central bank, the members of the committee either will not pay themselves or cannot collect the money from others. Overdue loans then accumulate or else resort is had to paper transactions, either of which demoralize the society. The past history of money dealings in the villages and the illiteracy of our members, makes it extremely unlikely that this tendency will be cured for many years to come. Practical as well as theoretical considerations, therefore, make it most undesirable that the primary societies should, at an early stage, in their career become independent of outside financial assistance.”

Mr. Collins went on to say that his general conclusion was that a part of the surplus assets of a society should be set apart as a reserve fund and invested outside the co-operative movement. The proportion suitable for Bihar and Orissa was 50 per cent. for primary societies, while all funds allocated to reserve by central societies were invested separately.

Mr. Mathias said that what Mr. Collins had stated about the “man in the street” was perfectly correct. But a distinction must be drawn between “reserve” and “reserve fund.” What the man in the street meant by “reserve,” was an amount laid on one side in cash or fluid securities to meet a run on deposits, a succession of bad seasons or similar unforeseen contingencies. Reserve in this sense was covered by the Committee's expression “fluid resources.” Reserve fund on the other hand in its wider sense might be defined as the surplus of assets over liabilities. In this sense it came into play only on liquidation and was the ultimate security to which shareholders and depositors might look for the protection of their interests. Assuming then that an ample reserve or fluid resource was maintained to meet a possible run on deposits or other unforeseen contingency, he saw no reason why the reserve fund in the sense of undistributed or surplus profits should not be invested in the co-operative business. The resolution of the sub-committee had been framed very widely because it was not intended to place any restriction on the practice in the different provinces. He agreed with Mr. Collins that the reserve in the sense of fluid resources should be concentrated at the apex of the movement. This was the system adopted in the Central Provinces, where the fluid resources for the whole movement were held by the Provincial Bank. But primary societies were not allowed to employ their reserve fund as working capital; surplus profits, after providing amply for fluid resources, were invested in the shares of the Provincial Bank; when these shares had been all taken over, it was intended that shares held by individual shareholders in central banks should be taken over in like manner so that in time the whole movement would be owned and controlled by the primary societies. In fact the Central Provinces system contemplated the building up of a Foundation Fund on the Raffeisen model to be employed in the provision of the capital of the movement working from the apex downwards. And provided that adequate fluid resources were maintained, he was strongly in favour of this system and saw no practical objections to it.

Mr. Donovan said in cases where the shares of Central Banks and Provincial Banks were not fully paid up this imposed on primary societies a further liability.

Mr. Hemingway said that they considered in Madras that it was legitimate that the reserve fund of primary societies should be deposited in the Central Banks to which they owed their financial strength.

Mr. Lalubhai said by reserve fund the Committee on Co-operation had meant the difference between liabilities and assets. In Madras primary societies were

forced to deposit this in Central Banks, which meant making a gift of 2 or 3 per cent. to Central Banks at the expense of primary societies. That deprived them of the right of using their money for their own purposes. It was understandable to ask that the reserve fund of primary societies should be put into securities because from a theoretical point of view it had been held that this reserve fund was untouchable and to be used for emergency purposes. He could understand that if it was to their interest that they should put their money into the Central Banks, no objection would be taken to doing so, but if they were forced to put their money into Central Banks, they would be deprived of using it for their own purposes. Was it right that a present should be made to the Central Banks at the expense of the primary societies?

Mr. Ewbank said while he fully agreed with Mr. Mathias there were two further points. One was that there was no necessary relation between the extent of the reserve fund and the proper amount of fluid resources. A new society might have a small reserve fund and need large fluid resources. On the other hand when the reserve fund was very large, the need of fluid resource would diminish. Secondly the Committee on Co-operation had made a great point of societies building up their own owned capital quickly. If the reserve fund had to be invested outside that time would never come. Instead of getting 5 per cent. from the Central Banks, the society gets 9 per cent. in its own business. In the end a society should work entirely with its own owned capital or reserve fund, and would then need no fluid resource at all.

Mr. English said that the Committee on Co-operation thought they had thoroughly understood the matter. They had two bankers on the Committee and had thoroughly discussed it all over the country. Books on banking did not agree in what a reserve fund actually consisted. Provided adequate fluid resources were provided the position was safe. The chief criticisms against co-operation in Germany and other places had been in this respect. He had no objection to reserve funds being used in the best possible way. What they objected to in Madras was that excess assets were deposited in the Central Banks and were loaned out either to the same societies or other societies. In no way did that strengthen the movement. It appeared to the casual observer that that money was placed in gilt-edged securities, but that was not actually the case.

Mr. Ayyar said in Madras bitterness of feeling arose between primary societies and Central Banks owing to the fact that interest on reserve funds, when invested in Central Banks, was only 5 per cent., while money was being lent out to societies at 7½ per cent. Conditions had, however, changed since the visit of the Co-operative Committee to Madras. Primary societies were affiliated to Central Banks and had lost their joint stock character. Now primary societies and the Central Banks formed one link in the chain. The question of fluid resources was a puzzling problem so far as Madras was concerned. The margin of interest was so low that fluid resources could not be secured unless an increase in the share capital were secured or unless a strong reserve were secured in the future. He thought therefore that the Madras practice was a good arrangement which had been accepted by the societies.

Mr. Parsons said that the first point was one of terminology. He believed that the phrase "reserve fund" was used with different meanings in different countries, and that in America — where the term was, however, "reserve" and not "reserve fund" — it was used for cash reserve, or what the Committee called "fluid resource," but that this was not now at any rate the practice in England. He thought that difficulties would be caused in the future if the terminology was not fixed, and the actual definition of "reserve fund" in paragraph 82 of the Committee's Report seemed to him to be opposed to the use of the term in the Act. Under the Committee's proposal, the reserve fund denoted all the undistributed profits, whereas under section 33 of the Act, only a quarter of the undistributed profits had in certain cases to be carried to the reserve fund. If the expressions "reserve fund" and "fluid resource" were not used in the same sense as they were used by joint stock banks in India, the movement would meet with a good deal of difficulty, and it seemed therefore advisable to use the term "reserve fund" for the amount of money which co-operative institutions thought they could put aside from their profits. A separate question was that of the manner in which this reserve

fund should be invested. In ordinary business the reserve fund was not put into the business but invested in outside securities. But the difficulty the co-operative movement was up against was that it had not any large amount of capital behind it, and it might therefore, as was the case with joint stock banks at certain periods of their existence, be preferable at present to use the profits as capital in the business rather than to build up a reserve fund.

Mr. English said the Act was largely based on Sir Frederick Nicholson's Report, and the practice in Germany, as described in the Report, did not coincide with that described in Mr. Cahill's Report.

Mr. Parsons pointed out that if the question of terminology were not fixed it might be difficult for Central and Provincial Banks to deal with joint stock banks when they wanted to discount their paper. It was possible that when the Co-operative Societies Act was being framed it was intended that the reserve fund should be used outside the societies' business.

Mr. English said that in Germany it was used in this way. Mr. Cahill's description of the practice in Germany was quite different from that of Sir Frederick Nicholson. Agricultural owned capital in Burma was 28 per cent. for primary societies, whereas in Germany it was only 2½ per cent.

Mr. Clayton considered that all fluid resources should be held at the top.

Mr. Donovan said it was particularly unfair to make primary societies invest their reserves in Central Banks at 5 per cent. when they could get 5½ per cent. in Cash Certificates from the Post Office.

Mr. Willoughby said he would leave the Provincial Governments some option in the matter. In his province very few primary societies attracted deposits. In their case adequate fluid reserve would be insisted on, but for the bulk of the province adequate fluid reserve in the Central Societies would be all that was required. What was more practically necessary was that there should be an adequate reserve fund to meet periods of agricultural stress.

Mr. Hemingway was not prepared to say he was willing to abandon his power to compel primary societies to deposit their reserve funds in Central Banks. In Madras the practice has been in vogue from the very start and was in accordance with the wishes of the majority of co-operators. He considered they were justified in doing anything to secure the financial stability of the central and apex banks which were the lifeblood of the whole co-operative movement.

Mr. English enquired whether the reason for the recommendation (b) of the sub-committee was that the practice was bad finance or that it was unfair to primary societies.

Mr. Lalubhai said what was meant was that the reserve fund should not be compulsorily deposited in Central Banks.

Mr. Mant then put the following resolution to the Conference :—

Resolution No. 15.

That while recognising the ultimate advantages of creating a separate reserve fund invested outside the movement, the Conference consider that, at the present stage of development, it may in many cases be desirable to prefer to this object the creation of capital owned by co-operative institutions for utilization in their business. Subject to provision being made for the maintenance of a safe standard of cash reserve or fluid resources, they consider that there is no objection to the employment of the surplus assets or undistributed profits of co-operative institutions in their own business.

This was put to the vote and carried.

Mr. Ayyar said that if the Madras practice were altered it would strike at the root of the co-operative system in Madras.

Mr. English said there was no necessity to go into this matter. The Resolution allowed societies to use their surplus assets in any way they thought fit.

Mr. MacKenna then said the sub-committee would withdraw their recommendation (b) in view of the resolution which had been passed in regard to recommendation (a).

## *IX.—System of Guaranteeing Unions.*

### *Points of reference.*

\*Vide paragraph 1 of G. O. No. 4208, dated the 26th December 1917.

†Vide paragraph 3 of the Chief Commissioner's Resolution on the Co-operative Report for 1915-16.

Whether the Burma system of voluntary entry of primary societies to Unions is preferable to that of direct or indirect compulsion introduced in certain provinces, e.g., Madras,\* and the Central Provinces.†

### *Report of Sub-Committee No. I.*

"We do not recommend to the Conference the adoption of any system of direct or indirect compulsion to join a Guarantee Union, but we do not advocate interference with any existing system."

Mr. Calvert in presenting the report of the sub-committee said that no one on the sub-committee had been in favour of Guaranteeing Unions. Some of the members of the sub-committee were definitely opposed to them as a result of their experience, and others had no intention of trying them. It had been found quite definitely in the Punjab that a Sikh of one village would not guarantee loans to Muhammadans in another village.

Mr. English said the system was voluntary in Burma.

Mr. Mathias said it was also voluntary in the Central Provinces.

Mr. Collins said it was compulsory in Bihar and Orissa to the extent that he refused to register any societies which did not promise to join a Guaranteeing Union if required to do so. But no Guaranteeing Union was compelled to take in any particular village.

Mr. Hemingway said in Madras they were prepared to exercise indirect pressure to compel societies to join Supervising Unions, but that the Unions in that province accepted no guarantee.

Mr. Mathias said that if their Federation in the Central Provinces compelled societies to join Guaranteeing Unions they would have to do so.

Mr. Donovan said that such Unions made up for a lack of Central Banks. A Central Bank in Bengal was more or less a Guarantee Union. Each society guaranteed to pay up Rs. 25 on its share in the Bank if the latter went into liquidation. Mr. Wolf had condemned Guaranteeing Unions as unsafe. He therefore agreed with the recommendation of the sub-committee.

Mr. Ewbank said that in Bombay, when a Guaranteeing Union had been formed and a new society came up for registration within its area, it was required to join the Guaranteeing Union before it was registered and to contribute towards local supervision in conjunction with societies in its neighbourhood. Guaranteeing Unions necessarily supervise as a condition of their guarantee. The guarantee only amounted to this. Every loan application to the Central Bank or the Provincial Bank was examined by the Union Committee and only granted after it was sanctioned by the Committee. If the society did not repay the loan punctually in spite of the efforts of the Union, the Registrar would have to liquidate it. If the amount realised on the completion of the liquidation were still deficient, the other Union societies had to make up the balance within a certain specified limit. There were 31 such Guaranteeing Unions in Bombay; he did not consider the liability accepted as in any way unreasonable.

Mr. Collins said that in Bihar and Orissa it had been found that without some connecting link between it and its affiliated societies no Central Bank could manage

more than 150 societies, which was the absolute limit of expansion. Some means of decentralization was therefore necessary and therefore it had been laid down that no new society could be registered unless it joined a Guarantee Union. No compulsion was used to make a society join any particular Union, but as no Central Bank could manage more than a certain number of societies direct, it was impossible to register societies unless they agreed to the system. The second point was that all societies were shareholders in the Central Banks, had to take one ordinary share of the face value of Rs. 10 for every 100 rupees loan and were liable for the debts of the Central Bank to the extent of five times the amount of that share. But being mostly composed of ignorant people they did not exercise any check on the policy of the Central Banks or in regard to loans given to other societies. When it was pointed out to them that by joining a Guarantee Union they could limit this liability to the debts of the neighbouring societies, the position of which they knew and the loans of which they could limit, they jumped at the idea. It was only in the case of new societies that any compulsion was exercised in regard to joining Guarantee Unions.

Mr. Lalubhai pointed out that almost all those who had spoken had done so from the point of view of the societies, but supposing a Union declined to take in a new society?

Mr. Clayton mentioned that Mr. Wolff had recently asked him to explain the exact system of Burma Guarantee Unions so that his objection to Guarantee Unions hardly seemed to have much force.

Resolution No. 16. The Sub-Committee's Report was then put to the meeting and was adopted by a large majority.

### *X.--System of Central Banks issuing loans to primary societies on pro-notes nominally repayable at call.*

*Co-operative Committee's recommendation No. 145.*—Subject to the condition that the terms of loans must depend on the terms for which deposits are held and that repayments due within a given period should exceed the deposits falling due within the same period, Central Banks may grant loans either recoverable in fixed instalments or on pro-notes nominally payable on demand, the society's repayments corresponding with the repayments made by members.

#### *Points of reference.*

What is the precise system advocated by the Committee in paragraph 146 of its Report under which Central Banks issue loans nominally repayable at call; and whether it should be approved?

#### *Report of Sub-Committee No. I.*

"We are of opinion that, in the present circumstances, it would be inadvisable to attempt too rigid an adherence to the principle that the period of loans must be conditioned by the period for which deposits are held, but agree that this represents an ideal to be worked up to.

We recognise that the pro-note system has special advantages and that it possesses features which render it acceptable to joint stock banks.

The instalment system also has advantages and it is impracticable to do without it; we recommend that instalments should invariably be fixed as a matter of concession, leaving the pro-note in full legal force."

Mr. Calvert in introducing the report of sub-committee on this subject said it had been difficult to understand the precise system advocated by the Committee on Co-operation.



Mr. Donovan proposed and Mr. Hemingway seconded that the report of sub-committee No. I be adopted.

Mr. Ewbank moved that the words "as a matter of concession" should be omitted. He understood it was the common business practice to take pro-notes and at the same time to give an undertaking fixing the amounts of the instalments that would be expected.

Mr. Donovan said that payment by instalments must be a matter of concession otherwise the courts might hold that it was a right.

Mr. Hemingway said that if power to sue on the pro-note were not retained, the joint stock banks would not accept pro-notes as a security for an overdraft.

Mr. Lalubhai said that the practice of most of the joint stock banks was that they took a pro-note and also took a letter written by the borrower saying that as regards the pro-note he agreed to pay the sum after say a year and it was understood that the amount was not to be called for within a year. He said this letter was written to ensure that the Bank would not call for the money before the period mentioned in it. He would like the words "as a matter of concession" omitted. In the Committee on Co-operation he had been strongly of opinion that the pro-note system should not be introduced. He had agreed to it because pro-notes were the only paper that would be taken by joint stock banks. He felt that the borrower should know definitely when he had to pay back the money.

Mr. Calvert said that if payment by instalments were inserted in the pro-note, it became a bond. You could not have a pro-note and a contract to pay by instalments side by side. The sub-committee did not propose to make payments by instalments a legal right, otherwise the pro-note became a bond.

Mr. Mathias said that he agreed with Mr. Calvert. A difficulty had actually arisen in the Central Provinces in connection with the rate of interest.

Mr. Ayyar said there was a legal difficulty. If the bond to repay in instalments was valid, then the pro-note became fictitious.

Mr. Kelkar said the practice in the Central Provinces had been to take bonds and pro-notes simultaneously and considered them as part and parcel of the same contract. Payment by instalments was never treated as a concession. In every bond it was made clear that the creditor Bank or creditor society should have the right to act on the bond or pro-note if necessary. If that was made clear in the bond, there was no technical difficulty.

Mr. Mohan Lall did not agree with Mr. Kelkar. The contract to be binding on both parties must be reciprocal and therefore if it was desired to give effect to the bond, the pro-note would become useless and the debtor could legally ask not to be bound by the pro-note. The pro-note would have no legal force unless the instalments were given by way of concession.

Mr. Ewbank said he was objecting on behalf of agriculturists. Since it was a matter of common knowledge that they could not really meet their pro-notes except at harvest time and they were entitled as a matter of right to have this recognised in a concomitant letter which should be given to them when they passed the pro-note. The Legal Remembrancer in the United Provinces had given the Committee on Co-operation his opinion that the features distinguishing a pro-note were (a) that it was payable on demand, (b) that it was unconditional and (c) that the sum payable should be expressed in money. If this was so, a reasonable agriculturist would naturally shrink from signing it without some safeguard.

Mr. Lalubhai seconded the motion. The motion was defeated.

The report of the Sub-Committee was then adopted.

Resolution No. 17.

## ***XI.—Advisability of charging variable rates of interest by Central Banks.***

*Co-operative Committee's recommendation No. 148.*—Rates charged on loans should be below bazar rates but should be high enough to allow of a wide margin.

Rates may vary on a definite system with reference to the character of the borrowing society and the length of the loan.

*Points of reference.*

Whether the Committee's recommendation (No. 148) advocating differentiation in the rate of interest charged —

- (a) according to a society's degree of merit, or
- (b) according to the length of the term of the loan, should be endorsed ?

*Report of Sub-Committee No. I.*

"We do not recommend that the Conference should advocate the adoption of any system of different rates of interest based on the merits of the borrowing society but we see no reason to prohibit the practice. We are opposed to the suggestion that the rate of interest should vary with the length of the term of the loan."

Mr. Calvert in introducing the report of the Sub-Committee said that on the whole the practice of granting loans at lower rates of interest to good classes of societies was not a course to be recommended. Classifications of societies varied from year to year and the Registrars or Central Banks might differ as to the merits of societies. The rate of *takavi* loans was the same whether they were given for six months or a year or 15 years. If a higher rate of interest were charged on long term loans, that would simply mean that short term loans would be renewed.

Mr. Hemingway proposed and Mr. Kelkar seconded that the report of the Resolution No. 18. Sub-Committee should be adopted.

The motion was carried.

**XII.—Principles on which Central Banks should recover loans issued to primary societies.**

*Co-operative Committee's recommendation No. 149.*—Money recovered from members should be at once available for repayment by a society to a Central Bank. The Central Bank should supervise recoveries but need not prepare lists of overdue loans.

*Points of reference.*

Whether the Committee's recommendation that money recovered from members should be at once available for repayment by a society to a Central Bank should be accepted ?

*Report of Sub-Committee No. I.*

"The Central Bank should be considered to have a first charge on money, repaid by members in redemption of loans advanced from the money of the Central Bank. We are not unanimous on the point whether this charge should extend to the amount of the whole sum outstanding or only to the instalment due."

Mr. Calvert, in introducing the report of the sub-committee on this subject, said the question was bound up with widely different procedure in different provinces. In a province like the Punjab where societies owned 70 per cent. of their working capital the member paid direct to his society, but they recognised that where a loan had been given to a member from money advanced by a Central Bank, the Central Bank had a first charge for repayments from that loan.

They accordingly recommended that the Central Bank should be considered to have a first charge on money repaid by members for redemption of money advanced by the Central Bank.

Mr. Kelkar moved that the first part of the recommendation should be accepted and the second part should be further discussed by the Conference.

Mr. Donovan seconded.

Mr. Ewbank said that in Bombay and he thought in most provinces the societies gave bonds to the Central Banks for money lent by the latter. The Central Banks were therefore only entitled to make recoveries in strict accordance with their bonds. He enquired whether it was intended that a society which recovered money should keep it idle in order to pay it to the Central Bank when the date came.

Mr. Collins said the law would have to be altered if the recommendation of the sub-committee were accepted.

Mr. Kelkar said it was more advantageous to a society to repay the Central Bank as soon as the money was collected.

Mr. Collins proposed that the Conference should pass no resolution on this subject. He did not understand what was meant by the sub-committee's recommendation.

Mr. Donovan said it was meant to secure that societies should pass on money to Central Banks as soon as possible.

Mr. Ewbank said the money was due under the bonds taken by law and nothing would be gained by giving Central Banks a first charge on recoveries.

Mr. Mohan Lall said supposing a society, after borrowing a thousand rupees from the Central Bank, were to lend it to its members, the society might collect the thousand rupees and then squander the money. It was in order to prevent such cases as this that the sub-committee's recommendation had been made.

Mr. Ayyar said that instalments collected might be relent as *benami* transactions. In Madras all money collected was at once sent on to the Central Banks.

Mr. Clayton said he understood this was not intended to be a provision of law and the passing of this resolution would not mean that either the Act or any byelaws or the legal position would have to be altered. All that it was intended to lay down was a principle of practice which Registrars and their staffs might prescribe for their societies. The demands of the Central Banks first; those of the members second.

Mr. Kelkar's motion was then put to the vote and News carried.

Mr. Mohan Lall then moved and Mr. Ayyar seconded that the charge should extend to the amount of the whole sum outstanding.

Mr. Hemingway said that if a man, who had been given a loan by a society out of a financing bank's money, subsequently, got a windfall and repaid the whole amount he had borrowed from his society it was legitimate that the Central Bank should have the first claim on that money and that it should be in a position to prevent the society from reloaning it without control. There was a very considerable difficulty about keeping money fluid and it was therefore desirable that the Central Banks should be in a position to get back their money, whenever this could be done without injustice. If the Bank did not want the money back it could always permit the society to retain it and reloan it under proper safeguards.

Mr. Kelkar thought that if the latter part of the sub-committee's report were accepted it would be giving undue preference to societies.

Mr. Ayyar said that what it was wanted to prevent was reloaning.

Mr. Chaudhuri said societies should be allowed to stand on their own legs. The question whether a loan should be made in the first instance would have to be decided by the Central Banks. He supposed that was not the principle of the Co-operative Act or of the co-operative movement either. Guidance by Central Banks should take the form of advice only. He supposed that if societies were tied down in the way proposed it would make them less useful and weaken

their power. He therefore considered that the last sentence of the sub-committee's report should remain as it was.

Mr. Calvert supported this.

Mr. Mackenzie said this recommendation was inconsistent with the acceptance of the instalment system. He therefore moved that the last three lines of the sub-committee's report should be deleted.

Mr. Clayton seconded.

Mr. Calvert moved that as regards the second part of the sub-committee's report, the first charge should extend only to the instalment due.

The amended motion was carried by a small majority.

Resolution No. 19.

The Resolution of the Conference therefore was that the first part of the Sub-Committee's report be accepted. That as regards the second part of the report, the first charge should extend only to the instalment due.

### *XIII.—Provision of facilities for discounting pro-notes of co-operative societies.*

*Co-operative Committee's recommendation No. 206.*—Doubtful if the present Indian Co-operative Banking system can provide fluid resources to the extent necessary for stability and safety.

*Co-operative Committee's recommendation No. 207.*—Co-operative banking governed by same basic laws of finance as ordinary banking. Co-operative banking suffers from disability that pro-notes of its societies cannot be freely discounted and commercial banks cannot be expected to take up this business to any appreciable degree. Nor without guarantee from Government will Provincial Banks be able to raise capital sufficiently cheaply in all cases to solve the difficulty of maintaining adequate fluid resources.

*Co-operative Committee's recommendation No. 208.*—It is on facilities for re-discount that the problem of providing adequate fluid resources depends and in India there is no agency to do this.

*Co-operative Committee's recommendation No. 209.*—Failing Commercial and Presidency Banks, the only alternative agency seems to be a State Co-operative Apex Bank.

#### *Points of reference.*

What is the best possible solution of the difficulties in the matter of providing adequate fluid resources for co-operative institutions set forth in paragraphs 217—220 of the Committee's report? The Government of India are inclined to think that an all-India Bank of the kind referred to in paragraph 220, even if a desirable ideal in the future, is at the present time premature and that the greater decentralisation of administration to local Governments would render the establishment of such a bank a matter of great practical difficulty. It has, however, been suggested that a possible line of development might be for one of the larger provincial institutions, such as the Bombay Co-operative Bank, as its resources grow, gradually to acquire the ability to assist its weaker brethren in other provinces whose resources were less fully developed, and the point is for consideration.

2. The Government of India are doubtful if any assistance can, in present circumstances, be given by Presidency Banks towards re-discounting agricultural paper for Provincial Co-operative Banks. Finally, they do not consider it desirable that co-operative institutions should be encouraged to look to Government for support or financial backing in order to enable them to meet or deal with liabilities which they ought to meet with their own resources which it is their duty to build up.

#### *Report of the Sub-Committee No. II.*

“Resolved

(a) that the provision of adequate facilities for financing the co-operative movement including the discounting of pro-notes necessitates either (1) the establishment of an All-India Central Co-operative Bank, or (2) the further development of financial assistance from Presidency Banks; and

(b) that it be suggested to the Government of India that an influential Committee of bankers, business-men and co-operative workers should be assembled on an early date to examine the question of financing the co-operative movement in all its bearings.

Carried with one dissentient—Mr. Parsons representing the Finance Department of the Government of India.”

Mr. MacKenna in presenting the report of the sub-committee on this subject said it had been decided by the sub-committee to defer consideration of the first portion of subject no. XIV and to deal with the remaining subjects in serial order, the second part of subject no. XIV being taken in conjunction with subject no. XV so as to enable the whole question of fluid resources to be dealt with in one resolution. In course of the discussion of subject no. XIII Sir Daniel Hamilton had put forward a series of valuable proposals with regard to the future financing of the co-operative movement in India. The sub-committee were of opinion that his views could be more suitably addressed to a meeting of the full Conference as the range of his proposals went to a certain extent beyond the reference of the sub-committee.

Sir Daniel Hamilton thereupon addressed the Conference as follows:—

“ I think it was in the cold weather of 1903-04 that I was on one of the sub-committees of Lord Curzon's Council, which framed the original Co-operative Credit Act. I did not then expect that fifteen years later I should still be sitting discussing details while the main problem—the financing of the movement—is still unsettled. The Finance Minister at the time referred to, was Sir Edward Law. After him came Sir Edward Baker, then Sir Guy Fleetwood Wilson, then Sir William Meyer, all of whom came and went, or are about to go, but the problem is still unsettled—a problem upon the solution of which, more than any other problem, the future of India turns.

“ Again in 1913 His Majesty appointed a Royal Commission to look into the question of Indian Finance and Currency, and ordered the Commission to make recommendations in the interests of “ India.” But the Commission mistook the exchange question for India, and made recommendations, which the war has blown to bits, for fixing the sterling value of the rupee. In the half minute interview with which Mr. Chamberlain then kindly favoured me, I tried to explain to him that the development of the people's finances would strengthen the weakly finances of the Government, but he said I would'nt convince him, and he wouldn't convince me. Thereupon he shook me warmly by the hand, gave me a winning smile, and departed on business more urgent than the financing of four-fifths of the British Empire.

“ The question of a State Bank for India which, among other things, was to consider the question of taking the co-operative credit movement under its wing came before the Commission, but after facing it boldly from behind, the Commission passed by on the other side. If my memory serves me aright they said, quite truly, they had not the necessary knowledge to enable them to express an opinion, so they suggested that some one else should sit on and hatch the State Bank project; but nobody did; the egg became addled; five years have passed; nothing has been done.

“ Then came the MacLagan Committee, and its report published in 1915. After touring the country from end to end, and seeing India's needs, they reported that if the co-operative movement was to be saved from the financial starvation which threatened it, an agency to finance it must be found, and they suggested the Presidency Banks as the agency, or failing them, the formation of a State Apex Bank. There the matter now rests; but it can be allowed to rest there so

longer, for the safety of the realm is threatened by economic distress. As Mr. Donovan told us yesterday, trouble is brewing in the jute districts, and I know from my own experience that in the rice-growing districts also, distress is rife. In other parts of the country the rainfall is short and famine threatens, besides a famine in cloth, or if the cloth is there the people have not the money to buy it. Mr. Abdul Majid Khan has just told me that one year's famine in the Deccan where he comes from, means twenty years' ruination for the people. The modern *thug*, the Mahajan, with his bit of silver tied in his silken noose strangles the life of the people, and until the noose is loosened, and slipped round the Mahajan's neck, India will not breathe or live. But the Mahajan will not go until he is displaced by a modern banking system, and this India must have, if she is to catch up to, and keep abreast of, the modern world.

"It would therefore be absurd, as is suggested by Mr. Craik, Revenue Secretary of the Punjab, that we should gather here from all parts of India to discuss only the details of the co-operative movement, and leave the big question of its financing untouched. The question can be settled, and it must be settled if India is not for ever to remain the land of bankrupts she now is; and it is with a view to bringing the question to a head that I offer for consideration at the proper place and time the following suggestions:—

1. That following out the Maclagan Committee's recommendation, the Presidency Banks be approached, definitely, with a view to their becoming the financing agency; and failing the Presidency Banks, that a State Apex Bank be considered.
2. That the additional credit required by the co-operative movement be supplied by Government in the form of paper currency, through the Presidency Banks.
3. That steps be taken immediately to organise the people into co-operative credit societies to the utmost extent possible consistent with safety, by increasing the provincial co-operative staffs, to whatever extent may be necessary for that purpose.

"Regarding the first head I would say I cannot imagine the Presidency Banks being so foolish as to refuse a first class agency business which may ultimately run into hundreds of crores, and which need involve them in no risk. The London Banks will not refuse it if they come.

"Regarding the second head it is necessary that I should explain in a word or two where all the additional finance is to come from. It can come only from one source, the reserves of the Government, which are the reserves of the people. Where do these huge reserves come from? They come, chiefly, from the balance of trade. They are part of the sale proceeds of the crops raised by the rayat: the rayat has, therefore, the first claim to their use. This money is now invested, largely, in British securities. If these securities are turned into silver, three times as much money power in the form of credit or paper currency, can be safely got out of them. There are hundreds of crores of money power now lying frozen in British Securities which, if liquified, would be available for the productive development of India. Here is the fluid resource for which the Maclagan Committee have been searching.

"Let me explain, briefly, how the suggestion would work out in practice. Take for example the 70 crores of rupees of the paper currency reserves, now invested in British Securities; sell these for gold and silver at the earliest opportunity. With a backing of 70 crores of gold and silver you could safely get 200 crores of money power out of this

portion of the reserves, instead of the 70 you now get. This power would issue in the form of paper currency and would be issued only for productive purposes. The first purpose to which I would apply it would be to double the salaries of the co-operative Registrars. I have been much impressed here with their ability and the warm enthusiasm they have in their work. I should then proceed to organise the whole of India for war on the Mahajan, by forming the people into co-operative groups. Having done so I should gather in all the local money possible and make up the deficit from the paper currency. This new money which has been called into existence out of nothing as it were, would yield Government 5 per cent. in interest, and the people 100 per cent. in crops. One is apt to have the impression that a 5 per cent. British security and a 5 per cent. Indian security are, for all practical purposes, one and the same thing, but they are not. The difference between them is the difference between chalk and cheese. A five per cent. British security yields India 5 per cent. and nothing more, whereas if the same money were invested in India through the co-operative societies it would yield 105 per cent., that is, 5 per cent. to the Government in cash, and 100 per cent. to the people in crops. Therefore, by investing these 70 crores in British securities India loses 700 crores in ten years. Is it surprising that the people are poor?

“Before I came up to Simla a few days ago, I was not quite sure that the Government of India were in earnest about the co-operative movement, but a good breakfast which I had with Sir William Meyer this morning, has convinced me that Government is more sympathetic than I thought; and I should like to show you as briefly as I can that it will pay Government to be sympathetic.

“Mr. Abdul Majid Khan told me last evening of a scheme of well irrigation which he is hoping to work out for the Deccan—a scheme which will kill famine for ever in ten years’ time — if he can find the money to do it. Perhaps he will tell you about it himself. Under this scheme a well costing a thousand rupees might yield three or four thousand rupees worth of crops every year. But I prefer to base my proposals on more moderate returns. Assuming that the 250 million acres of cultivated land in British India, with the help of co-operative finance and irrigation and improved agriculture, will yield the modest profit of fifteen rupees an acre, after providing for the family wants, what will it mean? The people, with the help of their co-operative banking system, will no longer be borrowers: they will be lenders. Their spare money will find its way into their own bank, and linked up to Simla, will lay every year at the feet of Sir William Meyer and my friend across the table nearly four hundred crores of rupees. Is this worth lifting? When I dangled this before Sir William this morning he sagaciously enquired what about the rayat’s wife, won’t she insist on putting the money into bangles? As a married man I admit I ought to have thought of this, and I am quite willing to cut the figure down to a hundred crores. Are a hundred crores a year worth lifting?

“I take it that the Government are the Trustees of the peoples’ welfare—a view which I believe is shared by the Finance Department; and I believe they will not fail in helping the people to lift this money. The MacLagan Committee told us that Government turned to co-operation as the remedy for the stagnation of the masses; and I do not believe they will now turn their backs to it.

“Another point regarding the paper currency. As the people gradually become solvent, deposit banking should follow; but I should like to remind you, gentlemen, that the teaching of history is, that deposit-banking never comes in any volume until metallic money has been displaced by small paper currency. And as a system of deposit-



banking is essential to a modern state, it is essential that the paper currency be developed. This as a matter of fact Sir William Meyer is already doing, and this the Chamberlain Commission recommended.

“Regarding the third head, *viz.*, the proposed increased co-operative staff, I shall leave my friend Sir Deva Prosad Sarbadhikary to deal with it. I would only remark that cheap work is the dearest in the end, and if the co-operative movement is to be conducted and developed along sound lines, it must be provided with an adequate and efficient first class staff.

“One more point and I am done. Last week’s *Capital* gave a timely warning against the entrance of the London Banks into India. India is quite able to build up a banking system of her own — the greatest in the world—without the help of London; and I hope that whatever irresponsible or responsible Government may be in power, it will see that no London Bank, directly or indirectly, is allowed to put its finger in the pie, to pull out the plums.

“I now move that the report of the sub-committee may be adopted. Gentlemen, we live in great days, not in the days of small things. I hope, therefore, Government will keep step with the times in which we live, and settle without delay this great question.”

Sir Deva Prosad Sarbadhikari also addressed the Conference as follows and seconded the Resolution :—

“I strongly support Sir Daniel Hamilton. I am glad and grateful to have this opportunity. So far as the lay public is concerned he has effectively disposed of the initial difficulties so long wrongly supposed to be insuperable. He has shown a way out of the financial tangle, if only the requisite will is forthcoming.

“And the will is not wanting, for Government has demonstrated in many ways its desire and determination to help every movement, that like the co-operative movement aims at building up sound economic life. Mr. Calvert in his excellent book for the enlightenment of the unenlightened like me has told us of the many efforts in this direction in his introduction.

“Prior to the drafting of the bill, which grew into the Co-operative Credit Societies Act of 1904, the Government of India made a very lengthy and very thorough examination of the whole subject. The difficulties of rural finance had repeatedly called for and had secured the closest attention as each period of scarcity and distress succeeded another. Various measures were resorted to until it becomes difficult to grasp the full sum of the enormous efforts made to cope with the problem. Famine Reliefs, Irrigation Works, Railways, Acts for the relief of agriculturists, for advancing capital and for saving them from expropriation all testify to the solicitude of Government.”

“While recognising the great value of the work done or attempted so far, one cannot help feeling that the question has engaged attention more in panic times and times of stress and strain than otherwise. It is necessary to bestow methodical consideration on the question amidst calmer surroundings and atmosphere. And I venture to think that conferences like these afford such surroundings and atmosphere.

“Co-operative work has passed the experimental stage and has now to be on a far bigger scale. It is our one salvation “in our rightful struggle to be free,” upon which our best endeavours must be immediately concentrated. And we are here to suggest means for bigger “self-determination” and larger “self-realisation” than has hitherto been conceived. And we meet under auspices that auger well for success.

“We had during the last few days the best news from the seats of war that we had for three years and by the sustained success of the allied arms shall we be much nearer abiding an honourable peace than we had ever been before. This makes it obligatory upon us to prepare for extensive co-operation as an essential post-war measure. But that is not all. It is as essential a war measure and we have to prepare ourselves for the many complex and difficult economic situations that are every day arising and that have to be fully faced and prepared for. If we were better ready, Indian war work had been bigger and more effective, so far at least as finance, munitions and supplies are concerned.

“Reference was made to the co-operative movement earlier in our deliberation as an important educative movement. Reference was also made in a somewhat apologetic tone and spirit to the Reform scheme that I did not quite understand. That the present Conference meets with the reform schemes looming so large, is apology for non-official representatives insisting on the co-operative movement being dealt with in co-ordination with and in view of the Reform scheme. What that scheme might ultimately turn out in detail and when, are matters of no immediate importance so long as general principles are accepted. That they have been so accepted wholly in England and largely in India is now beyond doubt. Whatever happened, education in all its departments was going to be the sheet anchor of the scheme and in the wake of this larger education would follow sanitary, economic and industrial improvements, if the people were adequately prepared betimes. It is the place of the co-operative movement to arrange for this big work of preparation. That is my justification of the unhesitating and earnest plea for its extensive, nay gigantic, expansion. If the object of the Conference was mere determination of technical routine, details in the light of past failures—through which, according to the highest authority, one has to bungle on to right—non-officials had hardly any place on it. Much larger issues had however to be raised and no more opportune time could we have for raising them in view of the circumstances to which I have referred.

“I am thankful that non-official representatives have been given this opportunity, and I am doubly thankful that they include man like Sir Daniel Hamilton, whose disinterested exertion has largely helped in building up the system and who has financed practical schemes that promise abundant fruit. And he has the courage of his conviction and flinches not from calling a spade a spade and insists on having dispelled the “security of obscurity” that is the strong point in certain quarters. Sir Daniel has demonstrated that the real difficulty in the way of Indian finance is the London Banker, very much attached to our Balance; and he advises and influences financial experts of the Secretary of State, who in his turn influences the Finance Department here. If the co-operative movement or any similar movement in India is not to suffer from financial starvation, this incubus has to be lifted. And the sooner that is boldly asked for the better. And as this Conference is naturally unable to indicate the exact ways and means, the expert Conference suggested by our sub-committee ought to be able to do it. And if the end in view can not be achieved at all the “Conference-Germ” feebly alluded to by Sir Claude Hill in his opening remarks, had better be killed off on the double quick by means stronger than those furnished by Mr. Donovan’s *Ganja* Federation.

“One important feature of the Reform scheme is the right of further taxation by the people’s representatives. It would be worse than a truism to state that such a right is worse than useless, if the people are not shown a way of paying the contemplated extra taxes. Blood out of stone and extra taxation without improving the people’s finances and banking facilities, would be equally logical expectations. And

the co-operative movement shows you one way, and about the only way, of solution.

“The necessity for immediate expansion is therefore unquestionable. And practical means have been suggested which we dare not neglect or ignore. We expect great things of our college stores and students' co-operative movements, of which just a beginning has been made. I shall not dwell at length on these measures for our time is limited and I dilated on some of them in my last Convocation Address at the Calcutta University. We are advocating a strong industrial course at the University and in spite of unaccountable opposition we hope to get it soon or late. Here also the important educative feature of the movement comes out strong. Our young men who have an important part to play in the general policy of the land have to be stiffened up and given a thorough economic training. The co-operative movement extended as we wanted it to be, affords quite a good opening in this direction.

“The second point I should like to make about it is the possibility, nay the certainty, of “laying” unrest by economic development such as the movement promises to insure. Though the methodical irreconcilables financed by foreign gold or prompted by sworn enemies of order might not be affected, those hard hit by economic troubles—and they are many—would be won back. This in itself would be a great object.

“The spirit of service abroad among our young men is distinct and definite. Any outbreak of plague, pestilence and famine shows that abundantly. And if there is a big bathing festival to police, our young men are to the fore. If the co-operative movement succeeds in organising these forces of order and these national assets of untold value, that by itself would be a great educational and political feat, in the wake of which better sanitation and economic development would be bound to follow. The deserted village would have its aspect changed.

“And expansion would afford the minor, but not negligible relief of finding profitable and honourable employment for hundreds of our young men who are now mere drifts in the stream. We give some of them in the University elementary training in economics and banking. The co-operative societies might easily develop the practical side of their abilities. And in a short time it would be possible to have an army of trained, honest, capable and willing organisers, who would be able, under whatever authority that may be decided on, to do thorough supervising and auditing work, such as we have been discussing for the last few days. Work like this cannot long be sufficiently and efficiently done by amateur honorary workers, with limited leisure, who have themselves to eke out their scanty and precarious livelihood. Mr. Donovan may be fortunate enough, as the result of a strong representation by its Department last June, to have got a staff somewhat of the strength indicated by the Maclagan report. But that is for the immediate present and would be wholly inadequate for the very near future. The state of things piteously disclosed by the long suffering and much suffering maid of all works from Assam, anxious to be rid of its thankless charge, is much nearer the mark. In the United Provinces with its 52 districts, they have the phenomenal staff of 12 Inspectors. If this is not toying with the situation it is difficult to see what it is. It is not enough to have a good enough movement, in the same way that it can never be satisfying to have a good enough egg. The agonising cries of Registrar after Registrar on the first day of the Conference when the general progress reports were presented, pointed the same way with practical unanimity. With more money, with more men, with better-paid men they could do a deal more. And it is neither fair to the work nor to these devoted workers to trifle with the situation in this way. This has got to be mended or ended and Sir Daniel Hamilton has indicated the way. And he has well begun by rousing their enthusiasm with prospects.

“According to the Maclagan report no more than a thousand societies ought to be one Registrar's charge. Even that is too much. And we in Bengal, with our hundred-thousand villages, want as many societies and a hundred Registrars with no less than a thousand assistants. We can at once get the men and begin their training and those who have gone into the matter in detail, are confident that the scheme may be made self-supporting, if reasonably nursed and financed for a time. The picture drawn by Sir Daniel Hamilton which has caused unaccountable mirth at a portion of this table, is no idle chimera.

“These men would have to be well paid if not handsomely paid. Their work will be responsible and continuous and mere spirit of service cannot be indefinitely relied on. A hundred or even two hundred rupees a month would not be too much for the right type of men and they should have prospects of rise and pension, the rise depending upon good work and no bad debts if that can be helped. In insisting on trained and responsible organism I do not undervalue the excellent gratuitous work that has built up the movement. Speaking for Bengal where some of our best men have given their very best for years in unpaid honorary work of the greatest public importance, I have no hesitation in asking for the trained and paid army of workmen for the special and responsible work of the kind in hand. They would be a guarantee of good, steady, continuous and effective work. We want to rouse public enthusiasm and to earn and retain public confidence and that we can do only by placing the movement on an absolutely business basis. And if we can do this I would refuse to share Mr. Donovan's pessimism in view of the passing trouble in our jute and paddy districts. In view of these apprehensions an immediate change of venue would however be imperative, and in this view also immediate expansion is needed. There are useful and numerous enough fields of work to keep us occupied till the clouds roll by and till we get our State Bank or Apex Bank, that disinterested financial experts may advise. A reliable and sufficient staff would have little difficulty in influencing deposits such as might make hard-headed Presidency Banks' Directors look at us with a kindly eye, as an interim relief. What was an economic fallacy or even heresy of yesterday may be the economic accomplishment of the morrow. If I am not mistaken Presidency Banks will soon agree to amalgamate and our way will be clearer—only we want clear and disinterested financial advice to organise our resources. Under no more favourable circumstances than the present, Registrars have been known to be able to refuse deposits, not knowing how usefully to utilise them. We need not therefore despair and at the worst in addition to the suggested change in venue we may have to stop opening further agricultural associations in the affected areas, till the present troubles are over. But we have got to think of “fresh fields and pastures new,” many of which have been indicated in the course of our deliberations and many more will suggest themselves as the Registrars get men and money. In order to be effective, the situation must be nursed for a while not on philanthropic but on absolutely businesslike basis. We must not be terrified by temporary set backs, but have to forge ahead in a determined, firm and prayerful spirit. To be terrified into abandonment or curtailment of our schemes is the part of the latter day *Mahajan*, the Kabuli and Kyan, who has taken the place of the old-world village *Mahajan* of Dharamgola traditions, as a result of not very inexplicable economic evolutions. It is our place to bring back the older ideal of the true *Mahajan* — the good and the great — who came to the rescue of the distressed even at the risk of some temporary loss and who patiently waited for his dues and got his dues after judicial and careful nursing.

“In spite of the latter day cult of soldier's talesman like General Smutts, British India has still to act and think imperially. Let it do so in this all engrossing connection, in this real *Mahajan* work — good and great: The promoters of the co-operative movement have a big place cut out

for them, a place that they can adequately fill if only expansion of the kind that we suggest is immediately possible. In this great work we cannot help having the Government entirely and whole-heartedly at our back—the Government that if need be is prepared in the words of the recent Vladivostok proclamation, to “bring economic release to the ruined and badly suffering country of Russia to aid the development of the industrial and natural resources of that country, to restore the exchange of goods, to stimulate agriculture and to enable the people to take their rightful place among the free nations of the world.” That is the great Montagu-Chelmsford message of the British people to the people of India, to whom it ought to bring joy and hope, some basis of which will be the practical sympathy and relief, such as we advocate here.”

Rao Bahadur Chaudhari Lal Chand supported the motion in the following speech.

“As a representative of the rural population for whose benefit all this trouble is being taken I wish to be allowed to say a few words in support of this motion. I am neither well versed in co-operative principles nor am I a student of economics and the little time that I could give to the movement has all now been taken away by my other engagements due to the war, and hence I can only hint at the practical difficulties of the movement, especially in rural areas. But before doing so I wish to acknowledge the great benefit that we non-officials have derived by taking part in this Conference of Registrars, and for that our thanks are due to the Government.

“With regard to the movement generally, I can only say that in spite of all the efforts Government has only made a beginning and the goal is very far off. The majority of the peasantry have not been touched at all and are not yet free from the clutches of the money-lender. It is, therefore, incumbent on all those Government officers who have anything to do with the movement to give the necessary education to the people. I will not judge the success of the movement from the number of societies opened or the amount of capital invested. To me education in the right methods of co-operation seems to be of the greatest importance. This, however, can be done only when our staff of Inspectors and Sub-Inspectors is really well-trained and well-equipped. Thanks to the untiring efforts and the most sympathetic attitude of our Registrar, Mr. Calvert, that steps have been taken in this direction in my province. Provision has been made for the training of the staff in co-operation as well as in agriculture. The Inspector of to-day is a different person from the Inspector of five years ago. But much more is needed and the Government ought to come forward more liberally in the matter of pay and prospects of the staff in order to attract the very best men in the Department. The present staff is overworked, underpaid and without any prospects. The policy of calculation although so very necessary for banking itself, is hardly paying so far as the pay of the staff is concerned. Let there be no lack of funds at the disposal of the Registrars for the improvement and expansion of the movement and its success is assured.

“One word more and I have finished. I would earnestly request the Registrars to select the right sort of men for rural areas. Recruitment of staff for rural population should be from among their own men who possess the necessary educational qualifications. Excuse me, gentlemen, if I make another reference to my province as here this principle is strictly adhered to and has contributed materially to the popularisation and success of the movement. I now, on behalf of the Punjab, support the motion so ably put forward by Sir Daniel Hamilton and while doing so I express the great debt of gratitude in which Sir Daniel has laid the peasantry from one end of the country to the other by making this timely proposal. The peasantry of India have made out a good case for them during the present war by their

immense sacrifices of blood as well as of money and I hope for that reason, if not for any other reason, Mr. Parsons will share our views and will not raise his dissentient voice."

Mr. Grant said for the last few years he had been living in villages and working among the depressed classes and he had succeeded in opening a number of societies. He had made special enquiries in regard to the family incomes of the members of the societies. It was difficult to get accurate figures; but as far as they could be worked out, the monthly income came to Rs. 5 for a family of five. Most people borrowed Rs. 30 a year for productive purposes. Before the formation of the societies they had been paying Rs. 14 for Rs. 30 a year. They were now paying Rs. 4. He had started 15 societies. If he had got more assistance, he could have got 40 or 50 societies. The Benares District Bank had no men to send out to organise societies and was not, therefore, able to open any fresh societies. There were villages in which very good societies could be formed; but no facilities were available. If any way could be found, it would be a very excellent thing.

Mr. Mathias said that as regards an all-India Bank he thought it would be better to finance the movement by some other means. He would prefer to see an all-India Federation Bank formed by a union of Provincial Banks of each province, the capital being provided out of the reserve funds. At present the Presidency Banks financed the trade of the country; but the real trade of the country was mainly agriculture. He thought it a mistake that the principal Banks in the country should finance the trade only. Inasmuch as Government kept large balances in the Presidency Banks, he thought that it should bring influence to bear on the Banks in order to induce them to give cash credits to the various provinces.

Mr. Parsons regretted that he was again cast for the part of the villain, and had the unpleasant task of attempting to damp a quite natural enthusiasm; and he was really in some difficulty in dealing with the remarks of the previous speakers. Firstly, he was at a disadvantage compared with them in that, as the proceedings of the Conference were informal, he had not come with a prepared speech, and he feared that his tongue was not the pen of a ready writer. Secondly, the discussion had raised even a good many points which seemed to him to have no connection with any motion before the Conference — either with the discounting of co-operative paper, or the immediate setting up of a committee to investigate the methods of financing the movement. It was, for instance, impossible for him to deal on behalf of the Finance Department with such questions as a large increase in the pay and staff of Registrars. The third difficulty with which he was faced was that many of the points which had arisen in the discussion could only adequately be dealt with by stating facts which could hardly be divulged in a Conference of that size.

He would first like to mention Sir Daniel Hamilton's specific scheme. He thought that the Conference would admit that in its general effect it amounted to the financing by Government of the co-operative movement. Government was assumed to have hundreds of crores of unutilised credit, which might be put at the disposal of the movement.

Sir Daniel Hamilton said he did not want to raise that question there; the motion before them was that a Conference should be appointed of leading businessmen and bankers to consider this question later on.

Mr. Parsons said that in that case he would like to point out that the motion before them was a direct denial of the correctness of the provisional conclusions in this matter which the Government of India had laid before the Conference. Those conclusions amounted to this. That for the present it was not feasible to consider the establishment of an all-India bank. It would involve the consideration of a State Bank and bring in very much larger questions which could not be settled till the war was over. Equally it was not possible to consider in present conditions the grant of assistance on the large scale required through the Presidency Banks.

Sir Daniel Hamilton said that he had approached Sir Norcot Warren, who had stated that the Bank of Bengal was prepared to assist the co-operative movement.

Mr. Parsons continued that in suggesting that the proposed committee should be convened at a very early date, the motion pre-supposed either that Government were wrong in thinking that these questions could not be settled at the present time — if they were right, the committee could clearly reach no conclusion; or that there was some alternative which Government had not considered. The Conference would, he thought, have to reject the motion unless it was convinced that the matter could profitably be decided at the present time, or that there was some definite scheme not so far considered by Government with which the proposed committee could deal. The only alternative scheme so far suggested was Sir Daniel Hamilton's. Sir Daniel Hamilton proposed that we should sell out the securities at present held in the Paper Currency Reserve in London, buy silver with the proceeds, ship the silver to India, coin it into rupees and issue an additional quantity of currency notes against those rupees to finance the co-operative movement. That was roughly the proposal.

Sir Daniel Hamilton said that it is only a suggestion he had thrown out for consideration.

Mr. Parsons said that what he was going to suggest was that the proposed committee could not at present deal satisfactorily with that scheme. As a preliminary point, even if it were desirable to realise the securities in the Paper Currency Reserve, which would be taking away from the Home Government money used for war purposes, there was the difficulty that it was extremely improbable that the large additional amount of silver could be obtained from the market.

Sir Daniel Hamilton suggested that it should be done when opportunity offers.

Mr. Parsons did not think the opportunity would offer during the war, or probably for a considerable time after it. Continuing, he gave other reasons why the scheme seemed to him impracticable, dwelling particularly on the demand at present made on the resources of Government for purposes connected with the war, and the strain which would be put on those resources for financing various objects in the years immediately after the war. These demands made it, he thought, impossible for Government to take over at any near date a large new liability for financing the co-operative movement either directly or through the medium of the Presidency Banks. Could anyone give him even a rough figure of what sum would be wanted to discount co-operative paper?

Mr. Mathias thought that in the Central Provinces 15 lakhs would carry them on for 5 years.

Mr. Donovan said that it was impossible to give a figure; it depended on the future organisation.

Subsequently turning to the general reasons for the attitude provisionally adopted by Government, Mr. Parsons said that he understood that what was wanted was something which would bring the co-operative movement into touch with the general banking organisation of the country. It was impossible to decide during war time what the future form of that organisation would be, and consequently it was impossible to decide what steps should be taken to connect up the co-operative movement with it. The proposed committee could not therefore deal satisfactorily with the question until after the general organisation had been settled, especially as the character of the paper of the co-operative societies in itself was likely to cause a particular difficulty. As Mr. Crosthwaite had on one occasion pointed out, the pro-notes of co-operative societies were not capable of speedy realisation, and even though they might have the best possible security behind them, they were consequently not in ordinary circumstances a suitable form of security for joint stock banks to deal in on a large scale. This consideration was from the Government point of view of particular importance in connection with the suggestion that the Presidency Banks should take up the business to a greater extent than at present, since Government at certain times of the year held large balances at call with the Presidency Banks.



Concluding, Mr. Parsons said that apart from what seemed to him the impossibility of a committee such as was proposed in the motion being able to deal satisfactorily or conclusively with the question in the near future, he would like to refer to the difficulty of constituting such a committee at the present time. Both Government and the various banks in the country were fully engaged in dealing with the numerous and often critical questions of war finance which were constantly arising, and there seemed no chance that this situation would be changed during the continuance of the war. It would be most undesirable to withdraw the experienced persons, who alone could form the strong committee which would be required, from their emergent tasks largely connected with the war, and he did not think that at the present time the necessary personnel for the committee could be found. In any case, if the motion was passed by the Conference, and acted upon, he thought that it would to a certain extent, embarrass Government in dealing with questions of war finance.

Mr. Lalubhai said there was no idea of embarrassing Government in the conduct of the war. All that the Conference wanted was that the requirements of the co-operative movement should be sympathetically considered. The only way to meet the difficulty was by asking Government or the Presidency Banks to help or by the formation of an all-India State Bank. Mr. English had drawn up a scheme for a State Bank, but in an interview with the Finance Member it had been turned down. The Committee did not therefore consider it advisable to submit the scheme to Government. But the Committee had fully realised that outside assistance was necessary. He hoped the Government realised that the Committee did not take any hasty action in the matter. He thought the Conference were fully justified in coming to a decision in regard to it. Mr. Parsons had thought this was not the time for a further committee but such a committee need not consist of more than two expert bankers, two or three co-operative workers and two or three men with business experience. It would not require more than two or three months to draw up a report. He would like to explain why a committee was wanted. As soon as a definite proposal was put forward, it was quite easy to find flaws in it. The Committee on Co-operation had, therefore, not laid down any definite proposal. They merely said that facilities were wanted for discounting pro-notes. He was not himself in favour of a State Bank or a State Aided Bank and would prefer the formation of a Bank with facilities such as those which the Presidency Banks had. The Industrial Bank had recently raised seven crores of rupees without Government assistance. The money was available if Government tried to get it and to attract it in the proper way. He saw no reason why the Finance Member should oppose the appointment of a committee. He could understand the Finance Department opposing the concrete proposal of a State Bank. They said it was out of the question; possibly it was. They said it was difficult to get silver from England; possibly it was. The Sub-Committee and the Committee on Co-operation both realised this and therefore did not come forward with any definite proposals. What they had said was that they merely wanted outside assistance and guidance in framing a scheme. He thought it was for the Conference to decide whether there was any difficulty in regard to the appointment of a committee. One of the objections raised by the Hon'ble the Finance Member was that this might be the thin end of a State Aided General Bank. They did not want to force on the Government of India a State Aided General Bank. What they wanted was a State Aided Apex Bank for co-operation only. He hoped the Conference would support Sir Daniel Hamilton's proposal.

Mr. Clayton said he had listened to the statements of the non-official members with great interest. It was clear, however, that no immediate action could be taken and it was probable that more than one Conference of Registrars would meet before anything was done. He proposed the following resolution:—

“ This Conference is of opinion that it is of advantage to ventilate the question of providing facilities to discount the paper of co-operative societies in order that public attention may be directed to a matter of vital importance to the whole movement. It considers, however, that until the war is over and normal conditions are restored, it would be premature to decide the lines on which development should proceed.”

Mr. Collins said he could not subscribe to Mr. Clayton's proposal. There was a great problem before them but Government wanted to put off all action indefinitely. Every other Government in the world was engaged in tasks of reconstruction in spite of far greater pre-occupations than the Government of India had and there was no problem of greater importance in India than this. He, therefore, thought that the question should be taken up and considered at once.

Mr. Donovan agreed. He considered that the war against the *Mahajan* was one of the greatest importance and we should not go into it unprepared.

Sir Daniel Hamilton said Mr. Parsons had dealt with the difficulty of finding money but he had shown him where to find it. He would like such a committee as was proposed by him to sit within the next few months.

Mr. MacKenna pointed out that the Presidency Banks were already working at top speed and added that the business relations between the Presidency Banks and the co-operative movement were gradually improving.

Mr. Clayton said he was prepared to omit the words "normal conditions are restored".

Mr. Hemingway pointed out that the representative of the Finance Department had stated that if this resolution were passed, it would seriously embarrass the Government in getting on with the war.

Mr. Parsons said that the main point was that the question could not be decided in advance of the decision of the lines which banking organisation in India should take, and that in his opinion sufficient weight had not been given to the fact that the personnel capable of dealing with the question could not be collected at present in India.

Mr. Joseph thought the case would be met by the words "where practicable at the earliest possible moment."

Sir Daniel Hamilton said the important point was to lay plans for the future.

Mr. Maqbul Husain stated that the wording should run "at as early a date as the Government may consider practicable."

The following resolution was then put to the meeting:—

Resolution No. 20.

This Conference is of opinion that it is of advantage to ventilate the question of providing facilities for the discounting of paper of co-operative societies in order that public attention may be directed to a matter of vital importance to the whole movement. It recommends that an influential Committee of bankers, business men and co-operative workers should be assembled at as early a date as the Government of India consider practicable to consider the question of financing the co-operative movement in all its bearings.

The resolution as amended was passed.

*Thursday, 15th August 1918.*

**XIV.—Acceptance of deposits by co-operative societies and the standard of fluid resources to be maintained by them as a cover for savings deposits and current accounts.**

*Co-operative Committee's recommendation No. 46.*—Current accounts and deposits at call should be prohibited. The term of deposits should not ordinarily be less than one year. To secure longer terms higher rates of interest should be offered.

*Co-operative Committee's recommendation No. 47.*—Short-term deposits for not less than one month may be permitted to meet a demand for short loans repayable at harvest.

*Co-operative Committee's recommendation No. 48.*—Short-term deposits if made in the form of savings deposits, stimulate thrift and ought to be encouraged.

*Co-operative Committee's recommendation No. 49.*—Competition between co-operative and post office savings banks discussed and reasons given why this should be welcomed.

*Co-operative Committee's recommendation No. 51.*—Deposits which the society is unable to use in loans to members should be transferred to Central Banks which should offer specially favourable rates for such money. Societies should not be prohibited from accepting deposits within their maximum borrowing power although in excess of the limit fixed for the local borrowings of individual members. They must be responsible to the depositors and cannot transfer their liability to Central Banks which however in event of their inability to accept such deposits should notify primaries. All deposits above their maximum borrowing power should be refused by societies.

*Co-operative Committee's recommendation No. 127.*—Deposits by primary societies in Central Banks should consist of (1) excess deposits received by them and passed on, and (2) small deposits for short periods. Reserve funds should not be deposited in them.

*Co-operative Committee's recommendation No. 128.*—The opening of current accounts is deprecated, but in places where banking facilities do not exist may be permitted. A low rate of interest not exceeding 2 per cent. should be paid on such accounts and the whole amount so held should be covered by cash or Government paper irrespective of fluid resources kept to cover other liabilities.

*Co-operative Committee's recommendation No. 129.*—Savings accounts may be opened on behalf of members and non-members provided that 75 per cent. of the amount so held is covered by cash or liquid investment, that the maximum accepted on one account is small, that notice of withdrawal is required and that they are not allowed to become current accounts.

*Co-operative Committee's recommendation No. 130.*—Central Banks should make every effort to obtain deposits sufficient to meet all their needs and may draw them from any area subject to such restrictions as may be found locally advisable.

*Co-operative Committee's recommendation No. 131.*—The average period of deposits should not be less than the average period in which loans are repayable. In arranging to repay deposits banks should not count on renewals or fresh deposits but rely on stipulated repayments of loans, and should spread receipts and payments as far as possible over the whole year.

*Co-operative Committee's recommendation No. 132.*—To meet all charges entailed by our recommendations Central Banks require a 3 per cent. margin and primary societies the same.

*Co-operative Committee's recommendation No. 133.*—Special care should be taken to repay deposits punctually. The intentions of depositors with regard to renewals should be ascertained in advance.

*Co-operative Committee's recommendation No. 137.*—Banks should raise capital by means of long term deposits rather than debentures, unless in very special cases they are in a position to secure debentures on immoveable property.

*Co-operative Committee's recommendation No. 171.*—Deposits fixed for longest possible terms should be secured.

*Co-operative Committee's recommendation No. 172.*—Deposits at call should be covered to 75 per cent. of their amount by fluid resources.

*Co-operative Committee's recommendation No. 173.*—No prohibition should be placed on savings deposit accounts.

#### *Points of reference.*

Whether the principles embodied in the draft below — especially with reference to the standard of fluid resources to be maintained as a cover — are suitable ?

*Draft paragraphs for incorporation in the General Resolution.*

*Deposits (Recommendations Nos. 46-49, 51, 127-133, 137, 171-173).*—In dealing with the question of the acceptance of deposits by co-operative institutions, the Government of India cannot entirely ignore the probable effect upon the resources of the Government Postal Savings Banks, which are of great and growing importance in financing the Government of India's programmes of productive works. The Committee on Co-operation themselves recognise that, in the case of Central and Provincial Banks at any rate, the existence of the Post Office Savings Banks somewhat weakens the case for the acceptance by co-operative institutions of savings deposits. At the same time, the Government of India are in cordial sympathy with the main object of the Committee's recommendations which is to stimulate thrift. After giving careful consideration to the views of the Committee and of the Local Governments and Administrations and after examining the question in its legal aspect, they are now pleased to lay down the following general principles in regard to the acceptance of deposits by co-operative institutions :—

(1) *Fixed deposits.*—Provincial and Central Banks and Primary Societies may accept fixed deposits, whether from members or non-members, subject to the condition that no Primary Society should be allowed to accept such deposits from non-members without the special sanction of the Registrar, and then only subject to such rules and restrictions as he may see fit to impose. The Government of India have no desire to fetter the discretion of local Governments and Administrations as to the period for which fixed deposits should be accepted by co-operative institutions, but they agree with the Committee's view that such deposits should ordinarily be for long periods and they consider that departure from this general principle should only be permitted in special circumstances.

(2) *Savings deposits.*—The Government of India have no objection to the acceptance of savings deposits by Provincial or Central Banks or by Primary Societies both from members and non-members subject to the following conditions :—

(i) that a substantial percentage of fluid resources shall be maintained ;

(ii) that the maximum amount to be accepted from any individual depositor shall be fixed at a low figure ;

(iii) that, as in the case of fixed deposits, no Primary Society shall be allowed to accept savings deposits from non-members without the special sanction of the Registrar, and then only subject to such rules and restrictions as he may see fit to impose ;

(iv) that all such deposits by non-members whether in Banks or Societies, shall be repayable at not less than 3 months' notice ; and

(v) that no Bank shall allow its savings deposit branch to be used for the purposes of business on current account.

(3) *Current accounts.*—The Committee are of opinion that Primary Societies should not undertake this class of business for some time to come, and the Government of India endorse this view. They also agree that there are objections to Central or Provincial Banks opening accounts of this nature, and, while allowing them to hold in current account the cash balances and surplus funds of their affiliated banks and societies, they would deprecate the opening by these banks of current accounts with individual members or with non-members. But the Government of India do not desire to fetter the discretion of local Governments and Administrations in the matter and they leave it to them to authorise the practice where they think it desirable. Where current accounts are allowed, the amount so held should be covered by a substantial percentage of fluid resources irrespective of such resources maintained for ordinary business.

In all cases in which deposits of any kind are accepted from non-members, the Government of India consider it advisable that special care should be taken to notify as widely as possible that Government will not in any way be responsible for the repayment of such deposits, and I am to request that steps may be taken to this end.

The remaining recommendations of the Committee with regard to deposits are accepted generally by the Government of India, though they are disposed to doubt the wisdom of permitting Central Banks to obtain deposits from outside their own local areas (recommendation no. 130), and they agree with several local Governments in regarding recommendation no. 132 as too rigid to suit local conditions. It will, in their opinion, be sufficient to prescribe that a material margin of interest should in all cases be aimed at.

*Report of Sub-Committee No. II.*

I. Resolved that this sub-committee is of opinion that no restriction should be placed by the Government of India on the acceptance of deposits of any class by co-operative societies of any kind provided always that efficient management is procurable and that adequate provision

for fluid resource is maintained. This fluid resource whether centralised in the Provincial Central Bank or kept separately by individual subordinate Banks and societies should, as a rule, be held in the form of Government securities.

By this means thrift will be widely promoted, the undesirable practice of hoarding will be discouraged, the principle of devoting local savings to local development will be secured and an annually increasing sum of money, not repayable at call and therefore unaffected by temporary crises, will be secured to the Central Government for employment in productive works.

The sub-committee therefore recommends that the draft paragraphs placed before the Conference for consideration should be re-drafted to give effect to the views expressed in this Resolution.

II. With regard to the terms on which actual deposits may be allowed the sub-committee considers that a distinction should be drawn between deposits accepted by village societies and by all other classes of societies. The only restrictions on the former class should be that village societies should be altogether debarred from accepting current deposits and should be prohibited from accepting any deposits other than purely local ones.

All other classes of societies should be permitted to accept deposits of all kinds without restrictions from Government, provided that an adequate fluid resource is secured, and efficient management is provided.

Mr. MacKenna in introducing the report of the sub-committee said :—

“The sub-committee met for the second time on the 13th August to consider the first portion of Subject No. XIV—“acceptance of deposits by co-operative societies”. Criticism of the draft paragraphs placed before the sub-committee for consideration took the line of objection that they were based on the principle that local savings should be at the disposal of the Central Government. It was contended that the alternative principle that local savings should be devoted to local development could be accepted and put into practice without in any way affecting the sums of money available for investment by the Government of India in productive works provided that the fluid resources which the free acceptance of savings and other deposits by co-operative societies would necessarily involve, be invested in Government securities. In particular the great impetus towards thrift and the development of local trade and agriculture which would result from the adoption of this principle was recognised and it was held that the actual deposits in the Post Office Savings Banks so far from suffering would actually be increased as a consequence of the change of policy. It was felt that co-operative institutions can obtain savings and other deposits from sources hitherto untouched and not likely to be touched by Post Office Savings Banks and that the undesirable practice of hoarding is more likely to be overcome by the influence of such institutions than in any other manner. The economy in the use of metallic currency which would result from the gradual disappearance of this practice was also noted as a subsidiary advantage. The discussion showed that savings deposits are at present chiefly of importance in Burma where the newly formed and vigorous urban societies are largely dependent on such deposits. The acceptance of the draft paragraphs would involve a serious set back to the development of these societies, a result which would be greatly resented by the small traders and merchants of the Burma towns who look to these societies for their emancipation from the control of middlemen. Though the question is not of such immediate importance in other provinces it was thought that similar conditions might arise there also at no distant date. He acknowledged the assistance which had been rendered by Mr. Parsons in connection with the sub-Committee's report.

Mr. Collins submitted the following note for the consideration of the Conference :—

“This note is an attempt to prove to the Government of India that it is unnecessary and indeed inadvisable in the interests of their finances to impose any restriction on the taking of deposits by co-operative societies in India.

- “2. If any person came to Government and put before them a sound scheme for the foundation of joint stock banks or their branches, or the placing of branches of the Presidency Banks, in every district and sub-divisional headquarters in India, I cannot but believe that he would be welcomed with open arms. I think I am right in saying that the Finance Member and the Commerce and Industry Member from time to time bewail the slow progress of the development of banking in India. But joint stock banks if widely introduced are bound to compete with the Government of India for the savings and deposits of the people. Apart from the general acceptance of deposits, all banks of which I have any personal knowledge, such as the Bank of Bengal, the Bank of Allahabad and the Bank of Benares have their savings banks departments, which are invariably well patronised. Yet no attempt has ever been made to limit their operations. I am unable to understand, therefore, why co-operative banks and societies should be treated differently from other banking institutions.
- “3. Apart from this, I am confident that Government, whether from the financial or general point of view has everything to gain from the growth of savings deposits in co-operative societies. In the first place the co-operative banks for the most part appeal to an entirely different stratum of depositors. The depositors in the Post Office Savings Bank at present are for the most part Government servants and inhabitants of towns to whom Post Office Savings Bank offers at least one attraction which the co-operative societies can never offer in the same degree, *viz.*, secrecy. It is impossible here to enter at length into the reasons why a man makes savings deposits, but it may be said that secrecy, absolute safety and the certainty of being able to draw his money immediately he requires it are the three great desiderata of the Savings Bank depositors. The rate of interest allowed is within certain limits quite a subsidiary consideration and depositors for the sake of a small gain in this respect will not leave the Post Office Savings Bank for an unofficial institution. So far the cultivator has not deposited in the Post Office Savings Bank, except to a very limited degree, and if only because of its comparative inaccessibility it is unlikely that the Post Office Savings Bank will attract his money for many years to come. But the co-operative society in his own village which uses the money in a way he can understand and offers a security which he can readily appreciate, is already beginning to attract him and will do so more and more as time goes on. Apart from the desirability of employing local savings to finance local agriculture and industry, and the general prosperity which the free utilisation of capital in this way will ensure the growth of thrift and banking habits thus engendered in the great mass of the people is bound to affect the funds at the disposal of the Government of India. As has already been indicated by the Committee on Co-operation the accumulation of savings deposits in co-operative societies will necessitate the maintenance of adequate fluid resources. This can only be provided satisfactorily by the purchase of Government paper in large blocks. The improved market for their paper thus formed will enable Government to borrow more freely in India for productive works, and even supposing (which is more than improbable), in view of the experience of other countries that there should be a partial falling off in the deposits in the Post Office Savings Bank, the Government of India would be more than compensated by the certainty with which they can rely on the savings thus invested in Government paper.
- “4. A further point of great importance in view of the recent demand for silver coin, which even in peace time has always been a source of expense and embarrassment to Government, is the saving in the use of metallic currency, which is likely to result from the growth of the co-operative movement. At the present moment the cultivator

insists on payment in coin, because coin alone is of any use to him. He requires money to pay his rent, to pay his moneylender, to purchase food and clothes and to hoard. At the present time for each and all of these purposes coin alone will suffice. The *zemindar*, the shopkeeper and *mahajan* much prefer coin, if they do not insist on it, while coin alone is suitable for burying in the ground. The co-operative organisation will gradually bring about a change in this uneconomic state. When the landlord, the shopkeeper and the money-lender deposit their money in the Central Banks or the primary societies and the cultivator himself learns to dispose of his surplus cash in the same way, the currency which he will require, will be the currency which the Central Bank prefers. This in most cases will be the note and eventually the cheque. As a result 10 to 20 years hence the big firms in Calcutta instead of taking many lakhs of rupees by launch and train from Calcutta to the *mosassil* will obtain credits with the Provincial Bank and pay, at least a large proportion of the jute sellers by means of currency notes or cheques on the local Central Bank. No one is better aware than the Government of India what a convenience and an economy such a change would be to their finances.

In this way the growth of thrift and the increase in general prosperity will place large funds at the disposal of the Government of India for productive works and enable them to find a new market for their securities in place of exhausted Europe. As a proof that these ideas are not visionary there is the fact that at the end of 1916-17 in British India deposits by non-members in agricultural primary societies stood at Rs. 38,59,888 as against deposits of Rs. 35,04,305 by members. [In the Punjab (11 lakhs), Bombay (9 lakhs), Burma (6½ lakhs) and Madras (4½ lakhs); these deposits form an important source of funds]. Deposits with non-agricultural societies were 37 lakhs from members and 28 lakhs from non-members, while deposits from individuals held by Central Banks and Provincial amounted to two crores and one crore respectively. The grand total of all deposits from individuals was thus 4½ crores; yet in spite of the stress of war and the attraction of various new securities it is understood that there has been little if any falling off in deposits in the Post Office Savings Bank, while the investment of co-operative societies in Government paper to provide for fluid resource must have been very great. I hope therefore that the paragraph dealing with the question of deposits in co-operative societies may be completely redrafted and that the Government of India will state that after careful examination of the case they are convinced that from a financial point of view they have nothing to fear and everything to gain from the growth of deposits in societies; and that such restrictions, as they suggest should be imposed (among which there should be no restrictions on the receipt of savings deposits) are designed solely in the interests of the societies themselves and with a view to the development of their deposit business on the sound lines."

Mr. Parsons said that he was not in a position to commit the Finance Department at this stage to the acceptance of the resolution; as the Conference would recognise, their resolutions, unless and until they were accepted by Government, were merely an expression of opinion, and the Finance Department were not prepared, without full consideration, to accept a solution which differed in various respects from the views which they previously expressed after consultation with the Revenue and Agriculture Department. He would therefore abstain from voting on the resolution, both for these reasons and so as to avoid any appearance of committing the Finance Department.

He was authorised, however, to say that the resolution would be more favourably regarded by the Finance Department if it embodied a condition that the maximum amount to be accepted on savings account from any individual depositor in any given year, or as a whole, should not be permitted to exceed the amounts which a depositor could under the rules in force deposit in the Post Office Savings Bank. These amounts are at present Rs. 750 for the annual deposit, and



Rs. 5,000, for the total deposit. The Finance Department would also be more prepared to accept the resolution if it embodied an adequate explanation of the methods by which it is proposed to enforce in practice the formula that "adequate fluid resource is secured and that efficient management is provided."

Subject to satisfactory amendment on these points, Sir William Meyer, though he could not definitely commit himself at this stage to acceptance of the resolution, will be prepared to give it sympathetic consideration.

Mr. Clayton thought that after the words "adequate provision for which resources are maintained" in the first paragraph, the following should be added:—

"provided also that no society shall accept savings deposits without the special sanction of the Registrar to be given only when he is satisfied that the society is managed with sufficient efficiency to deal with such deposits satisfactorily."

Mr. Parsons said he could not bind the Finance Department, but he thought that might be considered satisfactory.

Mr. Lalubhai proposed that the following should be added:—

"The maximum amount to be accepted from any individual depositor in a savings bank in any given year, or in all, shall not be permitted to exceed the amount which, under the rules, a depositor might hold in deposit in the Post Office Saving Bank."

Mr. Calvert said he thought to a large extent the opposition of the Finance Department was based on a complete misunderstanding. In the Irish Departmental Report on Rural Credit a complaint had been made that the savings bank deposits in Ireland were used in England, and not for local development. In the Punjab it had been found that the agriculturists never deposited money in the Post Office Savings Banks. Although they had been opened in the Punjab in 1870, they only attracted deposits from Government servants and similar classes; they were only able to attract the savings of small classes of people with fixed incomes. In 1910-11 there were only 2,500 agricultural depositors in the Punjab, which meant that only one agricultural family out of a thousand used the Post Office Savings Bank. 97.74 of the deposits were urban deposits. There was therefore no question of competition between the Post Office Savings Banks and the Co-operative Banks. The Post Office depended for its income on money order commission, its insurance business, and its Savings Bank business. What this amounted to was that the Government of India were making 4½ lakhs profit out of thrift. On the European basis there should be at least 5,000 offices and branches of joint stock banks in the Punjab. As a matter of fact there were only about 20. No facilities were therefore provided by the joint stock banks. The aim of the Post Office had been deliberately to avoid competing with joint stock banks. The limits imposed by the Post Office have been imposed out of deference to the susceptibilities of those banks. There were no banks in which the rural people could put their money. He could not see that any particular object would be served by adopting measures which are obviously intended to meet conditions which do not exist.

Mr. Mant suggested that the proposal of the sub-committee might be accepted, subject to the two modifications which had been suggested.

Mr. Hemingway considered an exception should be made in the case of societies which had already been taking savings bank deposits. He mentioned that the limit in Madras was Rs. 1,000, and he therefore thought that the limit proposed should not be applied to societies in which this limit already existed.

Mr. Mant suggested that deposits over the limit now proposed might be put in fixed deposit. He thought that if Madras could make out a special case, that might be considered subsequently.

Mr. Kelkar suggested that the Registrar should be able to delegate his powers to someone authorised by him.

Mr. Ewbank said that the Registrar would have to sanction new bye-laws under which savings bank deposits could be taken. A difficulty arose if a society deteriorated as it would be then exceedingly difficult to make it close its savings bank deposits business.



Mr. Mant thought it would meet the case if such societies were not permitted to accept any more deposits. He had no hesitation in expressing his own personal opinion that the conclusion of the Conference was a sound one. The encouragement of savings deposits in co-operative societies would tend to encourage thrift, and would therefore have a beneficial effect on the resources of the country, and would increase the capital at the disposal of Government.

Mr. Clayton then proposed the following modification of the sub-committee's report:—

"That when savings accounts and current accounts are permitted by the Registrar, the standard of fluid resources maintained should be appreciably higher in view of the greater risks involved than when they are not opened, and the Registrar should in all cases see that this is done."

Mr. Collins said that in considering the question of fluid resource it had certainly to be taken into consideration what was being taken on current account and was being taken on savings account. In the Bihar and Orissa Provincial Bank they had earmarked a savings bank reserve in their accounts, so that people knew that as against their savings bank deposits there was a certain amount of money in Government paper. He had no doubt that the Registrar would always satisfy himself that an adequate reserve was kept against savings bank deposits.

Mr. Hemingway asked if it was necessary in the case of large urban banks to insist that the fluid resources should be held in the form of Government securities.

Mr. Ayyar proposed that no restrictions should be placed on the acceptance of deposits.

Mr. Hemingway asked if the Conference was dealing with part II of the sub-committee's report.

Mr. Mant said the question was that the Committee's report be adopted with the modifications he had read out.

Mr. Hemingway said he would like to know why village societies were prohibited from taking any deposits except purely local ones. He had found that in a good many societies professional men who knew the place were in the habit of putting considerable sums in village societies though residing elsewhere. He said he thought they ought to know whether there was any reason for this prohibition, and whether the Madras system might not continue.

Sir Daniel Hamilton mentioned the societies which he, while resident in England, was financing in the Sundurbans, and asked whether his money would be considered as local.

Mr. Collins said that the report of the sub-committee only applied to deposits, and not to loans. It was the view of the sub-committee that such disasters as had occurred in other countries had been due to societies taking deposits from outside their own local limits. That had happened in Germany.

Mr. Willoughby asked whether the Registrar should not have some discretion to classify deposits as local.

Mr. Ayyar mentioned cases in which landowners not actually resident in a village, but who had land there, had instructed their local agents to sell their *paday* and invest the proceeds in the local co-operative society.

Mr. Donovan said he agreed with Mr. Collins. The only primary society that had given bad trouble had originally been an excellent society so much so that deposits had poured in from outside which had been squandered. The state of affairs of that society was the exact reproduction of what had happened in Germany.

Mr. Abdul Majid Khan said that in the Punjab co-operative societies were getting thousands of deposits from Hindus and Mohammedans in Australia and America. They would not go to the Central Banks because the people who sent them did not know who the managers of the Central Banks were, and how the affairs of the Central Banks were managed.

Mr. Mathias suggested that the words "other than purely local ones" might read "other than from persons with local interests".

Mr. Mant asked whether that would meet the case.

Mr. Collins said it was not the intention to restrict deposits to the actual village but to the local area.

Mr. Clayton said that if he were asked to decide whether such deposits as those mentioned in the case of the Punjab which came in from outside were local, he would have no hesitation in deciding that they were.

Mr. Ewbank said that by local deposits was meant deposits from persons in the locality. That meant that there were a certain number of people who were acting as sentinels over their own money. The depositors from a distance had no personal knowledge of their societies and if anything went wrong with the societies, it meant that they wrote to the Registrar, and gave him an immense amount of trouble to settle matters. There was a considerable difference between village societies and other societies in this respect. If the depositors in village societies were local men, they were not so particular about prompt repayment if conditions were unfavourable. They knew that they would get their money back some time and did not like to see their neighbours squeezed to repay it in famine years. Such a high standard of fluid resources was not therefore necessary in village societies. He thought that unless deposits were confined to purely local ones, there would be difficulty in providing resources for primary societies.

Mr. Collins asked why the people referred to by Mr. Abdul Majid Khan should not lend their money on a bond for a fixed period, or else put it on deposit in the Central Bank.

Mr. Abdul Majid Khan said that they did not know who the manager of the Central Bank was.

Mr. Calvert said that up to a short time ago, that is in 1913, there were primary societies in the Jullunder District with a capital of over a lakh of rupees each. The people from Jullunder were very enterprising and wandered all over the world. It was the most overcrowded district in the Punjab, and there was a large amount of land under mortgage. Large amounts were therefore remitted home in order to redeem the mortgage on ancestral lands. These societies had been practically doing the business of Central Banks. Since the Co-operative Committee's report all that had been stopped. They had insisted on the withdrawal of the whole of such loans and had put them into Central Banks. He had formerly been the recipient of letters from numbers of people enquiring about their deposits in the primary societies. For some months past he had had no such letters, and the deposits had been repaid when required. In the Lyallpur District he had prohibited societies from taking local deposits, as there was more money than they were able to deal with.

Mr. Lalubhai said it was chiefly on account of the state of affairs in the Punjab that the Committee had made their recommendations. In the Punjab it had been found that societies were not borrowing for their own purposes, but to lend to other societies and in one or two cases he believed they had lent to Central Banks also. Mr. Abdul Majid Khan should remember that there was a sort of rivalry between primary societies and Central Banks. People, for reasons which might be valid, did not want to go to the Central Banks and the Central Banks were being starved because money was drawn to primary societies, who had not the requisite knowledge to manage them. They had received complaints that deposits were not returned for some years. It was in consequence of these complaints that the Co-operative Committee had thought it best to lay down general principles, and had decided that so far as possible local money should be taken by the societies. There might be cases in which money came in from emigrants. The Committee did not want to prohibit such deposits but wanted to ensure that they were passed on to the Central Banks. He hoped the Conference would see that the Committee had valid reasons for their recommendations.

Mr. Hemingway said that he would withdraw his suggestions as far as Madras was concerned, as what Mr. Collins had said would meet the case.

Mr. Mant asked what was the precise difference between a loan and a deposit.

Mr. Abdul Majid Khan said that the difference was that a depositor came himself with his money whereas with regard to a loan the society had to ask for it.

Mr. Ewbank said that a deposit was money accepted at the rate ordinarily fixed by the society for deposits, whereas loans were taken by societies on terms dictated by the lender.

Mr. Calvert said that any restrictions of the nature proposed would tend to encourage the private joint stock banks which were being formed under the Companies Act by two or three people. There was a great tendency to increase the number of these private banks under the Companies Act. Such banks need not have their accounts audited, or publish any balance sheet.

Mr. Hemingway said he thought there was something in what Mr. Calvert had said. There were many such private banks in the Madras Presidency. He suggested the addition of the words "without the special sanction of the Registrar" at the end of the first paragraph of paragraph 2 of the sub-committee's report.

Mr. Clayton then asked that this resolution "that when savings accounts and current accounts are permitted by the Registrar, the standard of fluid resources maintained should be appreciably higher in view of the greater risk involved than when they are not opened, and the Registrar should in all cases see that this is done," should be put to the Conference.

Mr. Collins said he would certainly support that. He thought that in the case of savings deposits or current accounts some security should be kept and that cash credits should not be permitted to be used as such security.

Mr. Hemingway asked whether it would not be better to add the words "than in the case of fixed deposits".

Mr. Mant suggested that the words "savings accounts" might be altered to "savings accounts and current accounts".

The report of the sub-committee was then accepted with the following modifications —

Resolution No.  
21.

- (1) The addition of the words "without the special sanction of the Registrar" after the words "than purely local ones" in the first paragraph of part II of the sub-committee's report.
- (2) The addition of the following sentences to the first paragraph of part I of the report:—
  - (i) The maximum amount to be accepted from any individual depositor in savings accounts in any given year, or in all, shall not be permitted to exceed the amount which a depositor could, under the rules then in force, deposit or hold in deposit in the Post Office Savings Bank.
  - (ii) Provided also that no society shall accept savings deposits without the special sanction of the Registrar to be given only when he is satisfied that the society is managed with sufficient efficiency to enable it to deal with such deposits successfully.
  - (iii) When savings accounts or current accounts are permitted by the Registrar, the standard of fluid resources maintained shall be appreciably higher in view of the greater risks involved than when they are not opened, and the Registrar should in all cases see that this is done.

#### *XV.—Standard of fluid resources to be maintained by co-operative institutions.*

*Co-operative Committee's recommendation No. 152.*—To meet contraction of credit Central Banks must keep fluid resources.

*Co-operative Committee's recommendation No. 153.*—These should be sufficient to meet half deposits due during the ensuing year, supposing no fresh deposits or renewals were made and no repayments received.

*Co-operative Committee's recommendation No. 154.*—Fluid resources only to be utilised when other sources fail.

*Co-operative Committee's recommendation No. 155.*—The fluid resources of a Bank must suffice to meet its own requirements and those of societies which have entered into arrangements with it.

*Co-operative Committee's recommendation No. 156.*—Standard of fluid resources to be re-adjusted quarterly.

*Co-operative Committee's recommendation No. 175.*—The Provincial Bank should maintain a fluid resource sufficient to cover all possible demands against itself for a period of one-third of the ensuing year together with all the possible liabilities to be met by any affiliated Central Banks for which it has undertaken to provide cover within the same period. For this service to Central Banks, it should charge a commission or higher rate of interest. It will be found convenient to concentrate whole fluid resource at apex of system.

*Points of reference.*

Is the standard of fluid resources to be maintained by Co-operative Banks, recommended by the Committee on Co-operation in paragraph 155 of their Report, adequate and at the same time practicable? If not, is it desirable that the Government of India should attempt to lay down any alternative standard of universal application?

Mr. MacKenna presented the following report of Sub-Committee No. II on the subject and said that the sub-committee had passed a very general resolution on this question as they did not wish to lay down any hard and fast rules:—

“Resolved that the chapters of the report of the Committee on Co-operation dealing with fluid resources afford general guidance for all Central Co-operative institutions but the Government of India or local administrations are not in a position to lay down a hard and fast standard in this matter which should be left to the discretion of the Directorates and the Registrars. The submission of the prescribed quarterly finance returns should be imposed on all societies which are required to make provision for fluid resources. These returns afford Government an opportunity of judging the financial position of co-operative institutions and of checking any dangerous tendencies.”

Mr. Lalubhai proposed the adoption of the report.

Mr. Hemingway said he thought it ought to be placed on record that the general opinion of the Conference was that the standard laid down by the Committee on Co-operation was much too high. He said the acceptance of the standard would create a very great drop in the working capital of every Bank in the country. He would, therefore, like it placed on record that the standard which held the field was gravely excessive.

Mr. Mant said he thought the question was certainly one on which the Conference should express an opinion.

Mr. Clayton said that the standard had been found to be both practicable and adequate in Burma.

Mr. Lalubhai asked whether it would not meet the objection if it were resolved that the standard was practicable in some provinces and impracticable in others. The first Provincial Conference which had been held in Bombay after the report of the Co-operative Committee was published, had decided that it was not practicable in their province.

Messrs. Hemingway, Collins and Willoughby said the standard had been found not to be practicable in their provinces.

Mr. Ayyar said there was no recommendation of the Committee on Co-operation which had created such commotion in Madras.

Mr. Hemingway said that the Committee had laid down that no account must be taken of repayments. Even in the worst years repayments were as high as 70 per cent.

Mr. Calvert said that the Punjab Government had declined to accept the standard.

Mr. Mathias said that the standard was only practicable in bad years. It was not a standard of which he would advise the adoption in the Central Provinces in ordinary times.

Mr. Mant said what Government wanted to know was whether the standard was one which local Governments could work up to.

Mr. English said that the Committee on Co-operation would not have imposed such a high standard now.

Mr. Collins thought it would be most satisfactory if the recommendations of the sub-committee were accepted.

Mr. Hemingway said the Madras Government had taken the view that, in considering what fluid resources were, no account should be taken of cash credits with the joint stock banks. He recognised the difficulty in regarding these overdrafts as fixed and immutable; but he could not help feeling that in dealing, *e.g.*, with a sympathetic Presidency Bank such as the Madras Bank, cash credits should not be entirely ignored. For his own enlightenment it would be a comfort to hear the views of the Conference on the subject.

Mr. Parsons said that if Mr. Herringway was prepared to put forward a resolution that cash credits with joint stock banks should not be counted in any case as fluid resources, he would be delighted to support it.

Mr. Hemingway said his own view was that cash credits should be taken into accounts; but it was the view of his Government that they should not.

Mr. Collins said they relied on cash credits to a certain extent in Bihar and Orissa; but he did not like it.

Mr. Mathias said that in the Central Provinces they also relied on cash credit to a certain extent nominally; but he looked on such a course with suspicion and they did their best to avoid doing so.

Mr. Lalubhai moved that the report of the sub-committee be adopted; but that the following remarks should be prefixed to it:—

“That this Conference is of opinion that in view of the experience gained in the three years that have elapsed since the Committee on Co-operation sat and of the present financial conditions of the co-operative movement, the standard laid down by the Committee was too high to be practicable in most provinces.”

Mr. Mathias moved the addition of the words “that it would be of the utmost assistance to Registrars in judging the amount of fluid resources to be maintained if the Government of India, so far as practicable, were to afford the Registrars early intimation of possible financial crisis.”

Mr. Parsons said that the publication of an expectation that a crisis might occur was generally an excellent method of bringing about the crisis.

Mr. Collins said that their plea was that the co-operative movement should be recognised as part of the financial machinery of the country and should be taken into the confidence of Government in the same way as Presidency and Joint Stock Banks.

Mr. Mathias said that having ventilated his grievances he was quite prepared to withdraw his amendment.

Mr. Ewbank said there were two separate questions: was the standard adequate and was it practicable. Government must satisfy itself that the fluid resource was adequate and then societies must take steps to make it practicable. It was unbusinesslike to make practicability the sole standard.

Mr. Mant then put the following modified resolution to the meeting:—

That the report of the sub-committee be adopted but that the following additions be prefixed to it:—“That the Conference is of opinion that in view of the experience gained in the three years that have elapsed since the Committee on Co-operation sat and of the present financial condition of the co-operative movement, the standard laid down by the Committee is more than adequate and is too high to be practicable as a general rule in most of the provinces.”

The motion was carried.

In regard to subject No. VI, the propriety of granting *takavi* loans to co-operative societies—Mr. Hemingway said that he understood that a very large number of members were under the impression when giving their votes that the Resolution did not exclude loans to individual members for improvements.

Mr. Lalubhai said that he did not want to debar loans to individual members.

Mr. Willoughby said he had voted for the resolution under a misapprehension.

Mr. Hemingway said he thought that an individual who wanted to dig a well should be able to take a loan for the purpose through his society. In Madras loans under the Land Improvement Loans Act were much more important than loans under the Agriculturists' Loans Act.

Mr. Parsons asked whether this would not cause practical difficulties. He gathered that they did not want to keep more accounts than they need. For land improvement loans accounts had to be kept, and if loans were given to individuals that would mean numerous separate accounts. If the suggestion were accepted it would probably mean different terms of repayment by societies to Government and by individuals to the societies.

Mr. Noyce suggested that the resolution already passed by the Conference on the point might run as follows:—

“that the Conference accepts the recommendation of the Committee on Co-operation that loans for the purposes of Act XIX of 1883 or Act XII of 1884 should only be given to societies in cases contemplated by the Committee, *i.e.*, in cases where an improvement has to be made by the joint exertions of several persons and in cases in which loans are given to individual members of a society they should only be given with the consent of the society,”

and that the following resolution should be cancelled.

Mr. Hemingway said that that would not meet the case if as he believed it was desirable that societies should be utilised as the channel for advances. The question was whether the Conference desired to exclude societies as the channel for the distribution of such loans.

Mr. English thought that they should be excluded for the reasons given by Mr. Parsons.

Mr. Hemingway said that the resolution would after all only be permissive. Societies would not take these loans unless they were in a position to do so and to satisfy the requirements of the Government.

Mr. Clayton proposed that the words “as a rule” might be inserted.

Mr. Hemingway proposed that the second resolution passed by the Conference in regard to *takavi* loans should be made applicable to both Act XIX of 1883 and Act XII of 1884 and that the following resolution should be omitted.

Mr. Mant then put the first three resolutions passed by the Conference on the subject of *takavi* loans to the Conference amended as proposed by Mr. Hemingway, to read as follows:—

Resolution No.  
9.

That at any time, whether scarcity is prevalent or not, local Governments should place at the disposal of Provincial or Central Banks or primary societies, such proportion of the budget allotment available for loans under Act XII of 1884 or Act XIX of 1883 as they think fit. The funds so made available should take the form of loans to the Provincial or Central Banks or primary societies, on the recommendation of the Registrar and should be distributed by them only for the purposes mentioned in these Acts.

Resolution No.  
10.

That no loans should be made to members of societies under Act XII of 1884 or Act XIX of 1883 except with the consent of their societies.

In regard to subject No. III, the maintenance of two separate staffs paid by Government, Mr. Collins moved the following resolution:—

“That auditors paid by societies should not be directly dependent on the Central Banks, whose affiliated societies they audit, for their appointment, promotion or punishment, but should be employed, where possible, by federations or associations or by Government.”

Mr. Willoughby said that in some cases promotion, etc., of auditors were regulated by Registrars, although the auditors were paid by societies.

Mr. Ayyar objected on the ground that the resolution would interfere with the practice in Madras.

Mr. Hemingway said the audit in Madras referred to by Mr. Ramaswami Ayyar was supervision. He said that the word "audit" was confusing and suggested that the words "statutory audit" or "audit under the Act" might meet the case.

Mr. Lalubhai said he presumed the resolution would not affect Banks whose share-holders appointed their own auditors.

Mr. Rammuni said he was strongly of opinion that all auditors should be placed direct under the Registrars or under a person appointed by him.

Mr. Mant then put the following resolution to the meeting :—

**The auditors paid by societies should not be directly dependent on the Central Banks whose affiliated societies they audit under the Act, for their appointment, promotion or punishment, but should be employed, where possible, by federations or associations or by Government.**

Resolution No.  
2 A.

The motion was carried.

Mr. Collins then proposed the following resolution :—

**That this Conference desires to express its high appreciation of the manner in which the Committee on Co-operation carried out its investigations and of the excellence of its report.**

Resolution No.  
23.

The motion was carried with acclamation and was suitably acknowledged by Mr. Lalubhai.

Babu Mohan Lal then proposed a vote of thanks to the Chairman.

Sir Daniel Hamilton seconded it and said that he wished to associate with it the name of Mr. Parsons.

Mr. Mant in acknowledging the vote of thanks said that he wished to express special thanks to Mr. Parsons, Sir D. Hamilton and Sir D. P. Sarbadhikari as representing the non-official members, and Mr. Noyce as Secretary. He also wished to thank Mr. Lalubhai Samaldas for the valuable assistance he had given in explaining the exact scope of the recommendations of the Committee on Co-operation. He wished also to express his appreciation of the reasonableness with which the Conference had conducted its deliberations. In his opinion the characteristic of the Conference had been enthusiasm without bigotry. The slowness and caution of Government must sometimes be very exasperating to enthusiastic co-operators, but they might take comfort from the teaching of history which was that the views of enthusiasts always prevailed in the long run. Some of the resolutions passed by the Conference appeared to be a little indefinite, but that was almost essential owing to the nature of the subject. Co-operation must develop on different lines in different parts of India and no set formulae could be laid down. The main outcome of the Conference would be that if the Government of India were to accept its conclusions they would make no attempt to dogmatise, but would leave matters to local Governments, giving them a word of advice so far as they could. That was the necessary consequence of the Reforms Scheme under which co-operation would be a subject that would be handed over practically entirely to local Governments.

The Conference then broke up.

List of Resolutions passed at the Eighth Conference of Registrars of Co-operative Societies in India which met at Simla on Monday, Tuesday, Wednesday and Thursday, the 12th, 13th, 14th, and 15th of August 1918.

SUBJECT NO. II.—*Proposed amendment of the Land Acquisition Act, 1894, to enable co-operative societies to acquire land required by them.*

Resolution No. 1.—That the Land Acquisition Act should be so amended as to place societies registered under the Co-operative Societies Act on the same level as companies defined in section 3(e) of the Land Acquisition Act.

SUBJECT NO. III.—*Maintenance of two separate staffs paid by Government and societies respectively to undertake the audit of co-operative institutions.*

Resolution No. 2.—That the recommendation of the Co-operative Committee that audit should be undertaken by two separate agencies was a matter that should be left for the decision of local Governments.

Resolution No. 2 A.—That auditors paid by societies should not be directly dependent on the Central Banks whose affiliated societies they audit under the Act, for their appointment, promotion or punishment, but should be employed where possible by federations or associations or by Government.

SUBJECT NO. IV.—*Exclusion of interest accrued and overdue for the purpose of calculating net profits of Central Banks for distribution.*

Resolution No. 3.—That no Provincial Bank or Central Bank should take into account unrealised overdue interest for the purpose of payment of dividends unless permitted to do so by the Registrar or some other person authorised by him in that behalf and subject to such conditions as may be laid down.

Resolution No. 4.—That all Co-operative Banks or Societies should be required to make such provision for bad and doubtful debts as may be required by the Registrar or some person duly authorised by him before any dividend may be declared.

Resolution No. 5.—That no primary society should take into account unrealised overdue interest for the purpose of declaring profits unless permitted to do so by the Registrar or some other person authorised by him in that behalf and subject to such conditions as may be laid down.

SUBJECT NO. V.—*Relations of district officers to the co-operative movement.*

Resolution No. 6.—That the Committee's recommendation No. 186 should be accepted.

Resolution No. 7.—That this Conference accepts the first part of the Co-operative Committee's recommendation no. 187, but they recognise that a gradual diminution of the official element on the Directorate of Central Banks, whether *ex-officio* or elected, is desirable and hope that steps will gradually be taken to effect such a diminution and the ultimate disappearance of the official element.

Resolution No. 8.—That the second part of the Committee's recommendation no. 187 be not accepted.

SUBJECT NO. VI.—*Question of the propriety of granting takavi loans to co-operative societies.*

Resolution No. 9.—That at any time, whether scarcity is prevalent or not, local Governments should place at the disposal of Provincial or Central Banks or primary societies, such proportion of the budget allotment available for loans under Act XII of 1884 or Act XIX of 1883 as they think fit. The funds so made available should take the form of loans to the Provincial or Central Banks or primary societies, on the recommendation of the Registrar, and should be distributed by them only for the purposes mentioned in these Acts.

Resolution No. 10.—That no loans should be made to members of societies under Act XII of 1884 or Act XIX of 1883 except with the consent of their societies.



**Resolution No. 11.**—That as regards advances made for the purposes of Act XII of 1884, no separate accounts should be kept but that the Registrars should give a general certificate that the money has not been drawn before it was required for the purposes of the Act.

**Resolution No. 12.**—That as regards advances under the Land Improvement Loans Act, separate accounts should be kept.

**Resolution No. 13.**—That the rate of interest charged by Government on loans to Provincial or Central Banks or primary societies should be the ordinary rate of interest charged on such loans when advanced to individuals.

SUBJECT NO. VII.—*Improvements in the statistical returns.*

**Resolution No. 14.**—That the report of the sub-committee be adopted.

SUBJECT NO. VIII.—*Investment of the reserve fund of co-operative institutions.*

**Resolution No. 15.**—That while recognizing the ultimate advantages of creating a separate reserve fund invested outside the movement, the Conference consider that, at the present stage of development, it may in many cases be desirable to prefer to this object the creation of capital owned by co-operative institutions for utilization in their business. Subject to provision being made for the maintenance of a safe standard of cash reserve or fluid resources, they consider that there is no objection to the employment of the surplus assets or undistributed profits of co-operative institutions in their own business.

SUBJECT NO. IX.—*System of guaranteeing Unions.*

**Resolution No. 16.**—That the report of the sub-committee be adopted.

SUBJECT NO. X.—*System of Central Banks issuing loans to primary societies on pro-notes nominally repayable at call.*

**Resolution No. 17.**—That the report of the sub-committee be adopted.

SUBJECT NO. XI.—*Advisability of charging variable rates of interest by Central Banks.*

**Resolution No. 18.**—That the report of the sub-committee be adopted.

SUBJECT NO. XII.—*Principles on which Central Banks should recover loans issued to primary societies.*

**Resolution No. 19.**—That the first part of the sub-committee's report be accepted. That as regards the second part of the report, the first charge should extend only to the instalment due.

SUBJECT NO. XIII.—*Provision of facilities for discounting pro-notes of co-operative societies.*

**Resolution No. 20.**—That this Conference is of opinion that it is of advantage to ventilate the question of providing facilities for the discounting of paper of co-operative societies in order that public attention may be directed to a matter of vital importance to the whole movement. It recommends that an influential committee of bankers, business men and co-operative workers should be assembled at as early a date as the Government of India consider practicable to consider the question of financing the co-operative movement in all its bearings.

SUBJECT NO. XIV.—*Acceptance of deposits by co-operative societies and the standard of fluid resources to be maintained by them as a cover for savings deposits and current accounts.*

**Resolution No. 21.**—That the report of the sub-committee be adopted subject to the following modifications :—

- (1) That the words "without the special sanction of the Registrar" should be added at the end of the first paragraph of part II of the sub-committee's report.

- (2) That the following additions should be made to the first paragraph of part I of the sub-committee's report :—
- (a) The maximum amount to be accepted from any individual depositor in savings accounts in any given year, or in all, shall not be permitted to exceed the amount which a depositor could, under the rules then in force, deposit or hold in deposit in the Post Office Savings Bank.
  - (b) Provided also that no society shall accept savings deposits without the special sanction of the Registrar to be given only when he is satisfied that the society is managed with sufficient efficiency to enable it to deal with such deposits successfully.
  - (c) When savings accounts or current accounts are permitted by the Registrar, the standard of fluid resources maintained shall be appreciably higher, in view of the greater risks involved, than when they are not opened, and the Registrar should in all cases see that this is done.

SUBJECT NO. XV.—*Standard of fluid resources to be maintained by co-operative institutions.*

Resolution No. 22.—That the report of the sub-committee be adopted with the addition of the following prefix :—

“That the Conference is of opinion that, in view of the experience gained in the three years that have elapsed since the Committee on Co-operation sat and of the present financial condition of the co-operative movement, the standard laid down by the Committee is more than adequate and is too high to be practicable as a general rule in most of the provinces.”

Resolution No. 23.—That this Conference desires to express its high appreciation of the manner in which the Committee on Co-operation carried out its investigations and of the excellence of its report.

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## APPENDIX.

No. 570—187-1, dated Simla, the 14th July 1916.

From—The HON'BLE Mr. R. A. MANT, I.C.S., Secretary to the Government of India,  
Department Revenue and Agriculture,

To —The Secretary to the Government of Madras, Revenue Department.

The Chief Secretary to the Government of Bombay.

The Secretary to the Government of Bengal, Revenue Department.

The Secretary to the Government of Bihar and Orissa, Revenue Department.

The Chief Secretary to the Government of the United Provinces.

The Revenue Secretary to the Government of the Punjab.

The Revenue Secretary to the Government of Burma.

The Hon'ble the Chief Commissioner of the Central Provinces.

The Hon'ble the Chief Commissioner of Assam.

The Chief Commissioner of Coorg.

The Chief Commissioner of Ajmer.

I am directed to invite a reference to paragraphs 206—208 of the Report of the Committee on Co-operation in India in which it is recommended that Government agricultural loans, both under Act XIX of 1883 and Act XII of 1884, should be made to co-operative societies themselves and not merely through them to individual members.

2. The question here raised has, as the Committee remark, been the subject of considerable discussion on more than one occasion in the past. The proposal that the distribution of Government money under the takavi rules should be made through the agency of rural societies, was frequently put forward when the Co-operative Credit Societies Bill of 1903 was under consideration, but the Government of India were unable to accept it for the reasons given in the following extract from their despatch submitting the Bill to His Majesty's Secretary of State for India :—

“ We are wholly opposed, for the present, to the suggestion, which has been frequently put forward, that the agency of rural societies with unlimited liability should be utilized for the distribution of Government money under the takavi rules, free from all limits save such as the circumstances of each case may suggest. If these societies should become firmly established, they may eventually constitute a valuable agency for this purpose. But they must learn to swim before they are thrown into deep water ; to take care of their own money before they are trusted with public funds. To allow them to regard themselves as mere agencies for the distribution and recovery of Government advances would be absolutely destructive of that thrift and of that combination for mutual assistance which it is our object to encourage.”

In consonance with these views, the Government of India, in paragraph 26 of their Resolution No. 1—63-3, dated the 29th April 1904, restricted the advances which might be made by Government to rural societies to Rs. 2,000 in each case.

3. The third Conference of Registrars of Co-operative Credit Societies in 1908 adopted a Resolution in favour of the issue of all takavi loans intended for members of co-operative societies through the societies, but in paragraph 5 of Mr. (now Sir Robert) Carlyle's Circular No. 5—229-23 of the 20th March 1909, the Government of India intimated that they were not prepared to fetter the discretion of the local Governments as to the manner in which the advances should be made. On further examination of the subject, the Government of India concluded that takavi loans cannot be given under the authority of Act XII of 1884 to co-operative credit societies except in the rare cases where a society is in its corporate capacity the owner or occupier of arable land. This view was communicated to local Governments in Mr. Carlyle's Circular No. 9 of 24th June 1909. At the same time they were invited to consider the Bombay system under which societies were accepted as sureties for takavi loans to their members and entrusted with the distribution of the money, levying in return a security fee of not more than 2 per cent. Under this system although the actual distribution was made by the society the loans under the Act were made to the individual members and each recipient was separately recorded in the Government books.

4. The Sixth Conference of Registrars in 1912 revived the subject and recommended that the legal position regarding the issue of takavi to or through societies should be considered and that if it were ascertained that this was not at present permissible, the Agriculturists' Loans Act should be amended accordingly. This Resolution was dealt with in Mr. Kerr's Circular No. 18 of the 4th September 1913, in which the general objections to the grant of State aid to societies were reaffirmed and it was pointed out that the necessity for legislation was not apparent as it was always open to Government, if circumstances required this course, to grant loans

to co-operative societies without legislation, while section 44 of the Co-operative Societies' Act of 1912 gave the same powers of recovery as the Agriculturists' Loans Act. Finally in 1913 the Seventh Conference of Registrars recommended that the Takavi Act should be modified so as to allow Government to grant takavi loans to societies, whether Central or other, in times of scarcity when the resources of the societies are depleted. The Government of India, however, in Mr. Noyce's Circular No. 3 of the 5th February 1914, adhered to the view expressed in the previous year and preferred that special reference should be made to them when general scarcity had resulted in the depletion of a society's funds.

5. The recommendations of the Committee on Co-operation regarding loans by Government to societies under the Agriculturists' Loans Act follow the recommendation of the Seventh Conference of Registrars in holding that such advances should be confined to exceptional occasions of wide-spread need, such as the prevalence of severe scarcity or the inauguration of a scheme of colonization on waste lands. They would make the grant of such loans subject to the approval of the Registrar or some officer authorised by him; they would allow societies to levy interest from individual members at their usual rates, and they would provide that a society, while ordinarily forbidding a member to obtain advances from outside, may permit him, when it has no funds of its own, to apply for a direct advance from Government at the ordinary Government rates. Loans to societies under the Land Improvement Loans Act they would restrict to cases where an improvement has to be made by the joint exertions of a number of peasants and in land belonging to a number of persons, and they would allow the society in such cases to fix its own rates for recovery from individual members though in view of the security it would hold it would be expected to charge something lower than the ordinary rates of interest.

6. It will be observed from the extract from the Government of India's despatch to the Secretary of State quoted in paragraph 2 above, that they have from the first recognised the possibility of co-operative societies eventually becoming a valuable agency for the distribution of Government agricultural loans. The development of the co-operative movement since its inception in 1904 has been great and there is no doubt that many societies are now firmly established. It is the unanimous opinion of the Committee on Co-operation that the distribution of Government loans should in certain circumstances be entrusted to societies and they have proposed safeguards with a view to preserving the essential principle that co-operative societies must not depend on Government for financial support. The Government of India are impressed by the Committee's testimony that agriculturists are prepared to pay interest to the societies at rates ranging from 3 to 12 per cent. higher than those on which loans can be obtained direct from Government, and they consider that the time has now come when it is permissible to contemplate a modification, on the lines proposed by the Committee, of the policy laid down in paragraph 26 of the Resolution of 1904.

7. They are, however, unable to accept the Committee's recommendation that legislation should be introduced to enable loans to be made to societies specifically under the two Acts—XIX of 1883 and XII of 1884. It is not contended that legislation is required to meet any legal or practical difficulty in the issue or recovery of such loans but merely that it is necessary to emphasise the fact that these advances are not to be looked on as fostering a new form of organisation or as involving any change in the policy of Government towards co-operation. This fact can in the opinion of the Government of India be equally well emphasised in other ways, such as by the publication, if necessary, of a resolution in the official Gazette.

8. With this reservation, I am to invite His Excellency the Governor in Council the opinion of His Honour the Lieutenant-Governor in Council on the proposals embodied in paragraphs 207-208 of the Report of the Committee on Co-operation and on the adequacy of the safeguards suggested therein. In particular, I am to make the following specific enquiries:—

- (1) Is it His Excellency the Governor in Council in the opinion of His Honour the Lieutenant-Governor in Council His Honour the Lieutenant-Governor necessary to take further precautions to ensure that the system proposed does not create a privileged class of borrowers obtaining more than their fair share of the total loan funds available, with the result that either the interests of persons who are not members of societies will suffer or the total amount of loans required will tend to increase?
- (2) Is it advisable to give members of co-operative societies the option of taking takavi loans either from Government or from their societies? It must be remembered on the one hand that to refuse them direct access to Government would create the appearance of compelling the borrower to resort to the agency which charges the higher rate of interest, and, on the other hand, that the grant of this option would increase the danger of abuse by the members of societies as a whole who might thus obtain an excessive share of the loanable funds. It is moreover opposed to the theory underlying the main proposal, viz., that the societies will be better judges of individual requirements than Government officers.

(3) Should societies be required to keep separate accounts of all sums which they receive from Government for takavi loans and of the manner in which these sums are distributed to members? (The Committee have only suggested this in respect of loans under the Land Improvement Loans Act.) The Government of India are themselves inclined to think that this provision is necessary not merely with a view to prevent members of societies obtaining two loans at the same time — one from the society and the other from Government — but also in order to check any attempt on the part of societies themselves to obtain large additions to their capital at the expense of the State and to divert these additions to other purposes than takavi loans. Further, they think that arrangements should be made to supervise these separate accounts and that steps should be taken to ensure, as far as possible, that agricultural loans are not given through the societies on different principles from those governing the grant of such loans direct by Government.

His Excellency the Governor in Council  
His Honour the Lieutenant-Governor in Council  
His Honour the Lieutenant-Governor

To Burma only.

(4) What rate of interest would you propose to charge on loans made by Government to co-operative societies? The Government of India are disposed to think that this rate should be such as unmistakably to cover the higher rate of interest at which the Government of India borrow plus any addition which local Governments find it necessary to make to cover their own risk.

(It is remarked by the Committee on Co-operation in paragraph 207 of their Report that the large grants of agricultural loans on the Mon Canal which were sanctioned in the Government of India's telegram No. 742-C., dated 5th March 1912, were in practice given out on the system recommended by the Committee and have been attended with no sort of inconvenience and have been of immense value to the colonists. I am to request that a brief report on the working of this scheme may be included in your reply to this letter.)

C O N T E N T S.

1. Proceedings: 3rd Conference of Registrars of Co-operative Credit Societies, 5th October 1903. 1903. 1-37 p.  
/ Simla, 1903
2. do. 5th Conference, do. Allahabad, Jan. 1911. 38-53 p.  
1911
3. do. 6th Conference, do. Simla, 28-30th Oct. 1912. 59-96 p.  
1912
4. do. 8th Conference, do. Simla, 12-15th Aug. 1913. 97-142 p.  
1913

# **PROCEEDINGS**

OF THE

## **Third Conference of Registrars** **of Co-Operative Credit Societies.**

Held at Simla on the  
5th October 1908 and  
 following days

**WITH APPENDICES**



CALCUTTA  
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1908

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# PROCEEDINGS

OF THE

## Third Conference of Registrars of Co-operative Credit Societies,

October 1908.

*Present :*

- MR. R. W. CARLYLE, C.I.E., I.C.S., SECRETARY TO THE GOVERNMENT OF INDIA, DEPARTMENT OF REVENUE AND AGRICULTURE (*President*).
- MR. W. R. GOURLAY, I.C.S., *Director of Agriculture and Co-operative Credit Societies, Bengal (Secretary)*.
- MR. R. RAMACHANDRA RAO, *Registrar, Co-operative Credit Societies in the Madras Presidency.*
- MR. GANESH VENKATESH JOGLEKAR, *Registrar, Co-operative Credit Societies in the Bombay Presidency.*
- MR. W. H. BUCHAN, I.C.S., *Registrar, Co-operative Credit Societies, Bengal.*
- MR. S. H. FREMANTLE, I.C.S., *Registrar, Co-operative Credit Societies, United Provinces.*
- MR. S. WILBERFORCE, I.C.S., *Registrar, Co-operative Credit Societies, Punjab.*
- MR. A. E. ENGLISH, I.C.S., *Registrar, Co-operative Credit Societies, Burma.*
- MR. K. C. DE, I.C.S., *Registrar, Co-operative Credit Societies, Eastern Bengal and Assam.*
- MR. B. P. STANDEN, C.I.E., I.C.S., *Registrar, Co-operative Credit Societies, Central Provinces.*
- MR. G. HALLER, *Registrar, Co-operative Credit Societies, Coorg.*
- RAI SAHIB MUNSHI GOPI NATH, *Registrar, Co-operative Credit Societies, Ajmer-Merwara.*
- MR. M. SHAMA RAO, *Registrar, Co-operative Credit Societies in Mysore.*
- MR. LALUBHAI SAMALDAS (*Bombay*).
- KUNWAR MAHARAJ SINGH (*Assistant Registrar, Co-operative Credit Societies, United Provinces*).
- MR. MISBAHUL USMAN (*Assistant Registrar, Co-operative Credit Societies, Central Provinces*).
- MR. ABDUL MAJID KHAN (*Punjab*).
- MR. JAMINI MOHAN MITRA, *Personal Assistant to the Registrar, Co-operative Credit Societies, Bengal.*
- MR. C. A. INNES, I.C.S., UNDER-SECRETARY TO THE GOVERNMENT OF INDIA, DEPARTMENT OF REVENUE AND AGRICULTURE.

Programme of the Third Conference of Registrars of Co-operative Credit Societies held at Simla in October 1908.

I. General progress made.

II. Cash Banks.

(A) Village Banks.

- (i) Number of members, area of Bank's operations, class of members, class or tribal Banks, limited or unlimited liability, entrance fees, deposits by members, loans by non-members, loans by Government, rates of interest usually charged by village money-lenders on agricultural loans to ordinary cultivators, rate of interest paid by Village Banks on members' deposits and on loans raised from outsiders, rate of interest charged by Village Banks on loans made to members, penal interest, punctuality of repayment, extent and reasons for default, action taken to enforce punctuality, expulsion of unsatisfactory members, objects for which loans are made to members, cause of failure of societies which have been closed, growth, investment and employment of Reserve Fund. The best means of dissemination of information on the principles of co-operation and the results so far achieved. Concession of Remittance Transfer Receipts at par.
- (ii) The managing body. The Manager. The Accountant. Supervisors. Accountants. Disputes.
- (iii) Assistance received from (a) leading landowners, (b) money-lenders, (c) others. Honorary Organizers. Opposition and how to overcome it. Litigations and how to avoid it.

SPECIAL SUBJECTS PROPOSED FOR DISCUSSION.

1. How can rural societies avoid leaving part of their working capital unemployed during part of year? (Mr. Standen.)
2. Should interest on profit side in profit and loss account include interest due as well as interest paid? (Mr. Standen.)
3. The employment of Government Schoolmasters or Postmasters at account centres in backward districts (Mr. Campbell).

(B) Urban Societies.

Same heads as in A (i), (ii) and (iii).

(C) How to Finance Cash Societies.

Co-operative Unions, Central Banks, District Banks, Land Mortgage Banks.

SPECIAL SUBJECTS.

- (1) Extract of paragraph 23 of Proceedings of Second Conference.

“ *The Financing of Cash Societies.*—It was agreed that if possible the best method would be to build up a Central Bank from below, but it was recognized that this would take many years. The Bengal Registrar stated that he hoped in the next year to make a commencement in forming the societies into local unions for purposes of finance and control, but that nothing had been done up to the present. The United Provinces Registrar hopes to solve the same problem by the institution of district banks where there are sufficient societies formed or a demand for their formation exists. It was agreed that this subject should come up for special consideration at the next Conference, as the solution of the problem of finance and control is vital to the success of the movement.”

- (2) The desirability or otherwise of district or central banks formed to finance Co-operative Credit Societies taking up land mortgage business also (Mr. Fremantle).

- (3) The following Resolution passed by the third Indian Industrial Conference held at Surat on the 30th December 1907 :—

#### IV.—AGRICULTURAL BANKS.

*Resolved.*—That this Conference begs to call the attention of Government to the urgent need of promoting the establishment of Agricultural Banks to help Co-operative Credit Societies and to advance loans directly to agriculturists at reasonable rates of interest, and further begs to suggest that the advice and co-operation of representative members of the Indian Community may be enlisted in devising a suitable scheme to secure this object.

- (D) Inspection, audit and control.  
 (E) How to finance rural banks in the event of a famine with special reference to the experience gained last year in the United Provinces.  
 (F) What is the best type of a Central Bank with branches for rural areas.

III.—Grain Banks—Dharmagolas.

IV.—Co-operative village and Central Seed Societies.

V.—Other Forms of Co-operation—

- (a) Weaving Societies.  
 (b) Sugar Industries.  
 (c) Societies for other purposes.

VI.—The Co-operative Credit Societies Act.

- (1) Rules and bye-laws under the Act.

#### SPECIAL SUBJECT.

Are rules framed under section 27 (2) (d) of the Act allowing a member to nominate an heir legal? (Mr. Wilberforce.)

- (2) Suggested amendments of the Act.

#### SPECIAL SUBJECTS.

- (a) Amendment of sections 4 (b), 7 (c) and 10 (1) of the Act so as to make legal provision for the safeguarding of a minor's interest (Mr. Wilberforce).  
 (b) Amendment of section 3 of the Act so as to permit persons not residing but holding lands in a village to become members of a rural society the area of operations of which includes the village in which the lands are held (Mr. Ramachandra Rao).  
 (c) Amendment of section 29 of the Act so as to make provision for a co-operative credit society the members of which are themselves co-operative credit societies (Mr. Fremantle).  
 (d) Abolition of the distinction between rural and urban societies or in the alternative the amendment of section 10 (1) of the Act so as to enable small urban societies to borrow from Central Societies (Mr. Fremantle).  
 (3) Privileges granted by Government.

#### SPECIAL SUBJECTS.

- (a) A clear declaration of the meaning of exemption notification so as to include bonds executed to a Society by a member as well as by his co-parceners (Mr. Ramachandra Rao).  
 (b) The question of registration fees and whether the registration of documents is necessary (Mr. Campbell).  
 (c) The reduction of money-order rate of commission on remittances to and from co-operative credit societies from Re. 1 per cent. to annas 4 per cent. (Mr. English).

(4) Enforcement of decisions and awards by arbitrators under section 27 (2) (p) of the Act.

(5) Summary procedure for the recovery of Co-operative Credit Societies' dues.

VII.—*The Conference*.—Should it be held annually or should the rule be that it should be held at least once in every three years and oftener if sufficient material for discussion is forthcoming.

VIII.—The following special subjects are also to be brought forward for discussion by the members noted against each :—

- (1) The consideration of an Agriculturists' Insolvency Act (Mr. Gourlay).
- (2) To what extent is Government assistance necessary and justifiable for the purpose of providing capital for societies (Mr. Standen).
- (3) The part which Government is prepared to take in the future development of co-operation (Mr. Buchan).
- (4) The part which the State means to take in further extending propaganda and in dealing with spontaneous expansion (Mr. English).
- (5) The preparation of a Manual (Mr. Campbell).
- (6) A Co-operative Journal for Madras (Mr. Ramachandra Rao).
- (7) Accounts. Statement IV. Should not a fresh column be added to the " Assets " for " Value of Investments " (Mr. Fremantle).
- (8) The financial year (Mr. Buchan).
- (9) The regulation of the borrowing power of societies (Mr. Ramachandra Rao).
- (10) Co-operative wholesale purchase of commodities (Mr. Ramachandra Rao).

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NOTE.—It was thought advisable to adopt practically the whole of last year's programme in the list of subjects for consideration, but only those heads were discussed as to which fresh experience had been gained or on which individual Registrars wanted advice.

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## Minutes of the Third Meeting of Registrars of Co-operative Credit Societies held at Simla on the 5th October 1908 and following days.

Mr. R. W. Carlyle, C.I.E., President of the Conference, welcomed the Registrars and expressed his satisfaction that Burma was represented for the first time on the Conference. He said that the past year had been one of very great interest in which, in spite of scarcity and distress in many provinces, the movement had continued to make rapid and satisfactory progress. The apparent decrease in the number of Central Banks was due to a change in classification in the United Provinces. Their capital had risen from Rs. 1,64,000 to Rs. 2,32,000. The number of Urban Banks had risen from 89 to 149, their members from 33,600 to 55,500 and their capital from Rs. 11,36,000 to Rs. 20,09,000. There were now 1,201 Rural Banks against 740 at the end of the preceding year. Their members had increased from 54,500 to 93,200, and their working capital from Rs. 10,72,000 to Rs. 21,66,000. The grand total of the working capital of Co-operative Institutions in India was now 44 lakhs of rupees, or nearly double the total of the preceding year. It was true of course that little impression had been made on the enormous burden of agricultural indebtedness in India, but a stage had been reached at which serious work was being done and satisfactory progress being made. In this progress every province of importance had shared, but each province had some special feature to show, and the movement was not proceeding on identical lines in every part of India. In the United Provinces a powerful union had proved itself capable of attracting capital and supervising the work of its component societies. In Bengal, perhaps more than anywhere else, strenuous efforts had been made, and with a very large measure of success, to teach perhaps the humblest and smallest collections of humanity that had formed themselves into Co-operative Societies in any part of the world the true principles of co-operation and proper methods of management. In the Punjab great success had been achieved in attracting the confidence and savings of the genuine agriculturist. In Madras the confidence of non-members had been shown by their readiness to make deposits on business terms, and in many districts the influence of the Societies had compelled the money-lender to reduce his rate of interest. The experience of the past year had many lessons to teach. Perhaps the two that had impressed him most deeply on reading the reports of the various Registrars were (1) the necessity for proper instruction before starting a society and while the society was in its infancy, and (2) the necessity for great care in the selection of members. The essential points in the membership of a Co-operative Society would appear to be community of interest and the exercise by the whole of control over each individual member. Experience in each province had shown that the inclusion of the money-lender and the debtor or members of opposite factions in a village in a single society must often court disaster. Then again experience in the United Provinces had shown how important it was to make even the smallest unit which forms part of a larger society understand and do its own work. The need for sufficient capital to supply all the needs of the members was another point which had been very clearly brought out in many of the reports, and unless this problem was solved, and unless a society could obtain this it was bound to end in ultimate failure. If the societies were to succeed they must attract outside capital on business terms, and this could not be done if the interest paid were too low. It appears to be very important in fixing the rate at which members could borrow from any given society that regard should be had to the current rates of interest in the neighbourhood notwithstanding the risk pointed out by the Registrar of the Punjab that the money-lender might try to break up the society by giving out loans at a rate of interest with which the society could not compete. It was perhaps not always remembered that the gain to the member of the society was not merely that he borrowed at a lower rate of interest than he would have to pay in the open market but also that he dealt in his society with an absolutely honest creditor. The two questions of vital importance for the future progress of the movement were the best method of providing for the supervision and financing of Co-operative Credit Societies. Burma, Punjab and Bengal all had the same

story to tell, namely, that the existing staff provided by Government could not do more than deal with societies already in existence, and it was one of the most important and interesting duties of the Conference to consider how this difficulty could best be overcome. As already remarked great success had been attained in this direction by the United Provinces with its District Banks feeding and supervising a number of small bodies. As Mr. Fremantle had pointed out in his very interesting report, the task of ensuring that these smaller bodies were educated on co-operative principles had in the past been somewhat neglected, but provided that due attention was paid to this essential point, it would appear that it was in the adoption of the United Provinces methods that help should be looked for in supervising smaller societies, and the same methods while securing supervision should also go a long way towards attracting the necessary capital, provided always that they were not afraid of paying well for the money borrowed. If they did so, the opposition of the money-lender would be largely disarmed though it would not solve the very difficult problem how to avert or neutralize the hostility of the money-lending landlord or wealthy raiyat whose object it was to get hold of his debtor's lands. Apart from the problems of supervision and finance there were other questions awaiting solution which, though perhaps not vital, were of great importance. The most urgent was the question whether the amendment of the Act should be undertaken at once. The procedure for associating smaller societies with a district or Central Union was at present very cumbersome and very unsatisfactory, and the provisions of section 29 of the Act were perhaps not sufficiently elastic. This was only one point of several which had to be considered in connection with the amendment of the Act. The question of the future constitution of the Conference was also for consideration. Had not the time come when definite arrangements should be made to secure the attendance of some of the many non-official gentlemen who had in the larger Provinces done so much to assist the movement at the Conference? He was at one time inclined to doubt whether the Conference should be held annually, but now he foresaw that so many questions of great and pressing importance were likely to arise in the immediate future that he had little doubt that for the next few years at any rate it would be necessary to hold a meeting annually.

2. The President then suggested that the most convenient course would probably be to refer certain of the most important questions before the Conference to Committees. He suggested that each Committee should appoint its own President, who would be responsible for seeing that their conclusions were properly recorded and laid formally before the Conference.

3. It was agreed that a Sub-Committee consisting of Mr. Gourlay, Mr. Fremantle, Mr. English, Mr. Wilberforce, Mr. R. C. Rao and Mr. Lalubhai Samaldas should be appointed to consider the general question of how to finance Cash Societies [II (C) of the programme] and what was the best type of Central Bank with branches for rural areas [II (F) of the programme]. The special subjects appended to section II (C) of the programme as well as the question raised by Mr. Standen as to how rural societies could avoid leaving part of their working capital unemployed during a portion of the year were also referred to his Sub-Committee for report.

4. It was also resolved that a Sub-Committee composed of Mr. Standen, Mr. Buchan, Mr. Joglekar, Mr. Haller and Mr. Lalubhai Samaldas should be appointed to consider the Rules and Bye-Laws under the Act, the suggested amendments of the Act, and the various other subjects included in item VI of the programme.

5. A third Sub-Committee composed of Mr. De, Mr. Buchan, Mr. Fremantle, Mr. Joglekar and Mr. Standen was also appointed to consider the question how often the Conference should meet as well as the alteration in the financial year proposed by Mr. Buchan, the alteration in the form of Statement IV suggested by Mr. Fremantle and the question raised by Mr. Standen as to the method of showing interest in the profit and loss account.

## I.—GENERAL PROGRESS MADE.

6. Each Registrar then gave a brief account of the work done in his province in the year, mentioning in particular any features which appeared to be of special interest. In Madras, Bombay, Punjab, Coorg and Mysore, though progress had been satisfactory, the movement had continued to develop along the same lines as in the previous year, and the Registrars reported that no features of special interest required notice. In the United Provinces the year had been one of consolidation rather than extension. The staff had been strengthened by the appointment of an Assistant Registrar and six Inspectors, and for the time being supervision had been placed on a sound basis. A beneficial result of this measure had been that the principles of co-operation were becoming better known in the smaller societies. *Patti* societies operating over considerable areas proved of the utmost value during the famine to the agriculturists of the Unao district, but the Registrar is of opinion that small purely village societies are preferable, and he is at present experimenting in the Budaun and other districts on these lines. In Burma, where the Registrar reported that the movement had passed out of the purely experimental stage, and that given favourable conditions its future success was assured, the main feature of the year was the substitution of societies on Raffeisen and Luzatti principles for those of the Schultze type. In Bengal draft bye-laws for a co-operative union have been framed, and it is hoped that they will be applied experimentally during the forthcoming cold weather. The tendency is to work from below rather than from above, and as a preliminary step to the formation of co-operative unions, groups of societies have been formed round honorary organisers. In Eastern Bengal and Assam success has not so far been attained in enlisting the co-operation of the educated classes, but outside capital has been attracted to a considerable extent. Societies were established during the year at Shillong and other places for the express purpose of financing rural societies and banks, but all of them have been registered as Urban Banks instead of as Central societies as they have been empowered to issue loans to their own members under certain conditions. In the Central Provinces, as in the United Provinces, scarcity and famine rendered a cautious policy imperative, and the policy of the year was one of observation and waiting. Indications of future progress however are not wanting, and there is evidence that the movement is beginning to awaken interest among the classes whom it affects.

7. Four general statements\* showing the combined statistics of the societies in the different provinces and illustrating the general progress made are attached to these minutes. The appended tabular statements compare the statistics of this year and those of last.

## I

	30th June 1907.	30th June 1908.
<i>Number of Societies.</i>		
Central . . . . .	14	7
Urban . . . . .	89	149
Rural . . . . .	740	1,201
TOTAL . . . . .	843†	1,357†
Number of members . . . . .	90,834†	1,48,928†

\* See Appendix XVIII.

† Excluding societies in Sind the statistics of which have not yet been received.